



**NATIONAL  
FINANCIAL INCLUSION  
S T R A T E G Y**

*Access for ALL* 



**NFIS ANNUAL REPORT  
2017**

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# Abbreviations and Acronyms

AGD	Accountant General's Department
AML/CFT	Anti-money laundering/Counter-financing of terrorism
BOJ	Bank of Jamaica
CAC	Consumer Affairs Commission
CDD	Customer Due Diligence
DBJ	Development Bank of Jamaica
DTI	Deposit Taking Institutions
ERPS	Electronic Retail Payment Services
FISC	Financial Inclusion Steering Committee
FSC	Financial Services Commission
FTC	Fair Trading Commission
JMB	Jamaica Mortgage Bank
IDB	Inter-American Development Bank
KYC	Know Your Customer
MEGJC	Ministry of Economic Growth and Job Creation
MOFPS	Ministry of Finance and the Public Service
MICAF	Ministry of Industry, Commerce, Agriculture and Fisheries
NFIS	National Financial Inclusion Strategy
NHT	National Housing Trust
OTA	Office of Technical Assistance, United States Department of Treasury
PIOJ	Planning Institute of Jamaica
STATIN	Statistical Institute of Jamaica

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# Foreward



**The Hon. Nigel A. Clarke, MP, D.Phil., M.Sc., B.Sc.**  
*Minister of Finance and the Public Service*  
*Chairman of the National Financial Inclusion Council*

On 29 March 2017, the National Financial Inclusion Council held its inaugural meeting and launched the National Financial Inclusion Strategy. Motivated by the need to empower Jamaican businesses and individuals, and inspired by Vision 2030, the National Financial Inclusion Strategy was the result of a forward looking approach to nation building by providing Jamaicans with better access to financial products and services that met their needs.

The National Financial Inclusion Strategy seeks to translate these achievements into meaningful gains for the average Jamaican seeking to open and expand their own businesses, save for their children's education and manage financial shocks with the benefit of products suited to their life goals.

The mission of the National Financial Inclusion Council is to develop an inclusive financial system, which sees the participation of Jamaicans in the formal economy, by harnessing the power of technology, financial services, information and data to empower Jamaicans as economic citizens and to promote sustainable economic growth.

One of the key objectives of the National Financial Inclusion Strategy is ensure that all Jamaicans, particularly the previously underserved segments of the Jamaican population and micro, small and medium-sized enterprises (MSMEs) have access to finance through the appropriately structured products, markets and enabling environment, which will result in increased growth and employment. At the same time, the work of the National Financial Inclusion Council, the Financial Inclusion Steering Committee (FISC) and the thematic working groups is to ensure that all consumers of financial services are adequately educated, protected, informed, fairly treated and able to resolve their conflicts in a cost efficient manner.

Through the engagement of our international partners, we have seen the advancement of work on the development of a risk-based approach to anti-money laundering and countering the financing of terrorism; which includes proposals for graded know your customer and customer due diligence requirements. At the same time, under the leadership of the Government of Jamaica, we continued to make strides in preparing projects (to be financed by the Inter-American Development Bank, the World Bank and the International Finance Corporation) that will result in the creation of new asset-based lending products and will leverage

the secured transactions regulatory framework created by the Security Interests in Personal Property Act.

The National Financial Inclusion Strategy can only be successful if the private sector continues to partner with public sector stakeholders. In this regard, I am heartened by the participation of members of the Stakeholder Advisory Group in the FISC thematic working groups on consumer protection and financial capability, MSME finance and retail payments. The private sector, with its focus on cost efficiencies and digital finance, is a critical partner in the shift from excessive Government spending to increased private credit flows and the development of new financial products targeted at all social and economic segments of the population.

*I welcome the involvement of the private sector in creating new business models which harness connectivity to allow for the delivery of financial services through deposit-taking institutions and non-banks. The Government, financial service regulators, financial institutions and non-governmental organisations must determine how best they can protect consumers of financial services and their data, while incentivizing Jamaicans seeking to do legitimate business to engage with regulated financial institutions.*

Financial inclusion has a special relevance for the poor, but it is not limited to the most vulnerable. As Jamaica's economy continues to become more competitive, enterprises seeking to integrate with global supply chains must be given the tools needed to finance their growth. Angel investors and venture capitalists need to be given the opportunity to invest in Jamaican businesses. Assessing the credit risk of MSMEs, increased utilisation of the secured transactions regime while building the capacity of MSMEs are critical to achieving success.

As we pursue the goals of the National Financial Inclusion Strategy, we look forward to overcoming the challenges ahead and accelerating the pace of inclusive economic development and growth to fulfill the promise of increased access to financial services for all Jamaicans.

**Hon. Nigel A. Clarke, MP, D.Phil., M.Sc., B.Sc.**  
*Chairman, National Financial Inclusion Council*

# Message



**Earl Jarrett, CD, Hon. LL.D, JP**  
*Chairman of the Stakeholder Advisory Group*

The National Financial Inclusion Strategy is the first step towards creating avenues for the empowerment of Jamaican businesses and marginalized individuals that have been traditionally overlooked by larger financial institutions.

A financially inclusive society requires the public and private sector to harness the advantages of technology within the financial sector. Our world is changing and our financial institutions are adapting to change. The options for accessing financial products have expanded to include mobile wallets, online banking and telebanking as well as agent banking. Through these mechanisms, there is now an opportunity to improve the delivery of financial services at a better price point to persons who need to establish their financial "footprint" in the formal sector.

New and innovative products, combined with the enhancement of the financial infrastructure require us to create a regulatory framework for financial consumer protection, particularly in relation to market conduct supervision of commercial banks.

The stage is set for increased competition between deposit-taking institutions and micro-finance institutions in the delivery of loans to key segments of the population. It is heartening to know that progress is being made to bring micro-finance institutions into the regulatory framework. It is anticipated that greater competition, will lead to innovative business models and product offerings, and provide a wider range of choices to Jamaicans seeking to save, invest and earn through productive entrepreneurial activity.

Time is of the essence if we are to achieve the goals outlined in the National Financial Inclusion Strategy. Only with the active participation of private sector, non-governmental organisations and the public sector can the ambitious goals of the National Financial Inclusion Strategy be realized.

**Earl Jarrett, CD. Hon. LL.D, JP**



# Message



**Brian Wynter, CD**  
*Governor, Bank of Jamaica*  
*Chairman of the Financial Inclusion Steering Committee*



Bank of Jamaica, having been designated as the coordinating body for the development of the National Financial Inclusion Strategy, has a vested interest in promoting financial inclusion. In 2015, the Bank was given the responsibility of chairing the Financial Inclusion Steering Committee (FISC). With the launch of the National Financial Inclusion Strategy, the FISC became part of the governance framework for the implementation of the strategy.

The NFIS seeks to encourage the development of policies and initiatives aimed at strengthening the existing financial infrastructure, while simultaneously ensuring the availability of financial services to those members of the Jamaican population who have been financially underserved.

Jamaica is a society of contrasts; a country which strives towards improved efficiency in the delivery of services, at the risk of further marginalization of vulnerable communities, which can hinder our progress towards equitable and sustainable economic development and empowerment of all.

There are several reasons for financial exclusion in Jamaica, including incentives to remain outside of the formal economy, the uneven delivery of financial services, a reluctance to utilize technology, lack of financial knowledge and the complexity of products. This is exacerbated by the perception of high credit risk associated with micro, small and medium-sized enterprises.

In addressing these challenges, the FISC operated through four thematic working groups, led by senior officials from key agencies, each of which focused on areas of critical importance to the National Financial Inclusion Strategy's objectives. The working groups provided a platform for ongoing stakeholder consultation.

To enhance the core competencies of the public sector stakeholders charged with implementation of the National Financial Inclusion Strategy, external technical assistance was helpful in the work on anti-money laundering and countering the financing of terrorism, financial consumer protection, financial literacy and Fintech. In 2017, through dedicated collaboration among members of the FISC and the Stakeholder Advisory Group, progress was made towards the implementation of action items designed to promote financial inclusion.

FISC members continue to focus on enhancement of the enabling environment to promote financial services for the financially underserved. The work streams that advanced since the Strategy's launch

in March 2017 include secured transactions, micro-credit, micro-insurance, electronic retail payment services, credit reporting, agent banking, consumer protection and financial literacy.

It is anticipated that with further strengthening of resources in the implementing entities and continued work with private sector and other non-governmental organisations, the National Financial Inclusion Strategy will achieve its intended results.

**Brian Wynter, CD**  
*Governor, Bank of Jamaica*



# Executive Summary

In March 2017, the Government of Jamaica launched the National Financial Inclusion Strategy, an ambitious portfolio of project activities designed to empower Jamaicans financially through improved access to financial information and products to meet their financial needs.

The implementation of the NFIS has begun, with 53 action plans being structured in keeping with the four pillars of the strategy – Financial Access and Usage, Financial Resilience, Financing for Growth and Responsible Finance, all built on the foundation of improving the supporting infrastructure for the financial sector.

The monitoring and evaluation framework consists of nine impact indicators and ten intermediate indicators, which seek to measure Jamaica's progress towards being a financially inclusive economy. Having completed our review, there has been improvement in five impact indicators from their baseline 2015 figures. These indicators include the number of deposit accounts with commercial banks, the reduction in unclaimed deposits held for a period of seven years or more, the percentage of electronic retail payments conducted via commercial banks on a per capita basis and the number of access points per 10,000 adults. One impact indicator has deteriorated, which is the number of access points measured over a geographical distance of 1,000 square kilometres. The absence of data has impacted the measurement of three impact indicators, which all relate to financing for growth.

Evaluation of the ten intermediate indicators indicates that five are moving in a positive direction towards the 2020 targets. These include the number of remittance agents, the percentage of the adult population covered by credit bureaus and the value of outstanding loans registered in SIPPA. One intermediate indicator, the number of micro-insurance products, has worsened during the review period. Where relevant, explanatory notes were inserted to indicate the limitations of the data.

The report examines the activities of the participating entities under each pillar in detail and seeks to give a breakdown of progress made in the Appendix. During the review period, work done under the thematic areas of MSME Finance, Housing Finance and Consumer Protection advanced considerably, with gains also being seen in the Retail Payments work streams.

As the report indicates, continued efforts to operationalize the NFIS action items and engage in stakeholder consultation will advance the implementation of the Strategy. Steps must be taken to ensure that resources are allocated, institutional capacity is developed and proper monitoring and evaluation is conducted at the institutional level in order to achieve success.



# Introduction

The National Financial Inclusion Strategy is the outcome of four years of work by the Government of Jamaica, the public sector and the private sector.

The NFIS is intended to complement Vision 2030 by articulating an ambitious suite of action items centered around four key pillars which will drive sustainable economic development and growth. These pillars are Financial Access and Usage, Financial Resilience, Financing for Growth and Responsible Finance, all of which are built on a foundation of supporting infrastructure. The NFIS sees the Government of Jamaica designing policies to ensure that the enabling environment facilitates businesses and inclusive participation in the financial system.

For several decades, Jamaica had been plagued by anemic economic growth, cumbersome bureaucracy and stifling regulation, which made the business environment difficult to navigate for investors and entrepreneurs.

The economic reform programme constituted a major effort to upgrade out of date legislation, reduce the debt burden and instill greater fiscal discipline. The redirection of limited resources has resulted in Jamaica having its fourth year of economic growth, for the first time since the seventies.

These gains have been won with the sacrifice of ordinary Jamaicans, many of whom are not able to actively participate as economic citizens in the formal sector. There is the continued challenge of criminal activity and the threat of de-risking, which affects commercial banks, micro-finance institutions, cambios and remittance service providers. As a consequence, several financial institutions find themselves in the unenviable situation of having to justify the imposition of risk management policies which have the effect of excluding Jamaicans who may be seeking to do legitimate business. And those Jamaicans who do have bank accounts do not borrow from the financial institutions, preferring instead to borrow from friends and family.

The inability to access credit for entrepreneurial activities at a time of increasing optimism among consumers is frustrating for a young Jamaican population seeking to create new norms of self-actualisation by becoming business owners rather than employees. With advances in technology, new careers exist that were not contemplated even ten or fifteen years ago. How will Jamaicans take advantage of these opportunities if they do not have access to the capital needed to finance their businesses?

The NFIS seeks to create conditions for Jamaicans to become part of the formal economy. Through the dissemination of information to empower and protect consumers, simplification of AML/CFT requirements for financial inclusion products and improving access to finance much can be achieved to create an inclusive economy and society.

This report measures the progress made in achieving the ambitious goals of the NFIS since the date of the launch on 29 March 2017. Where relevant, subsequent developments in 2018 are highlighted. Citing the outcome of the actions of the 17 ministries, departments and agencies charged with implementing the strategy and with the inclusion of detailed descriptions of activities, this report is intended for the typical Jamaican. In the nine months of 2017, much was done but much more remains to be done.



# Update on the National Financial Inclusion Strategy

The NFIS is the outcome of four years of public sector and private sector consultation with over seventeen Ministries, Departments and Agencies (MDAs). The goals of the strategy are intended to support the Government's commitment to the sustainable development of Jamaica and the economic growth agenda, as articulated in Vision 2030. Of great significance to the strategy, is the recognition that while Jamaica – and Jamaicans – have endured a rapid pace of structural reform to the financial sector over the past four years, the benefits of such reform can only be translated to meaningful wins for Jamaicans if they are included in the financial system.

For several decades, sluggish economic growth and archaic legislation, when combined with Government spending created the macro-economic environment in which commercial banks had little incentive to modify their business models to cater to the needs of the typical Jamaican and micro, small and medium-sized enterprises. With Jamaica's economic recovery over the past four years, demonstrated through single-digit inflationary rates, a significant reduction in the unemployment rate, a significant reduction in the unemployment rate to 10.4 per cent as at October 2017<sup>1</sup> and a renewed optimism on the part of consumers; the time is right to implement far reaching reforms which empower Jamaicans financially by providing them with the information they need to make smart financial decisions throughout their lives, while providing greater access to credit by leveraging technology.

According to the World Bank statistics, Jamaica is an upper middle-income economy. Our economy however is not as competitive or conducive to business as it could be, with

<sup>1</sup> *Statistical Institute of Jamaica's review of the economic performance, October – December 2017, press brief for February 2018*

Jamaica ranking at 70 out of 137 economies in the Global Competitiveness Index for 2017 – 2018. This is not surprising, as Jamaica has not fully embraced the opportunities presented by having high mobile penetration and electronic retail payment products. Anecdotal evidence indicates that the complexity of financial products and the onerous account opening processes may have acted as disincentives for Jamaicans who elect to not participate in the formal economy. The Global Findex data in 2014, which informed the NFIS, indicates that most Jamaicans prefer to borrow from friends or family, and seek to manage economic shocks through informal saving mechanisms, such as "patna". This is illustrated by 78 per cent of Jamaicans having bank accounts, yet only 23 per cent borrowing from a regulated financial institution, according to the 2014 Global Findex.

The NFIS is an umbrella strategy which seeks to overcome these hurdles by clearly identifying long term goals with high impact, creating a robust monitoring and evaluation framework that utilizes impact indicators and intermediate indicators to measure Jamaica's progress towards financial inclusion, and identifying 53 action items which are to be spear-headed by MDAs.



## NFIS Pillars

The NFIS is constructed as a multi-pillar plan, designed to implement reforms needed to create an inclusive financial system which provides greater access to Jamaicans seeking to do business with regulated financial institutions. The pillars are:

- (a) Financial Access and Usage;
- (b) Financial Resilience;
- (c) Financing for Growth; and
- (d) Responsible Finance.

The Financial Access and Usage pillar supports reforms that will facilitate increased usage of electronic payments, expansion of innovative distribution channels, digitization of government payments, and development of financial products that channel remittance proceeds into accounts or cards.

Under the Financial Resilience pillar, are reforms which will create the enabling environment for micro-insurance, micro-pension and commitment savings products.

The Financing for Growth pillar supports measures that will enable eligible households, businesses and farms to access credit and alternative financing instruments that are currently lacking in the market.

The Responsible Finance pillar supports measures that will result in enhanced disclosure by regulated financial institutions, adequate business practices and better informed consumers who can resolve conflicts in an efficient and low-cost manner.

The pillars are then supported by the cross-cutting foundation of Supporting Infrastructure which is aimed at enhancing the enabling environment for the provision of financial services. The reforms to be implemented under the aforementioned pillar and as part of Supporting Infrastructure are stated in **Table 1** (page 15).

All fifty-three action items are time-bound and are classified based on their relevance to thematic areas and to the pillars.

As can be seen from a review of the NFIS, the majority of the action items relate to the Financing for Growth pillar, which is intended to complement the Government's economic growth agenda.

The detailed discussion of the pillars is in the Appendix.



## Table 1 – NFIS Pillars

Pillar/Foundation	Thematic Areas	Number of Related Action Items
Financial Access and Usage	<ul style="list-style-type: none"> <li>• Access points and payment infrastructure</li> <li>• Government Payments</li> <li>• Basic accounts/ Transaction accounts</li> <li>• Remittances</li> </ul>	6
Financial Resilience	<ul style="list-style-type: none"> <li>• Savings</li> <li>• Insurance</li> <li>• Pensions</li> </ul>	3
Financing for Growth	<ul style="list-style-type: none"> <li>• Agriculture Finance</li> <li>• Housing Finance</li> <li>• MSME Finance</li> </ul>	22*
Responsible Finance	<ul style="list-style-type: none"> <li>• Consumer Protection</li> <li>• Financial Capability</li> <li>• Credit Reporting</li> </ul>	9
Supporting Infrastructure	<ul style="list-style-type: none"> <li>• AML/CFT</li> <li>• Secured Transactions</li> <li>• Enabling regulatory and supervisory framework</li> <li>• Informality</li> <li>• Land Registration and titling</li> <li>• Financial sector's financial inclusion plans</li> <li>• Monitoring and Evaluation</li> </ul>	13

NB: \*The action item related to the graded KYC/CDD requirements for MSMEs will be addressed under the AML/CFT thematic area.



# Monitoring and Evaluation Framework

As previously indicated the monitoring and evaluation framework requires the monitoring of impact indicators and intermediate indicators, which are tied to the NFIS pillars.

## **Impact Indicators**

The required period for conducting the measurement and evaluation of each impact factor varies, from annual, to biennial and triennial measurements being mandated. **Table 2** (page 17) shows the annual measurement of the relevant impact indicators.

The period of review is the annual performance of the relevant impact indicators during the calendar years of 2015, 2016 and 2017.

**Table 2** shows the impact indicators which are to be measured annually. These indicators focus primarily on the Financial Access and Usage pillar and on the Financing for Growth pillar. As can be seen from a review of **Table 2**, each impact indicator had a baseline figure measured in 2015 and the intended target for 2020.

The review of the data demonstrates that there has been a gradual improvement in five indicators from the 2015 baseline figures. These are the number of:

- (i) Deposit accounts with commercial banks per one thousand (1,000) adults;

- (ii) Unclaimed deposits (for seven years or more) calculated as a percentage of total deposits of deposit taking institutions;
- (iii) Electronic retail payments (via commercial banks) calculated on a per capita basis;
- (iv) Number of access points per ten thousand (10,000) adults; and
- (v) Individual deposits as a percentage of gross domestic product (GDP).

Only one indicator has worsened from its 2015 baseline figures, namely the number of access points per one thousand square kilometres.

There is incomplete data on two indicators, namely the value of loans to micro, small and medium-sized enterprises (MSMEs), and the value of outstanding residential mortgages as a percentage of GDP; both of which reflect data and information for deposit-taking institutions (DTIs) only.



## Table 2: Status of NFIS Impact Indicators

Pillar	IMPACT Indicator	Baseline 2015	2016	2017	Target 2020	Source
FINANCIAL ACCESS AND USAGE	Number of deposit accounts with commercial banks per 1,000 adults	1152	1078	1396	1500	BOJ
	Unclaimed deposits (for 7 years or more) to total deposits (%) – DTIs	1.2	1.3	0.9	0.5	BOJ
	Number of electronic retail payments (via commercial banks) per capita per year	33	37	39	50	BOJ
	Number of access points per 1,000 sq. km	3073	2484	2715	5000	BOJ
	Number of access points per 10,000 adults	136	128	139	240	
	Individual Deposits (% GDP) - DTIs & Credit Unions	28	29	26	31	BOJ
FINANCING FOR GROWTH	Value of loans to MSMEs (as % of total private sector credit) - DTI's (Fiscal Year Basis)*	11	N/A	0.015 <sup>1</sup>	12	BOJ
	Value of loans to agricultural sector (as % of total lending) - DTIs + NPCB	2.4	1.5	1.4	4.0	BOJ, NPCB
	Value of outstanding residential mortgages – DTIs, Credit Unions and NHT (% GDP)*	21	7.6	8.2	30	BOJ/NHT

**Notes:**

\*This reflects data for deposit-taking institutions only.

<sup>1</sup> This data was collected for the period March to December 2017 only. Work is ongoing to improve the data gathering processes for MSMEs having regard to the new definitions under the National MSME Policy.

### **Intermediate indicators**

As part of the monitoring and evaluation framework, there are ten intermediate indicators, which measure Jamaica's progress towards financial inclusion throughout the project's time-line. Reference is made to **Table 3**.

Of these, for the period under review, i.e. 2015 to 2017, six intermediate indicators are moving in a positive direction towards the 2020 targets. These are:

- a) The number of remittance agents (determined by location);
- b) The percentage of the adult population covered by the credit bureaus;
- c) The value of outstanding loans registered in the National Personal Property Registry as a percentage of the gross domestic product; and
- d) The percentage of registered land plots; and
- e) The number of micro, small and medium-sized enterprises supported by the Partial Credit Guarantee (PCG); and
- f) The percentage of contributors to the NHT, who are accessing benefits from the NHT.

One intermediate indicator has deteriorated, i.e. the measurement demonstrates that its performance has worsened to levels which are below the 2015 baseline figure. This indicator measured the number of micro-insurance products which were in the market. It should be noted that the FSC has confirmed that there are no regulated micro-insurance products, as there is currently no legislative or regulatory framework. There are however

products in the market which have some of the features of micro-insurance products as regulated in comparative jurisdictions, for example, policy design, premium cost, distribution channels and the target market for these products. The FSC has confirmed that the original figure of 25 micro-insurance products is derived from a diagnostic study done by the Access to Insurance Initiative (A2ii) and the IDB in August 2014. The subsequent figure of seven micro-insurance products is based on the characteristics defined in FSC's micro-insurance framework policy paper published in November 2016.

The absence of data has impeded the confirmation of the percentage of welfare beneficiaries, who are receiving their benefits via an electronic means in 2017. Further, there is incomplete data on the number of complaints received by BOJ, as shown in the explanatory notes to Table 3.

**Table 3: Status of Intermediate Indicators as at December 2017**

Pillar	Intermediate Indicator	Baseline	2016	2017	Target 2020
FINANCIAL ACCESS AND USAGE	Percentage of direct benefit transfer payments transmitted via electronic retail payment products (using PATH beneficiaries as a proxy)	11	13	N/A	28
	Number of remittance agents (by location)	402	422	425	450
FINANCIAL RESILIENCE	Number of micro-insurance products	25	7++	7++	50
FINANCING FOR GROWTH	Percentage of the adult population covered by credit bureaus	22	22	25	40
	Value of outstanding loans registered in the NSIPP registry (% GDP)	14	4	17	15
	Percentage of land plots registered	59	59	60	65
	Number of MSMEs supported by Partial Credit Guarantee (PCG) Programme	51	77	65	300
	Per cent of NHT contributors accessing benefits through NHT	34	43	38	60
RESPONSIBLE FINANCE	A: Per cent of financial consumer complaint cases resolved (of those received)	76	53*	56	N/A
	B: Number of complaints received (via BOJ, FSC, CAC)	214	195	223	N/A

**Notes:**

\*This data set is incomplete, as BOJ was unable to confirm the percentage of complaints which was resolved in 2016.

++ Currently, there are no approved micro-insurance products in Jamaica, as the current legislative framework does not address micro-insurance business. The figures presented are insurance products offered in Jamaica that have some of the characteristics of micro-insurance product as per the intended framework.

# Governance Framework

The Council is chaired by the Minister of Finance and the Public Service. Its other members are the Governor of Bank of Jamaica, who chairs the Financial Inclusion Steering Committee ("FISC"), the Financial Secretary and the members of the FISC. Please see Figure 1.

The main purpose of the Council is to:

- a) Set overall policy directions for the development and implementation of the NFIS;
- b) Foster and facilitate the effective coordination of the MDAs involved in the design of the NFIS and also public-private cooperation and coordination;
- c) Review reports from the FISC on progress with the action plan in the strategy, including identified technical obstacles and opportunities;
- d) Ensure that fiscal space and budgetary allocations are sought for the implementation of reforms required under the strategy; and
- e) Foster public awareness about the strategy.

The Stakeholder Advisory Group sits along with the Council and is aimed at ensuring that the NFIS is inclusive and consultative in all of its aspects, as the success of the NFIS depends on partnership with non-public sector stakeholders.

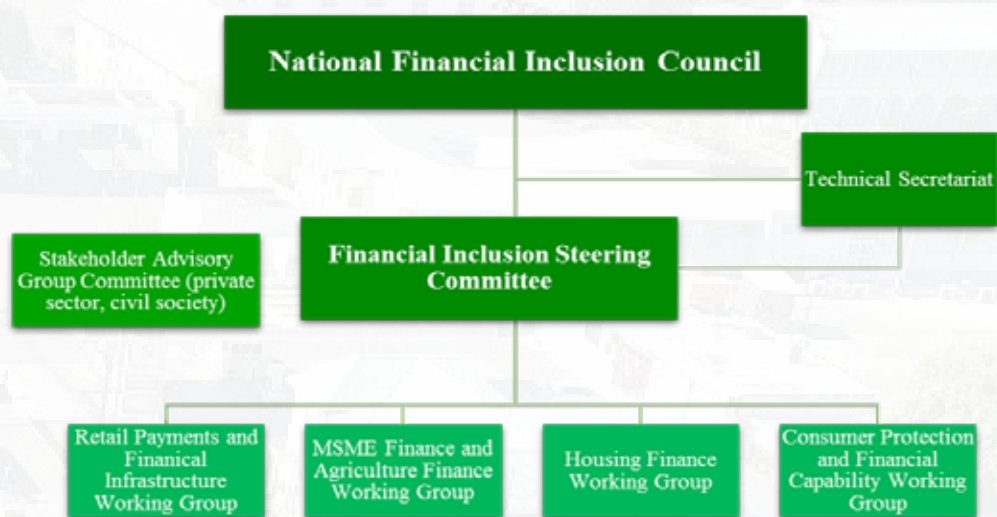
The Stakeholder Advisory Group is chaired by Mr Earl Jarrett, CD. Its members include industry associations, such as the Private Sector Organisation of Jamaica, the Jamaica Bankers Association, various MSME organisations, credit bureaus and the National Consumers League.

Bank of Jamaica is the coordinating agency for the development and implementation of the strategy. The Governor chairs the FISC. The FISC is the primary organ for the

implementation and monitoring of the NFIS. There are four working groups established under the FISC that are chaired by senior officials in the public sector. Please see Figure 2.



# Figure 1: Governance Framework for the National Financial Inclusion Strategy



# Figure 2: Chairs of the FISC Working Group

<i>Name of FISC Working Group</i>	<i>Chair</i>
Retail Payments and Financial Infrastructure Working Group	Livingstone Morrison <i>Deputy Governor, Bank of Jamaica</i>
Consumer Protection and Financial Capability Working Group	Nicolette Jenez <i>Deputy Executive Director, Financial Services Commission</i>
MSME Finance and Agriculture Finance	Milverton Reynolds <i>Managing Director, Development Bank of Jamaica</i>
Housing Finance	Donald Moore <i>Senior Manager, National Housing Trust</i>

# The FISC Thematic Working Group Chairs

– the Team behind the NFIS



**Mr Livingstone Morrison**  
*Chair of the Retail Payments  
and Financial Infrastructure  
Working Group*



**Mrs Nicolette Jenez**  
*Chair of the Consumer Protection  
and Financial Capability  
Working Group*



**Mr Milverton Reynolds**  
*Chair of the MSME Finance  
and Agriculture Finance  
Working Group*



**Mr Donald Moore**  
*Chair of the Housing Finance  
Working Group*



# Pictorial Highlights of NFIS Activities



*The Hon. Minister of Finance Mr Audley Shaw, CD, MP; Governor of Bank of Jamaica, Mr Brian Wynter, CD and the Chairman of the Stakeholder Advisory Group, Mr Earl Jarrett, CD at the Launch of the National Financial Inclusion Strategy*

**29 March 2017**

*Participants at the World Bank/ BOJ Workshop on the Jamaica Financial Inclusion Risk Assessment Workshop*

**November 2016**



*Participants attending the NFIS/ BOJ Workshop on the National Risk Assessment Tool for Anti-Money Laundering/Counter-Financing of Terrorism Risk*







*Mr. Kuntay Celik, World Bank  
Financial Markets Specialist,  
presenting to the participants at the  
NFIS/BOJ Workshop on the National  
Risk Assessment Tool*

*May 2017*

*Participants in BOJ DTI  
Consumer Protection and  
Financial Literacy Workshop*

*November 2017*



# Appendix

## Details of activities under the NFIS Pillars

### **Financial Access and Usage Pillar**

There are six action items under the Financial Access and Usage Pillar which are meant to result in an increase in the number of access points for financial services.

Under the Financial Access and Usage Pillar, the following were the achievements for the period under review:

- a. May 2017 – BOJ issued its Standard for Sound Practice on Agent Banking. At the end of the reporting period, BOJ was reviewing applications for deposit-taking institutions to appoint agents under this regulatory framework.
- b. May 2017 – BOJ issued policy proposals for the inclusion of legislative provisions on graded know your customer/customer due diligence (KYC/CDD) requirements as part of the design of the risk-based framework for anti-money laundering/counter-financing of terrorism. These proposals were informed by the use of the World Bank's risk assessment methodology for AML/CFT risks associated with financial inclusion products. In November 2016, BOJ and the World Bank provided training on the use of the methodology to nineteen participants from eight ministries, departments and agencies (MDAs).
- c. May 2017 – the Financial Inclusion Technical Secretariat obtained funding from the World Bank for the acquisition of the National Risk Assessment methodology, which will be used in Jamaica's second national risk assessment. BOJ and the World Bank provided training on the use of this methodology to twenty-six participants from six MDAs.

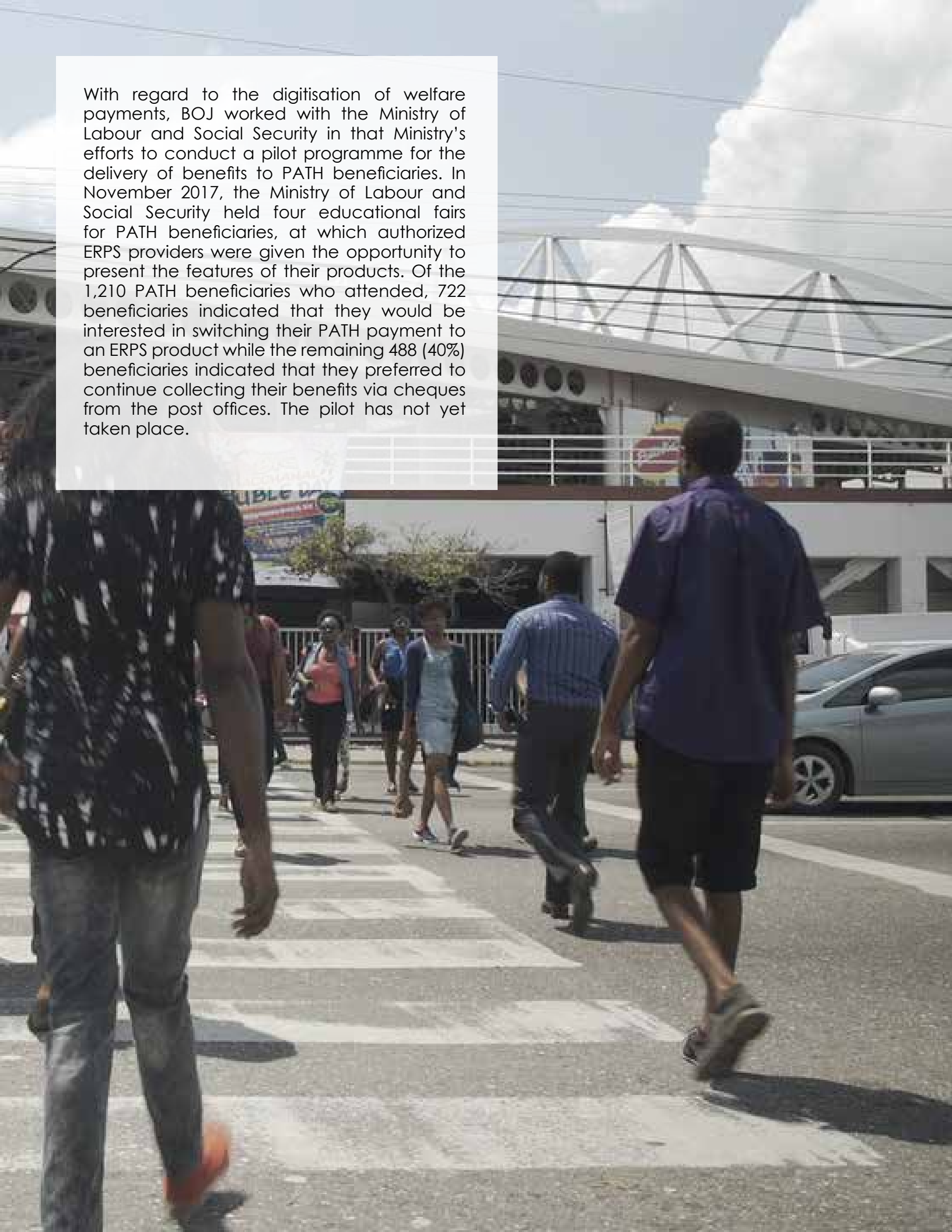
- d. June 2017 – the Financial Inclusion Technical Secretariat, obtained technical assistance from the Office of Technical Assistance, in the United States Department of Treasury (OTA) on interoperability, Electronic Retail Payment Services (ERPS) products, and financial consumer protection.
- e. August 2017 - BOJ circulated to the industry its consultation paper on the proposed amendments to the ERPS Guidelines. Comments were received from the OTA.
- f. November 2017 - BOJ prepared a concept paper on a national payment switch. Stakeholder consultation is ongoing.

For the reporting period, there were four authorized ERPS providers, which included one commercial bank and three non-deposit taking institutions. Of these, one authorised ERPS provider withdrew from the market in November 2017.

As at the end of December 2017, BOJ had obtained data on the extent to which ERPS products were being utilized. Table 1 demonstrates that in the fourth quarter, there was a decline of 52 per cent in the number of total ERPS accounts. The decline in the number of ERPS accounts was in part due to the discontinuation of the CONEC Mobile Wallet in the 4th quarter of 2017. Despite this decline in the number of accounts, there was an increase of 18 per cent in the total transaction volume and an increase of 33 per cent in the total transaction value in the fourth quarter. We refer to **Table 1** below (Page 24).

Further, there was a marked increase in the volume and value of transactions done at automated banking machines (ABMs) and point-of-sale machines (POS) for the period 2015 to 2017. We refer to **Table 2** (Page 25).

With regard to the digitisation of welfare payments, BOJ worked with the Ministry of Labour and Social Security in that Ministry's efforts to conduct a pilot programme for the delivery of benefits to PATH beneficiaries. In November 2017, the Ministry of Labour and Social Security held four educational fairs for PATH beneficiaries, at which authorized ERPS providers were given the opportunity to present the features of their products. Of the 1,210 PATH beneficiaries who attended, 722 beneficiaries indicated that they would be interested in switching their PATH payment to an ERPS product while the remaining 488 (40%) beneficiaries indicated that they preferred to continue collecting their benefits via cheques from the post offices. The pilot has not yet taken place.



## Table 1: Performance of EPRS Products for 2017

Data for period	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017	Totals-to-Date
Total accounts for the period:	56,852	43,823	43,585	21,062	21,062
*Total active accounts:	13,432	13,310	13,448	17,075	17,075
Total e-money value (MN):	\$10.31	\$18.17	\$19.23	\$19.23	\$19.23
Total transaction volume:	560,918	564,739	471,879	557,097	2,154,633
Total transaction value (MN):	\$216.34	\$216.25	\$209.04	\$242.95	\$884.58

*\*The definition used to report the number of active accounts for one institution was one or more transactions completed within the reporting period.*

### Definition of terms:

**Total accounts for the period:** Aggregate number of registered customer accounts as at the end of the reporting period.

**Total active accounts:** Aggregate number of accounts on which one or more transactions were conducted for a period of one year.

**Total transaction volume:** Aggregate number of transactions completed for the period.

**Total transaction value:** Aggregate value of completed transactions for the period.

**Total e-money value:** Aggregate value of stored funds held for customers as at the end of the reporting period.

*Source: BOJ*

**Table 2 - Electronic Transactions (ABM/POS) 2015-2017  
Commercial Bank Data Only**

Year	ABM				POS			
	Volume	YOY Percentage change	Value (J\$MN)	YOY Percentage change	Volume	YOY Percentage change	Value (J\$MN)	YOY Percentage change
2015	59,065,845		631,310		31,422,876		288,219	
2016	62,877,334	7	775,804	23	36,123,178	15	364,056	26
2017	63,590,293	1	925,770	19	40,261,402	11	468,998	29

*Source: BOJ*



## Financial Resilience Pillar

The Financial Resilience pillar supports reforms that will contribute to increased savings, insurance, and retirement accounts for the low-income and informal segments of the population.

The following were the achievements for the period under review:

- a. January 2017 – FSC published its consultation paper on micro-insurance and engaged in stakeholder consultation. Through the work of the Inter-American Development Bank, in November 2017, a consultant was retained to assist in development of the regulatory framework.
- b. September 2017 - BOJ prepared its concept paper on commitment savings. Stakeholder consultation is ongoing.

- b. October 2017 – MICAF completed its stakeholder consultation on the limited review of the 2013 MSME and Entrepreneurship Policy. The outcome of these discussions, was the standardization of new definitions for the categories of micro, small and medium-sized enterprises. These definitions will inform data gathering on private sector credit advanced to MSMEs. Please see **Table 3** below.

**Table 3: Jamaica's Proposed MSME Definitions in the revised National MSME and Entrepreneurship Policy**

	PRIMARY INDICATOR	SECONDARY INDICATOR (For Guidance Purposes Only)
<b>Firm Category</b>	<b>Total Annual Sales/Turnover</b>	<b>No. Employees</b>
<b>Micro</b>	≤J\$15 million	≤ 5
<b>Small</b>	> \$15 million ≤ J\$75 million	6 – 20
<b>Medium</b>	> J\$75 million ≤J\$425 million	21 – 50

**Source: MICAF**

## Financing for Growth

This pillar has 22 action items which cover the thematic areas of MSME Finance, Agriculture Finance and Housing Finance.

## MSME Finance

Under MSME Finance, there are nine action items including matters related to factoring, leasing, venture capital and capacity building of MSMEs.

The activities mentioned below occurred during the reporting period:

- a. September 2017 – DBJ completed its feasibility assessments on factoring and leasing. These assessments were accommodated as part of the World Bank's Access to Finance project.<sup>2</sup>

- c. In November 2017 - the Inter-American Development Bank entered into an agreement with the Government of Jamaica to provide US\$20 million in capital support for the Credit Enhancement Fund, which is operated by the Development Bank of Jamaica (DBJ). The primary purpose of the project was to promote competitive investments in MSMEs.

The feasibility assessment reports demonstrated that only 27 per cent of MSMEs have access to a bank account, with 47 per cent of MSME owners indicating that the inability to access credit is a major constraint. According to the assessment, financial institutions expressed limited interest in providing factoring products, as the perception was that there was a heightened credit risk associated with MSMEs, arising from a number of factors, including lack of formal record keeping and traditional

<sup>2</sup> This project was approved in January 2018. Matters to be addressed include factoring, leasing and

the development of an electronic factoring platform.

collateral.

Most deposit-taking institutions assessed the credit risk of MSMEs using a traditional model of reliance on financial statements supported by traditional collateral, i.e. real estate. With BOJ's publication in February 2018 of its consultation paper the sound practices of problem asset management and provisioning for bad debts, it is anticipated that there will be greater clarity on the regulatory framework.

## Agriculture Finance

There are eight Agriculture Finance action items. MICAFA is the lead on most of these action items. During the reporting period, the most significant activity was the enactment of legislation in November 2017 which resulted in the transfer of responsibility for oversight of the National People's Cooperative Bank (NPCB) to the Department of Co-operative and Friendly Societies. At the end of the reporting period, the NPCB was strengthening its internal capacity and governance framework to support its lending processes.

## Housing Finance

There are five action items which relate to Housing Finance. MEGJC, NHT, and JMB are the primary entities charged with the responsibility of promoting housing micro-finance solutions for the Jamaican public.

In August 2017, NHT partnered with Credit Unions to set up the NHT Housing Microfinance Loan Programme. Under the programme, eligible contributors can access housing micro-finance products to help meet their respective housing needs, such as titling, utilities installation, land purchase, down payments on properties, new incremental construction, completion of units which are at various stages of construction and other housing related expenses. For the period August 2017 to November 2017, micro-finance loans with a total value of J\$26,763,550.00 were disbursed.

For the reporting period January to December 2017, the NHT issued 6316 loans with a value of \$21,113,474,377.58 to contributors island-wide.

In September 2017, the members of the Housing Finance Working Group, the DBJ and the World Bank conducted a feasibility assessment of mortgage insurance and property catastrophic coverage for lower income borrowers. To do this, JMB, NHT, DBJ and the World Bank created estimates for mortgage indemnity insurance for Jamaica. Those estimates formed the basis on which to assess the sufficiency of Jamaica's Mortgage Indemnity Fund (MIF) to provide for the nation's housing needs. A determination was made that MIF products would not be an affordable choice for the target market, i.e. low-income earners. Consequently, it was determined that the MIF project would not be included in the Access to Finance project.

In 2016, MEGJC began its stakeholder consultations on the proposed amendments to the draft Housing Policy. In 2017, the Housing Finance Working Group suggested policy measures that further enhanced the provision of affordable housing finance solutions for Jamaicans, addressing the problem of squatting and supporting titling for lower income households. Many of these measures were incorporated in the updated draft National Housing Policy, developed by MEGJC.

The draft policy, created a national centerpiece as it outlined the challenges and reforms related to finance, land acquisition and housing construction.

The proposed policy seeks to give direction to what different mortgage financing agencies will do and how they will approach the delivery of houses. The main goal being pursued is the ideal provision of a wide range of housing choices for all income levels. MEGJC is waiting for feedback from Cabinet regarding the Policy.

## Responsible Finance

There are ten action items under this pillar, which fall into the thematic areas of consumer protection and financial capability.

Several action items advanced under this pillar during the reporting period. These are:

- a. April 2017 - BOJ published on its website, the report on fees of DTIs for the provision of financial services. CAC

published its report on bank fees in December 2017 on its website and in national newspapers.

- b. June 2017 - With the assistance of the OTA, a research paper was developed which provided the regulators with proposed options for the regulatory framework for the DTI consumer protection framework.
- c. October 2017 – With funding from the Inter-American Development Bank, a consultant was retained to provide technical assistance on the development of the National Financial Literacy Action Plan. This project is being led by the Ministry of Education, Youth and Information with the support of a multi-agency sub-group which includes both public and private sector participants.
- d. October 2017 - A sub-group under the Consumer Protection and Financial Capability Working Group was formed to facilitate the wide dissemination of information on fees and charges. The members included representatives from BOJ, CAC, FSC and FTC. The terms of reference were developed in December 2017.
- e. November 2017 – BOJ, in collaboration with the OTA led a 2-day workshop to facilitate stakeholder consultation and training in relation to DTI consumer protection and financial literacy. There were fifty-two participants from twenty-seven institutions, which included financial services regulators, policy makers, financial institutions, non-governmental organisations.





## Supporting Infrastructure Secured Transactions

MICAF advanced work on the three action items during 2017:

- a. March 2017 - MICAF also completed a concept note on the development of a secondary market for repossessed assets.
- b. April 2017 - MICAF completed its operational review of the secured transactions regime under the Security Interests in Personal Property Act (SIPPA) for the period 2014 to 2016.
- c. September 2017 - MICAF entered into an agreement with the International Finance Corporation on the review and enhancement of SIPPA and the rules for the National Personal Property Registry. MICAF hosted three IFC missions, in which discussions were held with BOJ, JBA and the National Personal Property Registry.
- d. October 2017 - A Steering Committee was established for the implementation of the IFC project.

For the period 2015-2016, vehicles were the single largest category of collateral registered by lenders, accounting for 55 per cent of all notices registered. The other categories of collateral, with the exclusion of "other" when combined, accounted for less than five per cent of collateral. See **Table 4**.

Based on the data received from the National Personal Property Registry, there has been a significant increase in the value of loans registered in that registry. Please see **Table 5**.

Apart from the absence of a secondary market, the concerns expressed by

lenders, include the absence of a reliable methodology for the valuation of such assets, the impact of depreciation and the challenges with repossession of such assets. MICAF has indicated that a secondary market developed by the Government would have to fit within the existing legal framework for the consumer protection issues related to goods.

## Micro-Credit Bill

Stakeholder consultation on the Micro-Credit Bill was led by the Ministry of Finance and the Public Service. The fifth version of the Bill was circulated for comments in November 2017. The date for tabling the bill in Parliament has been postponed to May 2018.

## Credit Unions (Special Provisions) Bill

In July 2017, MOFPS circulated the preliminary draft of the Credit Unions (Special Provisions) Bill to public sector stakeholders. Stakeholder consultation continued through the reporting period.

## Credit Reporting

Notwithstanding 15 new credit information providers (CIPs) signing contracts with credit bureaus during 2017, the number of CIPs in data sharing arrangements reflected a 4% increase (3) over 2016, due to a number of mergers of previously signed providers (credit unions), as well as the removal by credit bureaus of outdated contracts from their databases. Please refer to **Table 6**.

**Table 4: All Notices Filed with Jamaica's NPPR 2014 -2016**

Year	Notice of Pre-Existing Security <sup>2</sup>	Initial Notice	Amendment	Termination	Continuation	TOTAL
2014	117,038	n/a	n/a	n/a	0	117,038
2014	0	14,690	6,738	1,809	0	23,237
2015	0	21,735	706	8,538	1	30,980
2016	0	19,419	1,069	9,313	4	29,805
<b>TOTAL</b>	<b>117,038</b>	<b>55,844</b>	<b>8,513</b>	<b>19,660</b>	<b>5</b>	<b>201,060</b>

*Source: Companies Office of Jamaica, MICAF*

**Table 5: Value of Obligations registered in the National Personal Property Registry,  
2016-2017**

Filing Year	Currency	Number of Filings	Amount Of Obligation (\$)
2016	EUR	1	1,157,757.00
	JMD	23789	72,706,644,432.51
	USD	80	2,891,246,198.88
	TOTAL	23870	75,599,048,388.39
2017	EUR	1	2,229,466.00
	JMD	29288	296,446,137,697.00
	USD	114	15,801,138,520.00
	Total	29403	312,249,505,683.00

*Source: Companies Office of Jamaica, MICAF*

2 This applies only to 2014, the first year of operation of the NPPR

**Table 6: Status of Credit Information Providers as at Quarter ending 31 December 2017**

Activity Indicators		2016	2017
<b>1.</b>	<b>Total No. of CIPS in data sharing agreements with credit bureaus</b>	<b>84</b>	<b>87</b>
1.1	<i>Deposit Taking Institutions</i>	10	10
1.2	<i>Credit Unions</i>	23	23
1.3	<i>Statutory Lending Agencies</i>	5	4
1.4	<i>Micro Finance Entities</i>	25	24
1.5	<i>Trade Creditors (not covered under the Hire Purchase Act)</i>	10	14
1.6	<i>Utility Companies</i>	3	4
1.7	<i>Others</i>	8	8
<b>2.</b>	<b>No. of CIPs submitting data to credit bureaus</b>	<b>36</b>	<b>41</b>
<b>3.</b>	<b>No. of CIPs pulling data from credit bureaus</b>	<b>63</b>	<b>65</b>
<b>4.</b>	<b>No. of CIPs pulling data but not yet submitting to credit bureaus</b>	<b>27</b>	<b>26</b>
<b>5.</b>	<b>No. of reports issued during the year (inclusive of free reports)</b>	<b>250 122</b>	<b>442 712</b>
<b>6.</b>	<b>No. of consumers free reports issued per section 15(3) of CRA</b>	<b>5 765</b>	<b>6 758</b>
<b>7.</b>	<b>No. of account records in credit bureau data base</b>	<b>1 070 168</b>	<b>1 525 375</b>
<b>8.</b>	<b>No. of data subjects in credit bureau data base</b>	<b>408 570</b>	<b>467 432</b>
<b>9.</b>	<b>Population coverage* at year end (per cent)</b>	<b>22</b>	<b>25</b>
<b>10.</b>	<b>Hit Rate** for CIPs (per cent)</b>	<b>72.6</b>	<b>77.2</b>

**Notes:**

\* Percentage of population covered by credit bureaus – credit granting population segment - ages 18 - 74 years old at 2016 (1 872 531); 2017 (1 895 626) - Source - Statistical Institute of Jamaica - Demographic Statistics

\*\*Hit Rate represents the percentage of credit report requests that are returned with a credit history

Account Records, Data Subjects and Hit Rate used in table reflect the credit bureau with the largest number at year end

*Source: BOJ*





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