Toward the future: Imperatives for the financial sector and the economy
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INTRODUCTION

Firstly, I'd like to congratulate Dunn Cox for organizing a forum such as this to help raise awareness and engage various stakeholders in dialogue on key legislative reforms that are being developed and implemented as part of the Government's medium-term economic programme. It is through fora such as these, that we are able to learn more and to provide valuable feedback which should help in the crafting of effective legislation to meet the country's objectives.

So thanks again to the members of the Dunn Cox team!

Now, these reforms and other important structural reforms, as well as the financial and advisory support from the IMF and other multilateral agencies including the IDB and World Bank, are critical to placing the country on a sounder footing to achieve the elusive, but long-awaited economic growth and development.

And so far, we're on the right track. At the end of September of this year, the IMF completed its first review under the programme for the June quarter, and approved the disbursement of US$30.6 million. According to the Economic Programme Oversight Committee, the government has met all the key quantitative targets for the September quarter, and the IMF team is now in Jamaica conducting their assessment, so we should hear those results soon.

As the Government continues to execute its programme, I'm sure most of us in the financial sector agree that a robust, well-capitalized, and vibrant financial sector that adheres to sound corporate governance practices and the authority of a strong oversight body is critical to a country's economic growth.

Indeed this underpinning provides a necessary component of the Government's economic programme. Over the last twenty years we have seen the collapse of indigenous financial institutions in the mid-1990s, and we've also seen the rise and fall of Ponzi schemes, which significantly eroded, not only the savings, but also the confidence of many Jamaicans.

This must never be allowed to happen again, and to this end we must endeavour to set in place reforms both in our legislation and in our practices that will ensure that our financial sector remains sound and engenders confidence at all times.

In addition, as the country pursues the growth agenda, a critical element to achieving success is greater access to affordable credit by individuals and businesses, micro, small, medium and large. And so reforms that will allow financial institutions to extend greater credit in a prudent manner while safeguarding depositors' funds are absolutely necessary.

And so we welcome the focus and attention on the legislative front, and the consultative approach being taken in the drafting and implementation of new legislation that will impact the financial sector.

You will hear more about the various pieces of legislation throughout the course of this morning, but I'll touch briefly on four of them: – The Omnibus Act; The Security Interest in Personal Property Act, and The Insolvency Act:

The Omnibus Banking Act

The Omnibus Banking Act has among its objectives:

1. Harmonizing existing deposit taking legislation into one law
2. Expanding the existing consolidated supervisory framework
3. Codifying a new structure for holding-companies of financial conglomerates
4. Including an Enforceable Code of Banking Practice
5. Updating outdated provisions relating to minimum capital requirements, expanded licensed provisions, connected party unsecured limits
6. Including enabling provisions to allow for the extension of banking services through agents.

All these are aimed at enhancing the oversight of deposit taking institutions. Through the consultative process, The Banking sector was invited to provide feedback, and we provided what we hope will be useful recommendations for perpetuating a sound banking sector.

In relation to the Code of Conduct; I should mention that individual banks each operate by their respective codes of sound banking practice and recently, the JBA moved to develop its own overall code of conduct for banking practice and have been engaging with the Consumer Affairs Commission on a similar Code of Conduct. This is aimed at setting basic service and other standards that customers can expect as they utilize the products and services of banks, and will allow them to hold us accountable.

So we look forward to consultations with the BOJ on the enforceable code of conduct to ensure that the code allows banks to operate a practical, viable and sustainable business model.

The introduction of provisions to allow for the extension of banking services through agents is commendable and will enable Banks to provide convenient services to its customer base and to reach the unbanked segment of the population. This financial inclusion facilitated through provisions such as these will stimulate much needed economic development.

Security Interest in Personal Property Act

This new bill is aimed at facilitating improved access to credit through greater use of 'movable property' as collateral.

Under current Jamaican law, movable property is already an allowable form of collateral, with security being granted on a regular basis over chattel such as motor vehicles, equipment, machinery, household furniture and appliances. Security over personal chattel is usually in a document called a 'bill of sale', which must be recorded at the Records Office.

However there is no central registry for such security, and registration procedures are diverse. Jamaica is now committed to the establishment and operation of the Central Collateral Registry by December 2013.

Under this project, the government will now move to create a centralized, simplified and IT-driven system for filing and searching for security interests in all non-land assets. This will allow lenders to ascertain whether potential borrowers have already charged assets over which security is being granted.

It is also expected that the government will widen the criteria for what can be deemed an asset allowable as collateral.

We commend the passage of this bill, given its objective and purpose to increase access to affordable credit for borrowers by creating wider security categories. We view this as a positive move following on the heels of the establishment and regulation of Credit Bureaus in Jamaica. Particularly, the bill has the potential to:-

1. Create greater ease & simplification of the process of creating security interests over a wider category of assets

2. Reduce lenders concerns in relation to:
   (A) Regulatory restrictions for secured and unsecured lending
   (B) Their ability to register certain types of security interests
   (C) enforcement of security

3. Increase lending to the micro, small and medium size enterprises in keeping with the Government's SME policy.

4. Reduce the costs of borrowing

It also creates an opportunity for the government to review and overhaul the stamp duty requirements for the creation of certain security interests which we see as one of the Major Barriers to affordable financing.

The Insolvency Act

In the Government's Letter of Intent to the IMF, it gave a commitment to enact the Insolvency Act by December 2013.

Legislation pertaining to insolvency and bankruptcy in Jamaica is antiquated, dating back to 1880 (The Bankruptcy Act 1880) and 1938 (The Companies Act 1938). There has been very little change to this legislation over the years and the tone is to say the least, punitive and is designed to protect creditors and punish debtors.

Given that access to credit has dramatically increased over the years, and we need further expansion, there is need for wholesale changes to better reflect the current environment. Any economy that facilitates credit must also facilitate an insolvency regime that fosters business renewal. It will help if our laws reduced the time it takes to rectify insolvencies, and I agree with the view that it should focus on "rehabilitation and rescue" rather than "punishment".

Conclusion

The financial sector has a critical role to play in channeling the country's savings to the most productive areas. The reform areas I touched on are critical to improving the efficacy of the intermediary role of the sector. The success of the Jamaica's economic program hinges on our ability to generate stronger economic growth than we have seen over the last 20 years. Implementation of the reform measures will go a long way in improving the effectiveness of the financial sector and ultimately the competitiveness of the Jamaican economy.

Issues of trade, globalization and regulation are having a transformative effect on financial services and other industries – and indeed on financial markets and the global economy. The economy is in a delicate period with little ability to absorb unanticipated shocks. The private sector, including the financial institutions, must be part of the solution. There are many complex challenges – and regulators, policy makers, the financial industry and other interested parties must work together to find the right balance between risk and regulation. Finding the right mix is critical to building a sound, effective financial system that is not only safe and prepared for future challenges, but also supports economic growth. We need sound principles-based supervision – rather than overly prescriptive rules. We must balance the need to protect savings with the need for banks to perform their function of channeling savings to facilitate investment and growth within a robust, relevant and sufficiently inclusive legal framework.

Let us work together to make it so.

THANK YOU.