

MINISTRY PAPER #5/010
**JAMAICA DEPOSIT INSURANCE CORPORATION
ANNUAL REPORT AND AUDITED FINANCIAL
STATEMENTS FOR YEAR ENDED MARCH 31, 2009**

INTRODUCTION

1. The matter for tabling in the Honourable House of Representatives is the Annual Report for Jamaica Deposit Insurance Corporation (JDIC) for the financial year ended March 31, 2009. The Corporation was established by an Act of Parliament on August 31, 1998. JDIC's principal activities comprise managing a scheme for the insurance of deposits against the risk of loss to depositors and the development of an effective Deposit Insurance Fund to promote public confidence and contribute to stability in the financial system.

OPERATING OVERVIEW

2. The 2008/09 financial year was particularly challenging for Deposit Insurers, as the financial market crisis brought increased attention to deposit insurance responses in helping to restore and maintain financial system stability. The Corporation's role as a participant in the Financial Systems Safety Net was also placed in the public spotlight as many sought information on and reassurance in respect of the Deposit Insurance Scheme and the JDIC's ability to compensate depositors. This is largely expected to contribute to the maintenance of confidence in Jamaica's financial system.

3. To achieve its mandate and ensure regulatory clarity and certainty, the Corporation remained committed to intensified monitoring of policyholders within the risk assessment framework, which continued to guide the Corporation's state of readiness and the level of intervention planning. Important to the process was the monitoring of member institutions' compliance with the Deposit Insurance Policy. This came against the background of higher levels of unemployment, high interest rates and increasing levels of past-due loans in the short-term.

4. During the review period, there was heightened surveillance of financial markets and economies. The tracking of international developments, the impact on the domestic economy and the implications for policyholder performance were key undertakings. In addition, the Corporation commenced dialogue with the Bank of Jamaica with a view to enhancing the Crisis Intervention Matrix, developed among the Safety Net Partners to ensure seamless monitoring and intervention.

5. In the execution of its objects to March 2009, the Corporation continued to place significant emphasis on refining its role as an insurer of deposits in certain financial institutions. In this regard, policy review and research on member admission, coverage, funding to facilitate resolution and intervention preparedness remained important functional areas and are at different stages of completion. In addition, the Corporation's Risk Assessment Framework (RAF) was well supported by information flowing from the Bank of Jamaica and other policyholders, which was utilized to inform on Fund adequacy, management and intervention readiness.

6. The Corporation heightened its intervention readiness programme and included shorter-term goals that would assure readiness in the event a policyholder was adversely affected. The programme included:

- Payout Contingency Planning- this exercise was undertaken in the areas of crisis communication, contingency funding, payout process management and ensuring that all information and communication technology systems were adequate.
- Payout Training and Simulation- two (2) such exercises were conducted in the areas of Media Communications in a payout activity as well as balancing and reconciliation with emphasis on cheque clearing operations.
- Business Process Documentation- the Corporation continued to develop and review business process documentation to ensure that it remained effective and relevant to the changes and emerging trends in its operating environment. The emphasis was on the record keeping requirements of policyholders. This is to mitigate the risk of inadequate record keeping.
- Public Education and Awareness – this was facilitated via advertising and increased participation in communities' expositions, training seminars, presentations and continued partnership with other safety net players.
- Human Resource Management- the Corporation identified several strategic initiatives including a new performance appraisal aimed at aligning employees work goals with the business strategies.
- Information and Communication Technology- a new payout application was developed which captured all the required system functionalities. The Corporation also forged relationships with regional counterparts in order to rationalize and standardize the payout functions and to foster the sharing of information. An information communication and support desk to handle information technology related issues was also launched.

FUND MANAGEMENT AND ADEQUACY

7. For 2008/09, the Corporation conducted its annual survey of insurable deposits with a view to capture greater details on the profile of deposits held in member institutions. The data revealed that insurable deposits in the banking system increased to \$4,416.87 million or 10.3% at December 2008 compared to the \$4,005.00 million in the previous year. Despite the challenging economic environment, the average insurable deposit account balances in each sub-sector increased, with the overall average growing by 7% at the end of 2008. The commercial bank sub-sector accounted for the major share of insurable deposits totaling \$3,339.36 million or 97.06% with an overall 97.54% of the total deposit accounts in the banking system being fully covered. The ratio of insurable deposits in the three sub-sectors was 76:21:3 moving from 75:21:4. As the number of insurable deposit accounts held in member institutions increased, the share of accounts fully covered at the \$600,000 coverage limited remained at a high level at 97.54%.

8. The 2008 evaluation of the Fund indicated that it was adequate to cover the assessed levels of existing liabilities and potential liabilities for the 1-year period to December 2009. At March 2009 the Deposit Insurance Fund was valued at \$5,129.49 million representing an increase of 30% over the

