

RULES for BANK OF JAMAICA FOREIGN EXCHANGE INTERVENTION TRADING TOOL

Bank of Jamaica Foreign Exchange Intervention Trading Tool (B-FXITT) is a rules-based competitive multiple-price FX tool that will improve the Bank's interaction with Authorised Dealers (ADs) and Cambios for buying and selling foreign exchange. Operations will take the form of the Flash Intervention Tool (FIT) and reflect a fixed volume format, accepting eligible bids or offers on a best price principle. Deployment of the FIT will take place at the discretion of the Bank, dependent on market conditions.

The notices and results of each operation will be disseminated via electronic means designated by BOJ. The Bank hereby outlines the guidelines which govern the operations of the competitive multiple-price FX tool and the requirements for ADs and cambios to participate in these operations.

1.0 Definitions

Approved Participant means inter alia, an Authorised Dealer or specified cambio that has the ability to settle electronically with BOJ, that is, wire transfers via SWIFT or JamClear®- RTGS for foreign currency and JMD payments, respectively, and has the capacity to transact in the minimum lot size of the operation.

Auction means an allocation process hosted by Bank of Jamaica at which bids to buy or sell foreign currency may be made by approved participants.

Authorised Dealer means a licensed deposit-taking institution authorised by the Minister of Finance to conduct the business of buying and selling foreign exchange, forward exchange contracts, options, swaps or other derivative contracts involving a foreign currency, or arranging for payments in foreign currency. These may also be referred to as ADs.

Bid means an expression of the price that an approved participant is prepared to pay/accept to purchase or sell foreign currency, competitively in these operations. A bid/offer must be presented as prescribed herein. Once submitted, a bid/offer is irrevocable, and constitutes a contractually-binding commitment.

Bid/Offer amount means the total amount of foreign currency desired or offered by a bidder.

Bid/Offer form means a pre-printed form used by bidders and distributed by BOJ or an electronic version of the same.

Bid/Offer price means the rate of exchange offered to purchase or sell foreign currency in exchange for JMD.

BOJ means Bank of Jamaica.

Business day means any day BOJ is open for business.

Cambio means an entity that is licensed and regulated by BOJ to buy and sell foreign currency only.

Code of Conduct means a document outlining the set of globally recognized standards and principles of good practice with which each authorised dealer and cambio will be expected to conduct their business, to promote the integrity and effective functioning of the foreign exchange market in Jamaica. The Code prescribes standards of market conduct relating to ethics, governance, execution, information sharing, risk management and compliance and confirmation and settlement processes.

Competitive Bid means a bid to purchase or sell a stated amount of foreign currency at a specified price.

Eligible bidder means an Approved Participant that meets the requirements at section 3.0.

Foreign currency means the legal currency of a country other than Jamaica.

FX Net Open Position (NOP) for authorised dealers is defined under the Banking Services Act (2014) and represents the aggregate of the net spot position, the net forward position, guarantees and any other item representing profit or loss in foreign currencies.

FX Position Limits means Foreign Exchange Position Limits which apply to Cambios and is based on gross purchases.

Jamaica Dollar means the legal currency of Jamaica and may be referred to as JMD.

Market Intelligence means data received from the Approved Participants in the prescribed format, which outlines each entity's two-week forecast (at a minimum) of supply and demand of foreign currency for their respective clients.

Minimum Bid Size means the lowest single bid amount allowed in an operation.

Operation Amount means that amount offered by Bank of Jamaica in a sale or buy operation

PvP means Payment versus Payment

Reference Rate means the most current market exchange rate available at the time of the auction that BOJ will use in determining the Reserve Price.

Reserve Price means the exchange rate thresholds (Highest and Lowest) that BOJ will use to determine bids eligible for allocation. There will be a Highest Reserve Price and a Lowest Reserve Price, which is calculated as the Reference Rate \pm a pre-determined Spread

Secured Electronic System means the BOJ proprietary system designated to facilitate these operations.

Settlement means the exchange of JMD for successful USD bid/offer at a sale or purchase operation on a PvP basis.

Successful bidders mean bidders that are awarded winning bids.

US Dollar means the legal currency of the United States of America and may be referred to as USD.

2.0 Foreign Exchange Operation Announcement

- a) The BOJ has the flexibility to conduct a Flash operation at short notice, in the event of abnormal or disorderly market conditions.
- b) The BOJ will issue the Auction Announcement prior to the conduct of an operation.
- c) The announcement via electronic means designated by BOJ for the operation will provide information on the date and time, offer amount, and other pertinent information **(see Exhibit A)**.
- d) The Operation will close one hour after the announcement of the auction.

3.0 Eligibility

Approved Participants are eligible to participate in the operations, subject to the following mandatory requirements and rules:

- a) Each entity must provide to BOJ, market intelligence (MI) information in the format prescribed by BOJ on a weekly basis each Thursday.
- b) Each entity must adhere to the FX NOP and FX Position reporting requirements as prescribed by BOJ.
- c) Each entity must adhere to FX NOP limits in the case of ADs and FX Position limits in the case of Cambios. In the case of ADs, the FX NOP limit is defined as an absolute percentage of an institution's Regulatory Capital, The FX NOP limit will be a percentage of Regulatory Capital as determined by the Central Bank. For Cambios, the FX Position limit is currently defined as one and half days' gross purchases, subject to an absolute cap of US\$9 million.¹

4.0 Eligible Currency and Quotation Convention

- a) The operations will be conducted to purchase or sell United States Dollars (USD) against the equivalent value in Jamaica Dollars (JMD).
- b) The quotation of bid price placed in these operations will reflect the equivalent value in JMD expressed against one unit of the USD and should not exceed 2 decimal places. The Bank will truncate the bid price to be consistent with this requirement.

5.0 Submission Process for Competitive Bids

- a) Eligible bidders should submit their bids via a designated email in the approved format provided by BOJ or via secured electronic system designated by BOJ.
- b) Each eligible bidder is permitted to submit a maximum of three (3) bids in an operation, quoting their desired amount and at their freely determined bid price as per quotation convention.

¹ See Cambio Operating Directions Paragraph 4.0

- c) The minimum size of a single bid and increments thereafter will be determined by Bank of Jamaica and may be subject to change from time to time. The current minimum bid size is USD 100,000 and the increment thereafter is USD 25,000.
- d) The maximum bid size of a single bid should not exceed the portion of the Operation Amount as determined by BOJ from time to time. The current portion is 10 percent.
- e) The aggregate volume of all bids from an eligible bidder should not exceed the portion of the Operation Amount as determined by BOJ from time to time. The current portion is 20 percent.
- f) Bids with incomplete or missing information or submitted after the deadline will not be accepted.
- g) Bids that are lower than the minimum bid amount or do not accord with specified increments will not be accepted.
- h) If bids of an eligible bidder exceed the aggregate volume limit, BOJ reserves the right to reject the bids placed at the lowest exchange rate in the case of a sell and highest exchange rate in the case of a buy so that the aggregate of accepted bids does not exceed the aggregate volume limit defined at (f) above.
- i) Each bid is final and is irrevocably binding on the eligible bidder. Once a bid has been submitted, no request for changes will be considered by BOJ.

6.0 Allocation Methodology

- a) Bids will be considered eligible for allocation based on the calculated Reserve Price (Highest and Lowest).
- b) Bids above the Highest Reserve Price and below the Lowest Reserve Price will not be allocated.
- c) Bids received from eligible bidders will be prioritized, from the highest bid price to lowest to buy foreign exchange from the Bank and from the lowest bid price to highest to sell foreign exchange to the Bank, (subject to the Reserve Price) until the Operation Amount is fully allotted or all eligible bids are fully allocated.
- d) Bids at the cut-off price will be pro-rated based on the amount that is left to be allocated and entities' bid amounts, rounded to the nearest USD25, 000.00. As a general principle, the amounts accepted at the B-FXITT operation shall be kept close to the announced operation amount, with a variance not exceeding \pm 10 percent.

7.0 Confirmation and Settlement of Trade

- a) BOJ will determine the methodology for the settlement price for allotted bids; this methodology will be communicated by BOJ in the Auction Announcement on the date of the auction.
- b) BOJ will confirm the successful as well as the unsuccessful bids via telephone call from the BOJ Trading Room or via secured electronic system designated by BOJ. The confirmation with successful eligible bidders will include details for accepted bids to facilitate settlement.

c) Unless otherwise announced, the settlement for the operation shall be on a T+1 basis. This will facilitate liquidity planning for eligible bidders and is consistent with international spot settlement standards.

All transactions must be settled. Failure by a successful bidder to settle on a foreign currency transaction in T+1 will attract a charge on the JMD settlement portion of the transaction. Such charge will be calculated using the Bank's Penalty Rate, which is currently determined as the Bank's Standing Liquidity Facility (SLF) rate plus 400 basis points and will be applied daily until settlement occurs. For sell operations, the charge will be added to the JMD settlement amount while for buy operations, it will be deducted from the JMD settlement amount.

d) With regard to the resale of intervention funds, BOJ reserves the right to determine:

- (i) the counterparties to which the allotted funds should be resold;
- (ii) the spread above the settlement price at which the funds should be resold and;
- (iii) the date and time by which funds are to be resold and reported to BOJ.

This information will be communicated via the Auction Announcement on the date of the auction.

8.0 Communication of Operation Results to the Market

a) B-FXITT operation results will be dispatched to the market within 45 minutes of the close of the operation via email or secured electronic system designated by BOJ. The results will also be published on the BOJ website by end of day.

b) Please see Exhibit B for the format of publishing B-FXITT Operation Results by BOJ.

c) Allotments and the settlement price per institution will be published on the BOJ website and dispatched to the market by end of day (see Exhibit C).

9.0 Sanctions for Non-adherence to B-FXITT Rules

Failure by an Approved Participant to comply with the B-FXITT Rules will result in the entity being prohibited from participating in the next two operations. If non-compliance recurs, this could result in additional sanctions to include prohibiting the institution from participating in future operations for a period not less than the rest of the calendar year.

10.0 Reservation of Rights and Remedies

a) BOJ reserves the right to reject some or all of the bids at each operation if the prices are significantly out of line with the market prevailing price or if it judges that collusion among the bidders or other malfeasance has occurred.

b) BOJ reserves the right to cancel the operation if the total bid amount is below 10 percent of the operation amount.

11.0 Other Provisions

a) ADs and Cambios shall also comply with the provisions of the Code of Conduct (Global and Retail, where applicable) for the Foreign Exchange Market in Jamaica.

b) The Bank reserves the right to review and amend these rules based on experience and prevailing circumstances.

EXHIBIT A

B-FXITT Flash Sale Operation Number:

BOJ/FX-FS/20210804/044

BANK OF JAMAICA

TO: ALL B-FXITT PARTICIPANTS

RE: B-FXITT – FLASH INTERVENTION TOOL -SALE OPERATION

The Bank is receiving applications for the sale of US Dollars to **ALL B-FXITT PARTICIPANTS** as follows:

Operation Date:	Wednesday, 04 August 2021
Settlement Date:	Thursday, 05 August 2021
Offer Amount:	USD 20 000 000.00
Pricing Format:	Competitive Auction for the full amount

The conditions for participation in the operation are as follows:

- 1.0 Bids will be accepted up to **9:30am**.
- 2.0 Bank of Jamaica is restricting the price at which B-FXITT Participants resell the intervention funds to a maximum spread of J\$0.20 on the buy price. Additionally, re-sale recipients are limited to end-users as defined by Bank of Jamaica. End-Users are Non-financial commercial client entities that are funding obligations for essential goods and services.
- 3.0 Bids successfully allocated must be sold and reported in eGATE® Client 1.0 Application with the purpose "Intervention Resale" today, Wednesday, 04 August 2021.
- 4.0 Bids will be received by email sent to bojauction@boj.org.jm: An automatic acknowledgement will be sent. If an entity has not received this acknowledgement, please follow-up with a telephone call by **9:30am** to any of the telephone numbers listed: **922-8121, 932-4212, 932-4068, 922-0827** and **967-4941**.
- 5.0 Bids will only be accepted via the BID FORM provided by the Bank. At the close of the auction, each participant will be advised of their successful and unsuccessful bids. The result of the operation will be dispatched by **10:15am**.
- 6.0 **The allocation of bids will start at the highest bid price to the lowest bid price, subject to a calculated Reserve Price, until the operation amount is fully allotted or all bids are fully allocated. Bids at the cut off price that are not fully allocated will be allocated on a pro-rata basis rounded to the nearest USD25, 000.**

- 7.0 **All accepted bids will settle at the price of the lowest accepted bid (cut-off price).**
- 8.0 Bids above the Highest Reserve Price and below the Lowest Reserve Price will not be eligible for allocation.
- 9.0 There is a minimum bid size of USD 100 000.00. Bids above this amount should be rounded to the nearest USD 25,000. Bids not in keeping with this requirement will be deemed ineligible.
- 10.0 Each entity may submit up to **three (3)** bids in the operation. Bids in excess of this limit will be rejected on the basis of the bid price ranked from highest to lowest. **Note that participation in this operation is not mandatory for B-FXITT Participants.**
- 11.0 The total value of all bids submitted by each entity **must not exceed 20.0 per cent** of the auction offer size. Bids in excess of the 20% limit will be rejected on the basis of bid exchange rate ranked from the highest rate to lowest rate.
- 12.0 The maximum bid size of a single bid **must not exceed 10 percent** of the Operation Amount. Bids in excess of the 10% limit will not be accepted.
- 13.0 The bid price should not exceed two (2) decimal places. The Bank will truncate the bid price to be consistent with this requirement.
- 14.0 . Successful allotments must be reported in eGATE® Web 1.0 **by 12:00 p.m.** on the operation date.
- 15.0 The Bank reserves the right to reject any bid for reasons outlined in paragraph 10 of the Rules for Bank of Jamaica Foreign Exchange Intervention Trading Tool (B-FXITT).

EXHIBIT B

Results for Bank of Jamaica B-FXITT Flash Intervention Tool Sale Operation

Applications were opened by Bank of Jamaica on **Tuesday, 13 October 2020** for the B-FXITT Flash Intervention Tool – sale operation of **USD 20 000 000.00** for allocation to Eligible Bidders for settlement on **Wednesday, 14 October 2020**.

The results of the B-FXITT sale Flash operation are as follows:

<i>B-FXITT Flash Sale Operation Number: BOJ/FX-FS/20201013/028</i>	
Operation Amount	\$20,000,000.00
Total Eligible Bids Received ¹	33
Total Value of Eligible Bids Received²	\$35,200,000.00
Number of Bids Accepted³	20
Total Value of Accepted Bids³	\$20,000,000.00
Settlement Price for Accepted Bids⁴	\$144.90
Highest Accepted Bid Price (\$) / Amount (USD)	\$145.90/\$1,500,000.00
Lowest Accepted Bid Price (\$) / Amount (USD)	\$144.90/\$200,000.00
Bid Price for Partial Allocation	\$144.90
Partial Allocation Percentage	14.29%

² As per requirements in paragraph 9.0 – 12.0 in the Foreign Exchange Operation Announcement

³ As per requirements in paragraph 6.0 – 8.0 in the Foreign Exchange Operation Announcement

⁴ As per requirements in paragraph 7.0 in the Foreign Exchange Operation Announcement

EXHIBIT C



Press Release
13 October 2020

Results for Bank of Jamaica B-FXITT Flash Sale Operation

Today, Tuesday, 13 October 2020, Bank of Jamaica offered for sale US\$20.0 million to Authorized Dealers and select Cambios through a B-FXITT Flash Auction. The institutions that were successful at the auction are:

Institution	Successful Allocation (US\$ mil)	Settlement Price
Banks		
First Global Bank Limited	4.00	144.90
First Caribbean International Bank Ja. Ltd	2.10	144.90
Bank of Nova Scotia Ja. Ltd.	2.00	144.90
National Commercial Bank Ja. Ltd.	2.00	144.90
Victoria Mutual Building Society	0.50	144.90
JN Bank Limited	0.15	144.90
Cambios		
JMMB Securities Limited	3.50	144.90
Barita Investments Limited	3.00	144.90
GraceKennedy Currency Trading Services Limited	1.55	144.90
Mayberry Investments Limited	1.20	144.90
Total	20.00	144.90