

COMMISSION OF ENQUIRY
INTO THE COLLAPSE OF FINANCIAL INSTITUTIONS IN JAMAICA
IN THE 1990'S

THE JAMAICA PEGASUS HOTEL
81 KNUTSFORD BOULEVARD
KINGSTON 5

September 11, 2009

Mr. Derrick Latibeaudiere
The Governor
Bank of Jamaica
Nethersole Place
Kingston

Dear Mr. Latibeaudiere

RE: Commission of Enquiry into the Collapse of Financial Institutions in Jamaica in the 1990's

The Commission will be much obliged if you would respond to the following questions.

1. Does the Bank of Jamaica (hereinafter called "the BOJ") perform the functions of a Central Bank, insofar as the monetary policy is concerned?
2. In the performance of its functions, is the BOJ totally independent? If not, who does it take its directions or directives from?
3. Does the BOJ regulate and supervise the banking sector, namely Retail Commercial Banks Merchant Banks and Building Societies?
4. In performance of its regulatory functions, does the BOJ carry out inspections on such institutions on a quarterly or yearly basis?
5. Are these institutions required to make reports on a quarterly, half yearly or annual basis to the BOJ?
6. Is the BOJ a lender of last resort, and if so, in performing such functions, does it make a distinction between liquidity and solvency?
7. Did the BOJ as a regulator foresee the pending collapse of the financial institutions or any of them in the 1990s?

8. As regulator, can the BOJ give any reasons for the cause of the failure of some of these institutions resulting in a meltdown in the 1990s?
9. Did the BOJ foresee the pending failure of some of these institutions, and if so, what actions were taken to avoid same?
10. What action, if any, did the BOJ take in relation to the failed institutions in order to rehabilitate them or any of them?
11. Is it a fact that all the depositors in the failed Institutions were repaid 100% of their deposits? If so, from what source were these funds provided?
12. Did the BOJ, as a lender of last resort, advance monies to the failed institutions or any of them? If so, which ones and how much?
13. Did the BOJ make any advances to any of the failed institutions which were insolvent at the time?
14. The view in the public domain is that the collapse of the financial institutions was due to high interest rates in the 90s.
15. Another view expressed is that the monetary policy of the BOJ did not meet its objective. Instead it caused increases in interest charges and penalties which could not be met by borrowers and resulted in the collapse of the Financial Institutions and the real sector. Does the BOJ agree with this view, and if not, what reason can the BOJ advance for disagreeing with same?
16. Still, another view is that the increase in fiscal expenditure nullifies any impact that the BOJ's monetary policy may have had. Does the BOJ agree with this view, and if not, what reason can the BOJ advance for disagreeing with same?
17. In your opinion, given the large number of financial institutions that failed (the vast majority of banks and insurance companies by assets) does the financial sector collapse of the 1990s constitute a systemic crisis?
18. What reason does the BOJ have for the maintenance of the high interest rates during the 1990s and for what purpose were such interest rates prescribed, moreover in relation to what aspect of monetary policy?
19. Did the BOJ have any input in the amendment of the Bank of Jamaica Act in 1992, the Banking Act in 1992, and the Financial Institutions Act in 1992 and their amendments in 1997? If so, what were the reasons for their amendment where the BOJ is concerned?
20. As regulator and supervisor of these financial institutions, what can be done to avoid the occurrence of another meltdown, particularly having regard to the prevailing global financial crisis?

The Commission would greatly appreciate receiving your answers to the question stated above.

Yours respectfully

Fernando DePeralto
Secretary to the Commission of Enquiry

Cc Mrs. Audrey Anderson
Senior Deputy Governor