

2023 ANNUAL REPORT



ANNUAL REPORT

2023

Report and Statement of Accounts for the
Year Ended 31 December 2023

© 2024 Bank of Jamaica
Nethersole Place
Kingston
Jamaica W.I.

Telephone: (876) 922 0750–9

Fax: (876) 967 4265

Email: library@boj.org.jm

Website: www.boj.org.jm

: [@CentralBankJA](https://twitter.com/CentralBankJA)

Facebook: [@CentralBankJA](https://www.facebook.com/CentralBankJA)

YouTube: [Bank of Jamaica](https://www.youtube.com/BankofJamaica)

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Bank of Jamaica Annual Report and Financial Statements
for the year ended 31 December 2023,
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.

12 March 2024

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 2023 and a copy of the statement of the Bank's accounts as at 31 December 2023, duly certified by the auditors.

Yours sincerely,



Richard Byles



BOARD OF DIRECTORS



Richard Byles
Governor & Chairman



Wayne Robinson
Deputy Chairman



Christine Clarke



Andrea Coy



Richard Pandohie



Richard Powell



E. George Roper

MANAGEMENT COMMITTEE

as at 31 December 2023



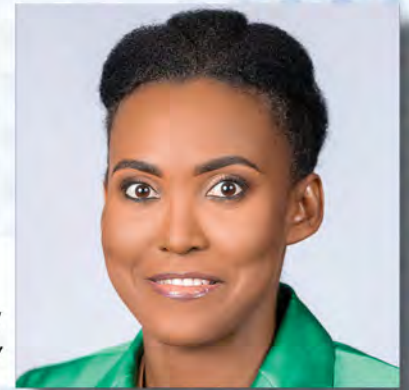
(Left to Right) Jide Lewis, Deputy Governor & Deputy Supervisor; Natalie Haynes, Deputy Governor; Celeste McCalla, Deputy Governor & General Counsel; Richard Byles, Governor & Chairman; Wayne Robinson, Senior Deputy Governor; E. George Roper Deputy Governor; Robert Stennett, Deputy Governor.



COMMITTEE OF ADMINISTRATION



E. George Roper
Deputy Governor/Chairman



Sherene Bailey
Head, Financial Stability



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*



Noel Greenland
*Executive Director,
Communications*



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



Decoda Martin
*Acting, Chief Prudential Officer,
Financial Institutions Supervisory*

COMMITTEE OF ADMINISTRATION

Cont'd



Chevanese Morais
*Division Chief,
Banking & Currency Operations*



Novelette Panton
*Division Chief,
Payment System and
Money Services Oversight*



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



Ian Williams
*Financial Controller/Division Chief,
Finance*



OTHER SENIOR MANAGEMENT



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



Angela Foote
*Chief Audit Executive
Internal Audit Division*



Avlana Johnson
*Deputy General Counsel,
Legal*



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



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



Odean White
*Chief Risk Officer, Corporate Risk
Management*





BANK OF JAMAICA
PRINCIPAL OFFICERS
As at 31 December 2023

GOVERNOR & SUPERVISOR

Richard Byles

SENIOR DEPUTY GOVERNOR

Wayne Robinson

DEPUTY GOVERNORS

Jide Lewis (Deputy Supervisor of Banks)	– Financial Institutions Supervisory Division
Celeste McCalla (General Counsel)	– Corporate Secretary and Legal Services Division
E. George Roper	– Finance, Technology & Administration Division
Natalie Haynes	– Banking, Currency Operations, Payment System and Money Services Oversight Division
Robert Stennett	– Research & Economic Programming & Financial Stability Division

DIVISION CHIEFS

Decoda Martin (Acting 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	– Payment System and Money Services Oversight 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

2023

STRATEGIC HIGHLIGHTS

- During 2023, Bank of Jamaica continued to execute its 2021 to 2023 strategic plan which 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.
- A major initiative was incorporated in the plan in 2023 – the Implementation of Twin Peaks in Jamaica project. Significant work was carried out by both BOJ and the Financial Services Commission towards implementing this new model. A key milestone was reached on 29 September 2023 when the concept paper for the Implementation of the Twin Peaks Model of Financial Regulation in Jamaica was approved by the Minister of Finance and the Public Service.
- Progress was made on the Bank's Account Portability project during the year. The intention of this project is to make it easier for customers to move their accounts from one financial institution to another as this should increase competition in the banking system and incentivise DTIs to adjust their rates in line with BOJ's policy rate more speedily – strengthening the monetary policy transmission mechanism.
- In 2023, meaningful progress was also made on the Implementation of a Special Resolution Regime (SRR) project. This project is geared towards strengthening the country's resolution framework for financial institutions by establishing a framework to make it feasible to resolve financial institutions that are no longer viable in a manner that does not cause severe disruption in the financial system.
- The roll-out of the country's Central Bank Digital Currency, JAM-DEX, continued in 2023. Sagicor was onboarded as a wallet provider, bringing the total number of external wallet providers to three. In addition, activities to allow JAM-DEX to be used at point-of-sale terminals began during the year.
- Implementation of the JamFIRMS II information technology solution advanced in 2023. This solution is intended to reduce the turnaround times for carrying out updates to corporate profiles, undertaking fit and proper assessments and assessing licensing and approval applications.
- During 2023, the Bank completed the procurement of a Human Capital Management system. This system is being implemented to improve the efficiency and effectiveness of the Bank's human resource related processes.
- Bank of Jamaica conducted a culture assessment in 2023. The findings are being used to determine the next steps to be taken under the Culture Transformation Programme. One important step in this programme that was completed in 2023 was the management's approval of a Rewards & Recognition Framework. This framework will facilitate fairness and greater transparency in the areas of rewards and recognition.

690 STAFF MEMBERS



54 Persons
Recruited



1159 Members
BOJ Pension Fund



30 Persons
Exited

STAFF STATISTICS



96.4%
Retention Rate



5.5%
Promotion Rate

2%
Staff Earning
Higher Education
Qualification¹



2.5%
Resignations



162 Courses
Targeted Training Courses
Executed



4.5%
Turnover Rate



71% Achievement Rate

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



2023 at



POLICY RATE

7.00%

The key policy rate remained at 7.00 per cent during the year.



INFLATION

6.9%

Throughout most of the year, annual headline inflation continued on its downward trend since its peak of 11.8 per cent in April 2022 to 6.9 per cent at December 2023.



GROSS RESERVES

US\$4.9 billion

The country maintained a strong reserve position, equivalent to 116.4% of the Assessing Reserve Adequacy (ARA) metric at end-2023.



UNEMPLOYMENT RATE

4.2%

At October 2023, Jamaica's unemployment rate declined to a historic low of 4.2%.

a Glance



NO. OF DEPOSIT-TAKING INSTITUTIONS (DTIs)

11

The total number of licensed DTIs operating in Jamaica remained at 11, comprising 8 commercial banks, 1 merchant bank and 2 building societies.



ASSET QUALITY

2.5%

Asset quality, as measured by the ratio of total non-performing loans (past due 3 months and over) to total loans, was unchanged at 2.5 per cent at end-2023, relative to end-2022.



DEPOSIT DOLLARISATION RATIO

35.7%

(includes interest accrued on deposits)
With improved confidence in the Jamaica Dollar, the ratio of deposits held in foreign currency within DTIs declined to 35.7% at end-2023.



GDP GROWTH

2.6%

The economy grew by an estimated 2.6 per cent in calendar year (CY) 2023, largely reflecting a normalisation in economic activity, occasioned by the economy's rebound following the COVID-19 pandemic.

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COMMUNICATIONS AND
CORPORATE SOCIAL
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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) remained focused on the attainment of its mandate of price and financial system stability throughout 2023. While headline inflation recorded a general downward trend during the year, it remained above the Bank's target range and continued to reflect significant upside risks. In this context, the Bank opted to maintain a tight monetary policy posture by continuing its suite of measures. Despite several challenges, real economic activity within the Jamaican economy continued to expand. In addition, the unemployment rate fell to a historic low, the financial system remained sound and well-capitalised, foreign reserves remained robust.



Annual headline inflation at December 2023 was 6.9 per cent, lower than the 9.4 per cent recorded a year earlier. Underlying or core inflation (which removes the impact of changes in food and fuel prices from headline inflation) also decelerated to 5.7 per cent at December 2023 from 8.5 per cent at the end of the previous year. The deceleration in headline inflation was largely facilitated by the Bank's tight monetary policy posture and was supported by falling international commodity prices, particularly for grains, crude oil and liquid natural gas (LNG).

During the year, the Bank, through its Monetary Policy Committee (MPC), met eight times to contemplate a monetary policy decision. On all these occasions, the Committee decided to reaffirm its tight monetary policy posture of maintaining: (i) the Bank's policy rate at 7.0 per cent per annum; (ii) tight Jamaica dollar liquidity conditions via the use of Open Market Operations (OMOs); and (iii) relative stability in the foreign exchange market via the provision of US dollar liquidity support. In support of this posture, the Bank also implemented an increase of one percentage point in the Cash Reserve Requirements (CRRs) applicable to DTIs, effective 01 April 2023. In addition, the interest rate corridor was widened from 200 basis points to 300 basis points effective 21 November 2023, as such, the rate on the Bank's Standing Liquidity Facility (SLF) increased from 9.0 per cent per annum to 10.0 per cent per annum. Additionally, on 06 November 2023, the Bank removed the absolute limit on FX net open positions (FXNOP) applicable to Authorised Dealers, in an effort to promote relative stability in the exchange rate. The MPC emphasized that future monetary policy decisions would depend on incoming data related to the strength of the potential risks to inflation. Going forward, the MPC indicated its readiness to take the necessary actions, including further tightening its monetary policy posture, if the emerging upside risks to inflation materialise.

Real economic activity is estimated to have expanded by 2.6 per cent in 2023, a slower pace than the growth of 5.2 per cent in 2022. The slowdown largely reflected a normalisation in economic activity following the economy's rebound from the COVID-19 pandemic over the prior two years. Real GDP growth in 2023 largely reflected expansions in Mining & Quarrying as well as Tourism and its affiliated services. A significant growth in Mining & Quarrying was underpinned by increased alumina production, due to higher capacity utilization, while the expansion in Tourism and its affiliated services was bolstered by increased seat and room capacity as well as continued robust promotion.

Jamaica's gross foreign assets (GFA) increased during 2023, relative to the previous year, remaining well above levels considered adequate. The increase in the GFA predominantly reflected the impact of receipts from the IMF's

Resilience and Sustainability Facility (RSF), net foreign currency purchases by BOJ as well as inflows to the Government from its global bond liability management exercise. Notably, Jamaica's sovereign bond ratings improved in 2023 in the context of the country's significant progress with debt reduction, continued deployment of prudent fiscal and macroeconomic policies and the generally positive economic performance and outlook.

Despite elevated inflation and interest rates, Jamaica's financial sector remained stable. Deposit-taking institutions (DTIs) maintained capital adequacy ratios (CAR) above the regulatory benchmark and reflected resilience to hypothetical market, credit and liquidity risk shocks. Similarly, standard indicators of financial health for the DTIs, in particular, capitalization, liquidity, profitability and asset quality measures were generally stable. Private sector credit continued to grow during the year, albeit, below pre-pandemic levels.

On 23 January 2023, the Minister of Finance and the Public Service announced that Jamaica would be transitioning to the "Twin-Peaks" regulatory framework of financial sector regulation and supervision. Under this framework, BOJ will be responsible for the prudential supervision of all financial institutions operating within Jamaica and the Financial Services Commission (FSC) will be responsible for market conduct and consumer protection oversight. Significant work was carried out by both BOJ and the FSC towards implementing this new model during the year, including the approval of a concept paper for the implementation of this framework in September 2023.

Over the review year, significant work also continued on a number of key initiatives pertaining to banking supervision, including the implementation of Phase I of the Basel III Framework. Given the critical role that DTIs play in ensuring the safety and soundness of the financial system, the Bank also dispatched a Supervisory Guidance on "Corporate Governance: Board Oversight" in July 2023, which outlined minimum supervisory expectations that DTIs must incorporate in their governance frameworks.

During 2023, the Bank commenced the implementation of a Risk-Based Supervisory (RBS) framework for the cambio sector. The RBS approach facilitated targeted Anti-Money Laundering (AML)/Combatting the Financing of Terrorism (CFT)/Combatting the Financing of the Proliferation of Weapons of Mass Destruction (CFP) monitoring through more efficient employment of the supervisory resources in assessing the compliance framework of each entity, in keeping with its inherent risk and implications for financial system stability.

Bank of Jamaica's oversight of the Financial Market Infrastructures (FMIs) remained focused on mitigating systemic risk and improving the safety, reliability and efficacy of the payment, clearing and settlement framework for domestic payments during the review year. Key achievements for the review period included continued preparatory work to expand the Central Bank Digital Currency, JAM-DEX® ecosystem, which included the development of a Merchant Strengthening strategy and engagement with an external technology service provider to bolster merchants' acceptance. In addition, another financial institution was onboarded as a wallet provider, bringing the total number of external wallet providers to three. Activities to allow JAM-DEX® to be used at point-of-sale terminals also began during the year. In addition, Cabinet approved the submissions for the proposed amendments to the Payment Clearing and Settlement Act, 2010 to enhance the Bank's supervisory powers over Payment Service Providers (PSP) and FMIs during 2023. Other major achievements, during the year, were the introduction of revised retail payment forms to enhance the capturing of data from DTIs and Bill Payment Service Providers and the advancement of the project to adopt ISO 20022 in the JamClear® Systems and other retail payment systems.

On 15 June 2023, for the first time since the original banknote series was issued in 1969, the Bank introduced a newly redesigned family of banknotes. The new series comprised of six denominations including the introduction

of a \$2000 banknote. The upgrade of Jamaica's banknotes was aimed at *inter-alia*: (i) enhancing the security of the banknotes to combat counterfeiting; (ii) better satisfying the needs of the visually impaired; (iii) providing cost savings to Bank of Jamaica since the new banknotes are more durable; (iv) ensuring a clear distinction between the different denominations; and (v) honouring all our National Heroes and deceased Prime Ministers.

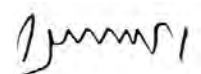
For the review year, the Bank's Board of Directors, its board committees as well as the statutory committees achieved and, in some instances, exceeded the stipulated number of meetings required.

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. 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.

In 2023, Bank of Jamaica continued to execute its strategic plan, which primarily focused on its mandate of ensuring price and financial system stability, alongside embracing digital and cultural transformation. Progress was also made on the Account Portability and e-KYC sharing projects, aimed at enhancing competition in the banking system. Additionally, noteworthy strides were made in the implementation of a Special Resolution Regime (SRR) project, geared towards strengthening the country's resolution framework for financial institutions, as well as the Jamaica Financial Reporting Information Management System (JamFIRMS) II information technology solution. The Bank also procured a Human Capital Management system (HCMS) to enhance the efficiency of human resource-related processes. Furthermore, a culture assessment conducted by the Bank during the year prompted initiatives such as a Rewards & Recognition Framework, aimed at fostering fairness and transparency in rewards and recognition practices.

Bank of Jamaica remained committed to pursuing effective communication as a vital component of its proactive policy and moral suasion efforts, aimed at promoting low, stable and predictable inflation while fostering stability in the financial system. Accordingly, during the year, various initiatives were implemented across diverse communication channels to augment the effectiveness of monetary policy. Additionally, the Bank's commitment to engage in community outreach and welfare programmes as well as initiatives to support education and the arts was maintained. This commitment aligns with its enduring belief that corporate social responsibility is of paramount importance.

In conclusion, despite the challenges faced in 2023 that posed obstacles to achieving the primary goal of price stability, Bank of Jamaica remained unwavering in its dedication to effectively fulfil its mandate. Accordingly, the Bank will maintain heightened surveillance of the global and domestic economies for potential risks to price and financial system stability and is prepared to take appropriate actions 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, 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 rate offered to deposit-taking institutions on overnight placements with Bank of Jamaica. Monetary policy decisions are taken by majority vote by the five-member 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) through three statutory committees: the Financial

System Stability Committee (FSSC), the Financial Regulatory Committee (FRC) and the Financial Policy Committee (FPC).

Other Responsibilities

In addition to the primary mandates of maintaining price stability and financial system stability, the Bank is 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.

Developments in 2023

On 23 January 2023, the Minister of Finance and the Public Service announced that the country would be transitioning to the "Twin-Peaks" regulatory framework of financial sector regulation and supervision. Under this framework, BOJ will be responsible for prudential supervision of all financial institutions operating within Jamaica while the FSC will be responsible for market conduct and consumer protection oversight of the financial sector.



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

GOVERNANCE



DR. JOHN J. M. RUTHERFORD
PRESIDENT OF THE UNIVERSITY OF
THE SOUTH PACIFIC
1981-1988

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 Act, as amended in 2020 (and which amendment took effect in 2021), 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 Chairman of the Board of Directors. The other Directors of the Board are: the Senior Deputy Governor, a Deputy Governor appointed by the Governor General in Council on the recommendation of the Board, and five independent directors appointed by the Governor General in Council. The Governor, Senior Deputy Governor and the Deputy Governor are ex-officio members of the Board. Under the Bank of Jamaica (Amendment) Act, 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 ten, eight, six, four and two 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. Under the amended law an employee of Government, a 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 2023, sittings of the Board, Board Committees and Statutory Committees continued to be held virtually with the concurrence of members. One in-person meeting of the Monetary Policy Committee was held in March 2023.

Board of Directors

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

- **Membership**

At 31 December 2023, the ex-officio members of the Board of Directors were: Governor Richard

Byles (Chairman), Senior Deputy Governor Dr Wayne Robinson and Deputy Governor Edmond George Roper. The appointed members of the Board were: Dr Christine Clarke, Mrs. Andrea Coy, Mr. Richard Pandohie, who was appointed to the Board effective 31 January 2023 to 15 April 2025, and Mr. Richard Powell. Mr. Howard Mitchell, who was first appointed to the Board of Directors for a

two-year period effective 16 April 2021, indicated his unavailability for renewal of appointment on expiry of his appointment. The Bank recorded its appreciation to Mr. Mitchell for his sterling contribution to the Board over the period of his tenure. At 31 December 2023, there was one vacancy on the Board consequent on the expiry of Mr. Mitchell's appointment.

- **Board of Directors' Meetings**

The Board held 11 meetings in 2023, exceeding the legal stipulation 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, the 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. Richard Pandohie who was appointed with effect from 26 April 2023. The Committee, which is required to meet at least four times per year, met six times in 2023.

The Budget Committee was chaired by Mr. Richard Powell. The other member of the Committee was Dr Wayne Robinson. There was one vacancy at the end of December 2023. This committee met twice in 2023, satisfying the minimum requirement.

Mrs. Andrea Coy chaired the HRD Committee with the other members being Mr. Richard Pandohie, who was appointed with effect from 26 April 2023, and Mr. Richard Powell. This Committee is required to meet quarterly or more often, as necessary. Six meetings were held during 2023 (see **Table 1**).

Statutory Committees

The statutory committees of the Bank are: the Supervisory Committee (SC), established by the Banking Services Act of 2014; the Financial System Stability Committee, established by the 2015 amendment to the Bank of Jamaica Act; and the Monetary Policy Committee and Financial Policy Committee, established 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 to facilitate the exchange of regulatory information. The establishment of the FRC was recognized in statute through amendments to the Bank of Jamaica Act that were effected with the passage and promulgation of the Banking Services Act. Meetings of these statutory committees were chaired by the Governor (see **Table 2**).

- **Supervisory Committee**

The Banking Services Act (BSA) 2014, section 6(1), established the Supervisory Committee (SC) 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.

Table 1: Board of Directors' Meetings and Board Committee Meetings for 2023

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.	6
Budget Committee	Richard Powell	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.	6

There are five members of the SC, three of whom are ex-officio and two persons external to the Bank and 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 2023, the members of the SC were Governor Richard Byles, who is the Supervisor of banks, financial holding companies and other specified financial institutions, Deputy Supervisor Dr Jide Lewis, Senior Deputy Governor Dr Wayne Robinson, Ms Shirley-Ann Eaton and Professor David Tennant. Under the BSA, the SC is empowered to meet at such times as may be necessary or expedient for the transaction of business. Accordingly, the SC held six meetings during 2023.

- **Financial System Stability Committee**

The FSSC provides support to the Bank in respect of the identification and mitigation of systemic threats to the financial system. The functions of the FSSC are outlined at section 34M of the Bank of Jamaica (Amendment) Act, 2015. For 2023 the activities of the FSSC largely focused on: (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 and the global economies; (ii) giving oversight to the design and conduct of periodic stress tests regarding plausible systemic threats to the stability of Jamaica's financial system; and (iii) recommending policies to the FPC to assist with the fulfilment of the Bank's 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 Deputy Governor or other Deputy Governor or 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.

“The FSSC provides support to the Bank in respect of the identification and mitigation of systemic threats to the financial system.”

At 31 December 2023, the members were Governor Richard Byles, Senior Deputy Governor Dr Wayne Robinson, Deputy Supervisor Dr Jide Lewis, Financial Secretary Darlene Morrison, Lieutenant Colonel (Lt Col) Keron Burrell, who was seconded from Bank of Jamaica to the FSC as Executive Director effective 31 January 2023, Miss Antoinette McKain (CEO of JDIC), Mr. David Marston and Dr Lavern McFarlane. Four meetings of the FSSC were held during 2023.

- **Monetary Policy Committee**

The Monetary Policy Committee of the Bank was established by the Bank of Jamaica (Amendment) Act, 2020, which was passed in December 2020 and brought into effect on 16 April 2021. 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. In this regard, the MPC has the responsibility for determining the monetary policy of the Bank. As stated by the Act, in carrying out its functions, the MPC 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 external to the Bank and 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 2023, the ex-officio members were Governor Richard Byles, Senior Deputy Governor Dr Wayne Robinson and Deputy Governor Robert Stennett. The appointed members were Dr Nadine

McCloud and Mr. David Marston. During the year, 24 meetings of the MPC were convened to discuss in depth matters related to financial intermediation, the

monetary policy transmission mechanism and inflation.

Table 2: Statutory Committees Meetings for 2023

Committee	Mandate	No. of meetings
Supervisory Committee	The SC provides prudential regulation and supervision of deposit-taking institutions, their financial groups and holding companies.	6
Financial System Stability Committee	The FSSC identifies systemic threats to the financial system and recommends and assists with engaging mitigating measures.	4
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.	24
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). 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.	7

● Financial Policy Committee

The Financial Policy Committee (FPC) of the Bank was established by the Bank of Jamaica (Amendment) Act, 2020 and is charged with the responsibility for determining the financial policies of the Bank, that is those policies that govern the conduct and promote the proper functioning of the financial system. Additionally, the FPC has responsibility for decisions on all issues related to financial policy including: (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, two appointed members external to the Bank and four ex-officio members. The appointed members were

each appointed by the Governor General in Council 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 Deputy Supervisor, such other senior executive of the Bank determined by the Board, and the Deputy Supervisor. At 31 December 2023, the members were Governor Richard Byles, Senior Deputy Governor Dr Wayne Robinson, Deputy Supervisor Dr Jide Lewis, Deputy Governor Natalie Haynes, Mrs. Myrtle Halsall and Professor David Tennant. Under the BOJ (Amendment) Act, 2020, the FPC is mandated to hold a minimum of four meetings per year. During 2023, six meetings were held.

● Financial Regulatory Committee

The FRC ((formerly the Financial Regulatory Council) is an inter-agency committee of regulators established in 2000 for the purpose of cooperation and information exchange. This committee's operations are set out in a Memorandum of Understanding (MOU) which was initially established in 2000 but was replaced by an updated MOU dated 14 March 2018. The committee was given a statutory basis in 2014 by the 2014 amendment to the Bank of Jamaica Act which was consequentially amended with the passage and promulgation of the BSA. Under the MOU each member agrees 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, objectives focus on those policies and procedures appropriate to the strengthening and regulation of the financial system.

There are four ex-officio members of the FRC: the Governor (Chairman); the Financial Secretary; the CEO of the JDIC; and the Executive Director of the FSC. At 31 December 2023, these persons were Governor Richard Byles, Miss Darlene Morrison, Miss Antoinette McKain and Lt Col Keron Burrell who was seconded from Bank of Jamaica to the FSC effective 31 January 2023. The FRC is statutorily required to meet at least seven times each year. During 2023 seven meetings were held.

The Supervisory Appeals Board

The Supervisory Appeals Board (SAB) was established by section 27 of the BSA 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.

In 2021, the SAB was operationalized by the appointment of its first members by the Governor General on the advice of the Minister with responsibility for Finance:

- (i) Hon. Ms. Justice Ingrid Mangatal (retired Judge). She resigned from the Board effective 15 December 2022;
- (ii) Mrs. Audrey Anderson, C.D., (retired Senior Deputy Governor, Bank of Jamaica); and
- (iii) Mr. Barrington Chisholm, J.P., (retired banker).

The appointments of both Mrs Anderson and Mr Chisholm expired 08 February 2023. The Bank awaits information regarding the appointment of persons to the SAB.

The draft Supervisory Appeals Board Rules and Process is to be finalised 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 as provided for under the Bank of Jamaica Act.

The salary and allowances of Executive Management for the year ended 31 December 2023 are described below:

- (i) Salary Range of Executive Management
 - \$18 334 025.28 – \$33 218 756.52
- (ii) Allowances – Deputy Governors
 - \$2 262 178.75 – \$6 335 776.68

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 2023, the Senior Deputy Governor and four of the Deputy Governors were members of the non-contributory pension scheme sponsored by the Bank. The Governor and one Deputy Governor 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 the Supervisory Committee, the Financial System Stability Committee, Monetary Policy Committee and Financial Policy Committee. Statutory Committee members are not eligible for staff-related benefits.

ADMINISTRATION



DR. JOHN W. RUTHERFORD
PRESIDENT OF THE UNIVERSITY OF ALABAMA
1961-1971



BOJ staff participating in an activity at a staff engagement event.

ADMINISTRATION

The year 2023 was one of new and expanding mandates for Bank of Jamaica, particularly as it related to the regulation of the non-banking sector and the introduction of an implementation framework for the Twin Peaks regulatory regime. Therefore, great emphasis was placed on bolstering the talent pool and professional development within the divisions significantly impacted by the regulatory regime

implementation. Additionally, the Bank continued its thrust towards staff engagement and a number of strategic initiatives continued during the year, including but not limited to: (i) the Enhanced Employee Engagement Programme; (ii) the Human Capital Management System Project; and (iii) the Organization Structure Review Project.

BOJ increases staff complement in 2023

At 31 December 2023, the Bank's staff complement was 690, comprising of 500 permanent staff and 190 staff on fixed-term contracts. During the year, 54 persons were recruited while 30 staff exited the organization through retirement, resignation and termination.

Organisational reviews continued

The Bank's organisational development programme continued to focus on strengthening the effectiveness and efficiency of the organisational arrangements to include structures. Of significance was the conclusion and approval of organisational reviews for four business units. The completed organisational reviews were in direct support of the Bank's objective of price stability, specifically the operations of the financial market through the Market Operations and Analysis Department. At end-2023, the completed reviews resulted in a 71 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 2023, Bank of Jamaica strategically focused on aligning initiatives, developing leadership, upskilling staff in pivotal competency areas while also proactively responding to and preparing for emerging needs and priorities. A total of 162

interventions were coordinated and executed in 2023, which represented a 20 per cent increase over 2022. Of note, the Bank achieved a first-time-ever 99 per cent training score against a target of 80 per cent, through specialized curated courses in response to emergent needs and the dynamic regulatory landscape and attendant capacity building requirements.¹



Deputy Governor E. George Roper and fellow staff member Mrs Mead Harrow at Annual Employee Awards ceremony



Governor Richard Byles pins Governor's award recipient Mrs Omally-Johnson (Application Specialist) at Annual Employee Awards ceremony

¹ The training score refers to the percentage of staff exposed to at least one training opportunity during the course of the year.

Significant among the interventions were the signing of a contract with Oxford University for a customised leadership development programme for BOJ, the launch of Lead Phase II, which for the first time, included level 12 supervisors and Performance Coaching for the Financial Institutions Supervisory Division's Senior Management Team.

Employee relations climate remained stable during the year

The Industrial Relations (IR) climate was stable during the period under review. IR issues raised were successfully resolved internally. The negotiations for improved wages and benefits with the staff representative groups were successfully completed and implemented.

An Occupational Health and Safety (OHS) Policy, that provides the framework and guiding principles

on how the Bank will treat with OHS matters, was drafted and approved during the year.

BOJ Pension Fund comprises 1159 members

Membership in the BOJ Pension Fund was 1 159 as at 31 December 2023. This comprised 498 active members, 499 pensioners, 113 deferred pensioners and 49 beneficiaries (45 spouses and 4 dependent children). Of the 498 active members, 257 or 52 per cent were vested.



BOJ Staff showing their support for their high schools during the week of ISSA's Boys and Girls high school athletic championships

STRATEGIC PLAN



HOWARD C. BETHUNE
PRESIDENT OF THE UNIVERSITY OF FLORIDA
1955-1968

STRATEGIC PLAN 2021-2023

During 2023, 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 mandate, which is to maintain price stability and financial system stability; (ii) digital transformation, which is geared towards

upgrading processes to improve efficiency; and (iii) culture transformation, which is geared towards ensuring that the entire BOJ team is engaged and demonstrates the Bank’s core values on a consistent basis.

Moving to a “Twin Peaks Model”

During the review year, significant progress was made in executing the strategic plan. In addition, a major initiative, the Implementation of Twin Peaks in Jamaica project, was added and incorporated into the plan. This followed an announcement by the Minister of Finance and the Public Service (the Minister), on 23 January 2023, that the country would be moving to a “Twin Peaks Model” of financial sector regulation and supervision. Under this model, BOJ will be responsible for prudential supervision of all financial institutions operating within Jamaica while the FSC will be responsible for market conduct and consumer protection oversight of the financial sector.¹

Significant work was carried out by both BOJ and FSC towards implementing this new model and a key milestone was reached on 29 September 2023 when the concept paper for Implementation of the Twin Peaks Model of Financial Regulation in Jamaica was approved by the Minister.



Governor Richard Byles



A major initiative, the Implementation of Twin Peaks in Jamaica project, was added and incorporated into the plan.



¹ This represents a significant shift from the current sector-by-sector-based approach, in which BOJ has oversight of DTIs and the FSC has oversight of non-bank financial institutions.



Supporting the Mandate

STRATEGIC PRIORITY: 1

- In addition to the work carried out on the Twin Peaks project during the year, progress was made on the Bank's Account Portability project. With the assistance of the World Bank, research was carried out on other countries' experiences with deposit and credit portability. This research, along with other studies that are being undertaken, will be used to determine the most appropriate modality for and the feasibility of account portability in Jamaica. The intention is to make it easier for customers to move their accounts from one financial institution to another, which should increase competition in the banking system and incentivise DTIs to adjust their rates in line with BOJ's policy rate more speedily. This would have the effect of strengthening the monetary policy transmission mechanism and improving the Bank's ability to maintain inflation within the targeted range.
- In 2023, meaningful progress was also made on the Implementation of a Special Resolution Regime (SRR) project. This project is geared towards

strengthening the country's resolution framework for financial institutions. The SRR will establish a framework to make it feasible to resolve financial institutions that are no longer viable and have such resolutions done in a manner that does not cause severe disruption in the financial system. During the year, Cabinet approved the submission for the preparation of drafting instructions for SRR legislation, and at end-2023, the draft bill was in the process of being prepared. The Bill is expected to be passed in Parliament in 2024.

- To ensure that the Bank is in a position to effectively undertake its mandate, continued focus was placed on attracting and retaining a competent cadre of central bankers. Following a review of the Bank's compensation philosophy in 2022, when team members' basic salaries were realigned to the 50th percentile of the market, basic salaries were moved to the 60th percentile of the market in 2023. 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

- The roll-out of the country’s Central Bank Digital Currency, JAM-DEX, continued in 2023. Sagicor was onboarded as a wallet provider, bringing the total number of external wallet providers to three.² Activities to allow JAM-DEX to be used at point-of-sale terminals also began during the year.
- Implementation of the JamFIRMS II information technology solution advanced in 2023.³ This solution is intended to reduce the turnaround times for: (i) carrying out updates to corporate profiles; (ii) undertaking fit and proper assessments; and (iii) assessing licensing and approval applications. DTIs began using the module that deals with corporate profiles in 2022 and, at end-2023, the other two modules were deployed into production. It is expected that DTIs will be able to begin using those modules in the first quarter of 2024.
- In 2023, the procurement of a Human Capital Management (HCM) system was completed. By the end of the year, configuration of the system was in train. 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 centralised 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.
- Procurement related to the Bank’s Key Information for Organisational Strategic Knowledge (KIOSK) project advanced during the year. Under this project, a centralised data repository will be implemented that will function as the “single source of truth” for statistical and econometric data across the Bank. The acquisition and dissemination of data will also be streamlined and thus improve the Bank’s efficiency in carrying out its mandate. By end-2023, the Bank had selected a system vendor and approval to proceed with that vendor was being sought from the relevant authorities.
- Another initiative that is being undertaken to improve efficiency within the Bank is the Enterprise Document and Records Management System (EDRMS) project. It aims to improve the management of all of the Bank’s records. Challenges were experienced in the implementation of this project during the year, mainly related to the configuration of the software to satisfy data protection requirements. As at end-2023, steps were being taken to address the issues.

² The other external wallet providers are JN Bank and National Commercial Bank (NCB).

³ JamFIRMS – Jamaica Financial Reporting Information Management System



Culture Transformation

STRATEGIC PRIORITY: 3

- During the year, a range of activities were executed that were geared towards enhancing employee engagement. Many of these activities were held face-to-face. This was a welcomed change from the three previous years during which most activities had to be conducted virtually or using a hybrid modality due to the issues posed by the COVID-19 pandemic.
- Importantly, a culture assessment was conducted in 2023. This involved surveying and holding focus group sessions with the Bank's team members to ascertain their perceptions of the organisation's culture. At the end of the year, the findings were being used to determine the next steps to be taken under the Culture Transformation Programme.
- In 2023, management approved a Rewards & Recognition Framework. This framework will facilitate fairness and greater transparency in the areas of rewards and recognition, which should engender greater trust within the BOJ team.



BOJ staff enjoying the festivities at staff engagement event

Extending the Strategic Plan into 2024

During 2023, the Bank's strategic plan for the period 2021 – 2023 was reviewed. The management and Board agreed that it remained appropriate and, as such, the decision was taken to continue with that plan in 2024. Thus, the work that was in progress at the end of 2023 will continue in earnest in 2024. All of this work is geared towards achieving the Bank's mandate

and realizing the vision of becoming the world's leading central bank contributing to the development of Jamaica.



CORPORATE S

Bank of Jamaica Strategic

Tagline: Mission Excellence...Re

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 promote the wellbeing and professional development of employees	

Strategic Objectives		Measures (KPIs)	Targets
CUSTOMER/STAKEHOLDER <i>Price Stability & Financial System Stability Excellence</i>		1. Stakeholder Relations Index	70
		2. Inflation Target Ratio 3. Financial System Stability Score 4. Governance Index	90 28.0 (up) 80
FINANCIAL/STEWARDSHIP <i>Governance Excellence</i>		5. Awareness Index	80
		6. Corporate Efficiency Index	80
BUSINESS PROCESSES <i>Operational Excellence</i>		7. Employee Engagement Score	75
		8. Talent Management Index	80
ORGANIZATIONAL CAPACITY <i>Great Place To Work</i>		9. Core Values Alignment Index	Baseline
		10. % of Targeted Deliverables Achieved	100
		11. Business Continuity Infrastructure Index	80

Core Values :

Fairness

Equity

Transparency

Excellence

Confidence

STRATEGY MAP

Plan 2021 – 2023

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, promotes the transparency, equity and fairness.		The agreed price stability and financial system stability development objectives are achieved.	
Targets	Strategic Initiatives			
	Support Mandate	Digital Transformation	Culture Transformation	
0%				
0% (per limit)				
0%	<ol style="list-style-type: none"> Account Portability Project* Strengthen Monetary Policy Tools* Enhanced Communication Programme* Table Legislation & Implementation of SRR Structure Develop and Implement Enabling Regulatory Framework for PSPs Implementation of RBS Framework for MSBs Twin Peaks 	<ol style="list-style-type: none"> National Roll-out of CBDC Implementation of JamFirms II – (Phases 2 & 3) 		
5%	<ol style="list-style-type: none"> Organizational Structure – Phase I 	<ol style="list-style-type: none"> Implementation of Human Capital Management (HCM) Implementation of Business Continuity Infrastructure Programme Implementation of Enterprise Document & Records Management System (EDRMS) Implementation of Key Information for Strategic Knowledge (KIOSK)* Develop and implement Framework for Business Processes Inventory 	<ol style="list-style-type: none"> Implementation of Enhanced Employee Engagement Programme Enhanced Performance Management Programme Develop and implement Culture Transformation Programme 	
0% (e Score)	* Projects under the Monetary Policy Transmission Programme	* Project under the Monetary Policy Transmission Programme		
0%				
0%				
Integrity	Honesty	Integrity	Respect	Team Work

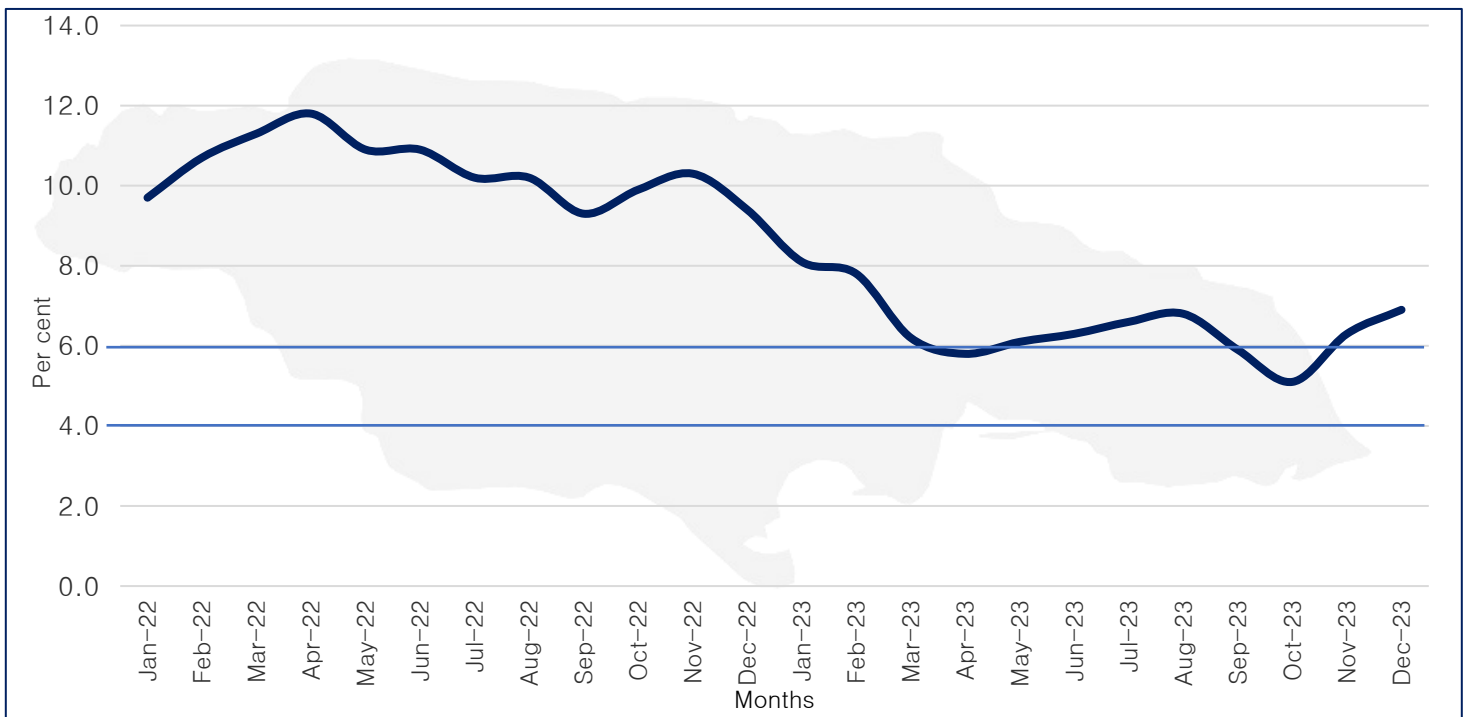
MONETARY POLICY



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

Jamaica's Inflation Rate Trending Down

12-month point-to-point change in the Consumer Price Index



MONETARY POLICY

During the review year, domestic inflation continued on the downward trend, following the peak of 11.8 per cent in April 2022. Supported by falling international commodity prices, this deceleration was largely facilitated by the Bank's tight monetary policy posture. Inflation, however, exceeded the Bank's target of 4.0 to 6.0 per cent for most of the year. In an effort to guide inflation back within the target, the Bank maintained: (i) the policy rate at

7.0 per cent; (ii) relative stability in the foreign exchange market; and (iii) tight Jamaica dollar liquidity conditions via increasing the Cash Reserve Requirements (CRRs) and the use of Open Market Operations (OMOs).

The MPC noted that future monetary policy decisions would depend on incoming data related to the strength of the potential risks to inflation.

BOJ maintained its tightened monetary policy stance in 2023

Domestic inflation, while decelerating from its peak of 11.8 per cent in April 2022, continued to breach the upper-end of the Bank's target of 4.0 to 6.0 per cent throughout most of the year. This performance was largely due to the impact of high agricultural inflation associated with adverse weather, an upward adjustment in the national minimum wage and an increase in public passenger vehicle (PPV) fares announced by the Government in October 2023. In an effort to guide inflation back within the target, the MPC maintained: (i) the policy rate at 7.0 per cent (see **Chart 1**); (ii) relative stability in the foreign exchange market; and (iii) tight Jamaica dollar liquidity conditions. The maintenance of tight liquidity involved the use of OMOs as well an increase of one percentage point in the Cash Reserve Requirements (CRRs) applicable to DTIs, effective 01 April 2023. Further, the interest rate corridor was widened from 200 basis points to 300 basis points. In that regard, effective 21 November 2023, the rate on the Bank's Standing Liquidity Facility (SLF) increased from 9.0 per cent per annum to 10.0 per cent per annum.

While the MPC maintained its monetary policy stance throughout the year, it noted that the upside risks to the inflation outlook were elevated. These risks included second-round effects from the PPV fare increases, sharper-than-anticipated increases in domestic agricultural price inflation over the near

Monetary Policy

term, and higher-than-projected future wage adjustments in the context of the tight domestic labour market. Going forward, the MPC signalled that it would take the necessary actions, including further tightening of monetary policy, if the upside risks to inflation materialise.

Chart 1: Policy interest rates
(percentage rate)



Source: BOJ

Inflation continued to decelerate but breached the Bank's target for most of 2023

Annual inflation breached the target of 4.0 to 6.0 per cent on nine occasions during the review year. These breaches primarily reflected the impact of high agricultural inflation, associated with adverse weather, the upward adjustment in the national minimum wage and an increase in PPV fares announced by the Government in October 2023. In

addition, there were higher education and restaurant costs during the year.

Nonetheless, inflation trended downward during the year from 9.4 per cent at December 2022 to 6.9 per cent at December 2023 (see **Chart 2**). Inflation also remained below the peak rate of 11.8 per cent at April 2022. The deceleration in inflation in 2023 was facilitated by the Bank's tight monetary policy posture, which was supported by a relatively stable exchange rate and falling commodity prices, particularly for grains, crude oil and liquid natural gas (LNG).

West Texas Intermediate (WTI) crude oil prices averaged \$77.62 per barrel in 2023 from \$94.29 per barrel in 2022, reflecting a decline of 17.7 per cent. This decline primarily reflected the impact of lower global demand amid tight monetary conditions. The decline also reflected a normalization in prices following geopolitical tensions which led to an escalation of prices in 2022. Similarly, LNG prices fell from an average of US\$6.51 per million British Thermal Units (BTU) for calendar year 2022 to US\$2.67 per millions (BTU) in 2023.

Average grains prices for 2023 declined by 22.4 per cent, relative to the average prices in 2022. The reduction was associated with lower prices for corn (30.2 per cent annual decline), wheat (26.6 per cent annual decline) and soybean (16.4 per cent annual decline). The decline in average grains prices was supported by: (i) improvement in Brazil's weather conditions; (ii) reduced production and transportation cost due to lower crude oil prices; (iii) beneficial rain in the US Southern Plains; and (iv) a steady increase in exports from Ukraine.

Adverse weather conditions towards the end of the year negatively impacted agricultural supply conditions leading to higher prices for these commodities.

Underlying (or core) inflation (which removes the impact of changes in food and fuel prices from headline inflation) was 5.7 per cent at December 2023, a deceleration from the 8.5 per cent at the end of 2022. The slowdown in core inflation

primarily reflected the impact of tight monetary and fiscal policy. Inflation expectations (measured through a survey of business firms) also continued to moderate following the peak of 13.1 per cent in June 2022. In the survey at December 2023, businesses' expectations of 8.0 per cent, represented a deceleration when compared to 11.5 per cent in the November 2022 survey.

Chart 2: Inflation breached the target for majority of 2023 (annual per cent)



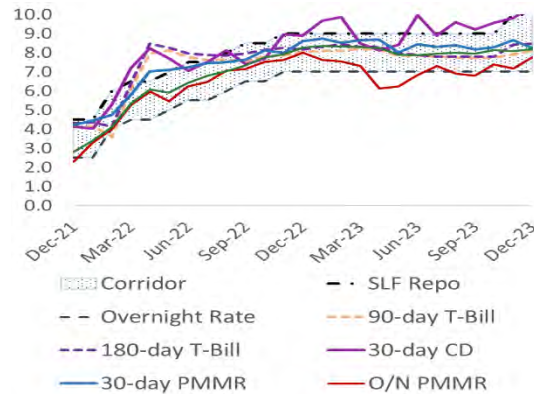
Source: STATIN, BOJ

Market rates generally converged to the policy rate

In the context of the tight Jamaica dollar liquidity, there were increases in selected market interest rates over the year, with the exception of private money market rates (see **Chart 3**). Specifically, the weighted average lending rate on bank loans to the private sector at December 2023 was 12.30 per cent, an increase of 56 basis points (bps) relative to December 2022. Similarly, the weighted average deposit rate at December 2023 was 2.47 per cent, an increase of 85 bps relative to December 2022. This largely reflected an increase of 116 bps to 6.32 per cent in time deposit rates in December 2023, relative to December 2022. In addition, the weighted average yields on GOJ 180-day Treasury Bills increased to 8.46 per cent at end-2023 from 8.18 per cent at end-2022. However, there were declines in the daily averages of private money market rates during the year. The 30-day and the overnight private money market rates at December 2023 was 8.25 per cent and 7.77 per cent, a decline of 35 bps and 25 bps, respectively, relative to December 2022. The decline in the private money market rates occurred in the context of efforts by players within

the private money market to encourage competition amongst themselves.

Chart 3: Interest rate corridor and market rates (per cent)



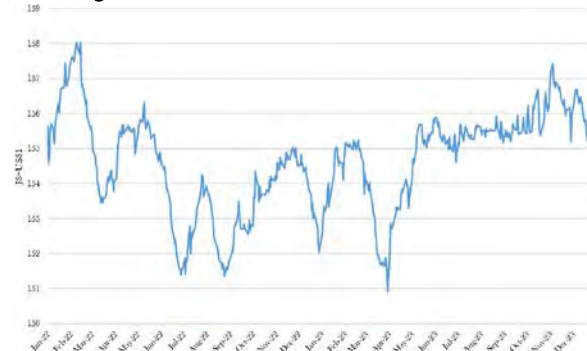
Source: BOJ

The foreign exchange rate remained relatively stable

The exchange rate remained relatively stable in 2023 (see **Chart 4**). The Bank continued to moderate excess volatility in the rate as a part of the strategy to lower inflation expectations and return inflation to the target. For 2023, the Jamaica Dollar depreciated on an annual average basis by 0.5 per cent against the US dollar, compared to an annual average depreciation of 1.8 per cent for 2022.

The relative stability in the foreign exchange market during the review year occurred in the context of buoyant foreign exchange inflows associated with tourism and remittance inflows as well as measures implemented by the Bank to attenuate episodic demand pressures. Specifically, the Bank provided approximately US\$956.8 million 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\$2.2 billion from the system via surrenders from Authorised 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 2023

Normalisation in economic activity for 2023

The economy grew by an estimated 2.6 per cent in calendar year (CY) 2023, largely reflecting a normalisation in economic activity, occasioned by the economy’s rebound following the COVID-19 pandemic. This was relative to the growth of 4.6 per cent in 2021 and 5.2 per cent in 2022 (see **Chart 5**).

The growth for 2023 largely reflected expansions in Mining & Quarrying as well as Tourism and its affiliated services. The significant growth in Mining & Quarrying was underpinned by increased alumina production due to higher capacity utilization at the Jamalco and Ewarton plants.³ For Tourism and its affiliated services, the growth was influenced by increased airline seats and room capacity as well as the continued robust promotion by the Jamaica Tourist Board. In this context, there was strong

¹ FX was provided through B-FXITT sales, FX swaps and direct sales to key entities amounting to US\$936.8 million, US\$9.9 million and US\$10.0 million, respectively.

² Purchases from surrenders and FX swaps totalled US\$2.17 billion and US\$9.99 million, respectively.

³ Production at Jamalco was halted until July 2022 due to a fire at the plant in August 2021. Following the resumption of its alumina production, average capacity utilization at the plant increased from 19.8 per cent in 2022 to 69.7 per cent in 2023. As it relates to Ewarton, on average, capacity utilization increased from 55.4 per cent in 2022 to 65.1 per cent in 2023.

growth in value-added for Other Services and Transport, Storage & Communication due to improvements in travel, entertainment and activities at the ports.

Growth was also estimated for Manufacturing, Electricity & Water Supply and Wholesale & Retail Trade. For Manufacturing, growth was underpinned by increases in both the Food, Beverages & Tobacco industry and in Other Manufacturing. The expansion in the Food, Beverages & Tobacco sub-industry was largely influenced by higher demand from the tourism industry. In relation to the Other Manufacturing sub-industry, the expansion reflected growth in chemicals & chemical products as well as non-metallic mineral products, particularly cement production.

As it relates to Electricity & Water Supply, the increase in value-added was underpinned by increased electricity consumption reflecting stronger economic activity as well as above normal temperatures during the year. For Wholesale & Retail Trade, growth reflected buoyancy in the Manufacturing industry and an improvement in imports.

Chart 5: The Jamaican economy continued to expand in 2023
(percentage change in GDP)



Source: STATIN, BOJ

For Transport, the industry’s expansion occurred within the context of increased airline and domestic cargo movement (water), accompanied by growth

in foreign national arrivals and a rebound in cruise passenger arrivals.

The growth in these industries was, however, partly offset by declines in Agriculture, Forestry & Fishing and Construction. In relation to Agriculture, the contraction in value-added was the result of above-normal temperatures, reflecting severe drought conditions for the March 2023 to September 2023 quarters, followed by flood rains in October and November 2023. These weather events led to significant reduction in yields, delayed land preparation and hampered the planting of crops. For Construction, the decline was largely attributed to lower expenditure on the South Coast Highway improvement project as well as supply disruptions, particularly for cement production due to routine maintenance of the production plant in the March 2023 quarter. In addition, heavy rainfall in June 2023 also stymied construction activity.

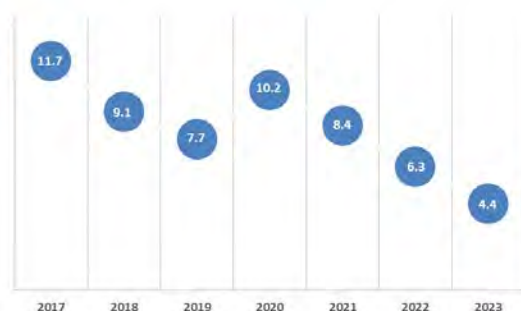
In the context of the continued growth in the economy, labour market conditions improved significantly in 2023, evidenced by a decline of 1.9 percentage points (pps) in the unemployment rate to an average of 4.4 per cent relative to 2022 (see **Chart 6**). This reflected growth of 3.7 per cent and 1.6 per cent in employment and the labour force, respectively (see **Table 3**). Notably, the unemployment rate recorded a historic low of 4.2 per cent in the October 2023 survey relative to previous historic low unemployment rate of 4.5 per cent recorded at the April and July 2023 surveys.⁴

In the context of the continued growth in the economy, labour market conditions improved significantly in 2023

⁴ The average unemployment rate of 4.4 per cent includes the historic low unemployment rate of 4.2 per cent recorded. Of note,

there was no labour market survey conducted in the comparable period of 2022.

Chart 6: Unemployment fell – Annual Averages
(percentage)



Source: STATIN

Table 3

	SELECTED LABOUR FORCE INDICATORS		
	2022	2023	% Change
Total Labour Force ('000)	1354.0	1375.6	1.6
Employed Labour Force ('000)	1268.7	1313.9	3.7
Unemployment Rate (%)	6.3	4.4	-1.9
Job Seeking Rate (%)	4.0	3.1	-1.1

Source: STATIN

● Fiscal Management

The GOJ budget for FY2023/24 continued to target fiscal and primary balances consistent with the attainment of the debt/GDP target ratio of 60.0 per cent of GDP by end-March 2028.⁵ The budget included expenditure for a public sector wage review as well as spending on critical areas such as social protection, health and capital investment.⁶ In particular, the GOJ embarked on the restructuring of public sector compensation which resulted in an increase in programmes and wages & salaries.

⁵ Accordingly, the focus is aimed at achieving targeted fiscal and primary balances of 0.3 per cent of GDP and 5.6 per cent of GDP, respectively.

⁶ The GOJ announced the Financial Assistance to Students programme where, \$156.0 million was allocated to the Jamaica Values and Attitude Programme (JAMVAT) and \$230.0 million was allocated to the Examination Fee Assistance Programme to support secondary school students in meeting the cost of examination fees. In addition, the Programme of Advancement through Health and Education (PATH) benefited from transportation subsidies provided by the Ministry of Education and Youth at an estimated cost of \$380 million. Furthermore, the GOJ also allocated \$2.0 billion to facilitate the procurement of educational materials to support curriculum in infant, primary and all-aged schools

Capital investment programmes such as the public sector transformation implementation project, Jamaica business environment reforms as well as other growth investment projects were also undertaken.^{7,8}

Central Government operations for April to December 2023 resulted in a fiscal deficit of 1.4 per cent of GDP, which was lower than the surplus recorded in 2022. The outturn reflected an increase of 2.1 per cent in expenditure, the impact of which was partly an increase of 0.5 per cent in Revenue & Grants.

For the review period (April to December 2023), there was an improvement in revenues from income & profits and from international trade, reflecting the expansion in economic activity. The increase in income & profit tax inflows was due primarily to higher PAYE inflows, reflecting the impact of retroactive payments under the compensation review. The higher international trade taxes were mainly attributed to increases in travel tax and SCT (imports).

With respect to expenditure, the increase was primarily attributed to the public sector compensation review and higher debt service payments. In particular, the compensation review necessitated higher costs associated with wage settlements. Concurrently, there were higher debt payments stemming from increased payments due to drawdowns from the faster amortizing IMF's Rapid Financing Instrument (RFI) as well as greater than initially anticipated inflows from the Resilience and Sustainability Trust (RST).

⁷ In March 2023, the Government through the Know-Your-Customer (KYC) initiative allocated approximately \$150 million towards boosting financial inclusion and further encouraging persons to utilise Jamaica's CBDC (JAM-DEX) as an option to conduct transaction.

⁸ In November 2023, the GOJ provided six additional natural gas buses with larger passenger capacity to the Jamaica Urban Transit Company (JUTC) fleet. Additionally, given the impact of Tropical Cyclone 22, the GOJ extended assistance to farmers totalling \$157 million. This facilitated support for crops (inputs, seeds and fertilizers), equipment as well as the rehabilitation of farm roads and livestock procurement

On 31 October 2023, the GOJ issued its Inaugural Jamaica Dollar International Senior Unsecured 7-year Notes due 2030, amounting to \$46.6 billion (US\$300 million). This issuance was part of the GOJ's effort to continue the extension of its international capital market and debt reduction strategy.⁹ In addition, the issuance formed part of the GOJ's attempt to de-dollarize its debt portfolio.

Jamaica's sovereign ratings improved in 2023

For 2023, Jamaica's sovereign credit ratings from major credit rating agencies were upgraded. In particular, on 07 March 2023, Fitch affirmed Jamaica's long-term foreign and local currency issuer default ratings at 'B+' with a revised outlook on Jamaica from "stable" to "positive". The agency's outlook reflected: (i) the country's significant progress with debt reduction; (ii) its stability-oriented institutional framework; and (iii) favourable financing conditions, reinforced by the new IMF facilities. The agency further noted that Jamaica's public debt had resumed its declining trajectory following the temporary increase in 2020.

On 13 September 2023, Standard & Poor's Global Ratings (S&P Global) upgraded Jamaica's long-term foreign and local currency issuer default ratings from 'B+' to 'BB-' with the outlook on Jamaica remaining at "stable". The agency's rating outlook for Jamaica stemmed from the expectation that

Jamaica's debt-to-GDP ratio would continue to decline, led by modest fiscal surpluses over the medium-term. Additionally, while the Government's interest burden remained high, S&P Global expected that it would fall over time. In this context, the agency expected that Jamaica would continue to pursue "cautious macroeconomic policy and maintain its commitment to prudent public sector financing and debt reduction as well as supportive economic policies including a flexible exchange rate regime and effective monetary policy."

On 18 October 2023, Moody's Investors Service upgraded Jamaica's long-term foreign and local currency ratings from 'B2' to 'B1' and revised its outlook on Jamaica from "stable" to "positive". The upgrade reflected the GOJ's demonstrated resilience in the face of various external shocks and its dedication to a sustainable fiscal policy, anchored on Jamaica's medium-term debt target. Moody's noted that the GOJ had effectively addressed the surge in debt levels resulting from the COVID-19 pandemic and subsequently, through well-implemented fiscal policies, had substantially reduced its debt level. The positive trend is anticipated to persist, further reinforcing the country's commitment to a sustainable fiscal trajectory.

Outlook

Inflation forecasted to return to target by mid-2025

Bank of Jamaica's most recent assessment indicates that annual headline inflation will track above the Bank's target range for most of the period between the March 2024 and June 2025 quarters. This projection is primarily due to the impact of regulated price adjustments largely associated with

two increases to PPV fares. The impact of this upward impulse is expected to be partly offset by a fall in imported inflation, emanating from grains prices.

In December 2023, the MPC decided to maintain: (i) the policy interest rate at 7.0 per cent; (ii) tight Jamaican dollar liquidity conditions; and (iii) relative stability in the foreign exchange market. Future

⁹The operation represents the inaugural Jamaica Dollar linked transaction for the GOJ in international capital markets and accomplished the GOJ's objective of opening local currency debt issues to international investors. The proceeds of this bond were used to pay the consideration for the 7.625 per cent global bonds

due 2025, the 9.250 per cent global bonds due 2025 and the 6.750 per cent global bonds due 2028 as well as to support budgetary operations.

monetary policy decisions will depend on incoming data related to the strength of the potential risks to inflation. The MPC indicated that it would maintain heightened surveillance of these risks and core inflation and would take necessary actions, including further tightening of monetary policy, if the emerging upside risks to inflation materialise.

Positive near-term outlook for growth

Over the near-term, GDP is anticipated to grow due to continued improvements in external demand as the demand for travel remains elevated. In addition, the manufacturing sector is expected to be bolstered by strong external demand. This forecast also indicates expansions in Mining & Quarrying and Electricity & Water Supply.



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



FINANCIAL SYSTEM



DR. H. M. RUTHERFORD
PRESIDENT OF THE UNIVERSITY OF THE SOUTH PACIFIC
1963-1971



Deputy Governor Jide Lewis with responsibility for the Financial Institutions Supervisory Division speaking with General Counsel and Deputy Governor Celeste McCalla

FINANCIAL SYSTEM

During 2023, the financial system remained stable. Risks to the financial stability of DTIs were moderate in spite of elevated inflation and interest rates. The higher interest rate environment led to increased funding costs and market risks for financial institutions, particularly fair valuation losses. Notwithstanding these

developments, the indicators of financial health for the DTIs, in particular, capitalization, liquidity, profitability and asset quality measures remained generally stable. The results of the macro-prudential stress tests also showed that the DTI sector was broadly resilient to the contemplated shocks.

Growth in DTI system assets influenced by generally positive domestic economic environment

The performance of DTIs' assets during 2023 was influenced by the generally positive economic environment. There was continued growth in the economy, unemployment fell to a record low and the Bank's continued tight monetary policy stance influenced a downward trend in inflation. Against this background, the assets of the DTI sector grew by 9.1 per cent (\$222.7 billion) for 2023, compared with growth of 6.5 per cent (\$150.1 billion) for 2022. The growth in assets was mainly reflected in loans and cash and bank balances, followed by expansion in investments.¹

During 2023, the DTI sector continued to hold predominantly domestic currency denominated assets, which accounted for 90.1 per cent of the growth in total assets. Domestic currency denominated assets grew by 13.1 per cent (\$200.6 billion) for 2023, exceeding the previous year's increase of 5.9 per cent (\$85.6 billion). The growth in domestic currency denominated assets was predominantly reflected in an increase of 13.5 per cent (\$136.8 billion) in loans and advances as well as an expansion of 27.2 per cent (\$36.9 billion) in cash and bank balances. Foreign currency denominated assets expanded at a slower pace of 2.4 per cent (\$22.2 billion), down from 7.5 per cent (\$64.5 billion) in the previous year.² The growth in

foreign currency assets primarily reflected an increase of 3.1 per cent (\$11.7 billion) in investment holdings and an expansion of 2.1 per cent (\$5.1 billion) in loans and advances, the impact of which was partially offset by a decline of 1.9 per cent (\$4.7 billion) in cash and bank balances (see **Charts 7 and 8**).

Chart 7: Dollar Value Contribution of Assets as at 31 December 2019 – 2023



Source: BOJ

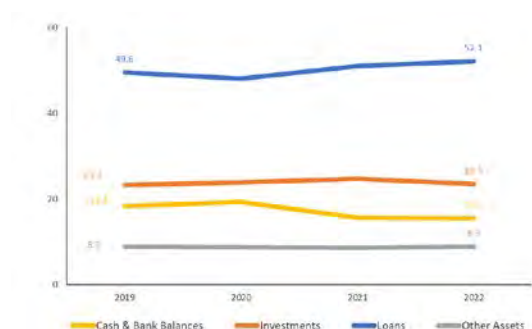
Growth in DTIs' assets in 2023 was supported primarily by an increase of 10.6 per cent (\$178.2 billion) in customers' deposits, following an expansion of 8.0 per cent (\$124.1 billion) in the previous year. Borrowings, inclusive of repurchase agreements, also expanded by 3.6 per cent (\$11.4 billion) compared with growth of 0.1 per cent (\$0.4 billion) in the previous year. Shareholders equity

¹ Data for previous periods may have been revised given the resubmission of prudential information by financial institutions.

² During 2023, the Jamaica Dollar vis-à-vis the US Dollar depreciated by 1.9 per cent. As a result, the DTI sector recorded revaluation gains of \$17.5 billion on its stock of foreign currency assets, compared with revaluation losses of \$18.6 billion for 2022.

grew by 7.3 per cent (\$22.9 billion), compared with growth of 8.4 per cent (\$24.1 billion) for 2022.

**Chart 8: Percentage Share of System Assets
31 December 2019 – 2023**



Source: BOJ

The number and composition of licensed DTIs operating in Jamaica at end-2023 remained at 11, of which eight were commercial banks, two building societies and one merchant bank (see **Tables 4 and 5**).³

Table 4⁴

MARKET COMPOSITION (Number of Licensed Deposit-taking Entities)				
Supervised Entities	2020	2021	2022	2023
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

In terms of market share, the proportion of total system assets of the five largest DTIs increased slightly to 81.7 per cent at end-2023, from 81.4 per cent at end-2022. Although generally unchanged, the market share of the DTI sector reflected the impact of successful growth initiatives by a few medium-sized DTIs, while larger licensees depicted more moderate growth levels in light of current and

³ The 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 at 31 December 2023, will result in significant expansion of the supervised deposit-taking population. In addition, with the passing of the Microcredit Act, 2021, Bank of Jamaica, as Regulatory Authority, is tasked with

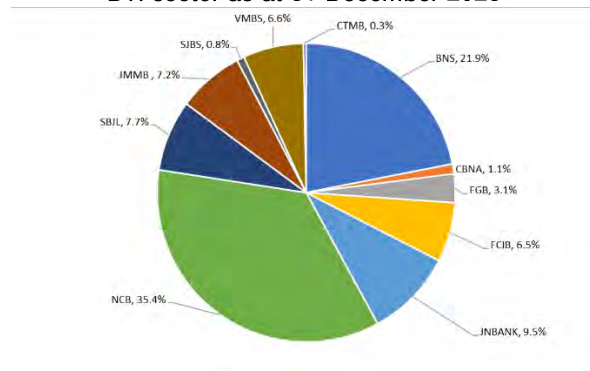
projected macroeconomic conditions (see **Charts 9a and 9b**).

Table 5

LICENSED DEPOSIT-TAKING INSTITUTIONS As at 31 December 2023	
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

Chart 9a: Market Share of Licensees in the DTI sector as at 31 December 2023

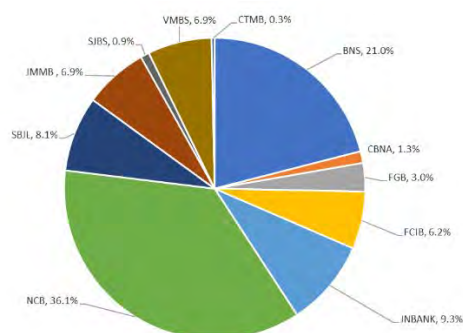


Source: BOJ

the supervision of microcredit entities which numbered 33 at 31 December 2023.

⁴The 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 December 2022, will result in significant expansion of the supervised deposit-taking population.

Chart 9b: Market Share of Licensees in the DTI sector as at 31 December 2022



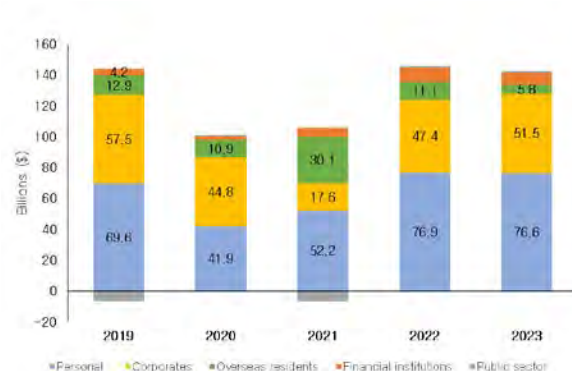
Source: BOJ

Loan growth slowed in the context of the high interest rate environment

Amidst moderating inflation and the Bank's tightened monetary policy stance during 2023, growth in loans and advances, net of provisions for loan losses, slowed to 11.3 per cent (\$141.3 billion) relative to the expansion of 13.1 per cent (\$145.1 billion) for 2022. The growth for 2023 was also below pre-pandemic rates for the sector.⁵ By customer group, a slowdown in growth was recorded in all major loan categories. In particular, personal loans increased by 11.7 per cent (\$76.6 billion) compared with growth of 13.3 per cent (\$76.9 billion) in 2022, while corporate loans grew by 11.2 per cent (\$51.5 billion) relative to growth of 11.5 per cent (\$47.4 billion) in 2022. In addition, loans to overseas residents expanded by 4.7 per cent (\$5.8 billion), slower than the 9.9 per cent (\$11.1 billion) recorded for 2022 (see **Chart 10**). The slower growth in personal loans was reflective of the reduced demand for mortgages, as real estate lending for 2023 grew by 12.9 per cent (\$38.4 billion) compared with an increase of 17.6 per cent (\$44.5 billion) for 2022.

⁵ Growth in loans and advances, net of provisions for losses, grew by 17.1 per cent (\$133.8 billion) in 2019.

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 11.3 per cent (\$137.8 billion) in domestic currency loans, relative to the previous year's increase of 15.1 per cent (\$136.2 billion). Foreign currency loans increased by 2.1 per cent (\$5.1 billion), albeit, slower than growth of 4.2 per cent (\$9.8 billion) in 2022.

Notwithstanding the reduced supply of credit to the market, total loans as a share of total assets expanded to 52.1 per cent at end-2023 from 51.0 per cent at end-2022 (see **Chart 8**).

Licensees' investments reflected increased holdings in low-risk securities

For 2023, the investment holdings of DTIs grew by 3.7 per cent (\$22.7 billion), relative to growth of 10.6 per cent (\$58.4 billion) for 2022. Growth in investments, for the review year, largely reflected increases of \$17.2 billion and \$14.7 billion in BOJ Certificates of Deposit and sundry investments (mainly foreign government bonds), respectively. Conversely, DTIs reduced their holdings of GOJ securities by \$11.4 billion in the context of lower unrealised fair value losses on medium- to long-term GOJ Global Bonds.

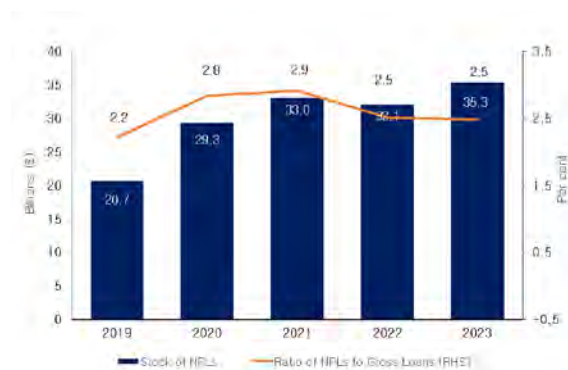
Licensees' holdings of cash and bank balances increased by 8.5 per cent (\$32.3 billion) for 2023, in contrast to the contraction of 14.3 per cent (\$64.0

billion) for 2022. The increase in cash and bank balances primarily reflected higher BOJ cash reserves, current account balances, notes and coins as well as placements with local financial institutions, the impact of which was partially offset by a net drawdown in holdings at overseas banks. Higher cash balances were held amidst a general reduction in credit supply to the market as DTIs assumed more risk-averse lending positions in light of rising interest rates and the higher credit risk that could have been associated with some borrowers.

Asset quality remained favourable

As the financial system continued to recover from the lingering effects of the pandemic, asset quality, as measured by the ratio of total non-performing loans (NPLs) (past due 3 months and over) to total loans, was unchanged at 2.5 per cent at end-2023, relative to end-2022. The steady outturn in the measure of asset quality reflected an increase of 10.0 per cent (\$3.2 billion) in the stock of NPLs to \$35.3 billion at end-2023, offset by an increase in gross loan (see **Chart 11**). The increase in NPLs was mainly evident in loans to individuals.

Chart 11: 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 15.8 per cent (\$6.1 billion) for 2023, slower than the growth of 31.2 per cent (\$9.1 billion) in the previous year. As a result, the ratio of PDLs-to-total loans increased marginally to 3.1 per cent at end-2023 from 3.0 per cent at end-2022. The higher stock of past due

loans primarily reflected growth of 21.5 per cent (\$4.6 billion) and 54.9 per cent (\$1.3 billion) in past due loans for local individuals and the distribution sector, respectively. There was a partially offsetting decline of 94.5 per cent (\$3.2 billion) in PDLs within the tourism sector.

DTIs continued to maintain robust provisioning. In this regard, loan loss provisions increased by 7.1 per cent (\$2.8 billion), albeit lower than the prior year's growth of 11.8 per cent (\$4.2 billion). Consequently, the sector's coverage of NPLs, measured by the ratio of loan loss provisions to non-performing loans, stood at 119.8 per cent, compared with the previous year's position of 123.1 per cent.

Capital levels remained adequate as the sector continued its transition to the revised capital adequacy framework

Against the backdrop of the capital impairment due to unrealised fair value losses and the ongoing transition of the sector to the new capital framework, regulatory capital of the DTI sector improved by 10.8 per cent (\$25.9 billion) compared with growth of 8.1 per cent (\$17.9 billion) in 2022. Capital levels were strengthened via internal transfers of profits to reserve funds as well as the downstream of capital from the parent companies of some licensees. Resultantly, at end-2023, 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 9.5 per cent and 14.6 per cent, respectively. At the institutional level, all licensees recorded capital ratios above minimum statutory requirements.

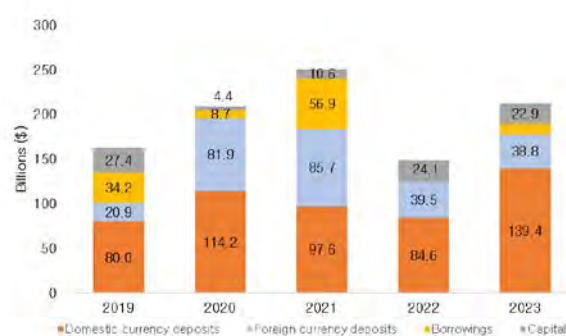
Funding was largely supported by increased deposits

In 2023, customer deposits, which remained the primary funding source for the expansion in DTIs' assets, grew by 10.6 per cent (\$178.2 billion), surpassing the increase of 8.0 per cent (\$124.9 billion) observed in the preceding year. This rise in the deposit stock for 2023 reflected an increase of 13.7 per cent (\$139.4 billion) in domestic currency deposits, relative to the growth of 9.0 per cent

(\$84.6 billion) recorded for 2022. Higher deposit flows into the sector occurred against the backdrop of wage adjustments in the public and private sectors and the general downward trend in inflation.

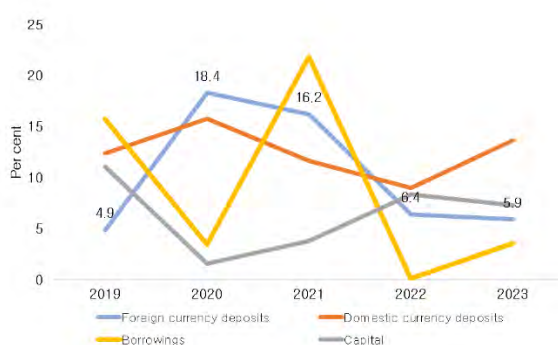
Borrowings (including securities sold under repurchase agreements) increased by 3.6 per cent (\$11.4 billion) for 2023, following growth of 0.1 per cent (\$0.4 billion) for the previous year. The increase in borrowings mainly reflected new repurchase agreements, the impact of which was partially offset by net repayments of foreign currency borrowings from overseas banks (see **Chart 12a** and **12b**).

Chart 12a: Dollar Value Change in Funding Sources



Source: BOJ

Chart 12b: Rate of Growth in Funding Sources



Source: BOJ

Liquidity levels remained sufficient to meet short-term obligations

At end-December 2023, 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 153.0 per cent to a high of 629.4 per cent. The system remained resilient with adequate liquidity levels reflected for 2023, despite the lingering 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.

Profit levels rose amidst increased interest income and a rebound in dividend income

Pre-tax profits for the DTI sector totalled \$51.7 billion at end-2023, higher than the 2022 outturn of \$45.0 billion, as licensees recorded increased interest income and a rebound in dividend income, despite higher interest costs and staff expenses. Notwithstanding the higher profit levels, the profit margin for the system decreased to 18.2 per cent for 2023, from 19.3 per cent for 2022, due to the impact of higher expenses. However, the return on equity (ROE) increased to 15.9 per cent from 15.0 per cent in 2022. In the context of higher interest revenues, the net interest margin (NIM) for the sector increased to 5.9 per cent up from 5.5 per cent in 2022 (see **Table 6**).

Table 6

	SELECT PROFITABILITY INDICATORS				
	%				
	31 December 2019 – 2023				
	2019	2020	2021	2022	2023
Return on Equity	19.9	9.2	16.6	15.0	15.9
Return on Assets	3.0	1.3	2.2	1.9	2.0
Profit Margin	26.6	13.6	21.5	19.3	18.2
Net Interest Margin	6.3	5.9	5.4	5.5	5.9

Source: BOJ

Interest income and non-interest income recorded growth of 24.0 per cent (\$31.8 billion) and 18.5 per cent (\$18.6 billion), respectively, for 2023. The growth in interest income reflected the impact of expansions in DTIs' loan portfolio and investment holdings as well as higher interest rates. With respect to non-interest revenues, the outturn was predominantly driven by increased income from fees

and commissions and a resumption in dividend flows at some licensees (see **Chart 13a** and **Table 7**).

Chart 13a: Composition of Annual Operating Income



Source: BOJ

Table 7

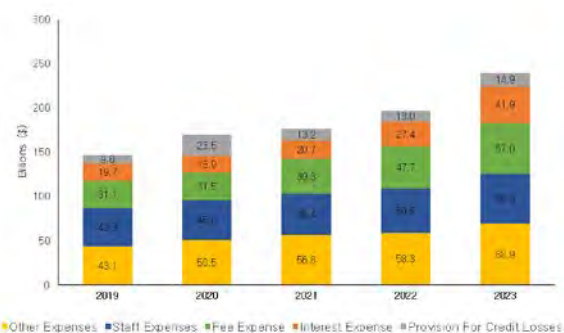
	COMPOSITION OF ANNUAL TOTAL INCOME % of Total Income				
	31 December 2019 – 2023				
	2019	2020	2021	2022	2023
Income from Loans	56.7	60.3	54.8	58.4	56.8
Of which, Interest					
Income from Loans	45.6	49.8	43.6	45.1	44.4
Fee Income from Loans	11.2	10.5	11.3	13.1	12.3
Income from Securities & Placements	9.2	8.7	8.3	11.7	13.5
Other Fee Income	9.4	9.1	9.7	10.6	9.6
Foreign Exchange Gains	8.8	8.6	8.9	10.8	9.0
Dividend Income	8.7	4.0	8.0	1.9	4.5
Securities Trading Gains	2.3	2.9	3.1	0.9	2.6
Other Income	4.9	6.4	7.2	5.7	4.0
Total Interest Income	54.8	58.5	51.8	56.8	57.9
Total Non-Interest Income	45.2	41.5	48.2	43.2	42.1

Source: BOJ

The increase in profitability was tempered by operating expenses which grew by 21.6 per cent (\$42.5 billion) relative to 11.7 per cent (\$20.6 billion) for the previous year. Non-interest expenses grew by 16.6 per cent (\$28.1 billion) compared with growth of 8.9 per cent (\$13.9 billion) for 2022. The growth in non-interest expenses for 2023 reflected

increased fees (\$8.7 billion), other sundry charges (\$8.5 billion) and staff expenses (\$6.3 billion). In the context of the high interest rate environment, interest expenses increased by 52.7 per cent (\$14.5 billion) relative to the previous year's growth of 32.9 per cent (\$6.8 billion) (see **Chart 13b**). Accordingly, operational efficiency improved to 75.5 per cent in 2023 from 76.0 per cent in 2022.⁶

Chart 13b: Composition of Annual Operating Expense



Source: BOJ

Financial Holding Companies

As at end-2023, Bank of Jamaica licensed five financial holding companies (FHCs) since the enactment of the Banking Services Act (BSA)(Financial Holding Companies)(Licensing Application Form) Rules, 2019, which is critical in facilitating the Bank's consolidated regulation and supervision of financial groups (see **Table 8**).

The increase in profitability was tempered by operating expenses which grew by 21.6 per cent (\$42.5 billion) relative to 11.7 per cent (\$20.6 billion) for the previous year.

⁶ 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.

Table 8

LICENSED FINANCIAL HOLDING COMPANIES

As at 31 December 2023

- NCB Financial Group Limited
- JN Financial Group Limited
- JMMB Financial Holdings Limited
- Sagicor Group Jamaica Limited
- VM Financial Group Limited

Source: BOJ

By end-June 2024, the Bank is expected to process the remaining three applicants: (i) Scotia Group Jamaica Limited; (ii) GK Financial Group Limited; and (iii) Barita Financial Group Limited.

Continued growth within the credit union sector fuelled by loans

As the economy continued to recover, the total assets for the credit union sector expanded by 9.2 per cent (\$15.2 billion) to \$180.3 billion, an improvement when compared with growth of 7.3 per cent (\$10.9 billion) reported in 2022. Asset growth was mainly reflected in loans which increased by 12.1 per cent (\$13.2 billion) to \$121.9 billion, notably above the 8.1 per cent (\$8.1 billion) reported for 2022. Liquid funds, which were being held until loan arrangements were confirmed, were placed with the Jamaica Cooperative Credit Union League (the League). As such, amounts with the League also reflected an increase of 16.7 per cent (\$2.0 billion) to \$14.2 billion.⁷

With credit unions experiencing a rebound in loan demand in the context of an uptick in loan promotions, loans remained the dominant asset category, accounting for 67.6 per cent of total assets at end-2023. In comparison, at end-2022, loans accounted for 65.9 per cent of total assets. Notably, the growth in loans for the review period was influenced by increased salaries for some public sector employees, which resulted in an improvement in their disposable income. The increase in loans as well as an 18.1 per cent (\$0.9

billion) decline in NPLs positively impacted the ratio of NPLs to total loans which improved to 3.2 per cent at end-2023, down from 4.3 per cent at end-2022. In response to the decline in the quantum of NPLs, loan loss provisions decreased by 10.2 per cent (\$0.5 billion) to \$4.0 billion at end-2023. As such, the coverage of NPLs increased to 103.9 per cent at end-2023, from 94.7 per cent at end-2022.

The capital base of the credit union sector remained stable at \$19.8 billion for the review year. However, given the growth of 9.2 per cent in assets, the primary ratio declined to 11.2 per cent at end-2023 from 12.3 per cent at end-2022. Similar to previous years, asset growth was funded mainly by savings deposits, which increased by 11.5 per cent (\$14.5 billion) to \$140.0 billion. For 2022, there was growth of 7.6 per cent (\$8.9 billion) in savings deposits. The increase in savings deposits, for 2023, reflected the positive impact of higher inflows from credit union members employed to the public sector who benefited from wage increases during the review year.

For the 2023 financial year, the credit unions' surplus increased by 30.7 per cent (\$0.5 billion) to \$2.1 billion, from \$1.6 billion for 2022. The higher outturn was due to increases in revenue and was partially offset by an increase in expenses. Total revenues increased by 13.3 per cent (\$2.3 billion) to \$19.9 billion, fuelled mainly by growth of 9.8 per cent (\$1.3 billion) in interest income from loans in the context of the increased loan portfolio. In addition, interest income from investments grew by 40.8 per cent (\$0.7 billion), largely reflecting the impact of higher interest rates in the market.

The credit union sector recorded growth of 11.6 per cent (\$1.9 billion) in expenses for the 2023 financial year. This growth was mainly driven by overhead expenses which increased by 13.0 per cent (\$1.8 billion) to \$15.2 billion. Interest expenses also recorded an increase of 4.1 per cent (\$0.1 billion) to \$2.7 billion, given the significant increase in deposits. Despite the increase in overhead

⁷ The Jamaica Cooperative Credit Union League (the League) is a cooperative society owned by credit unions, which provides

financial, technical support and other services to the credit union sector.

expenses, there was an improvement in the overhead efficiency ratio, which declined to 88.5 per cent at end-2023 from 90.0 per cent at end-2022.

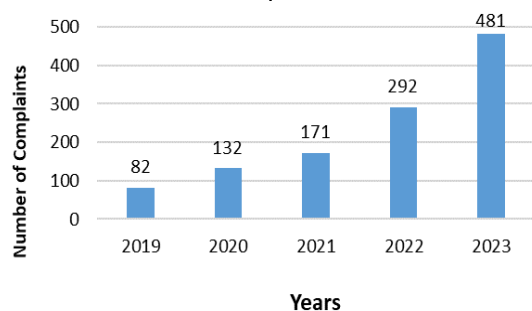
Given the sector's increased surplus, there was an improvement in profitability indicators. Specifically, during the year, the net profit margin, return on equity and return on assets increased to 10.4 per cent, 7.1 per cent and 1.2 per cent, respectively, from 9.0 per cent, 5.6 per cent and 1.0 per cent. Net interest margin also reflected an increase to 9.5 per cent for 2023 from 8.9 per cent a year earlier, driven largely by the increase in interest income from loans.

Increasing Trend in Customer Complaints

During 2023, Bank of Jamaica received 481 complaints in respect of its licensed DTIs, representing an increase of 64.7 per cent over the 292 reported for the previous year. The account-related category recorded the most complaints, accounting for 34.9 per cent (168) of the total reported for the review year. Complaints in this category largely reflected challenges encountered by customers due to the expanded use of electronic banking channels (see **Charts 14 and 15**). This was followed by the fraud/impropriety category with 147 complaints, an increase of 226.7 per cent over the 45 reported for 2022.

BOJ continued to facilitate the resolution of complaints submitted, but recorded a decline in the resolution rate to 62.6 per cent at end-2023, from 77.4 per cent at end-2022.⁸

Chart 14: Trends in Complaints Data



Source: BOJ

⁸ Resolution rate refers to the rate at which DTIs have successfully responded to and concluded a matter with the customer.

Chart 15: Complaints by Category



Source: BOJ

Credit Reporting participation by CIPs grew in 2023

Bank of Jamaica continued to be responsible for the oversight of the credit reporting framework in Jamaica, pursuant to its designation as Supervising Authority under the Credit Reporting Act. During the review year, there was an increase in the number of Credit Information Providers (CIPs) pulling data and submitting data. However, there was a decline in the number of credit reports and free reports issued to the sector by the three credit bureaus (see **Tables 9 and 10**).

Table 9

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

Source: BOJ

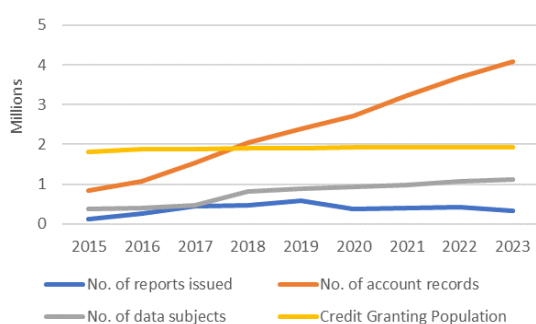
• Market Activity

For 2023, the use of credit reports by lenders in the financial system grew by 5.2 per cent (22 185 reports) to 450 801, relative to the previous year. The number of "consumer free reports" issued, in 2023, increased by 30.6 per cent (3 030) to 12 929, relative to the previous year. Concurrently, there was an increase of 7.4 per cent in the reported number of subjects in the database of the credit bureaus to 1 145 635, covering approximately 59.7 per cent of

Jamaica's adult population.⁹ For 2023, there was also an increase of 13.9 per cent in the number of account records to 4 208 946, when compared with 3 696 296 for 2022.

The number of CIPs pulling data in 2023 remained unchanged at 79 and CIPs submitting data grew by five (5) to 65. However, for 2023, the number of CIPs signed to credit bureaus also remained unchanged at 122, similar to 2022 (see **Table 10**). In addition, the CIP hit rate (percentage of CIPs using credit bureau services) increased by 4.3 percentage points to 89.9 per cent at end-2023.

Chart 16: Credit Reporting Activities 2015 – 2023



Source: BOJ

• Consumer Complaints

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)).

⁹ Jamaica's most recent adult population aged 18 – 74 years estimate by the Statistical Institute of Jamaica as at 2019, is 1

During 2023, no complaints were escalated to the Supervising Authority. However, for 2023, Credit Bureaus reported receiving 5 863 consumer complaints, an increase of 32.9 per cent (1 450) when compared to 2022. The number of consumer complaints for 2023, represented 1.3 per cent of the total credit reports issued in the year.

Table 10

CREDIT REPORTING STATISTICS 2019 – 2023					
Activity Indicators	2019	2020	2021	2022	2023 ^{1/}
No. of CIPs signed with credit bureaus	103	115	114	122	122
No. of CIPs submitting data to credit bureaus	55	55	56	60	65
No. of CIPs pulling data from credit bureaus	69	75	74	79	79
No. of reports issued during the year (inclusive of free reports)	582 822	363 020	389 424	428 616	450 801
No. of consumers free reports issued per section 15(3) of CRA	8 636	7 574	9 091	9 899	12 929
No. of account records in data base of the credit bureau with the largest number at year end	2 385 733	2 708 344	3 221 709	3 696 296	4 208 946
Hit Rate for CIPs using credit bureau with the highest rate at year end (per cent)	86.7	90.0	84.7	86.2	89.9
Complaints raised by consumers that required corrections by credit information providers as reported by credit bureaus	3 512	3 063	3 860	4 413	5 863

^{1/}2023 excludes data for 1 credit bureau (approximately less than 1% of market)

Source: BOJ

Microcredit Sector

At end-2023, a total of 154 applications for licensing under the Microcredit Act were received by the Bank. The applications received reflected aggregated loans amounting to \$46 billion or approximately 1.7 per cent of the country's GDP.¹⁰ During the year, BOJ issued a total of 33 microcredit licences, covering over 90.0 per cent of the sector's assets. The names of licensees can be found on the Bank's website at the following link: <https://boj.org.jm/core-functions/financial-system/microcredit-regulation/>.

917 556:

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

¹⁰ Aggregated loans are used as a proxy for market share.

During 2023, a number of key initiatives relating to the microcredit sector were accomplished including the:

- (i) implementation of the Online Risk-Based System (ORBS) and risk-rated 100% of applicable entities in the microcredit sector;
- (ii) completion of the first risk-based onsite examination in the sector;
- (iii) facilitation of the training of additional microcredit licensees by the Financial Investigations Division (bringing the total number of entities trained at end-2023 to 14); and
- (iv) commencement of formal quarterly meetings with the industry through the Microcredit Associations' Joint Advocacy Committee.

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

In 2023, Bank of Jamaica continued to effect measures to enhance its capacity to implement a robust regulatory regime for money service businesses (MSBs). This included, *inter alia*, the implementation of a new organisational structure, the adoption of the risk-based framework for the supervision of cambios and the commencement of Phase II of the project for the development of a risk-based approach (RBA) to the supervision of MSBs, focusing on remittance companies.

Amendments to the Bank of Jamaica Act

During the review period, the Bank continued its dialogue with the Ministry of Finance and the Public Service, in keeping with the legislative process, with a view to finalising the proposed amendments to the Bank of Jamaica Act (BOJA). These amendments will address recommendations in the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Report, 2017, on Jamaica and will strengthen the Bank's capacity to conduct statutory oversight of MSBs.

Risk-Based Supervision

The Bank commenced the implementation of a Risk-Based Supervisory (RBS) framework for the cambio sector during 2023. A key element of the framework was that the supervisory process for the cambios was informed by the risk-rating assigned to each entity, which determines the scope and frequency of on-site inspections. This RBS approach replaced the previous methodology where all cambios were subject to the same level of scrutiny of their operations and frequency of on-site inspection annually, irrespective of size, market activity and organisational structure. The RBS approach facilitated targeted Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT)/Combating the Financing of the Proliferation of Weapons of Mass Destruction (CFP) monitoring through more efficient employment of the supervisory resources in assessing the compliance framework of each entity, in keeping with its inherent risk and implications for financial system stability.

Concurrently, the Bank commenced the development of a risk matrix as a tool for measuring the inherent risk of entities in the remittance sector, Phase II of the RBS framework. The RBS approach for remittance companies is being bolstered by Thematic Studies on the sector.

The Bank also maintained its stance of utilizing analyses from both in-house monitoring and on-site inspections to assess the AML/CFT/CFP compliance frameworks of MSBs, as a condition for maintaining their licences. The in-house monitoring operations entailed, *inter alia*, ongoing review of the MSBs' transaction monitoring systems and their compliance with the requirements for licensing.

Money Service Business Applications

During 2023, the Bank processed 212 applications for money service businesses. The Bank received 166 new applications from seven remittance entities and six cambios, while 46 applications were carried over from the previous year. The processing of 27 applications was discontinued by the Bank due to the failure of the applicants to satisfy the Bank's

eligibility requirements and a further 30 were withdrawn by the applicants. Of the remaining 155 applications which met the criteria for processing, 140 were approved while 15 were being processed as at end-December 2023.

• Cambios

There were 46 cambio entities in operation at end-2023, compared to 49 at end-2022, in a context where three entities voluntarily surrendered their licences. During the year, operations were discontinued at five locations, while authorisation was granted for commencement of cambio operations at five new locations. The number of cambio locations, therefore, was unchanged at 142 at end-2023, relative to end-2022 (see **Table 11**).

Table 11

Status of Cambio Licences as at 31 December		
	2022	2023
New Locations Licensed	7	5
Locations Closed	4	5
Locations Suspended	0	0
No. of Active Locations	142	142
No. of Active Entities	49	46

Source: BOJ

• Remittance Service Providers

At end-2023, the number of Primary Agents in operation increased to nine from eight at end-2022 (see **Table 12**). This increase was consequent on approval being granted to one additional Remittance Service Provider (Primary Agent) effective 01 November 2023.

Table 12

Status of Remittance Licences as at 31 December		
	2022	2023
New Locations Licensed	40	39
Locations Closed	40	32
Locations Suspended	0	0
No. of Active Locations	507	514
New Licences Issued	73	132
Licences Relinquished/Revoked	83	46
Total Licences Issued	772	858
No. of Primary Agents in Operation	8	9

Source: BOJ

During the year, 132 new remittance licences were issued while 46 were voluntarily surrendered, bringing the total number of licences issued to 858 at end-2023, relative to 772 at end-2022.

There was a marginal decline of approximately 1.2 per cent in remittance inflows during 2023, relative to 2022. This decline was in a context where remittance flows normalised following significant increases in 2020 and 2021, which were boosted by grants/stimulus packages issued by relevant government agencies in major source countries. Notably, remittance flows increased by 45.9 per cent for 2023 when compared to flows for 2019, the year prior to the COVID-19 pandemic.


The largest source market of remittance flows to Jamaica, for 2023, continued to be the United States of America, with flows from this corridor accounting for 69.7 per cent of total flows. Other source countries which contributed significantly to remittance inflows during the review year were Canada, United Kingdom and the Cayman Islands, contributing 10.3 per cent, 9.9 per cent and 6.1 per cent, respectively.

Financial Legislation

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/

[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

In 2023, Bank of Jamaica continued to strengthen its regulatory and supervisory framework in congruence with international best practices. One initiative was the implementation of Phase I of the Basel III Framework, which was designed to improve the financial system's resilience by ensuring that DTIs conform to capital requirements that align with international best practices. The Bank initially intended to introduce the Basel III capital buffers under Phase III of the Basel III implementation programme. However, due to the importance of these buffers, the Bank brought forward its implementation from Phase III to Phase I.

Additionally, to improve competition in the banking system, aided by World Bank's technical support, the Bank commenced work on electronic Know-Your-Customer (e-KYC) data sharing and Account Portability frameworks.

Key developments in the implementation of the Bank's Basel III programme in 2023

The implementation of the Bank's Basel III Programme was separated into three distinct phases, each corresponding to a pillar under Basel III. Phase I of the programme involved implementing the minimum capital requirements for credit, market and operational risk components under Pillar I of the Basel III framework and a revised definition of regulatory capital. Phase II will focus on implementing Pillar II which will involve Supervisory Review Process (SREP) elements of the Basel III implementation plan. The final phase will focus on Pillar III of the Basel framework vis-à-vis market disclosures and consulting on and implementing additional capital and liquidity measures and the Net Stable Funding Ratio (NSFR). Two of the additional capital measures specified under Phase III are capital adequacy buffers in the form of the Capital Conservation Buffer (CCB) and the Systemic Risk Buffer (SyRB). Notably, due to the importance of the capital buffers, the Bank advanced the consultation and implementation of both the CCB and the SyRB from Phase III of its Basel III programme to Phase I. The proposed Pillar I Regulations will include the minimum capital requirements plus the capital buffers.

I. Implementation of the Minimum Capital Requirements

DTIs were required to conduct parallel reporting of their capital positions in accordance with the Standard of Sound Practice on the 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 since the September 2022 quarter. This process was initially scheduled to end in the June 2023 quarter. However, parallel reporting was extended and will end upon the codification of the Standard of Sound Practice on the Minimum Capital Requirements under Pillar I of the Basel III Framework into law. Of note, the Basel III Pillar I Capital Adequacy Reporting Form for DTIs and the Guidelines for completing same were updated in July 2023 following a Basel III Technical Working Group meeting between Bank of Jamaica and industry stakeholders in May 2023.

II. Consultation on the Capital Buffers

Instead of subjecting the Pillar I Minimum Capital Requirements to the legislative process as a standalone document, the Bank took the opportunity to implement the capital requirements, which included the capital adequacy ratio and the capital buffers, using an omnibus approach. Therefore, drafting instructions for the Pillar I Minimum Capital Requirements, the Capital Conservation Buffer and the Systemic Risk Buffer were unified in a single process.

(i) The Capital Conservation Buffer (CCB)

In May 2023, the Bank sought the industry's feedback on the proposals for implementing the CCB through a consultation paper. The period of accepting feedback ended on 30 June 2023. The introduction of the CCB will bolster the Bank's micro-prudential toolkit. Under the proposed CCB, licensees under the Banking Services Act (BSA) will be required to hold additional regulatory capital of 2.5 per cent of risk-weighted assets (RWA) in normal times unless otherwise approved by the Supervisor. Licensees may be allowed to utilize the CCB to absorb losses without breaching the minimum CAR. This framework is also intended to increase the effectiveness of the Bank's mandate to maintain financial system stability by ensuring adequate levels of loss-absorbing regulatory capital in the system. The Bank intends to publish a list of frequently asked questions (FAQs) by the second quarter of 2024.

(ii) Systemic Risk Buffer (SyRB)

The SyRB is designed to increase the capacity of systemically important financial institutions to cope with adverse outcomes. Under the proposed framework, an institution designated as a Domestic Systemically Important Financial Institution (D-SIFI) will be required to hold additional capital of between 0.0 and 2.5 per cent of its RWAs. To allow for smooth implementation of this framework, the SyRB will be effectively phased in upon its codification into law. A consultation paper on the SyRB was published in August 2023. The feedback received from the industry was reviewed and will also inform a FAQs document which will be published on the Bank's website by June 2024.

Review and update of Standards of Sound Practice

A. Updated Standard of Sound Practice for Fitness and Propriety

The Bank's work in updating the Standard of Sound Practice on Fitness and Propriety, which began in the September 2022 quarter, continued into 2023. Of note, the Standard was last updated and published in July 2017. Aside from DTIs and Financial Holding Companies (FHCs) licensed under the BSA, the updated Standard will extend the applicability of the principles specified under the previous Standard to include:

- (i) Agents approved to offer one or more banking services indicated in Section 108 of the BSA, 2014;
- (ii) Any person or organisation who applies to acquire substantial shareholding in or control of a licensee under Sections 77 and 78 of the BSA, 2014;
- (iii) Any company intending to engage in banking business under Section 19 (1) of the BSA, 2014;
- (iv) Any company intending to function as a financial holding company under Section 19 (2) of the BSA, 2014; and
- (v) Any company intending to offer one or more banking services on behalf of a deposit-taking institution as an agent under Section 108 of the BSA.

The Bank received feedback from the industry consultation process conducted in 2022 and, in 2023, was at an advanced stage in finalising the Standard of Sound Practice on Fitness and Propriety. The Standard is expected to be published by the second quarter of 2024.

B. Development and Implementation of Supervisory Guidelines on "Corporate Governance:

Board Oversight"

Given the critical role that DTIs play in ensuring the safety and soundness of the Jamaican financial system, the Bank dispatched a Supervisory Guidance entitled "Corporate Governance: Board Oversight" in July 2023.

This Supervisory Guidance outlined Bank of Jamaica's minimum supervisory expectations that DTIs must incorporate in their respective governance frameworks. As part of the rollout of the Supervisory Guidance, the Bank engaged the industry via a series of meetings with the Boards of Directors of the entire DTI sector over the period August – November 2023. The Bank received invaluable feedback from these meetings and has been incorporating this feedback into a standard of sound practice, which will be published upon finalisation.

Framework for Consolidated Supervision

Key on the Bank's agenda for 2024 is commencing work on a prudential framework for consolidated supervision. This workstream will include the development of a framework for assessing the adequacy of financial group capital, liquidity and standards of sound practice on capital risk and capital planning, liquidity risk, intra-group transactions and large exposures.

Prudential Standards/Consultation Papers

Consultation Paper on the Special Resolution Regime for Financial Institutions in Jamaica

In February 2017, the Financial Regulatory Committee submitted joint collaborative proposals aimed at informing the development and implementation of a Special Resolution Regime for financial institutions in Jamaica, including FHCs, DTIs, securities dealers and insurance companies (life and general).¹¹

An effective SRR framework will facilitate the orderly resolution of any financial institution that is systemically significant and those institutions that provide necessary/critical financial services or functions. In line with its mandate for modernising the regulatory and supervisory frameworks, the Bank initiated consultation on important proposals under the SRR framework for industry feedback in October 2023. This consultation process will inform the finalisation of policy proposals to introduce appropriate legislation to reform the current resolution framework for various financial institutions in Jamaica for submission to Parliament. To this end, the consultation paper will focus on the implications of the proposed SRR framework for the Jamaican financial sector and the powers that will be afforded to Bank of Jamaica as a Resolution Authority under the proposed regime.

Development of framework to enable e-KYC data sharing

In February 2022, the Bank commenced engagement with key stakeholders in the financial industry, highlighting plans to develop and implement a suitable framework to enable e-KYC data sharing. This project continued into 2023 with the objective of improving the adequacy and effectiveness of existing KYC information capturing mechanisms and to improve the efficiency with which customers' information will be disclosed amongst financial institutions.

¹¹ The FRC is comprised of the Ministry of Finance and the Public Service, Bank of Jamaica, Financial Services Commission and the Jamaica Deposit Insurance Corporation which together make up Jamaica's Financial System Safety Net.

Financial Stability Developments in 2023

Moderate risks to financial stability in 2023 due to inflationary pressures

The Bank's composite indicator of macro-financial conditions improved at end-September 2023, relative to the outturn at end-2022. This improvement reflected lower annual average inflation and continued growth in private sector credit.¹² In particular, there was a general deceleration in global and domestic inflation levels, albeit, still elevated, which led to a slowdown or pause in monetary policy tightening during 2023. However, there were episodes of bond price volatility, which negatively impacted the balance sheets of financial institutions.

Stress tests conducted by the Bank at end-September 2023, showed that CARs for the DTI sector remained above the 10.0 per cent prudential minimum benchmark in response to the hypothetical market, credit and liquidity risk shocks.^{13,14} This resilience was primarily due to these institutions' adequate levels of capitalization. Of note, in 2023, a few institutions implemented measures to sustain their capital levels.

Regarding credit risk, DTIs' non-performing loans to total loans ratio remained relatively unchanged in 2023, relative to 2022. Moreover, credit risk stress test results at end-September 2023 showed that the DTI sector continued to be resilient to the hypothetical shocks applied to NPLs. In particular, the CARs of all DTIs remained above the 10.0 per

cent regulatory capital benchmark subsequent to hypothetical increases in NPLs.

Additionally, the DTI sector remained robust to a hypothetical, large withdrawal of deposits. The results of the liquidity stress tests indicated that it would require a withdrawal of 73.0 per cent of deposits for the CAR of the overall DTI sector to fall below the prudential benchmark of 10.0 per cent. This outturn represented an improvement relative to the results at end-September 2022, 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.

With respect to market-related shocks, at end-September 2023, the banking system showed broad resilience to foreign exchange risks. The DTI sector's CAR remained robust in response to hypothetical, large changes in the exchange rate. Stress tests results also revealed that the DTI sector remained resilient to respective hypothetical, large increases in interest rates on domestic/foreign rate sensitive assets and liabilities at end-September 2023.

Simultaneous, hypothetical increases in interest rates, currency depreciation, credit quality deterioration and deposit outflow resulted in the aggregate post-shock CAR remaining above the prudential minimum benchmark at end-September 2023.¹⁵

¹² 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).

¹³ The assessment includes the first three quarters of the calendar year, rather than the full calendar year, and was written based on available data.

¹⁴ 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.

¹⁵ The aggregate stress test assumptions include: increases of 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.

**▶ 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 stability in the financial sector

Given the near-term outlook for domestic inflation to remain above the Bank's target, the elevated interest rate environment poses risks to the performance of the sector's investment portfolio vis-a-vis its fair value. However, DTIs are generally expected to remain resilient and the regulator will maintain its heightened surveillance. It should be noted that credit risks within the sector are expected to remain benign.

For 2024, work is expected to continue to strengthen the regulatory and supervisory framework with the ongoing roll out of the Basel III framework. This

includes the implementation of the minimum capital requirements for credit, market, and operational risk components under Pillar I of the framework. Work will also proceed on Phase II of Basel III. Importantly, in the broader context of the development of the "Twin Peaks Model" the Bank will collaborate with the FSC in the development of standards of sound practice, supervisory manuals and guidelines that will underpin and support the implementation of the micro-prudential "Peak" of the regime.

PAYMENT SYSTEM



DR. H. M. R. NETHERKILL
PRESIDENT OF THE UNIVERSITY OF
SOUTH ALABAMA, 1963-1968



Deputy Governor Natalie Haynes (right) with Charlene Porteous Henry (Director of Banking at BOJ) showing Jamaica's new banknotes

PAYMENT SYSTEM

During 2023, the financial market infrastructures (FMIs) remained safe, reliable and performed efficiently and effectively. Key achievements during the year included: (i) continued preparatory work to expand the JAM-DEX® ecosystem which included development of a Merchant Strengthening strategy and engagement with an external technology service provider to bolster merchants' acceptance; (ii) Cabinet's approval of submissions for the proposed amendments to the Payment Clearing and

Settlement Act, 2010, to enhance the Bank's supervisory powers over Payment Service Providers and Financial Market Infrastructures; (iii) the introduction of revised retail payment forms to enhance the capturing of data from DTIs and Bill Payment Service Providers; and (iv) the advancement of the project to adopt ISO 20022 in the JamClear® Systems and other retail payment systems.

JamClear®-RTGS utilization increased in 2023

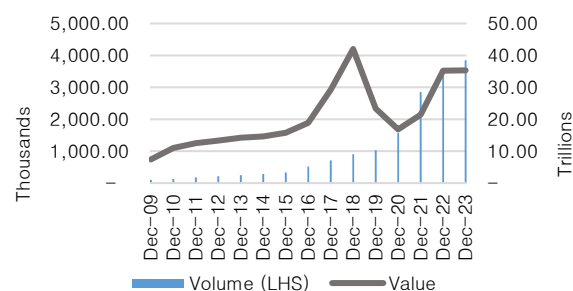
For the review year, JamClear®-RTGS processed 3 849 703 transactions (representing settlement of United States dollar (USD) and Jamaica Dollar (JMD) payments).¹ System utilisation reflected an increase in JMD volume by 14.7 per cent (492 459 transactions) to 3 846 281 transactions (see **Chart 17**). Growth in the JMD volume was largely attributed to a 14.3 per cent increase in participant payments on behalf of household and corporate clients.

Similarly, JMD transaction values increased by 0.3 per cent (\$111.0 billion) to \$35.3 trillion. The improvement largely reflected a 0.6 per cent (\$97.9 billion) 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 intraday liquidity.

At end-2023, the total volume of USD transactions processed in JamClear®-RTGS amounted to 3 422, an increase of 20.9 per cent (592 transactions). The higher volume largely stemmed from a 28.7 per cent increase in financial institutions' transfer transactions. Total USD transaction values increased by 31.9 per cent (US\$785.2 million) to

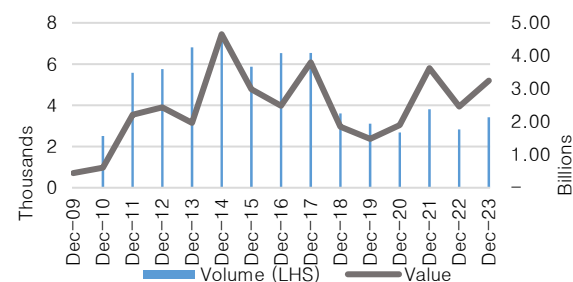
US\$3.2 billion (see **Chart 18**). This outturn reflected an increase in participant payments by 36.0 per cent (US\$733.8 million).

Chart 17: JamClear®-RTGS Transaction Activities (JMD)



Source:BOJ

Chart 18: JamClear®-RTGS Transaction Activities (USD)



Source:BOJ

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

¹ JamClear®-RTGS facilitates real time gross settlements of large value and time critical payments.

² JamClear®-CSD (Central Securities Depository) provides the authentic record of ownership of BOJ and GOJ securities. It brings

Commencement of Pilot of Revised Retail Payment Forms

In June 2023, following extensive stakeholder consultation, the Bank issued revised retail payment forms to DTIs and Bill Payment Service Providers. These forms were developed to enhance the capturing of retail payments data. The Bank established a working group and commenced a pilot using the revised retail payment forms. By end-2023, the DTIs and Bill Payment Services Providers submitted their monthly returns for July 2023 to November 2023.

Increase in volume of electronic retail payment systems

Over the period January to November 2023, utilisation of electronic retail payment systems increased relative to the corresponding period in 2022.^{3,4} Total volume of retail payment transactions processed for the period amounted to 134.44 million, valued at \$4.12 trillion. This reflected an increase of 4.7 per cent 6.09 million in volume but a decline of 3.3 per cent \$140.88 billion in value, relative to the comparable period in 2022. The growth in volumes mainly reflected an increase in debit card transactions.

At November 2023, the number of debit cards in circulation decreased by 24.6 per cent to 3.69 million. DTIs settled 42.85 million debit card transactions valued at [\$1.16 trillion], on their proprietary systems. For the calendar year to November 2023, debit card transactions processed on the proprietary systems of the DTIs reflected an increase of 5.1 per cent 2.07 million in volume and a decline of 22.2 per cent \$331.20 billion in value, relative to the January to November 2022 period.

Credit cards in circulation at November 2023 amounted to 407 534, an increase of 6.2 per cent when compared to November 2022. For the calendar year to November 2023, the number of

credit card transactions processed on the proprietary systems of DTIs was 33.58 million valued at \$893.52 billion. These figures represented a decline in volumes of 5.6 per cent 1.98 million and an increase in value of 10.7 per cent \$86.19 billion, relative to the same period in 2022.

At end-November 2023, the number of installed automated banking machines (ABMs), as reported by DTIs, increased by 5.5 per cent 45 terminals to 865. A total of 16.31 million transactions valued at \$206.73 billion were processed at ABMs through the MultiLink network over the period January to November 2023. The volume of transactions processed reflected an increase of 9.1 per cent 1.36 million while transaction values increased by 22.6 per cent \$38.12 billion relative to comparable period in 2022.

At November 2023, the number of Point of Sale (POS) terminals decreased by 41.9 per cent to 28 446. The total volume of transactions processed on POS terminals increased by 22.1 per cent 4.65 million to 25.73 million during the January to November 2023 period. The value of POS transactions increased by 22.5 per cent \$34.72 billion] to \$189.13 billion, relative to the corresponding period in 2022.

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

The total number of cheques processed through the Automated Clearing House during the review period of January to September 2023 was 2.3 million, valued at \$392.1 billion. These outturns reflected declines of 16.0 per cent 445 457 and 9.3 per cent \$40.2 billion in volume and value of transactions, respectively, when compared to the corresponding period in 2022. The decline in cheques processed can be attributed to the success of the ACH value threshold of \$1.0 million.⁵ Over the review period,

³ Electronic Retail Payment Systems comprise DTI proprietary systems, MultiLink and ACH.

⁴ Proprietary System is any combination of processes, tools, or network owned by DTIs and are used to processed payment instrument e.g. Debit cards, credit cards etc.

⁵ 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.

the average transaction value of cheques processed in the ACH increased by 7.9 per cent to \$167 214.4 when compared to \$154 932.5 for the comparable period in 2022.

Foreign currency cheques cleared manually through the BOJ Clearing House increased by 41.4 per cent in value when compared to the period January to September 2022. Cheques denominated in US dollars amounted to US\$1.4 billion for the review period and accounted for 99.3 per cent of the total foreign currency cheques cleared.

Volume of bill payment transactions increased in 2023

Total bill payments during the review period January to November 2023, amounted to approximately 17.63 million transactions valued at \$382.64 billion. This reflected a decline of 2.6 per cent 477 787 in transaction volume and a decline of 18.1 per cent \$84.78 billion in the value of transactions, relative to the outturns for 2022. The dominant method for bill payment was cash which accounted for 44.7 per cent of the total volume while debit cards accounted for 63.0 per cent of the total value of bill payments over 2023.

Achievements in 2023

Upgraded JamClear® -Systems

Usage of the automated Bank of Jamaica Foreign Exchange Intervention and Trading Tool auction module in JamClear® CSD commenced in the June 2023 quarter. The enhanced operational efficiencies from these automated auctions were highlighted by the feature for straight-through reporting of the results to the JamClear® FX Trading Platform (FXTF) to eliminate reporting errors by participants and the straight-through settlement of funds on JamClear® RTGS. A total of 24 auctions were conducted, during the review year, using the automated module in JamClear® CSD.

The discussions regarding the listing of Government of Jamaica domestically issued securities on the Jamaica Stock Exchange (JSE) Fixed Income trading platform continued during the review period. In that regard, by end-2023, the detailed communication arrangements between the two systems were finalized by the developers and there was an updated draft of the project deliverables.

A total of 24 auctions were conducted, during the review year, using the automated module in JamClear® CSD

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

In 2023, the Bank continued to work closely with the Ministry of Finance and the Public Service in advancing the legislative process for the amendments to the Payment Clearing and Settlement Act (PCSA). The proposed amendments focused on the creation of a licensing regime and supervision of non-DTI PSPs. Notably, in the second quarter of 2023, the Bank proposed additional amendments to the offences and penalties for financial market infrastructures and engaged stakeholders' consultation on these additional policy proposals with the operators of payment systems. By end-year, proposals for the attendant Regulations were being finalised for submission to the Ministry in 2024.

In December 2023, Cabinet granted approval to the Ministry for the amendments to the PCSA. This

occasioned the preparation of drafting instructions to the Office of the Parliamentary Counsel to facilitate the draft bill. In addition, the Bank prepared its Supervisory Manual for the supervision of PSPs in anticipation of the proposed amendments to PCSA and any subsidiary legislation.

Completion of National Digital Payments Survey

The final report on the National Digital Payment Survey was completed in December 2023. A total of 1 003 individuals were surveyed in relation to their knowledge of digital payment products and factors which influenced their utilisation of these products. The demand side survey considered consumers' perception of digital payment products, including ease of access, utility and security.

Included in the survey was a supply side component to measure the utilisation of digital payment products by merchants and perceived barriers to adoption of digital payments. A total of 420 small- and micro-sized enterprises were surveyed.

The results of the survey indicated that, at March 2023, the percentage of the adult population classified as financially included (through the ownership of an account with a bank or credit union) amounted to 77.2 per cent. The Bank has published the final report on its website.

Continued efforts to migrate to ISO 20022 standard by end-2025

During 2023, the Bank continued work to ensure a smooth transition from the SWIFT messaging standard to the ISO 20022 messaging standard by November 2025. The ISO 20022 messaging standard will provide greater transparency in the origination of payment instructions as well as in identifying the ultimate beneficiary of payments via cross-border and domestic payments. ISO 20022 will promote increased efficiency and integrity in Jamaica's large value and retail payment systems. In that regard, the JamClear®-RTGS system is being upgraded to facilitate a hybrid approach whereby both messaging standards will co-exist until November 2025.

In October 2023, the Bank administered a third survey to JamClear®-RTGS participants to ascertain their level of readiness to transition to the ISO 20022 messaging standard. Based on the results of the survey, the Bank will be bolstering its communication to participants to include hosting additional workshops in early-2024.

At end-2023, the ISO 20022 project was in its third phase of implementation, specifically, the installation of the customised solution.

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.

During 2023, the Bank received two applications from two entities. These brought the total number of applications to 40 from 37 entities, since the establishment of the Sandbox in March 2020. At end-2023, 23 applications had been approved to test products comprising mobile wallets, an e-commerce

solution, branded debit card solutions and prepaid card solutions. By year-end, the entities were at different stages of testing their respective products/services.

In addition to the applications, the Bank received various queries regarding fintech solutions, such as POS mobile application and closed-loop digital gift card solutions.

“ At end-2023, JAM-DEX® registered wallet users totalled 263 341, which consisted of over 3 900 registered merchants on the Lynk platform. ”

Central Bank Digital Currency national roll-out in 2023

The Bank completed year two of its five-year National Roll-Out plan for JAM-DEX® in 2023. The following project milestones were achieved during the year:

- (i) Announcement of a second JAM-DEX® Government Incentive programme in March 2023, which was operationalised by the Bank. The incentive provided:
 - a grant of \$25 000 to the first 10 000 small merchants to sign up for a JAM-DEX® merchant wallet and conduct five transactions after 31 March 2023; and
 - a JAM-DEX® Loyalty Programme, where users receive a 2 per cent cash back for up to \$5 000 monthly when using JAM-DEX® for the financial year 2023–2024.
- (ii) A JAM-DEX® framework was developed to facilitate government payments, specifically, social and welfare beneficiary payments;
- (iii) In June 2023, focus groups sessions were conducted with a specific group of social and welfare beneficiaries in collaboration with the Ministry of Labour and Social Security;
- (iv) The trademark for the name, logo and tagline for JAM-DEX® was officially completed and

a public notice published in the print media in July 2023;

- (v) A JAM-DEX® Merchant Strengthening Plan was developed in July 2023, with the goal of providing additional support and usability for JAM-DEX® merchants. The plan included arrangements to collaborate with a technology service provider for an initiative to bolster merchants’ acceptance of JAM-DEX® by end-March 2024;
- (vi) By end-2023, the Bank was far advanced in the implementation of an initiative with DTIs to include JAM-DEX® as a percentage of their monthly currency order, which would become effective in January 2024.

At end-2023, National Commercial Bank Jamaica Limited (NCB) in partnership with TFOB (2021) Limited continued to be the only Wallet Provider offering JAM-DEX® services to the public through the Lynk wallet.⁶ Three other commercial banks are at varying stages of the wallet provider onboarding process.

At end-2023, total JAM-DEX® minted by the Bank remained at \$276.0 million. A total of \$257.2 million of JAM-DEX® was in circulation, with \$148.0 million in the hands of the public and \$109.2 million held by wallet providers.

At end-2023, JAM-DEX® registered wallet users totalled 263 341, which consisted of over 3 900 registered merchants on the Lynk platform.

► Additional Resources

[Payment Systems Data Bulletin](https://boj.org.jm/boj-publications/boj-monthly-reports/)
<https://boj.org.jm/boj-publications/boj-monthly-reports/>

⁶ TFOB (2021) Limited is a fintech company that is a wholly owned subsidiary of NCB Financial Group Limited.



JAM-DEX

NO CASH • NO PROBLEM

Make instant transfers and payments with JAM-DEX

SAFE | CONVENIENT | SECURE

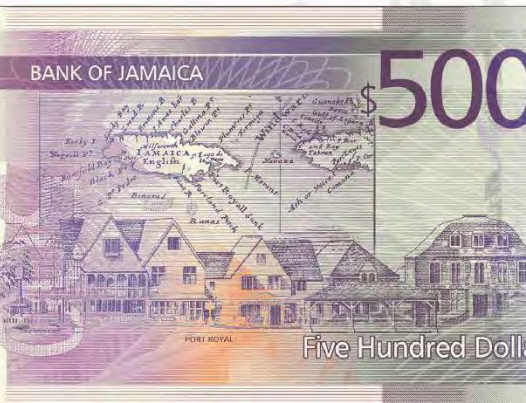
- **JAM-DEX** is money issued by BOJ in digital form.
- **JAM-DEX** is not held in a bank account, it is held in a digital wallet and is distributed by banks or authorized Payment Service Providers.
- Just as is the case with cash in your wallet, you don't earn interest on **JAM-DEX** in a digital wallet.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



CURRENCY



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



CURRENCY

Bank of Jamaica continued to meet its legal obligation to fulfil the public's need for physical currency (banknotes and coins) as well as the Central Bank Digital Currency, JAM-DEX, throughout 2023. Jamaica's new polymer banknotes

were issued into circulation on 15 June 2023. These new series of banknotes comprised of six denominations, including the first-time introduction of a \$2000 banknote.

Introduction of the new polymer banknote series

The year 2023 proved to be a momentous one for the Bank, with the introduction of an entirely new series of banknotes. On 15 June 2023, for the first time since the original banknote series was issued in 1969, the Bank introduced a newly redesigned family of banknotes. The new series comprised of six denominations including the introduction of a \$2000 banknote.

The new banknotes are printed on polymer, which offers a number of advantages over traditional cotton-based banknotes such as, increased durability, facilitating the use of more modern security features and vastly improved features for members of the visually-impaired community.

Total currency in circulation increased at a faster pace

The total value of currency in circulation was \$279.6 billion at end-2023, comprising \$279.4 billion in physical currency (banknotes and coins) and \$0.3 billion in JAM-DEX. This outturn reflected an increase of 18.6 per cent, compared to the 3.1 per cent recorded for 2022.

This significant acceleration in the growth of total currency in circulation, in 2023, occurred in the context of the introduction of the new polymer banknotes into circulation, which will replace the old cotton-based banknotes over time. At end-2023, polymer banknotes accounted for 78.9 per cent of the total value of notes in circulation relative to 5.1 per cent on 15 June 2023.

Significant growth in the value of banknotes issued and notable reduction in the issue of JAM-DEX in 2023

For 2023, the total value of banknotes issued amounted to \$505.1 billion, of which \$303.2 billion, or 60.0 per cent of the total issuance comprised polymer banknotes. The total issuance of banknotes for 2023 represented an increase of 34.6 per cent, relative to 2022, reflecting the demand for newly introduced polymer banknotes. The total value of coins issued increased by 8.0 per cent to \$1.6 billion, relative to \$1.5 billion in 2022.

A total of \$0.2 million in JAM-DEX was issued, during the review year, in relation to the Government's JAM-DEX Incentive programmes.

Growth in the value of banknote and coin redemptions

Banknote redemptions were valued at \$461.8 billion, during 2023, an increase of 25.1 per cent relative to 2022. Notably, cotton redemptions accounted for 80.5 per cent of total banknotes redeemed, Coins redeemed were valued at \$1.0 billion, representing an increase of 26.7 per cent relative to 2022. Notably, there was no redemption of JAM-DEX during the review year.

More banknotes processed in 2023

During 2023, approximately 297.5 million pieces of banknotes valued at \$372.7 billion were processed by the Bank's banknote processing machines. The outturn represented an increase of 5.5 per cent, relative to the 282 million banknotes (\$347.0 billion) processed in 2022.

Counterfeit detection remained a priority

The total number of counterfeit cotton-based banknotes detected during 2023 was 354 and represented a value of \$0.7 million. This outturn reflected an increase of 6.9 per cent, relative to the 331 cotton-based pieces (\$0.6 million) detected in 2022. The figure for 2023 was equivalent to 1.4 counterfeit banknotes per million genuine banknotes in active circulation. This outturn was unchanged when compared with the figure for 2022. Notably, the number of counterfeit notes detected in 2023 remained well within the Bank's target range.

Of note, at end-2023, the Bank had not detected any counterfeit polymer banknotes.

Durability of cotton-based banknotes deteriorated

For 2023, the Average Circulation Lives (ACLs) of the cotton-based \$5000, \$1000, \$500, \$100 and \$50

banknotes were calculated at 15.3 months, 13.0 months, 12.8 months, 19.0 months and 29.3 months, respectively. All denominations reflected reductions in their respective ACLs which were 44.1 months, 19.8 months, 14.3 months, 25.0 months and 38.6 months in 2022. This overall reduction in ACL occurred in a context where, in 2023, there was a net redemption of cotton-based banknotes, reflecting their gradual removal from circulation in light of the introduction of the new polymer banknotes.

Due to the relatively short circulation time of the new polymer banknotes, an accurate measure of ACL could not be determined at end-2023. However, it is expected that the longevity of these polymer notes will be at least 50.0 per cent greater than that of the cotton-based banknotes.

Developments in 2023

Campaign launched to sensitise public about the new polymer series of banknotes

In May 2023, the Bank launched a comprehensive public education campaign through television, radio, print and social media as well as in-person lectures aimed at sensitising and educating the public about the new polymer banknotes. The first phase of the campaign was geared towards key stakeholders such as financial institutions, government agencies and large volume cash handlers. The second phase involved teams of experts from the Bank visiting venues across the island to give the public a first-hand introduction to the new banknotes and their features.

Progress made in machine adaptation

At end-2023, 99.0 per cent of the entire fleet of Automated Banking Machines across the island had

been configured to dispense the new polymer banknotes. Concurrently, 98.0 per cent of Intelligent Automated Banking Machines were configured to both accept and dispense the polymer banknotes.



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/

FINANCIAL MARKET OPERATIONS



DR. JIMMY W. BETHUNE
PRESIDENT OF THE UNIVERSITY OF FLORIDA
1965-1971



Deputy Governor Natalie Haynes (Banking, Currency Operations, Payment System and Money Services Oversight Division)

FINANCIAL MARKET OPERATIONS

Throughout 2023, Bank of Jamaica continued to tighten its monetary policy stance to steer inflation towards its target range of 4.0 to 6.0 per cent. This policy stance shaped the Bank’s open-market operations (OMOs) over the course of the year. In particular, the Bank utilised 30-Day certificates of deposit (CDs) and longer dated instruments to maintain a posture of tight Jamaica Dollar liquidity in the financial system.

Notwithstanding this stance, the Bank ensured sufficient funding was present in both the domestic and foreign exchange markets. This was achieved through its repurchase facility and its Bank of Jamaica Foreign Exchange Intervention and Trading Tool (B-FXITT) windows.

Domestic Market

BOJ maintained tight Jamaica Dollar liquidity conditions

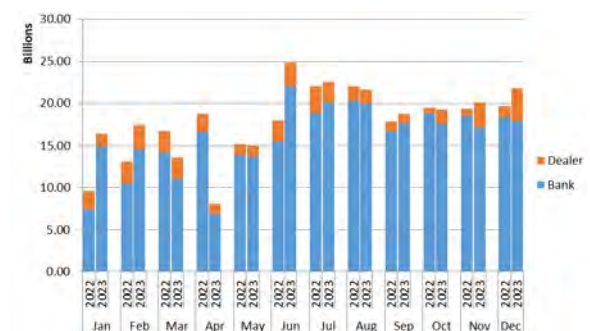
Throughout the year, the Bank employed various tools to manage Jamaica Dollar liquidity. In particular, the Bank continued its weekly issuance of 30-day CDs via competitive auction. The majority of these issuances were oversubscribed, indicating heightened investor interest in short-term instruments, given the limited availability of alternatives from both the Government and Bank of Jamaica. As a result, a total of \$1 381.6 billion was issued in 30-day CDs in 2023, relative to a maturing amount of \$1 335.3 billion, contributing to a net absorption of \$46.3 billion. In comparison, for 2022, total issuances amounted to \$852.6 billion while maturities amounted to \$811.0 billion. The Bank also issued three fixed rate CDs with an average tenor of 1 year and 5 months and one USD Indexed Note which cumulatively absorbed \$71.1 billion from the system.

During the year, BOJ 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.

Increased usage of Auto Repo facility

Bank of Jamaica continued to provide intraday liquidity to eligible participants through the Auto Repo Facility during 2023. The facility was accessed 2 251 times by 13 participants during the review year, reflecting a decrease in usage relative to 3 383 times by 13 participants in 2022. Notwithstanding, the average value of intraday liquidity increased, largely due to activities during the first half of the review year (see **Chart 19**). The increase in the average value of liquidity accessed via the Auto Repo facility was consistent with the generally tight Jamaica Dollar supply conditions that characterized the system during this period.

Chart 19: Comparison of Daily Average Liquidity Utilized – 2022 & 2023



Source: BOJ

Primary Dealers’ increased their participation in BOJ OMO instruments

For 2023, Primary Dealers’ (PDs) participation in OMO issues increased by 74.0 per cent to average \$91.7 billion, relative to the average of \$52.7 billion for 2022. The PDs continued to exhibit strong demand for OMO instruments during the year, given limited BOJ and GOJ offers and their requirement to fulfil the minimum performance assessment score.

The number of PDs remained at seven at end-2023. A total of ten 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

The gross reserves at end-2023 also represented approximately 25.7 weeks of projected goods and services imports

Jamaica strengthened its foreign reserve position

Bank of Jamaica recorded a significant increase in its net international reserve (NIR) position in 2023. The NIR ended the year at US\$4 758.3 million, reflecting an increase of US\$789.4 million relative to end-2022. At end-2023, gross reserves amounted to US\$4 868.7 million, which represented 116.4 per cent of the IMF's Assessing Reserve Adequacy (ARA 100%) metric. The gross reserves at end-2023 also represented approximately 25.7 weeks of projected goods and services imports.

At end-2023, non-borrowed reserves (NBRs) accounted for 98.2 per cent of the NIR, relative to 96.8 per cent at end-2022. This outturn was in keeping with the Bank's strategic focus of strengthening the sustainability of its external liquidity position through continued reduction in its stock of borrowed reserves, specifically foreign currency CDs.

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

The outstanding stock of foreign currency CDs at end-2023 was US\$84.8 million relative to US\$126.3 million at end-2022. This reduction occurred in the context of no new issuance of foreign-currency CDs as well as maturities which amounted to US\$41.5 million for the year. The maturities in 2023 mainly occurred in the September and December quarters,

totalling approximately US\$40.3 million or 97.0 per cent of total maturities for the year (see **Table 13**).

Table 13

BOJ USD CERTIFICATES OF DEPOSIT: 2023		
Quarters	Maturing Amounts (US\$ mn)	Nominal Outstanding (US\$ mn)
March	0.1	126.2
June	1.2	125.1
September	21.8	103.3
December	18.5	84.8
TOTAL	41.5	84.8

Source: BOJ

Gross foreign assets increased year-over-year

Jamaica's gross foreign assets increased by US\$350.9 million to US\$4 868.7 million for 2023, relative to 2022. Growth in the GFA was largely influenced by net foreign currency purchases by BOJ of US\$1 222.1 million, relative to US\$874.1 million in the previous year. The growth in the GFA also reflected the impact of receipts from the IMF's Resilience and Sustainability Facility (RSF), increased foreign currency investment inflows, foreign currency inflows to the Government from its global bond liability management exercise as well as inflows to government entities.¹ The impact of these factors on the GFA was partly offset by Government debt payments of US\$1 474.0 million.

Concurrent with the increase in the GFA, total foreign liabilities declined by US\$438.5 million to US\$110.4 million at end-2023. This was largely in a context where the GOJ accessed the remaining proceeds from the IMF's Rapid Financing Instrument (RFI) facility, which amounted to Special Drawing Rights (SDR) 235.0 million, during the September

¹ Jamaica accessed US\$254.6 million (SDR 191.5 million) from the IMF under the RSF in September 2023. This facility is aimed at strengthening the country's physical and fiscal resilience to climate change, advancing decarbonization of the economy and managing

transition risks. Of note, the inflows to government agencies amounted to US\$339.5 million.

2023 quarter. Consequently, the GOJ assumed the full RFI liability to the IMF, and therefore this was no longer reflected in BOJ's total foreign liabilities. Of note, the IMF's RFI facility was initially disbursed to Jamaica in May 2020.²

Additionally, the Bank commenced the repayment of funds borrowed under the RFI during the September 2023 quarter. Total repayments related to this facility amounted to US\$127.2 million (SDR 95.7 million) during the year, of which US\$44.7 million (SDR 33.6 million) and US\$82.5 million (SDR 62.2 million) was owed by BOJ and GOJ, respectively. Furthermore, the repayments relating to the Extended Fund Facility (EFF) continued in 2023 and amounted to US\$109.1 million (SDR 81.7 million), of which US\$82.2 million (SDR 61.6million) was owed by BOJ while US\$26.9 million (SDR 20.2 million) was owed by the GOJ.³ Consequently, total

repayments to the IMF during the review year amounted to US\$236.3 million (SDR 177.5 million) (see **Table 14**).

Table 14

SDR DISBURSEMENTS AND REPURCHASES/REPAYMENTS CALENDAR YEAR 2023 MN				
Date	DISBURSEMENTS		REPURCHASES	
	SDR	USD ^{1/} Equiv.	SDR	USD ^{1/} Equiv.
March Qtr	0.0	0.0	16.4	22.0
June Qtr	0.0	0.0	30.2	40.4
September Qtr	191.5	254.6	62.6	83.1
December Qtr	0.0	0.0	68.3	90.8
TOTAL	191.5	254.6	177.5	236.3

^{1/} Based on the prevailing SDR =US\$ exchange rate.
Source: BOJ

Achievements in 2023

Approval of Bank's Investment Policy Statement (IPS) and launch of Yield Enhancement Initiative

In 2023, the Bank's IPS was reviewed and revised in accordance with the prevailing market conditions to reflect an overall less risk-averse stance. The revised statement was subsequently approved by BOJ's Board in December 2023. During the year, five additional deposit-taking counterparties were approved, of which three were subsequently short-listed.

In addition, during the year, the Bank launched a Yield Enhancement Initiative aimed at exploring special alternative asset classes selected to provide higher portfolio returns without unduly compromising the risk tolerance of the Bank. It is envisaged that a new investment tranche will be created to accommodate this initiative, while ring-fencing and preserving the

risk profile of the existing structure of the foreign reserves portfolio.

BOJ enhanced its governance framework for foreign reserve management

During 2023, the Bank continued the review of the governance framework of its foreign reserve management function with an on-site mission from the World Bank's Treasury Management Team. The purpose of this mission was to review the Bank's Strategic Asset Allocation (SAA) process. Emanating from this mission, the SAA was revised and submitted to the Bank's Investment and Management Committees in 2023, in preparation for Board approval scheduled for January 2024.

On approval of the SAA and the IPS, the revised investment parameters will be used to update the Bank's Foreign Reserves Investment Guidelines, which

² The Executive Board of the International Monetary Fund (IMF) approved a disbursement in the amount of SDR 382.9 million (about US\$520 million, 100 per cent of quota) for Jamaica under the Rapid Financing Instrument (RFI) in May 2020.

³ The EFF programme concluded in 2016. However, repayment of proceeds associated with the facility are scheduled to continue until September 2026.

will subsequently be submitted to the Bank's Investment Committee for approval in the first quarter of 2024.

Investment strategy geared towards portfolio optimisation

The year 2023 was characterised by a relatively volatile financial market. Specifically, there were concerns about high inflation and a global recession at the beginning of the year but these anxieties largely dissipated by the end of the year. The main factors that impacted the investment strategy in 2023 were increases in the US Fed Fund's interest rate as well as the inverted yield curve which rewarded less return for extending duration. On the shorter end of the yield curve, deposits were placed with counterparties with an average maturity of five weeks in order to capitalise on the expected increases in the Fed Fund's rate. From a tactical standpoint, the Working Capital and the Liquidity Tranches received an additional infusion of funds. This had the dual effect of increasing liquidity and decreasing the portfolio's total exposure to market risk by shortening the duration.

Early in the year, the longer end of the yield curve provided additional pick up in coupons for investments when compared to the previous year. The strategy at that time was to be short relative to the duration of the benchmark. However, in the December 2023 quarter, as the yields were reduced, this short duration strategy was changed and the Bank adopted a neutral strategy.

The Investment Tranche's asset classes experienced a positive return as yields on the longer end (1yr–10yr) of the curve decreased compared to a year ago. This reduction in yields resulted in unrealized gains on the US Bond portfolio at the end of the year. Additionally, assets in the Liquidity and Investment Tranche sub-portfolios were allocated tactically to ensure capital preservation while providing competitive risk-adjusted returns.

Assets under management increased in 2023

The Bank's foreign assets under management increased at the end of the year, when compared with

end–2022. This increase was reflected in all Tranches and was mainly due to higher IMF receipts and investment income. Consequently, the Bank's gross foreign assets increased by [US\$350.9 million (7.8 per cent)] to [US\$4 868.7 million] as at end–2023. **Table 15** details the composition of the portfolio as at 31 December 2023, relative to end–2022.

Table 15

Distribution of Foreign Assets For Years Ended 31 December 2023 and 2022				
Assets	2023		2022	
	US\$MN	% of Holdings	US\$MN	% of Holdings
Working Capital Tranche	849.8	17.5	685.5	15.2
Liquidity Tranche	2 299.4	47.2	2 087.28	46.2
Investment Tranche				
Capital Market Investments	354.7	7.3	328.9	7.3
External Funds	1 247.9	25.6	1 197.4	26.5
Total Funds Invested	4 751.8	97.6	4 299.1	95.2
Allocation of Special Drawing Right	116.9	2.4	218.7	4.8
Total	4 868.7	100.0	4 517.8	100.0

Source: BOJ

Improvement in foreign investment income

The average income earning assets for the review year amounted to US\$4 547 million, an increase of US\$315 million or 0.8 per cent, compared to 2022. At end–2023, total income, on an accrual basis, of US\$176.0 million was US\$117.8 million or 202.4 per cent higher than at end–2022. This increased income occurred in the context of the average returns on the portfolio improving to 3.9 per cent per annum in 2023, from 1.4 per cent for 2022 (see **Table 16**). Increases in the returns from the Working Capital and Liquidity Tranches were due to higher rates received on deposits, given the sustained increase in the Federal Reserve Fund's rate.

Table 16

Foreign Investment Income For Years Ended 31 December 2023 and 2022				
Assets	2023		2022	
	Earnings US\$MN	% of Earnings	Earnings US\$MN	% of Earnings
Working Capital Tranche	28.0	15.9	9.8	16.9
Liquidity Tranche	114.5	65.1	33.2	57.0
Investment Tranche				
Capital Market Investments	7.8	4.4	2.9	5.0
External Funds	21.4	12.2	11.1	19.0
SDR Holdings	4.3	2.4	1.2	2.0
Total	176.0	100	58.2	100
Average Income Earning Assets	4 547		4 232	
Rate of Return (%)	3.87		1.37	

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/>



Governor Richard Byles, Mr Noel Greenland and Mrs Sharon Miller-Betty at the Annual Employee Awards ceremony

FINANCIAL INCLUSION



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

FINANCIAL INCLUSION

In 2023, Bank of Jamaica continued the advancement of its financial inclusion objectives through ongoing financial inclusion and financial literacy initiatives. Work continued on the development of financial literacy content for both traditional and social media channels in support of the Bank's financial literacy communication campaign. The Bank also continued its collation,

measurement and reporting of impact indicators for financial inclusion. Additionally, progress was made on enhancing the work on financial inclusion data through surveys on simplified customer due diligence and a financial inclusion demand side study directed at the adult population.

Achievements in 2023

Bank progresses its financial literacy communication campaign

Bank of Jamaica continued to engage with financial institutions, the youth and the public at large on a range of financial literacy subjects during 2023. The financial literacy communication programme focused on the following key messages:

- (i) how simplified customer due diligence requirements make it easier to open an account at a DTI;
- (ii) the importance of saving and budgeting as part of smart financial management;
- (iii) managing the use of credit to build a strong credit profile;
- (iv) banking smarter with online banking and other digital financial services;
- (v) introduction to Bank of Jamaica's regulated financial institutions; and
- (vi) effective goal setting and financial planning for the future.

In 2023, the Bank continued the development, design and publishing of financial literacy content across both traditional and social media channels. The content included 'memes', puzzles, public service announcements, financial literacy tips, articles and presentations. The channels utilised included four leading radio stations, a major television station, three newspapers with national circulation and the major social media platforms. Notably, the Bank sought to increase its presence

and delivery of vibrant, relevant and useful financial literacy content via social media. This was aimed at increasing the engagement of the public and, in particular, the youth demographic through the sharing of important financial inclusion and literacy information that would be beneficial in achieving improved life outcomes.

Bank of Jamaica continued its sponsorship of four series of the 'Under the Law' programme during 2023. Focus was given to the reinforcement of legal, regulatory and consumer-related topics, aimed at engendering an improved understanding of the roles and functions of the regulator and regulated financial institutions.

Other notable sponsorships and partnerships undertaken by the Bank during the year to advance financial inclusion and financial literacy objectives included: (i) the "Jamaica Stock Exchange's Market Meets the Market by the Sea" in May 2023; (ii) "Financial Literacy Monday Spotlight" on a leading radio station in May 2023; and (iii) providing financial literacy information and engagement to visitors to the Bank's Money Museum to include youth, social and community groups.



Bank of Jamaica and Ministry of Industry, Investment & Commerce partner on Financial Literacy in MSME Road Show

In August and November 2023, Bank of Jamaica partnered with the Ministry of Industry, Investment and Commerce (MIIC) in their MIIC IDB Micro, Small and Medium Enterprises (MSMEs) Road Show hosted across the island. These initiatives were aimed at promoting financial inclusion, financial literacy as well as providing pertinent information and networking opportunities to MSMEs and aspiring entrepreneurs. There were exhibitions and presentations by sponsors and other Ministries, Departments and Agencies (MDA) to include the Inter-American Development Bank (IDB), Development Bank of Jamaica, National Export-Import Bank of Jamaica and a digital wallet provider. The Bank's presentation was on "How Capital Providers Can Facilitate Financial Inclusion for MSMEs" which was under the theme "Enabling MSME Growth Through Access to Affordable Financing and Financial Inclusion."

Follow-up on Simplified Customer Due Diligence (CDD) Requirements Survey

In November 2023, the Bank conducted a follow-up survey on the use of simplified CDD requirements by DTIs. This was subsequent to the survey conducted in November 2021 and further to the 2019 amendments to the Proceeds of Crime Act (POCA) and Proceeds of Crime (Money Laundering Prevention) Regulations to permit the application of simplified Know-Your-Customer (KYC) requirements for low-risk customers.

The results of the survey identified that of the ten DTIs that responded, nine were engaged in retail banking. All respondents were aware of the amendments to POCA in 2019 pertaining to simplified CDD. Additionally, all DTIs indicated that they have customised their account opening criteria to conform with the simplified CDD requirements and revised their procedural documentation to incorporate the implementation of simplified CDD requirements for specific product categories. Seven DTIs provided data on the number of simplified CDD accounts opened each year from 2020 to September 2023.

The Bank's market surveillance and ongoing financial inclusion and literacy campaign suggested increased public awareness of the simplified CDD requirements by DTI customers. However, the extent of promotion of low KYC accounts using simplified CDD varied across DTIs and could benefit from increased marketing to facilitate greater financial inclusion. The Bank will continue to play its part in the promotion of simplified CDD and other initiatives aimed at providing greater access to regulated financial services to the general public, especially among the youth, unbanked and underbanked.



BOJ administered a National Digital Payments Survey

In the March 2023 quarter, the Bank engaged the services of a research firm to conduct a national digital payments survey. The objective of the survey was to provide data on the current knowledge, attitudes and practices of the general population as well as micro and small merchants, as it relates to financial services, including digital payment products. Accordingly, the overall purpose of the research was to measure financial access and usage of digital payment products by the adult population in Jamaica.

Results from the nationally representative survey indicated that a significant proportion of the adult population (estimated at 22.8 per cent) remained unbanked and heavily reliant on cash to transact. Notwithstanding this development, there was an

increased awareness and growing usage of digital payment options. Nonetheless, continued strengthening and promotion of available digital payment methods are required to facilitate a higher rate of adoption and increased financial inclusion.

GOJ continues cash incentive programme to promote financial inclusion

In promoting financial inclusion, the Government of Jamaica, having introduced a cash incentive of \$2 500 to each person opening a low KYC bank account, in 2022, continued the programme in 2023. At end-December 2023, the number of persons receiving this incentive was 64 674.

Update of National Financial Inclusion Strategy (NFIS) Impact Indicators

In 2023, the Bank continued to collate and publish select financial inclusion indicators under the themes – financial access and usage, financing for growth and financial resilience. Some of the indicators included: (i) use of digital payments and access to credit for MSMEs; (ii) access to mortgages by households; and (iii) access to bank savings and loans services.



► 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 \(March 2023\)](https://boj.org.jm/wp-content/uploads/2023/06/Financial-Inclusion-Impact-Indicators-March-2023.pdf)
<https://boj.org.jm/wp-content/uploads/2023/06/Financial-Inclusion-Impact-Indicators-March-2023.pdf>
- [Financial Inclusion Impact Indicators \(June 2023\)](https://boj.org.jm/wp-content/uploads/2023/09/Financial-Inclusion-Impact-Indicators-June-2023.pdf)
<https://boj.org.jm/wp-content/uploads/2023/09/Financial-Inclusion-Impact-Indicators-June-2023.pdf>
- [Financial Inclusion Impact Indicators \(September 2023\)](https://boj.org.jm/wp-content/uploads/2024/02/Financial-Inclusion-Impact-Indicators-September-2023.pdf)
<https://boj.org.jm/wp-content/uploads/2024/02/Financial-Inclusion-Impact-Indicators-September-2023.pdf>
- [National Financial Inclusion Survey 2023](https://boj.org.jm/wp-content/uploads/2024/01/National-Financial-Inclusion-Final-Report-2023.pdf)
<https://boj.org.jm/wp-content/uploads/2024/01/National-Financial-Inclusion-Final-Report-2023.pdf>



**Start Today, Secure
Your Tomorrow**



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 during the review year. In this regard, BOJ focused on finalizing the proposed Financial Deepening 2.0 agenda, which involved refining a draft phase II set of reforms and initiatives

aimed at further deepening the capital market over the short to medium-term. In addition, BOJ in collaboration with the Jamaica Stock Exchange (JSE), continued to advance initiatives that when completed would increase transparency and price discovery in the capital market.

Achievements in 2023

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

During 2023, work continued on the project to facilitate the listing and trading of GOJ local securities on the JSE trading platform. This initiative is an important element of continued market development in Jamaica and is expected to enhance efficiency, transparency, promote market liquidity and enable greater information sharing. An interface of the JSE trading platform with the JamClear® CSD is required to allow for the trading of GOJ domestic securities on the JSE platform.

The following milestones were achieved during the review year:

- (i) In the March 2023 quarter, BOJ received approval for the contract with the JamClear® CSD platform developer. The Bank subsequently made its contributory payment for the development of the interface between the two systems;¹
- (ii) Development work on the interface began in April 2023 and included various technical

meetings and discussions among the BOJ, JSE and the platform developers;

- (iii) In October 2023, sign-off was received for the specifications regarding the communications protocols for the interface between the two systems. Given that sign-off, the project task "Requirements Gathering & Change Request" was 100 per cent completed; and
- (iv) Thereafter, NASDAQ progressed with work towards delivering a test environment of the communication between the JSE platform and the JamClear® CSD.²

Finalising a new agenda to deepen the capital market

BOJ continued to refine the proposed Financial Deepening 2.0 agenda during 2023.³ The draft concept note, that contained a set of reforms and initiatives to catalyse the deepening of Jamaica's capital market, underwent additional internal reviews throughout the year. Supplementary research was also conducted to bolster the proposals. In addition, efforts were made to further prioritize a suite of implementable initiatives within the 2.0 agenda.

¹ In 2022, BOJ, JSE and the Ministry of Finance and the Public Service finalized a cost sharing approach for the total cost of the project.

² NASDAQ refers to the National Association of Securities Dealers Automated Quotations

³ In March 2022, BOJ commenced the process of defining an additional set of near- and medium-term priorities to deepen Jamaica's capital market. A series of consultations with public and private sector as well as research by the team was conducted. Thereafter, a concept note was drafted.

CORPORATE RISK MANAGEMENT



JOHN WILSON BATHURST
1880-1960
CHANCELLOR OF THE UNIVERSITY OF
TASMANIA 1950-1960

CORPORATE RISK MANAGEMENT

During the review year, Bank of Jamaica continued to identify, measure, monitor and report on the risks inherent in its operations. As the Bank's risk framework matures and awareness improves, it is anticipated that the benefits of sound risk governance and risk management practices will become increasingly evident Bank-wide. The Bank is currently ranked at Level 4 (*Contender*) and is actively engaged in moving towards Level 5 (*World Class*).

For calendar year 2024, the key area of focus is expected to include the management of cybersecurity and human resource risks, in the context of the evolving cybersecurity threat landscape and the ongoing implementation of the Twin Peaks regulatory regime. Additionally, stakeholder engagement will be pivotal in ensuring emerging risks are assessed and treated effectively over the short- to medium-term.

Achievements in 2023

Financial Risk Management

Throughout 2023, the Bank continued to effectively manage the financial risk exposures inherent in its balance sheet, including its foreign reserves investment portfolio.

To assure continued relevance and soundness of its foreign reserves risk management framework, the World Bank was invited to conduct a 'Fundamentals of Market & Credit Risk' workshop with key internal stakeholders over the period 11 to 15 September 2023. The objectives of this workshop were to:

- (i) Review the portfolio's governance structure and business processes that support market and credit risk management;
- (ii) Sensitize BOJ staff on contemporary market and credit risk measurement techniques and methodologies; and
- (iii) Provide hands-on training in the utilisation of analytical tools and resources.

The workshop was deemed a success, with participants gaining valuable insights in relation to the management of credit and market risks and how to more effectively utilise analytical and risk reporting tools.

Operational & Compliance Risks Management

- (i) Risk Control Self-Assessments (RCSA)

Periodic reviews of RCSA templates for business and functional units Bank-wide continued throughout 2023. Additionally, risk treatment plans were actively pursued by risk owners to ensure the preservation of the Bank's risk appetite, given the evolving risk landscape. In this context, the Bank's Enterprise Risk Appetite and Enterprise Risk Management frameworks were updated and approved by the Board in April 2023.

- (ii) Infectious Diseases Threat Response Team (IDTRT)

The IDTRT continued to monitor the established threat level indicators related to COVID-19 and Dengue Fever. Recommendations were posited to and adopted by Executive Management to enable the preservation of staff members' health and well-being amidst the evolving health and wellness threat landscape.

(iii) Data Protection Act (DPA)

The Data Protection Act Working Group continued to provide tactical oversight of the Bank's efforts to develop and implement policies, procedures and protocols to ensure compliance with the DPA. This was in anticipation of the 30 November 2023 deadline for data controllers to comply with the Act. Key milestones achieved during the year included:

- Designation of a Chief Privacy Officer and appointment of a Senior Privacy Officer;
- Implementation of a Data Protection Policy; and
- Procurement of the services of a Data Protection Consultant and a Data Protection Officer.

Strategic, IT & Business Continuity Risks Management

(i) Strategic Objectives/Initiatives

During 2023, the Bank's strategic risk profile remained within its established risk tolerance. The overall performance in relation to Tier 1 strategic objectives/initiatives at December 2023 was 85 per cent relative to the target of 80 per cent. Key strategic risk drivers during the year included:

- Unavailability of the required human resources to execute key projects/initiatives;
- Competing priorities in relation to operational and project-related deliverables; and
- Delays in external dependencies (e.g. procurement process, legislative amendments).

(ii) Cybersecurity Risk Management

Cybersecurity risk remained within the Bank's established risk tolerance, during the review year, on account of the adequacy of existing controls to withstand major attacks. In this regard, the implementation of a risk-based approach to cyber risk management continued in earnest with deliberate steps being taken to improve cyber risk awareness amongst all levels of staff.

Notably, members of the Audit & Risk Committee of the Board and the Risk Management Committee of the Bank received targeted cyber risk training in August 2023. Additionally, the Bank's cyber risk management framework, cyber risk policy, cyber incident response team and cyber incident response plan are being reviewed and strengthened to ensure sustained resilience to cyberattacks.

(iii) Business Continuity Planning

Periodic reviews of business continuity plans for mission critical functions and activities of the Bank continued throughout 2023. Notably, key stakeholders demonstrated sound knowledge of their assigned roles and responsibilities in the event of disruptions to normal operations at Nethersole Place. This bodes well for the Bank's continued readiness and resilience to material disruptions to its operations. Notwithstanding, scheduled reviews of the Bank's Business Continuity Management Framework and Corporate Business Continuity Plan will be conducted in 2024 to enable sustained operational resilience.

COMMUNICATIONS & CORPORATE SOCIAL RESPONSIBILITY



MR. JIMMY D. BETHUNE
1914-1991
President of the United Negro College Fund
1968-1981



Mr Dwayne Extol (Head of Content and Internal Communications) assists a student from Alpha Primary during a luncheon and presentation on dining etiquette

COMMUNICATIONS AND CORPORATE SOCIAL RESPONSIBILITY

Bank of Jamaica recognises the significance of efficient communication on monetary and financial stability issues as a crucial aspect in fulfilling its mandate. In this regard, 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. During 2023, initiatives across several

communication channels were executed to enhance policy effectiveness. The Bank also continued to engage in several outreach programmes that support education and the arts. This was consistent with the Central Bank's long-held view that service to the community is important.

BOJ continued communication and engagement surrounding its mandate

- **Quarterly Monetary Policy Report Press Conference**

During 2023, the Bank's scheduled quarterly press conferences as well as other special press briefings were executed in a hybrid format, utilising both in-person and virtual interface. Recordings of the quarterly press conferences were made available to the press and the general public via the Bank's YouTube channel. The press conferences were aimed at explaining the monetary policy decision, 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 economies.

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 and executive management at a Quarterly Monetary Policy Press Conference

- **Schedule for Policy Rate Announcements**

The Bank continued to publish its schedule of eight announcements of monetary policy decisions on its website. These announcements take the form of press releases, which indicate the decision on the policy rate and summaries 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**

Given its mandate for maintaining financial system stability, BOJ is tasked with safeguarding conditions which ensure the proper and efficient functioning of the financial system and, consequently, the promotion of real economic activity. During the review year, 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](#).

Continued support for community outreach, education and the arts

Throughout 2023, Bank of Jamaica continued to demonstrate its belief in the value of corporate social responsibility through its sustained support of vulnerable communities, the arts, culture and various educational institutions. Specifically, during the year, the Bank donated 350 care packages to vulnerable individuals within the Jamaica Society for the Blind, Salvation Army, the "Recycled Teenagers," and Mustard Seed communities. In addition, 50 caregivers from the Mustard Seed communities received gift packages to reward their commitment to helping the indigent.

● Money Museum & Exhibitions

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. Visits to the museum returned to pre-pandemic levels (before 2020), as over 4 000 visitors registered in 2023. Groups from schools, religious organisations, the armed forces, community clubs, diplomatic corps and regional central banks viewed the museum's display of numismatic items which record the history of Jamaican money. Over 80 per cent of visitors were from educational institutions which attested to the continued relevance of this resource. In addition to learning about the history of money, students participated in presentations on the role and functions of the Bank. The museum participated in the annual Seville Heritage Expo in St. Ann where approximately 1 000 patrons visited its exhibition on the history of Jamaican money.

● Education Initiatives

In May 2023, Bank of Jamaica hosted 75 students and teachers from Alpha Primary School for Children's Day. The event began with a tour of the Bank's Money Museum and ended with a luncheon in the auditorium where members of the Communication Department presented on dining etiquette. Additionally, the Bank celebrated

Teacher's Day with 100 teachers from Morant Bay High School. The team was accompanied by Olympian, Hansle Parchment. In July and August 2023, the Bank sponsored stationery and materials needed for Liberty Hall to host their Summer Arts programme. Liberty Hall is an audio-visual museum dedicated to maintaining the legacy of The Right Excellent Marcus Mosiah Garvey, Jamaica's first National Hero. This support impacted over 50 students.



Mr Noel Greenland and Mr Lance Rochester at the Annual Employee Awards ceremony



Special Awardees at the Annual Employee Awards ceremony

● Scholarships

Bank of Jamaica continued its support for higher education within the field of Economics through two scholarships. The annual G. Arthur Brown Memorial Scholarship is offered to a Jamaican national pursuing a Master of Science degree in Economics at the University of the West Indies (UWI), Mona Campus. The maximum tenure of the scholarship is two academic years. The value of the scholarship is \$900 000.00 per academic year. In addition, the triennial Colin Fitz-Herbert Bullock Scholarship is offered to a Jamaican national pursuing a Doctor of

Philosophy degree in Economics at UWI, Mona Campus. The scholarship has a maximum tenure of four academic years. The value of the scholarship is \$1 800 000.00 per academic year.

The Bank awarded the 2023 G. Arthur Brown Memorial Scholarship to Ms Ashanae Aris. The current Colin Fitz-Herbert Bullock Scholarship holder is Ms Shenelle Guscott.

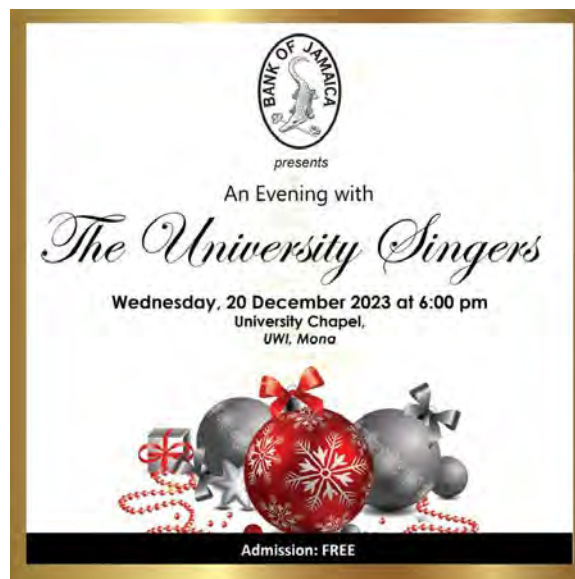
- **St. Michael's Primary School**

Bank of Jamaica continued to support St Michael's Primary School, situated on Tower Street in Kingston. In this regard, the Bank renovated the staff room and sick bay area as a major project. The Bank also provided additional educational material which was distributed to students throughout the review year. Over 300 of their students as well as teachers benefitted from the Bank's sponsorship of a Christmas Treat in December 2023.

- **An Evening with the University Singers**

On 20 December 2023, Bank of Jamaica successfully staged its annual concert, "An Evening with the University Singers" at the University Chapel at UWI, Mona campus. The University Singers delighted the audience with a scintillating

performance of the "Twelve Days of Christmas" which featured over 70 costumed dancers. Bank of Jamaica, in collaboration with Television Jamaica (TVJ), also aired a recording of the live performance on 25 December 2023. This recording was also made available on the Bank's YouTube channel.



Achievements in 2023

Bank of Jamaica in the Media

The Bank's website had approximately 2.7 million page-views from over 950 000 unique users on the platform for the period 01 January to 31 December 2023. The top viewed pages and the most searched google terms were the Home page as well as pages relating to Foreign Exchange Rates and Careers. Other pages frequently visited were 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. The Bank's social media presence continued to expand throughout the year, with notable growth recorded on our YouTube channel, which surpassed 2 400 unique subscribers. The Bank's Facebook page increased to over 2 000 followers and its Instagram page had over 2 500 followers. In addition, the Bank's account on 'X' (formally known as Twitter), remained its primary means of communication and surpassed 16 000 followers.

Inflation Watch, the Bank's monthly YouTube series on the inflation outturn using data provided by the Statistical Institute of Jamaica (STATIN), was revamped, during the review year, while maintaining the same quality of information. Visual and audio

snippets from the programme were featured in the business news segment on local radio and television stations. **Centrally Speaking**, the Bank's flagship television series continued for a 5th season on TVJ and the Bank's YouTube channel and served as a news source for the local media houses.

Regional Engagement

BOJ hosted the 61st Meeting of the Caribbean Community (CARICOM) Committee of Central Bank Governors over a two-day period, 02 – 03 November 2023, at the Ministry of Foreign Affairs and Foreign Trade. Central bank governors reviewed the regional and global financial markets, macroeconomic environment, regional economic outlook and developments in monetary policy. The regional economic performance assessment identified the key risks to macro-economic stability in regional economies during the post-pandemic period, including high imported inflation, geopolitical developments and climate vulnerability.

It concluded that the region has generally recovered from the pandemic with a return to growth, inflation was trending downward and the banking system remained sound. The outgoing chair of the Committee of Central Bank Governors is Richard Byles of Jamaica. Governor of the Central Bank of Barbados, Dr Kevin Greenidge, will assume the chair in 2024.

Over the period 01 – 03 November 2023, the Bank in conjunction with the Caribbean Economic Research Team (CERT) hosted local and regional participants at the 54th Annual Monetary Studies Conference under the theme, "Caribbean Central Banks: Confronting Short-Run Challenges while Securing Long-Run Stability and Growth". The conference was highlighted by the 36th Adlith Brown Memorial Lecture which was delivered by Professor Avinash Persaud, on the topic "Central Banking in the Age of Climate Change".



Special guest speaker Mr Douglas Orane (former Chairman and CEO of the Grace Kennedy group) with interviewer Ms Anna-Kaye Smith at the Bank's People Leaders' forum



BOJ staff representing at the annual Sagicor SIGMA Run

FINANCIAL STATEMENTS



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

BANK OF JAMAICA
FINANCIAL STATEMENTS
DECEMBER 31, 2023



KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
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 69, which comprise the statement of financial position as at December 31, 2023, 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 material 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, 2023, 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 Accounting 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. Tairui Hamda
Cynthia L. Lawrence
Rajani Thirani
Norman G. Rainford

Nigel R. Chambers
Nyssa A. Johnson
Wilbert A. Spence
Sandra A. Edwards

Karen Ragooobarsingh
Al A. Johnson
Darren D. Reid



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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 Accounting 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.



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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.



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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 of the KPMG firm, written in blue ink.

Chartered Accountants
Kingston, Jamaica

March 1, 2024

BANK OF JAMAICAStatement of Financial PositionDecember 31, 2023*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2023</u> J\$'000	<u>2022</u> J\$'000
<u>ASSETS</u>			
Foreign assets:			
Notes and coins		122,468	153,983
Cash and cash equivalents	4	124,169,944	106,430,839
Securities held in funds managed by agents	5	192,688,466	181,688,787
Investment securities	6	423,148,784	370,727,551
International Monetary Fund -			
Holding of Special Drawing Rights	7	12,386,117	21,367,297
Quota subscription	8	<u>12,114,150</u>	<u>11,805,499</u>
Total foreign assets		<u>764,629,929</u>	<u>692,173,956</u>
Local assets:			
Notes and coins		186,530	175,779
Resale agreements	9	21,100,000	12,700,000
Investment securities	10	247,943,725	262,698,623
Due from Government and Government agencies	11	-	1,290,333
Property, plant and equipment	12	9,086,100	8,512,464
Intangible asset	13	483,113	508,430
Employee benefits asset	14(a)	1,618,000	3,635,200
Other	15	<u>9,639,905</u>	<u>11,567,859</u>
Total local assets		<u>290,057,373</u>	<u>301,088,688</u>
Total assets		<u>1,054,687,302</u>	<u>993,262,644</u>

The notes on pages 10 to 69 are an integral part of these financial statements.

BANK OF JAMAICA


Statement of Financial Position (Continued)

December 31, 2023

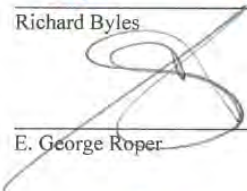
(Presented in thousands of Jamaica Dollars unless otherwise indicated)

	<u>Notes</u>	<u>2023</u> J\$'000	<u>2022</u> J\$'000
<u>LIABILITIES, CAPITAL AND RESERVES</u>			
Liabilities:			
Notes and coins in circulation	16	277,413,092	233,687,020
Deposits and other demand liabilities	17	343,847,098	413,490,338
Open market liabilities	18	246,548,742	171,457,137
International Monetary Fund - Allocation of Special Drawing Rights	19	130,233,288	126,915,142
Foreign liabilities		10,022	6,509
Due to Government and Government agencies	11	1,233,047	-
Employee benefits obligation	14(b)	3,301,300	2,125,000
Lease liability	20(ii)	190,718	69,473
Other	21	<u>3,675,767</u>	<u>3,228,785</u>
Total liabilities		<u>1,006,453,074</u>	<u>950,979,404</u>
Capital and reserves:			
Statutory capital	22	20,577,000	20,577,000
General reserve fund	23	27,333,277	15,936,168
Special stabilisation account	24	2,211,496	2,061,266
Other reserves	25	<u>(1,887,545)</u>	<u>3,708,806</u>
Total capital and reserves		<u>48,234,228</u>	<u>42,283,240</u>
Total liabilities, capital and reserves		<u>1,054,687,302</u>	<u>993,262,644</u>

The financial statements on pages 5 to 69 were signed on February 29, 2024 on behalf of the Board of Directors by:



Richard Byles Governor



E. George Roper Deputy Governor



Ian Williams Financial Controller

The notes on pages 10 to 69 are an integral part of these financial statements.

BANK OF JAMAICAStatement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2023*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Operating income:			
Interest, calculated using the effective interest method	26	46,569,880	29,791,105
Interest income from financial instruments designated at FVTPL	26	3,625,615	1,693,525
Foreign exchange gain, net	27	3,616,903	6,025,177
Gain on securities measured as FVTPL		2,189,905	-
Other		<u>561,164</u>	<u>338,392</u>
Total operating income		<u>56,563,467</u>	<u>37,848,199</u>
Operating expenses:			
Interest on deposits and open market liabilities	28	22,229,485	13,543,873
Interest on IMF deposits		5,300,980	3,132,822
Interest on lease liability	20(iii)	1,384	1,509
Staff costs	29	7,931,883	7,698,094
Currency expenses		3,466,604	1,804,926
Depreciation and amortisation		1,004,915	887,888
Other property expenses		1,222,873	1,146,635
Other operating expenses	30	1,933,958	1,521,682
Expected Credit Loss		(248,593)	(24,309)
Change in remeasurement of staff loans		42,125	193,062
Loss on securities measured as FVTPL		<u>-</u>	<u>7,129,971</u>
Total operating expenses		<u>42,885,614</u>	<u>37,036,153</u>
Operating profit		13,677,853	812,046
Other operating income/(expenses):			
Pension, medical and life expenses		100,000	539,300
Gains on disposal of property, plant and equipment		<u>34,533</u>	<u>4,200</u>
Profit for the year transferred to general reserve fund	23(a)	<u>13,812,386</u>	<u>1,355,546</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)	(3,381,000)	(143,900)
Item that is or will be reclassified to profit or loss:			
Change in fair value of securities at FVOCI	25(a)	<u>181,149</u>	<u>(11,646,989)</u>
Other comprehensive loss for the year		<u>(3,199,851)</u>	<u>(11,790,889)</u>
Total comprehensive income/(loss) for the year		<u>10,612,535</u>	<u>(10,435,343)</u>

The notes on pages 10 to 69 are an integral part of these financial statements.

BANK OF JAMAICA**Statement of Changes in Capital and Reserves**
Year ended December 31, 2023*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	Share capital 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, 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	-	1,355,546	-	-	1,355,546
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	-	1,355,546	-	(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
	-	(1,980,650)	174,036	81,500	(1,725,114)
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>
Total comprehensive income for the year 2023:					
Profit for the year	-	13,812,386	-	-	13,812,386
Other comprehensive income:					
Realised losses on fair value of securities measured at FVOCI	-	-	-	(54,193)	(54,193)
Unrealised losses on fair value of securities measured at FVOCI	-	-	-	235,342	235,342
Remeasurement of pension asset and obligation, net	-	-	-	181,149	181,149
Other comprehensive loss	-	-	-	(3,381,000)	(3,381,000)
Total comprehensive income	-	13,812,386	-	(3,199,851)	10,612,535
Other changes in reserves:					
Due to consolidated fund [note 11(b)]	-	(4,661,547)	-	-	(4,661,547)
Transfer to special stabilisation account (note 24)	-	(150,230)	150,230	-	-
Transfer of surplus on defined benefits pension scheme	-	2,396,500	-	(2,396,500)	-
	-	(2,415,277)	150,230	(2,396,500)	(4,661,547)
Balances at December 31, 2023	<u>20,577,000</u>	<u>27,333,277</u>	<u>2,211,496</u>	<u>(1,887,545)</u>	<u>48,234,228</u>

The notes on pages 10 to 69 are an integral part of these financial statements.

BANK OF JAMAICA**Statement of Cash Flows****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	Notes	2023 J\$'000	2022 J\$'000
Cash flows from operating activities:			
Profit for the year		13,812,386	1,355,546
Adjustments for:			
Depreciation – property, plant and equipment	12	819,736	720,235
Amortisation – intangible asset	13	185,179	167,654
Gain on disposal of property, plant and equipment		(34,533)	(4,200)
Write-off of coins in circulation		(150,230)	-
Employee benefits, net		(187,500)	262,100
Unrealised exchange (gain)/loss		(12,948,680)	10,551,845
Unrealised exchange (gain)/loss on International Monetary Fund Quota Subscription	7	(308,650)	800,675
Unrealised exchange loss/(gain) on International Monetary Fund - Allocation of SDR's		3,318,146	(8,607,663)
Impairment of financial assets		(248,593)	(24,309)
Interest income	26	(50,195,495)	(31,484,630)
Interest expense		<u>27,531,849</u>	<u>16,678,204</u>
		(18,406,385)	(9,584,543)
Changes in:			
Securities held in funds managed by agents		(7,816,155)	(73,629,112)
Foreign currency denominated investments		(46,558,179)	65,453,467
Local currency denominated investments		15,194,130	(2,209,032)
Notes and coins in circulation		43,876,302	6,996,284
Deposits and other demand liabilities		(67,632,340)	(53,425,145)
Open market liabilities		75,091,606	(1,755,466)
International Monetary Fund - Holding of Special Drawing Rights		8,981,180	83,727,720
Other assets		4,911,617	(2,288,737)
Other liabilities		374,894	(43,122)
Due (to)/from Government and Government agencies		(2,328,187)	636,495
Resale agreements		<u>(8,400,000)</u>	<u>(3,600,000)</u>
Interest received		(2,711,517)	10,278,809
Interest paid		47,400,164	29,793,857
		<u>(27,458,376)</u>	<u>(16,038,417)</u>
Net cash provided by operating activities		<u>17,230,271</u>	<u>24,034,249</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	12	(1,303,180)	(563,384)
Additions to intangible asset	12	(159,862)	(253,182)
Proceeds from disposal of property, plant and equipment		<u>71,738</u>	<u>48,764</u>
Net cash used in investing activities		<u>(1,391,304)</u>	<u>(767,802)</u>
Cash flows from financing activities:			
Advance/(repayment) of foreign liabilities		3,477	(9,464)
Payment of lease liability	20(iv)	<u>(7,536)</u>	<u>(7,536)</u>
Net cash used in financing activities		<u>(4,059)</u>	<u>(17,000)</u>
Net increase in cash and cash equivalents		15,834,908	23,249,447
Cash and cash equivalents at beginning of year		106,760,601	85,080,340
Effect of exchange rate fluctuation on cash held		<u>1,883,433</u>	<u>(1,569,186)</u>
Cash and cash equivalents at end of year		<u>124,478,942</u>	<u>106,760,601</u>
Comprising:			
Foreign cash and cash equivalents	4	124,169,944	106,430,839
Foreign notes and coins		122,468	153,983
Local notes and coins		<u>186,530</u>	<u>175,779</u>
		<u>124,478,942</u>	<u>106,760,601</u>

The notes on pages 10 to 69 are an integral part of these financial statements.

BANK OF JAMAICA**Notes to the Financial Statements****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***1. Identification**

Bank of Jamaica (hereafter “the Bank”) was established by the Bank of Jamaica Act (hereafter “the Act”), most recently amended in 2022 by the Bank of Jamaica (Amendment) Act, 2022, which introduced provisions for the issue by the Bank of the central bank digital currency to legal tender alongside notes and coins issued by the Bank. 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, coins and central bank digital currency, 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 recognises 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 IFRS Standards as issued by the International Accounting Standards Board (“IFRS”). During the year, the Bank adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from January 1, 2023. The Amendments did not result in any changes to the accounting policies [see note 3(n)].

(b) Functional and presentation currency

The financial statements are prepared and presented in thousands Jamaica dollars (J\$’000), 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, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***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 [see note 3(a)(ii)].

(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 [see note 3(b)].

(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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*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 [see note (3)(a)].

(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, 10 and 34).

(3) Fair value of land and buildings

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 [see notes 3(c)(i) and note 12].

(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 [see note 35(b)(iv)].

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*3. Material 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 and quota subscription, resale agreements, 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, due to Government and Government agencies 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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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 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 and cash equivalents comprise notes and coins on hand, short-term highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in value, and are held by the Bank in managing short-term commitments and to support the financial system as and when needed.

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. 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) Investment securities

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

- debt securities measured at amortised cost (see note 10); 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.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*3. Material accounting policies (continued)

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

(v) Specific items (continued)

(3) Investment securities (continued)

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 recognised in profit or loss.

(4) Other assets

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

(5) 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.

(6) Other liabilities

Other liabilities are measured at amortised cost.

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

(8) 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.

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

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*3. Material accounting policies (continued)

(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.

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.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material accounting policies (continued)****(b) Impairment of financial assets (continued)***Credit-impaired financial assets (continued)*

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.

Write-off

The gross carrying amount of a financial asset is written off when the Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in profit or loss. Amounts are written off from the allowance whenever management has concluded that such amounts will not be recovered.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(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.

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.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material accounting policies (continued)****(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 buildings are measured at fair value, which reflects market conditions at the reporting date, less accumulated depreciation. 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 after consultation with external valuer 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. Leaschold property is amortised in equal instalments over the shorter of the lease term and the property's estimated useful life.

Land, works of art, museum coins and capital work-in-progress are not depreciated.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*3. Material accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Depreciation (continued)

The estimated useful lives are as follows:

Buildings	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

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, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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 and net interest expense are 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 unrealized 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.

(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, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material 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, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***3. Material accounting policies (continued)****(l) 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.

(m) 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. These amounts are included in other income.

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.

(n) Amended standards**(i) Newly currently effective standards:**

The Bank adopted the following amended standards during the year:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2)* from January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*3. Material accounting policies (continued)

(n) Amended standards (continued)

(i) Newly currently effective standards (continued):

The Bank adopted the following amended standards during the year *(continued)*:

- *Disclosure of Accounting Policies (continued)*

In keeping with the amendments, management updated the financial statements to include material accounting policies (2022: Significant accounting policies), otherwise the amendments had no other impact on the financial statements.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and were effective January 1, 2023. The adoption of these amendments did not have any impact on the financial statements.

(ii) Forthcoming standards:

At the date of authorisation of these financial statements, certain amended standards have been issued which are not yet effective and are not expected to have a significant impact on the Bank's financial statements when they are adopted.

4. Cash and cash equivalents

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Current accounts and money at call with foreign banks	123,239,786	104,265,973
Current accounts with local banks	<u>930,158</u>	<u>2,164,866</u>
	<u>124,169,944</u>	<u>106,430,839</u>

5. Securities held in funds managed by agents

This represents investments managed by Crown Agents Investment Management Limited ("CAIMI"), 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 or loss (FVTPL). The Bank retains the risks and rewards in relation to these instruments. The portfolio consists of investments in sovereign bonds, corporate bonds and pooled funds as follows:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Units in pooled funds	3,175,044	3,082,233
Sovereign bonds	161,960,042	169,044,364
Corporate bonds	<u>27,553,380</u>	<u>9,562,190</u>
	<u>192,688,466</u>	<u>181,688,787</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***6. Foreign currency denominated investments**

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Securities measured at fair value through other comprehensive income (FVOCI):		
USD Bonds issued primarily by specialised financial corporations	<u>52,818,390</u>	<u>49,584,813</u>
Securities measured at amortised cost:		
Short-term deposits with foreign banks	370,386,552	321,191,095
Less allowance for ECL on investments at amortised cost	<u>(56,158)</u>	<u>(48,357)</u>
	<u>370,330,394</u>	<u>321,142,738</u>
	<u>423,148,784</u>	<u>370,727,551</u>

7. International Monetary Fund – Holding of Special Drawing Rights

	<u>2023</u> SDR'000	<u>2022</u> SDR'000	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Amount held by the Bank	<u>59,788</u>	<u>105,836</u>	<u>12,386,117</u>	<u>21,367,297</u>

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 solely as custodian, 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. All of the amount would be classified as non-current.

	SDR'000	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Amount subscribed by the Government of Jamaica (substituted by promissory notes)*	324,425	67,210,482	65,498,062
Amount subscribed by the Bank	<u>58,475</u>	<u>12,114,150</u>	<u>11,805,499</u>
Total quota	<u>382,900</u>	<u>79,324,632</u>	<u>77,303,561</u>

* Amount included for disclosure purposes only as required by the IMF.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*8. International Monetary Fund – Quota Subscription (continued)

	SDR'000	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Amount subscribed by the Bank:			
At beginning of year	58,475	11,805,499	12,606,174
Effect of exchange rate fluctuation *	-	308,651	(800,675)
At end of year	<u>58,475</u>	<u>12,114,150</u>	<u>11,805,499</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)] and are due within 12 months of the reporting date. 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, 2023, resale agreements of \$21,100,000,000 (2022: \$12,700,000,000) were collateralised by securities with fair value of \$26,208,071,000 (2022: \$14,250,154,000).

10. Local currency denominated investments

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Securities at FVOCI:		
Jamaica Government securities:		
Variable rate benchmark investments	60,894,874	74,738,929
Fixed rate benchmark investments	<u>99,023,748</u>	<u>101,506,725</u>
	<u>159,918,622</u>	<u>176,245,654</u>
Securities at amortised cost:		
Jamaica Government securities:		
Fixed rate accreting notes ("FRANs") [See note on National Debt Exchange ("NDX") below]	88,223,685	86,723,375
Less allowance for ECL on investments at amortised cost	(198,582)	(270,406)
	<u>88,025,103</u>	<u>86,452,969</u>
	<u>247,943,725</u>	<u>262,698,623</u>

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.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***10. Local currency denominated investments (continued)**

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

	2023			
	At beginning of year	Movements during the year		At end of year
	J\$'000	Advances/ (distributed profit) J\$'000	(Receipt)/ settlement J\$'000	J\$'000
Withholding tax refund due [see note (c)]	(183,101)	-	(90,085)	(273,186)
Accrued interest on Government securities	5,057,337	4,867,317	(5,057,337)	4,867,317
Net loss/(profit) receivable from/(payable to) Consolidated Fund [see (b)]	(3,583,903)	(4,661,547)	2,418,272	(5,827,178)
	<u>1,290,333</u>	<u>205,770</u>	<u>(2,729,150)</u>	<u>(1,233,047)</u>

	2022			
	At beginning of year	Movements during the year		At end of year
	J\$'000	Advances/ (distributed profit) J\$'000	(Receipt)/ settlement J\$'000	J\$'000
Withholding tax refund due [see note (c) 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) below]	(2,297,835)	(1,980,650)	694,583	(3,583,903)
	<u>3,523,862</u>	<u>3,076,687</u>	<u>(5,310,215)</u>	<u>1,290,333</u>

The account is due for settlement within 12 months of the reporting date and is shown net as the Bank has the right and intent to settle the balances on a net basis.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***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 2023 and 2022.

- (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>2023</u> J\$'000	<u>2022</u> J\$'000
1-6 months	(90,085)	(183,101)
Over 12 months	<u>(183,101)</u>	<u>-</u>
	<u>(273,186)</u>	<u>(183,101)</u>

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***12. Property, plant and equipment**

	Freehold land and buildings J\$'000	Leasehold property J\$'000	Furniture, plant and equipment J\$'000	Motor vehicles J\$'000	Work in progress J\$'000	Total J\$'000
Cost or valuation:						
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	8,168,406	228,208	3,569,683	539,504	232,556	12,738,357
Additions	292,038	171,690	295,877	338,524	332,449	1,430,578*
Disposals/write-offs	-	-	-	(167,191)	-	(167,191)
December 31, 2023	<u>8,460,444</u>	<u>399,898</u>	<u>3,865,560</u>	<u>710,837</u>	<u>565,005</u>	<u>14,001,744</u>
Depreciation:						
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	1,286,807	122,416	2,553,220	263,450	-	4,225,893
Charge for the year	395,581	25,115	261,644	137,396	-	819,736
Elimination on disposal	-	-	-	(129,985)	-	(129,985)
December 31, 2023	<u>1,682,388</u>	<u>147,531</u>	<u>2,814,864</u>	<u>270,861</u>	<u>-</u>	<u>4,915,644</u>
Net book values:						
December 31, 2023	<u>6,778,056</u>	<u>252,367</u>	<u>1,050,696</u>	<u>439,976</u>	<u>565,005</u>	<u>9,086,100</u>
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>

* During the year, the Bank entered a new lease arrangement that resulted in additions to right of use assets of \$127,398,000 (2022: \$Nil), which is a non-cash transaction and therefore excluded from additions to property, plant and equipment in the statement of cash flows.

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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*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
<p><i>Market based 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.</p> <p>A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.</p> <p>However, as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.</p>	<ul style="list-style-type: none"> • Demand for properties in the location • Sales of similar properties • Comparable adjustment <p>(Changes in these inputs by 5 – 10% would have a significant impact on the value of the properties).</p>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • The demand for properties in the same location was higher/(lower) • Sales prices of similar properties were higher/(lower) • Comparability adjustment was higher/(lower)

13. **Intangible asset**

	<u>Computer software</u>	
	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Cost:		
At the beginning of year	1,744,128	1,490,946
Additions	<u>159,862</u>	<u>253,182</u>
At end of year	1,903,990	1,744,128
Amortisation:		
At the beginning of year	1,235,698	1,068,044
Charge for the year	<u>185,179</u>	<u>167,654</u>
At end of year	1,420,877	1,235,698
Net book value	<u>483,113</u>	<u>508,430</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***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 the 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 and is unfunded.
- The Bank also operates a life and a medical scheme to provide life and medical benefits to eligible employees and pensioners. The medical scheme is non-contributory while the Bank contributes 96.55% and employees 3.45% to the life insurance scheme.
- The schemes expose the Bank to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk, which are managed by the Trustees of the scheme.
- During the year, the discount rate moved from 13% in 2022 to 11% in 2023. This has affected the future benefit the Bank expects to derive from the surplus in the scheme, which is limited by the asset ceiling. In the prior year, the asset ceiling of \$7,107,100,000 was recognised as an asset. The asset ceiling is applied where the present value of the employer future contributions to the scheme is less than the amount of the plan asset. This is on the basis that the Bank can only recover the asset by reducing its contributions to that extent. The change in the asset ceiling arose in the current year as the present value of the future employer contributions was substantially increased by discounting them at a lower discount rate of 11% as compared to the discount rate of 13% in the prior year.

(a) Pension asset recognised:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Present value of funded obligations	(21,514,800)	(11,527,800)
Fair value of plan assets	23,132,800	22,270,100
Change in effect of asset ceiling	-	(7,107,100)
Recognised asset	<u>1,618,000</u>	<u>3,635,200</u>

(i) Movements in the present value of defined benefit obligations

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Balance at beginning of year	11,527,800	17,598,400
Benefits paid	(960,600)	(696,600)
Service cost	269,200	450,800
Interest cost	1,438,100	1,416,100
Remeasurement loss/(gain) on obligation included in other comprehensive income	<u>9,240,300</u>	<u>(7,240,900)</u>
Balance at end of year	<u>21,514,800</u>	<u>11,527,800</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*14. Employee benefits (continued)

(a) Pension asset recognised (continued):

(ii) Movements in plan assets

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Fair value of plan assets at beginning of year	22,270,100	22,175,600
Contributions paid	224,200	194,400
Interest income on plan assets	2,848,700	1,754,000
Benefits paid	(960,600)	(696,600)
Remeasurement loss on assets include in other comprehensive income	(1,249,600)	(1,157,300)
Fair value of plan assets at end of year	<u>23,132,800</u>	<u>22,270,100</u>

Plan assets consist of the following:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Government of Jamaica securities	19,924,600	20,450,900
Bank of Jamaica certificates of deposit	968,000	1,243,800
Real estate	719,000	260,000
External Managed Securities	780,300	-
Other	<u>740,900</u>	<u>315,400</u>
	<u>23,132,800</u>	<u>22,270,100</u>

The assets of the plan do not have a quoted price in an active market.

(iii) Amounts recognised in profit or loss

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Current service cost	269,200	450,800
Interest cost on obligations	1,438,100	1,416,100
Interest income on assets	(2,848,700)	(1,754,000)
Interest cost on effect of asset ceiling	<u>923,900</u>	<u>-</u>
	<u>(217,500)</u>	<u>112,900</u>

(iv) Items recognised in other comprehensive income

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Remeasurement loss on obligation and plan assets:		
Change in demographic assumptions	325,200	-
Change in financial assumptions	(2,740,800)	8,343,900
Experience adjustment	(8,074,300)	(2,260,300)
Change in effect of asset ceiling	<u>8,031,000</u>	<u>(7,107,100)</u>
	<u>(2,458,900)</u>	<u>(1,023,500)</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*14. Employee benefits (continued)

(a) Pension asset recognised (continued):

(v) Principal actuarial assumptions at the reporting date (expressed as weighted averages)

	<u>2023</u>	<u>2022</u>
	%	%
Discount rate	11.00	13.00
Future pension increases	4.75	2.75
Future salary increases	<u>10.00</u>	<u>6.00</u>

Mortality assumptions:

American 1994 Group Annuitant Mortality Static (GAM94S) table with a 5-year mortality improvement. Death rates per 100 are as follows:

<u>2023</u>			<u>2022</u>		
Age	Males	Females	Age	Males	Females
20 – 30	0.35 – 0.66	0.22 – 0.29	20 – 30	0.8 – 0.9	0.6 – 0.7
30 – 40	0.66 – 0.85	0.29 – 0.48	30 – 40	0.9 – 1.5	0.7 – 1.4
40 – 50	0.85 – 1.58	0.48 – 0.97	40 – 50	1.5 – 5.4	1.4 – 3.2
50 – 60	1.58 – 4.43	0.97 – 2.29	50 – 60	5.4 – 14.0	3.2 – 8.6
60 – 70	4.43 – 14.53	2.29 – 8.63			

As December 31, 2023, the weighted average duration of the defined benefit obligation was 33 years.

(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>2023</u>	
	<u>1 percentage point increase</u>	<u>1 percentage point decrease</u>
	J\$'000	J\$'000
Discount rate	(2,656,700)	3,323,300
Future salary increases	2,660,500	(2,229,600)
Future rate of pension	707,700	(636,000)
Life expectancy	<u>317,100</u>	<u>(328,300)</u>

<u>Actuarial assumption</u>	<u>2022</u>	
	<u>1 percentage point increase</u>	<u>1 percentage point decrease</u>
	J\$'000	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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*14. Employee benefits (continued)

(b) Obligations for post-retirement life insurance and medical benefits:

(i) Liability recognised in statement of financial position

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Balance at beginning of year	2,125,000	2,742,500
Current service cost	45,200	89,000
Interest cost	272,300	224,500
Benefits paid	(63,300)	(51,400)
Remeasurement loss/(gain) on obligation, included in other comprehensive income [note 14(b)(iii)]	<u>922,100</u>	<u>(879,600)</u>
Balance at end of year	<u>3,301,300</u>	<u>2,125,000</u>

(ii) Expense recognised in profit or loss:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Current service cost	45,200	89,000
Interest on obligation	<u>272,300</u>	<u>224,500</u>
	<u>317,500</u>	<u>313,500</u>

(iii) Items in other comprehensive income

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Change in demographic assumptions	386,500	-
Change in financial assumptions	(708,900)	2,030,700
Experience adjustment	<u>(599,700)</u>	<u>(1,151,100)</u>
Remeasurement (loss)/gain on obligation	<u>(922,100)</u>	<u>879,600</u>

(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>2023</u>	
	<u>1 percentage point increase</u> J\$'000	<u>1 percentage point decrease</u> J\$'000
Discount rate	(406,500)	507,500
Medical claims growth	514,600	(417,700)
Life expectancy	<u>85,700</u>	<u>(86,300)</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*14. Employee benefits (continued)

(b) Obligations for post-retirement life insurance and medical benefits (continued):

- (v) 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 (continued):

	2022	
	1 percentage point increase J\$'000	1 percentage point decrease J\$'000
Discount rate	(250,100)	309,600
Medical claims growth	<u>308,000</u>	<u>(248,900)</u>

- (v) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023 %	2022 %
Discount rate	11.00	13.00
Future salary increase	10.00	6.00
Medical claims growth	<u>8.00</u>	<u>7.50</u>

Assumptions regarding future mortality are based on the GAM94S [2022: GAM 94] mortality table for pensioners (British mortality tables), but with each age rated down by five (2022: five) years.

- (c) The Bank expects to pay J\$272,000,000 (2022: J\$255,000,000) in contributions to the schemes.

15. Other assets

	2023 J\$'000	2022 J\$'000
Inventory of unissued notes and coins	1,640,042	4,288,036
Staff loans, gross	3,127,679	2,889,562
Ex-staff loans, gross	31,537	19,573
Accrued interest receivable	4,501,703	1,504,881
SDR equalisation provision [note 17(d)(iv)]	-	2,553,224
Salaries and wages paid in advance	154,156	149,428
Stock of souvenir coins	75,097	76,088
Other	<u>990,956</u>	<u>924,514</u>
	10,521,170	12,405,306
Less:		
Remeasurement of staff loans	(859,951)	(817,820)
Allowance for ECL: ex-staff loans	(21,314)	(19,627)
	<u>9,639,905</u>	<u>11,567,859</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*15. Other assets (continued)

Other assets are shown as current and non-current as follows:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Current	7,393,030	6,949,533
Non-current	<u>2,246,875</u>	<u>4,618,326</u>
	<u>9,639,905</u>	<u>11,567,859</u>

16. Notes and coins in circulation

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Notes	270,521,397	227,246,222
Central Bank Digital Currency	257,208	257,000
Coins	<u>6,634,487</u>	<u>6,183,798</u>
	<u>277,413,092</u>	<u>233,687,020</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, 2023, were 2.71 (2022: 2.91) 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).

These amounts are considered current liability based on their nature, although settlement is unlikely for the foreseeable future.

17. Deposits and other demand liabilities

(a) Deposits and other demand liabilities comprise the following:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Government and Government agencies	127,795,041	156,951,035
Commercial banks and specified financial institutions (b)	189,312,691	162,454,086
International Monetary Fund [see (d) below]	17,124,693	85,967,166
Others	<u>9,614,673</u>	<u>8,118,051</u>
	<u>343,847,098</u>	<u>413,490,338</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***17. Deposits and other demand liabilities (continued)**

(a) Deposits and other demand liabilities comprise the following (continued):

	<u>2023</u> JS'000	<u>2022</u> JS'000
Jamaica dollar equivalent of foreign currency deposits	186,574,933	242,568,411
Jamaica dollar deposits	<u>157,272,165</u>	<u>170,921,927</u>
	<u>343,847,098</u>	<u>413,490,338</u>
Due within 12 months	183,251,810	280,003,762
Due over 12 months	<u>160,595,288</u>	<u>133,486,576</u>
	<u>343,847,098</u>	<u>413,490,338</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 JS158,620,937,000 (2022: JS132,165,567,000) and are included in commercial banks and other specified financial institutions.

(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 as agreed for disclosure with the IMF:

(i) Amounts held by the Bank:

	<u>SDR'000</u>		<u>JS'000</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
IMF Account # 1	82,971	144,547	17,114,419	30,076,121
IMF Account # 2	<u>50</u>	<u>50</u>	<u>10,274</u>	<u>10,088</u>
2013 Extended Fund Facility	83,021	144,597	17,124,693	30,086,209
2020 Rapid Financing Instrument	<u>-</u>	<u>268,569</u>	<u>-</u>	<u>55,880,957</u>
Total IMF liability	<u>83,021</u>	<u>413,166</u>	<u>17,124,693</u>	<u>85,967,166</u>
Amounts held by the Government of Jamaica (GOJ)				
2013 Extended Fund Facility	11,488	31,638	2,369,627	6,582,898
2020 Rapid Financing Instrument	287,175	114,332	59,235,523	23,788,984
2023 Resilience and Sustainability Facility (RSF)	<u>191,450</u>	<u>-</u>	<u>39,490,349</u>	<u>-</u>
Total IMF liability	<u>490,113</u>	<u>145,970</u>	<u>101,095,499</u>	<u>30,371,882</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*17. Deposits and other demand liabilities (continued)

(d) IMF related information (continued)

(i) Amounts held by the Bank (continued):

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, June, September and December.

Under the Rapid Financing Instrument (RFI) repayments began in August 2023. Based on the repurchase agreement, payments are anticipated to end May 2025.

- (ii) 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, that commenced August 18, 2023 and ending May 19, 2025.
- (iii) The following reconciliation shows the total IMF liability converted at the SDR to J\$ exchange rates prevailing at April 30 and December 31.

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
At the December 31 SDR rate:		
Amount at which the loan is carried by the Bank	17,199,265	83,413,942
Effect of exchange rate appreciation/depreciation between April 30 and December 31 (note 15)	(74,572)	2,553,224
At the April 30 SDR rate:		
Amount at which the loan is carried by the IMF [per (a) above]	<u>17,124,693</u>	<u>85,967,166</u>

The Bank is holding promissory notes on behalf of the IMF of \$174,293,580,000 (2022: \$104,208,391,000) which have been issued by the Government of Jamaica in favour of the IMF. The Government of Jamaica bears the risk and rewards for amounts it holds with the IMF.

- (iv) The following table shows the rate of exchange of J\$1 for SDR at April 30 and December 31.

	<u>2023</u> SDR	<u>2022</u> SDR
April 30	J\$1 = 0.0048480	0.0048091
December 31	J\$1 = 0.0048270	0.0049532

As at February 29, 2024, the date of approval of these financial statements, the exchange rate was J\$1 = SDR 0.0048287.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***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.

Amounts are expected to be settled from the reporting date as follows:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Within 1 year	183,843,558	120,193,967
Over 1 year	<u>62,705,184</u>	<u>51,263,170</u>
	<u>246,548,742</u>	<u>171,457,137</u>

19. International Monetary Fund - Allocation of Special Drawing Rights

This represents the Bank's obligation for Special Drawing Rights (SDRs) allocated to it by the IMF. 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. The amount is not due for settlement within the next 12 months.

	<u>SDR</u> <u>2023</u> '000	<u>SDR</u> <u>2022</u> '000	<u>2023</u> J\$'000	<u>2022</u> J\$'000
At beginning of year	628,636	628,636	126,915,142	135,522,804
Effect of exchange rate fluctuation	-	-	3,318,146	(8,607,662)
At end of year	<u>628,636</u>	<u>628,636</u>	<u>130,233,288</u>	<u>126,915,142</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.

The Bank entered a new lease agreement for office space for five (5) years commencing December 2023 and includes an option to renew for an additional period of five (5) years. The Bank does not expect to exercise the option.

(i) Right of use asset:

	<u>Leasehold property</u>	
	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Balance at January 1	66,791	73,307
Additions during the year	127,398	-
Depreciation charge for the year	(8,624)	(6,516)
	<u>185,565</u>	<u>66,791</u>

This is included in leasehold property in property plant and equipment at note 12.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*20. Leases (continued)

(ii) Lease liability:

	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Undiscounted cashflows of lease liability		
Less than one year	41,586	7,536
One to five years	160,786	37,680
More than five years	<u>25,395</u>	<u>32,028</u>
	227,767	77,244
Less future interest expense	(37,049)	(7,771)
Carrying amount of lease liability	<u>190,718</u>	<u>69,473</u>
Current	29,918	6,152
Non-current	<u>160,800</u>	<u>63,321</u>
	<u>190,718</u>	<u>69,473</u>

(iii) Amounts recognised in profit or loss:

	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Interest on lease liability	<u>1,384</u>	<u>1,509</u>

(iv) Amounts recognised in statement of cashflows

	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Total cash outflow for leases	<u>7,536</u>	<u>7,536</u>

21. Other liabilities

	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Interest payable	2,091,742	2,019,653
Staff and staff-related expenses	965,305	911,763
SDR equalisation provision [note 17(d)(iv)]	74,572	-
Other	<u>544,148</u>	<u>297,369</u>
	<u>3,675,767</u>	<u>3,228,785</u>

22. Statutory 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 (2022: J\$20,577,000,000). The Government of Jamaica has paid J\$20,529,049,000 in marketable securities. Securities amounting to J\$47,951,000 (2022: J\$47,951,000) are outstanding.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***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.
- (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).

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*25. Other reserves

This represents the following:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Securities revaluation reserve [see (a)]	(7,776,966)	(7,958,115)
Property revaluation reserve [see (b)]	7,572,721	7,572,721
Pension equalisation reserve [see (c)]	1,618,000	3,635,200
Employee benefit obligation reserve [see (c)]	<u>(3,301,300)</u>	<u>459,000</u>
	<u>(1,887,545)</u>	<u>3,708,806</u>

- (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 \$181,149,000 (2022: \$11,646,989,000).
- (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 recognised in the statement of profit or loss and other comprehensive income are transferred to these reserves.

26. Interest income

- (a) Interest income calculated using the effective interest method comprises:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Assets at amortised cost:		
Cash and cash equivalents	4,327,854	1,491,208
Investment securities	27,938,230	14,990,360
Resale agreements	376,664	425,828
Other	833,657	359,060
Securities at FVOCI:		
Investment securities	<u>13,093,475</u>	<u>12,524,649</u>
Total interest income calculated using the effective interest method.	46,569,880	29,791,105

- (b) Interest income from financial instruments designated at FVTPL:

Investment securities	<u>3,625,615</u>	<u>1,693,525</u>
	<u>50,195,495</u>	<u>31,484,630</u>

- (c) Analysed as follows:

Government of Jamaica [note 31(c)(ii)]	22,012,966	22,012,467
Other sources	10,022,180	4,013,068
Open market	376,664	425,828
International	<u>17,783,685</u>	<u>5,033,267</u>
	<u>50,195,495</u>	<u>31,484,630</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*27. Foreign exchange gain, net

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Net gain/(loss) on translation and settlement of foreign currency assets and liabilities, other than on IMF deposit liabilities	5,475,710	(558,216)
Gain/(loss) on translation and settlement of IMF deposit liabilities	(1,835,060)	6,336,028
Realised exchange (loss)/gain on purchases and sales of foreign currencies	(23,747)	247,365
	<u>3,616,903</u>	<u>6,025,177</u>

28. Interest on deposits and open market liabilities

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Certificates of deposit - Open market liabilities	13,406,320	7,492,951
Deposits:		
- Government and Government agencies [note 31(c)(ii)]	6,464,051	4,391,953
- Commercial banks and specified financial institutions	1,826,198	1,294,241
- Other	<u>532,916</u>	<u>364,728</u>
	<u>22,229,485</u>	<u>13,543,873</u>

29. Staff numbers and costs

	<u>2023</u>	<u>2022</u>
Number of employees at the end of the year:		
Full-time	500	489
Contract	<u>190</u>	<u>169</u>

The related costs for these employees were as follows:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Salaries and wages	6,107,891	5,420,760
Statutory payroll contributions	502,247	332,146
Uniforms	19,051	35,690
Staff development	128,417	117,384
Subsidy on canteen operations	158,817	140,606
Staff welfare	829,174	601,524
Pension fund related costs	<u>186,286</u>	<u>1,049,984</u>
	<u>7,931,883</u>	<u>7,698,094</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*30. Other operating expenses

	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Communication	108,136	116,309
Travelling and motor vehicle expenses	65,489	51,381
Commission paid to commercial banks	16,848	366,494
Auditor's remuneration	31,050	22,877
General office expenses	433,647	310,963
Fees on investment managed portfolio	113,151	140,436
Other administrative expenses	<u>1,165,637</u>	<u>513,222</u>
	<u>1,933,958</u>	<u>1,521,682</u>

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.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*31. **Related parties (continued)**

(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. During the year, the Bank performed a supervisory role over the operations of the Financial Services Commission (FSC).

(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>2023</u> J\$'000	<u>2022</u> J\$'000
Loans:		
Executive management (included in staff loans)	164,590	148,752
Amounts receivable from Financial Services Commission (FSC)	28,680	-
Deposits: Executive management and Pension fund	677,366	189,923
Open market liabilities: Pension fund	<u>971,566</u>	<u>1,245,916</u>

The executive management team consists of twenty-two (22) persons [2022: twenty-one (21) 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>2023</u> J\$'000	<u>2022</u> J\$'000
Directors' fees	5,435	6,250
Interest expense:		
Government and Government agencies (note 28)	6,464,051	4,391,953
Pension Fund	155,162	67,509
Executive management and Pension Fund (current accounts)	36,019	14,913
Interest income:		
Government of Jamaica [note 26(c)]	22,012,966	22,012,467
Executive management	5,108	2,773
Pension contribution and other benefits	273,786	246,793
Property rental payments to Pension Fund	<u>7,536</u>	<u>7,536</u>
Executive management compensation, included in staff costs (note 29)		
Short-term benefits	608,168	538,970
Post-employment benefits	<u>26,878</u>	<u>23,217</u>
	<u>635,046</u>	<u>562,187</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)***32. Commitments**

Capital commitments are as follows:

	<u>2023</u>	<u>2022</u>
	J\$'000	J\$'000
Authorised and contracted	587,578	1,166,067
Authorised but not contracted	<u>68,610</u>	<u>195,326</u>
	<u>656,188</u>	<u>1,361,393</u>

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 and has not made payments. 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, 2023, 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 defense in all these matters, as they are deemed to be without merit and unlikely to succeed. In any event, were the matters to be ruled against the Bank, the Order for damages should 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.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***34. Fair value of financial instruments (continued)**

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.

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 is deemed to approximate carrying value on the basis that the amounts are short-term.

The fair value of cash and cash equivalents, resale agreements, short-term deposits, 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

	2023		
	Level 1 J\$'000	Level 2 J\$'000	Total J\$'000
Securities at FVOCI:			
USD Bonds issued primarily by specialised financial corporations	-	52,818,390	52,818,390
Government of Jamaica securities	-	159,918,621	159,918,621
Securities at FVTPL:			
Securities included in funds managed by agents:			
- Units in pooled funds	-	3,175,044	3,175,044
- Sovereign bonds	-	161,960,042	161,960,042
- Corporate bonds	-	27,553,380	27,553,380
	-	405,425,477	405,425,477
	2022		
	Level 1 J\$'000	Level 2 J\$'000	Total 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	-	9,562,190	9,562,190
	-	407,519,254	407,519,254

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***34. Fair value of financial instruments (continued)****(a) Securities measured at fair value (continued)**

*A reclassification has been made to correct an inconsistency in the fair value hierarchy table which was disclosed in the financial statements for the year ended December 31, 2022. This balance previously classified as level 1 has been reclassified to level 2 to comply with the classification of financial instruments into the correct levels in accordance with IFRS with no changes to the overall reported amounts for these financial instruments. Otherwise there was no transfer between levels during the year.

(b) Financial assets not carried at fair value, which fall in Level 2:

2023		2022	
Carrying value	Fair value	Carrying value	Fair value
J\$'000	J\$'000	J\$'000	J\$'000

Securities at amortised cost:

Government of Jamaica securities (FRANs)	88,025,103	110,490,595	86,452,969	115,921,027
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(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 J\$ 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 agents and USD bonds	<ul style="list-style-type: none"> Obtain bid prices published by major overseas brokers and reflected quoted prices in active markets for similar instruments or quoted prices in less active markets 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
- counterparty risk
- liquidity risk
- market risk
- reputational risk

The nature of the risks and manner in which they are measured and managed are as set out below.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*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:

- (i) Investment Committee, which assists the Management Committee in its oversight and management of market, counterparty and liquidity risks, is responsible for providing oversight on the conversion of investment strategy into performance, portfolio construction and risk modelling for the Bank's Foreign Reserves.
- (ii) Credit Committee, which assists the Management Committee in its oversight and management of credit risk, is responsible for evaluating and approving applications for staff loans.
- (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 (including cybersecurity) 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 substantively comprise members of the Committee of Administration, which reports to the Management Committee on a fortnightly 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 Corporate Risk Management Department (CRMD) and the Internal Audit Division (IAD). CRMD and IAD undertake both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Board of Directors via 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.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*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)

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.

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. The credit risk on these instruments is considered low due to high external credit ratings.

- 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. These are sovereign debts and credit risk on them are considered low.

- 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 due to the credit worthiness of the counter-parties who are regulated by the Bank.

- 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 using information published by external rating agencies. In addition, there are procedures in place to manage potential concentration. Credit risk is considered low with no material expected credit losses.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(b) Credit risk (continued)****(i) Management of credit risk on classes of financial assets exposed to that risk (continued):**

- **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 as the debts are considered sovereign debts.

- **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.

(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 maximum exposure to credit risk without taking collateral into account is limited to the carrying value of the Bank's financial instruments in the statement of financial position.

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), as well as the maximum exposure to credit risk are as follows:

	<u>2023</u> J\$'000	<u>2022</u> J\$'000
Caribbean	275,207,279	285,082,944
North America	458,380,147	374,746,022
Europe	309,678,237	316,466,426
Other	-	137,839
Total financial assets	<u>1,043,265,663</u>	<u>976,433,231</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.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality analysis**

The following table sets out information about the credit quality of certain financial assets measured at FVTPL, amortised cost and FVOCI debt securities. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts and the maximum exposure to credit risk. The analysis has been based on Moody's ratings.

	<u>2023</u> JS'000	<u>2022</u> JS'000
Foreign currency denominated securities at FVTPL		
Rated AAA	<u>192,688,466</u>	<u>181,688,787</u>
	<u>2023</u> JS'000 Stage 1	<u>2022</u> JS'000 Stage 1
Foreign currency denominated securities at FVOCI		
Rated AAA	<u>52,818,390</u>	<u>49,584,813</u>
Loss allowance	(<u>10,660</u>)	(<u>9,358</u>)
	<u>2023</u> JS'000 Stage 1	<u>2022</u> JS'000 Stage 1
Foreign currency denominated securities at amortised cost		
Rated AAA	301,137,926	309,091,538
Rated AA- to AA	<u>69,248,626</u>	<u>12,099,557</u>
Loss allowance	(<u>56,158</u>)	(<u>48,357</u>)
Carrying amount	<u>370,330,394</u>	<u>321,142,738</u>
	<u>2023</u> JS'000 Stage 1	<u>2022</u> JS'000 Stage 1
Local currency denominated securities at FVOCI		
Rated BBB	<u>159,918,622</u>	<u>176,245,654</u>
Loss allowance	(<u>356,263</u>)	(<u>543,823</u>)

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality analysis (continued)**

	<u>2023</u>		<u>2022</u>
	J\$'000		J\$'000
	<u>Stage 1</u>		<u>Stage 1</u>
Local currency denominated securities at amortised cost			
Rated BBB	88,223,685		86,723,375
Loss allowance	(198,582)		(270,406)
	<u>88,025,103</u>		<u>86,452,969</u>
		<u>2023</u>	
	J\$'000	J\$'000	J\$'000
	<u>Stage 1</u>	<u>Stage 3</u>	<u>Total</u>
Other assets – staff loans receivable			
Low risk	3,127,679	-	3,127,679
Doubtful	-	31,537	31,537
	<u>3,127,679</u>	<u>31,537</u>	<u>3,159,216</u>
Loss allowance	(7)	(21,307)	(21,314)
	<u>3,127,672</u>	<u>10,230</u>	<u>3,137,902</u>
		<u>2022</u>	
	J\$'000	J\$'000	J\$'000
	<u>Stage 1</u>	<u>Stage 3</u>	<u>Total</u>
Other assets – staff loans receivable			
Low risk	2,889,562	-	2,889,562
Doubtful	-	19,573	19,573
	<u>2,889,562</u>	<u>19,573</u>	<u>2,909,135</u>
Loss allowance	(10)	(19,617)	(19,627)
	<u>2,889,552</u>	<u>(44)</u>	<u>2,889,508</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.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)

Year ended December 31, 2023*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

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).

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, 2023*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*35. **Financial risk management (continued)**(b) **Credit risk (continued)**(iv) **Amounts arising from ECL (continued)***Definition of default and credit-impaired assets*

The Bank considers a financial asset to be in default, which is aligned with the definition of credit-impaired, 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 (FLI)

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.

The Bank used a scorecard approach to estimate the FLI factor. For the US dollar investments, the Bank modelled base, best and worst-case scenarios for the following macroeconomic variables: US Real GDP; US Inflation; Unemployment Rate; Federal Reserve Rate; and Credit Rating.

The Bank obtained forecast information for the Federal Reserve Rate, Credit Rating and Real GDP from the Federal Reserve, Moody's and US Bureau of Economic Analysis respectively, while for the other two factors the forecast information was obtained from the Organisation for Economic Co-operation and Development (OECD) in order to assign a forecast of positive, negative or stable state with values of 0.6, 1.1 and 1.6 respectively. Each of the macroeconomic factors was then assigned a weighting to arrive at a weighted score for each scenario.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(b) Credit risk (continued)****(iv) Amounts arising from ECL (continued)***Incorporation of forward-looking information (FLI) (continued)*

Subsequently, each of the scenarios is assigned a probability of impact and a final Forward-Looking Indicator score of 1.22 (2022: 1:11) (weighted average adjustment factor) as shown below:

2023				
Variables	<i>Base</i>	<i>Upside</i>	<i>Downside</i>	<i>Score</i>
US Real GDP	0.5	0.2	0.5	1.2
US Inflation	0.1	0.2	0.1	0.4
Unemployment	0.3	0.4	0.2	0.9
Federal Reserve Rate	0.3	0.4	0.2	0.9
Credit Rating	0.1	0.1	0.2	0.4
SCORE	1.3	1.2	1.0	3.5
Probability of impact	75%	15%	10%	

2022				
Variables	<i>Base</i>	<i>Upside</i>	<i>Downside</i>	<i>Score</i>
US Real GDP	0.2	0.2	0.5	0.9
US Inflation	0.1	0.2	0.1	0.4
Unemployment	0.3	0.4	0.2	0.9
Federal Reserve Rate	0.3	0.4	0.2	0.9
Credit Rating	0.1	0.1	0.2	0.4
SCORE	1.1	1.2	1.0	3.3
Probability of impact	75%	15%	10%	

For the Jamaica dollar investments, the Bank modelled base, best and worst-case scenarios for the following five macroeconomic variables: Real GDP; Inflation; Unemployment Rate; Policy Rate; and Credit Rating.

The Bank obtained forecast information for the Credit Rating from Moody's while for the other four factors the forecast information was obtained from the Bank of Jamaica Statistics Department in order to assign a forecast of positive, negative or stable state with values of 0.6, 1.1 and 1.6 respectively. Each of the macroeconomic factors was then assigned a weighting to arrive at a weighted score for each scenario.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(b) Credit risk (continued)****(iv) Amounts arising from ECL (continued)***Incorporation of forward-looking information (FLL) (continued)*

Subsequently, each of the scenarios is assigned a probability of impact and a final Forward-Looking Indicator score of 1.10 (2022: 1.11) (weighted average adjustment factor) as shown below:

2023				
Variables	Base	Upside	Downside	Score
Real GDP	0.3	0.2	0.4	0.9
Inflation	0.1	0.2	0.1	0.4
Unemployment	0.1	0.2	0.1	0.4
Policy Rate	0.3	0.4	0.2	0.9
Credit Rating	0.3	0.2	0.5	1.0
SCORE	1.1	1.1	1.2	3.4
Probability of impact	75%	15%	10%	

2022				
Variables	Base	Upside	Downside	Score
Real GDP	0.2	0.2	0.5	0.9
Inflation	0.1	0.2	0.1	0.4
Unemployment	0.3	0.4	0.2	0.9
Policy Rate	0.3	0.4	0.2	0.9
Credit Rating	0.1	0.1	0.2	0.4
SCORE	1.1	1.2	1.0	3.3
Probability of impact	75%	15%	10%	

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, 2023

*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*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. The Bank only holds collaterals for resale agreements, as disclosed in note 9, and there was no credit enhancements during the year.

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>2023</u>	<u>2022</u>
	J\$'000	J\$'000
	<u>Stage 1</u>	<u>Stage 1</u>
Securities at FVOCI:		
Balance at the beginning of the year	553,181	561,494
Net remeasurement of loss allowance	(140,150)	(6,519)
Financial assets derecognised	(50,701)	(6,181)
New financial assets acquired	<u>4,593</u>	<u>4,387</u>
Balance at year end	<u>366,923</u>	<u>553,181</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>2023</u>			
	<u>J\$'000</u>	<u>J\$'000</u>	<u>J\$'000</u>	<u>J\$'000</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at January 1, 2023	318,773	-	19,617	338,390
Net re-measurement of loss allowance	(110,569)	-	1,691	(108,878)
New financial assets acquired	<u>46,542</u>	<u>-</u>	<u>-</u>	<u>46,542</u>
Balance at December 31, 2023	<u>254,746</u>	<u>-</u>	<u>21,308</u>	<u>276,054</u>

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(b) Credit risk (continued)****(v) Loss allowance (continued)**

Financial assets at amortised cost (continued):

	2022			
	JS'000	JS'000	JS'000	JS'000
	<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	1,187	-	(5,476)	(4,289)
Financial assets derecognised	(58,248)	-	-	(58,248)
New financial assets acquired	<u>46,542</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>

(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, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(c) Liquidity risk (continued)**

The following table presents the undiscounted contractual maturities of financial liabilities:

	2023					
	Within 1 month JS'000	1 to 3 months JS'000	3 to 12 months JS'000	Over 1 year JS'000	Contractual cash flow JS'000	Carrying amount JS'000
Deposits and other demand liabilities	343,847,098	-	-	-	343,847,098	343,847,098
Open market liabilities	136,167,714	-	49,195,126	63,038,253	248,401,093	246,548,742
International Monetary Fund						
Drawing Rights	-	-	-	130,428,741	130,428,741	130,233,288
Lease liability	628	4,748	36,210	186,181	227,767	190,719
Foreign liabilities	10,022	-	-	-	10,022	10,022
Due to Government and Government agencies	1,233,047	-	-	-	1,233,047	1,233,047
Other	3,675,767	-	-	-	3,675,767	3,675,767
Commitments	-	306,855	349,333	-	656,188	-
	<u>484,934,276</u>	<u>311,603</u>	<u>49,580,669</u>	<u>193,653,175</u>	<u>728,479,723</u>	<u>725,738,683</u>

	2022					
	Within 1 month JS'000	1 to 3 months JS'000	3 to 12 months JS'000	Over 1 year JS'000	Contractual cash flow JS'000	Carrying amount JS'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>

(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 JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. 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. The overall level of foreign currency exposure is determined by policy considerations. Foreign currency can be mitigated to a limited extent by holding assets across a diversified portfolio of currencies. The Bank holds foreign reserves mainly in the US dollar, Euro, UK pound sterling and other currencies, including SDR. The Bank has a significant exposure to the US 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:

	2023				Total J\$'000
	USD J\$'000	EUR J\$'000	GBP J\$'000	Other J\$'000	
Foreign currency assets:					
Notes and coins - for local sale	45,945	2,226	9,543	5,580	63,294
- for repatriation	42,825	5,978	11,610	62,055	122,468
Cash and cash equivalents	121,061,970	698,625	791,883	1,617,466	124,169,944
Interest in funds managed					
by agents	189,513,422	-	-	3,175,044	192,688,466
Interest receivable on BHAs	4,393,391	-	-	86,772	4,480,163
Investment securities:	423,148,784	-	-	-	423,148,784
IMF - Holding of special					
drawing rights	-	-	-	12,386,117	12,386,117
IMF - Quota subscription	-	-	-	12,114,150	12,114,150
	<u>738,206,337</u>	<u>706,829</u>	<u>813,036</u>	<u>29,447,184</u>	<u>769,173,386</u>
Foreign currency liabilities:					
Open market liabilities	47,311,843	-	-	-	47,311,843
Deposits - current accounts	160,747,600	43,501	6,384,318	2,274,821	169,450,240
Deposits - IMF	-	-	-	17,124,693	17,124,693
IMF - Allocation of special					
drawing rights	-	-	-	130,233,288	130,233,288
Foreign liabilities	10,022	-	-	-	10,022
Interest payable	421,670	-	282	353,146	775,098
	<u>208,491,135</u>	<u>43,501</u>	<u>6,384,600</u>	<u>149,985,948</u>	<u>364,905,184</u>
Net foreign currency assets/ (liabilities)	<u>529,715,202</u>	<u>663,328</u>	<u>(5,571,564)</u>	<u>(120,538,764)</u>	<u>404,268,202</u>

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(d) Market risk (continued)****(i) Currency risk (continued)**

	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>(178,349,111)</u>	<u>265,936,369</u>

Exchange rates at December 31:

	2023	2022
USD1 to JMD	154.41	151.70
GBP1 to JMD	196.84	182.48
CDN1 to JMD	117.10	111.96
EUR1 to JMD	170.57	161.90

At February 29, 2024, the date of signing of these financial statements, the exchange rates were US1 to J\$155.9965, GBP1 to J\$197.3278, CDN1 to J\$115.012 and EUR1 to J\$168.8116.

The exchange rate for SDR to J\$ is shown in note 17(d)(v).

Sensitivity to exchange rate movements:

A 4 percent (2022: 4 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 \$16,168,674,000 (2022: \$10,636,314,000) while a 1 percent (2022: 1 percent) revaluation would have decreased profits and equity by \$4,042,168,000 (2022: \$2,659,078,000). The analysis assumes that all other variables, in particular, interest rates, remain constant, and has been performed on the same basis as for 2022.

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. 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 are 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. Also, the Bank manages interest rate risk through limits on the duration of its investment portfolio. The Bank takes on exposure to interest rate risk as part of its management of the financial system in Jamaica.

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.

	2023						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	
Assets							
Notes and coins	-	-	-	-	308,998	308,998	-
Cash and cash equivalents	-	-	-	-	124,169,944	124,169,944	-
Resale agreements	21,100,000	-	-	-	-	21,100,000	10
Securities held in funds managed by agents	-	-	-	192,688,466	-	192,688,466	1.73
Foreign currency denominated investments	334,862,614	50,322,933	37,963,237	-	-	423,148,784	-
Local currency denominated investments	82,947,725	-	164,996,000	-	-	247,943,725	8.41
Other assets	-	-	-	-	9,639,905	9,639,905	-
International Monetary Fund - Holding of Special Drawing Rights Quota Subscription	-	-	-	-	12,386,117	12,386,117	-
	-	-	-	-	12,114,150	12,114,150	-
Total financial assets	438,910,339	50,322,933	202,959,237	192,688,466	158,619,114	1,043,500,089	-
Liabilities							
Notes and coins in circulation	-	-	-	-	277,413,092	277,413,092	-
Deposits and other demand liabilities:							
Jamaica dollar equivalent of foreign currency deposits	93,154,892	-	-	93,420,041	-	186,574,933	4.79
Jamaica dollar deposits	90,096,918	-	-	67,175,247	-	157,272,165	6.75
Open market liabilities	135,561,469	48,282,089	62,705,184	-	-	246,548,742	8.43
Due to government and gov't agencies	-	-	-	-	1,233,047	1,233,047	-
Foreign Liabilities	-	-	-	-	10,022	10,022	-
Other liabilities	-	-	-	-	3,675,767	3,675,767	-
Lease liability	3,969	25,950	160,799	-	-	190,718	5.83
International Monetary Fund - Allocation of Special Drawing Rights	-	-	-	-	130,233,288	130,233,288	-
Total financial liabilities	318,817,248	48,308,039	62,865,983	160,595,288	412,565,216	1,003,151,774	-
Total interest rate sensitivity gap	120,093,091	2,014,894	140,093,254	32,093,178	(253,946,102)	40,348,315	-
Cumulative gap	120,093,091	122,107,985	262,201,239	294,294,417	40,348,315		

BANK OF JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(d) Market risk (continued)****(ii) Interest rate risk (continued):**

	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		
Assets							
Notes and coins	-	-	-	-	329,762	329,762	-
Cash and cash equivalents	-	-	-	-	106,430,839	106,430,839	-
Resale agreements	12,700,000	-	-	-	-	12,700,000	9.00
Securities held in funds managed by agents	-	-	-	181,688,787	-	181,688,787	0.20
Foreign currency denominated investments	326,265,601	14,579,211	29,882,739	-	-	370,727,551	2.41
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	-
International Monetary Fund - Holding of Special Drawing Rights Quota Subscription	-	-	-	-	21,367,297	21,367,297	-
	-	-	-	-	11,805,499	11,805,499	-
Total financial assets	353,886,767	14,579,211	277,660,196	181,688,787	152,791,589	980,606,550	
Liabilities							
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	1.24
Jamaica dollar deposits	123,195,123	-	-	47,726,804	-	170,921,927	6.75
Open market liabilities	77,954,590	42,239,377	51,263,170	-	-	171,457,137	6.41
Foreign Liabilities	-	-	-	-	6,509	6,509	-
Other liabilities	-	-	-	-	3,228,784	3,228,784	-
Lease liability	1,526	4,626	63,320	-	-	69,472	2.06
International Monetary Fund - Allocation of Special Drawing Rights	-	-	-	-	126,915,142	126,915,142	-
Total financial liabilities	357,959,878	42,244,003	51,326,490	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 JAMAICA**Notes to the Financial Statements (Continued)****Year ended December 31, 2023***(Presented in thousands of Jamaica Dollars unless otherwise indicated)***35. Financial risk management (continued)****(d) Market risk (continued)****(ii) Interest rate risk (continued):****Sensitivity to interest rate movement**

An increase of 25 (2022: 100) basis points and a decrease of 25 (2022: 50) basis points in interest rates for Jamaica dollar financial instruments and an increase of 25 (2022: 100), and a decrease of 25 (2022: 50) basis points for United States dollar financial instruments would have increased or decreased profit and reserve by the amounts shown below. Changes in the basis points reflect plausible changes in the local and global market. 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 2022.

	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>2023</u>			
Fixed rate financial instruments (note 10)	-	(2,060,030)	-	2,120,666
Variable rate financial instruments	(152,194)	(29,918)	152,194	29,995
	<u>(152,194)</u>	<u>(2,089,948)</u>	<u>152,194</u>	<u>2,150,661</u>
	<u>2022</u>			
Fixed rate financial instruments (note 10)	-	(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>

(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
P.O. Box 621
Nethersole Place
Kingston