

# BANK OF JAMAICA

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REFERENCE NO.:

19 MAY 2022

LETTER SENT TO ALL: MICROCREDIT INSTITUTIONS  
HOLDING COMPANIES OF MICROCREDIT INSTITUTIONS

Dear Sir or Madam,

## **Transparency of Ownership and Group Structures**

Bank of Jamaica ("the Bank") takes this opportunity to apprise applicants and potential applicants for licenses to operate a Microcredit Institution ("MCI") in accordance with the Microcredit Act 2021, of the importance of having transparent ownership and group structures. It is the Bank's expectation that MCIs licensed under the Microcredit Act, 2021 ("licensees") that operate within a group will establish structures that will not impede effective supervision. These structures must allow the Supervisor to adequately monitor all aspects of the business conducted by the licensee.

It is also the Bank's expectation that the ownership structure of licensees will be transparent such that information on, and the identity of beneficial owners and ultimate beneficial owners (UBOs) is readily available, without hindrance, for the Bank's scrutiny. Therefore, the ownership structure of licensees must not:

1. be opaque or present an obstacle to the effective supervision of the licensee; and
2. be established in jurisdictions with laws that hinder effective supervision.

Furthermore, the ownership structure of licensees ought not to include entities for which information on beneficial owners and UBOs is limited or non-existent. Moreover, it is expected that there will be sufficient disclosure of information related to the source of wealth and wealth generating business activities.

It is the Bank's understanding that institutions established in jurisdictions with secrecy laws such as international business companies ("IBCs") may obstruct the Bank's ability to obtain information to independently verify the identity of the beneficial owners and UBOs. Therefore, the presence of such an entity may obscure the Bank's understanding of the risks posed to the applicant's business under the MCA. In this regard, the attached **Appendix** outlines our minimum expectations for the inclusion of IBCs within the ownership and structure of licensees.

For the avoidance of doubt, the Bank's position is that:

1. Where an application for licensing under the Microcredit Act, 2021 involves an IBC, this will automatically trigger an assessment for a determination by the Supervisor of whether the presence of the IBC is impeding or may impede the effective ongoing supervision of the licensee or applicant.
2. An application at 1 above must include formal notification to the Bank of the existence or potential inclusion of an IBC within the ownership structure, and provide:
  - i. A clear rationale for its inclusion (for example, the economic purpose to be served or the cost-benefit analysis of alternative approaches contrasted with the IBC's approach);
  - ii. The legal and regulatory framework that applies to the IBC, including inter alia, establishment and registration requirements, obligations to file financial and natural beneficial ownership information, and an indication of the applicable regulatory authorities;
  - iii. The arrangements and mitigating measures in place to address any risks posed by the IBC's inclusion, or potential inclusion within the ownership structure; and
  - iv. Where an applicant for licensing has an existing IBC in its structure, the applicant must demonstrate conformance with the requirements herein.
3. Where an applicant has an IBC in its ownership structure that may impede the Bank's ongoing supervision, the applicant must develop a plan to transition the IBC to another jurisdiction that allows for conformance with all the requirements herein. Evidence of same must be supported by an undertaking from the Company Registrar or IBC Registrar in the respective jurisdiction.

An application at 1 above must be accompanied by the necessary documentation and evidence to support the minimum criteria outlined in the attached **Appendix**. Note that the criteria in the **Appendix** are not exhaustive and additional information may be requested as deemed necessary to aid the Bank's assessment.

In keeping with the impending implementation of the Bank's prudential and AML/CFT Risk-Based Supervisory frameworks, formal guidance on ownership structures will be developed and communicated under separate cover.

Should you have any queries in relation to the foregoing, please contact Miss Janice Smith at [janice.smith@boj.org.jm](mailto:janice.smith@boj.org.jm).

Please be guided accordingly.

Yours sincerely,

A handwritten signature in blue ink that reads "Jide Lewis". The signature is written in a cursive style with a long, sweeping underline.

Jide Lewis (Mr) Ph.D., CFA, FRM  
Chief Prudential Officer  
Financial Institutions Supervisory Division

Attachment: Appendix

- c. Miss Maurene A. Simms, Deputy Governor
- Miss Wainet Fearon, Division Chief
- Major Keron Burrell, Deputy Division Chief
- Miss Janice Smith, Director

## APPENDIX

The following guidance outlines the minimum criteria that the Supervisor will take into consideration when making determinations in respect of each application involving an international business company (“IBC”). This guidance should not be treated as an exhaustive list, and the Supervisor may require additional information, or consider additional factors, not specifically outlined below or in the MCA.

- A. MCIs should submit information which demonstrates, or assists in the demonstration of at least the following – which must be approved by the Board of the MCI:
  - 1. **MCIs, as part of their assessment, should demonstrate that relevant protocols are in place to facilitate information exchange between competent authorities locally and internationally to ensure that information held by other regulatory authorities is accessible in a timely manner.** This includes determinations on whether the Supervisor can be provided with independent access to a current company registry<sup>1</sup> for information on the particular IBC as required (specifically, beneficial ownership information).
  - 2. **Evidence of board approved due diligence conducted on the legal and regulatory framework in the IBC’s domiciled jurisdiction to support the transparency of the IBC and provide proof of economic purpose.** Evidence should be consistent and in keeping with the following:
    - a. International and local corporate governance best practice standards as it pertains to the governance of Microcredit Institutions; and
    - b. Best practice requirements pursuant to, inter alia, the Proceeds of Crime Act and Regulations, Terrorism Prevention Act and Regulations, as well as Anti-Money Laundering/Combating the Financing of Terrorism (“AML/CFT”) Guidance Notes.

In addition,

- c. The standards used by the IBC or the licensee to determine the fitness and propriety of beneficial owners and ultimate beneficial owners of the IBC should be sufficiently robust and in congruence with the Bank’s criteria for Fit and Proper Assessments regarding officers and substantial shareholders of Microcredit institutions. In this regard, a copy of the due diligence procedure or fit and proper assessment is expected.
- 3. **Disclosure of any other developments relating to the business and affairs of the IBC that would reasonably be expected to significantly impact the MCI.**

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<sup>1</sup> At minimum, all IBC registers must list the ultimate beneficial owners, and include the same up-to-date basic information: name, date of birth, nationality, country of residence, and nature/size of the interest held.

**B.** In relation to the documentation submitted in Part A above, it is the expectation of the Supervisor that the due diligence undertaken by MCIs will allow for the following:

**1. Significant and timely disclosure of material information concerning the business and affairs of the group to allow for the effective regulation and supervision of MCIs.** These disclosures should, inter alia;

- a. Enable the Supervisor to have a clear view of any potential hindrances to regulatory and supervisory oversight of the MCI;
- b. Allow the Supervisor to assess and examine the risk exposure of relevant entities within the group;
- c. Allow for identification of the natural persons who ultimately have significant influence in the MCI. To the extent that there is doubt that the persons with significant influence are the ultimate beneficial owners, or where no natural persons exert significant influence, identify the natural persons (if any) exercising effective control over the MCI through other means; and
- d. Allow the Supervisor to be notified regarding changes in share ownership or significant changes in management that may affect control of the IBC.
- e. Timely disclosure of information on beneficial owners and ultimate beneficial owners in congruence with the Financial Action Task Force recommendations on transparency of legal persons and legal arrangements.**

**C. Publicly Listed IBCs**

- a. Where an IBC is domiciled in a jurisdiction with secrecy laws, the Bank may permit the IBC to be in the ownership structure of an MCI if the IBC is publicly listed on the Jamaica Stock Exchange (“JSE”) or other stock exchange deemed acceptable by the Supervisor; and
- b. In the event an IBC at A above is to be de-listed from the stock exchange, the licensee must notify the Bank of that intention, and provide the plan for transition to a structure that conforms with the expectations outlined herein.