

Questions to be forwarded to Dr. Omar Davies

1. What options were open to the Government to deal with the financial crisis in the mid 1990's?
2. Which option was selected and the reason therefore in preference to the other options?
3. What was the prime purpose for FINSAC and what was it intended to achieve?
4. How was FINSAC capitalized? From what source did the funds come?
5. Was there a loan to capitalize FINSAC?
6. Was the public debt increase consequent on the establishment of FINSAC and to what extent?
7. What was the reason for the high interest rates between 1995 to 2000?
8. Was there a time factor within which FINSAC was to liquidate the loan for its capitalization?
9. What was the reason for the public debt rising from 124% of GDP in 1997 to 144% of GDP at the end of 1999?
10. Insofar as Financial Institutions were concerned, was a distinction made between those that had liquidity problems and those that were insolvent?
11. Were the depositors of the failed institutions paid their capital and interest which was sourced from loans to FINSAC?
12. Having repaid the depositors, why were these Financial Institutions closed down?

13. What progress did FINSAC make between 1996 and 2001 to recover funds from the delinquent borrowers and reduce its loans?
14. What was the quantum of the delinquent loans of all the failed institutions at the time of FINSAC's incorporation?
15. What was the rate of interest being charged by FINSAC between 1995 and 2002?
16. Were there any guidelines given to FINSAC as to the disposition of assets of delinquent borrowers? If so, what were the guidelines?
17. Were parameters given to FINSAC within which to negotiate with delinquent borrowers?
18. Why was it necessary to sell the debts and their securities to Jamaica Re-Development Foundation, Inc.?
19. What powers did Jamaica Re-Development Foundation have to enforce the collection of bad debts from delinquent borrowers that FINSAC did not have?
20. Was exemption given to JRF under the Moneylending Act? If so, what was the purpose for so doing?
21. What was the JRF exempted from consequent on the Order made under the Act? Is it interest rates or any other exemption?
22. Were any of the exemption Orders to JRF made retrospectively?
23. What was the total amount in monetary terms of the debts sold to JRF?
24. What percentage of the total debt was the deposit made by JRF?
25. Why were no conditions attached to the exemption Order to JRF?

26. In what way was it in the public interest to give JRF an exemption under the Act? (Section 14).
27. Were any guidelines given to JRF as to how assets of delinquent borrowers should be disposed of?
28. Was any consideration given to the fact that interest rates were reduced by commercial banks, and what was to be done for delinquent borrowers?
29. Was it expected that the rate of interest charged by JRF should also be reduced accordingly? If not, why not?
30. Was it intended that JRF should be at liberty to charge any rate of interest on delinquent debts, consequent on the exemption order?
31. Was any direction given to JRF as to the rate of interest chargeable consequent on the reduction of lending interest rates by commercial institutions?
32. What was the reason for packaging the bad debts and advertising for a debt collector to deal with same, when this was the purpose for which FINSAC was established and had been doing so for seven (7) years?
33. FINSAC has been in operation for a period of fourteen (14) years and dealing with the enforcement of delinquent loans. What then was the purpose of selling the delinquent loans and securities of a foreign corporation?
34. How were the loans to FINSAC to be repaid and in what time?
35. Has the loans to FINSAC been repaid to date? If so, what was the status of the loans as at 2005?
36. At any time were any directions given to the Central Bank concerning interest rates?

37. Were any directions given to the Central Bank concerning monetary policy, in particular, exchange rate, inflation and financial stability? And if so what were they?
38. Were any directions given to the Central Bank to make loans available to insolvent financial institutions?
39. In cases where FINSAC sold properties below market value, was the delinquent borrower credited with the market value or the value at which FINSAC sold the asset?
40. Was any external advice sought as to how to deal with the financial crisis in the mid 1990's? If so, from whom and what was the advice?
41. What was the prime purpose for the Financial Sector Legislation in 1997?
42. Was an international audit firm retained to do a forensic audit on the failed institutions? If so, what was the firm and what recommendations were made?
43. The BOJ Supervisory Department made reports clearly indicating the insolvency of certain financial institutions. Why was timely action not taken by the Minister of Finance, although he had legal authority? Why were these institutions allowing have caused a major systemic problem in the finance system?
44. The November 1996 Report of the IMF, IADB and IBRD estimates the size of the insolvency of Jamaican financial institutions at 20% of GDP and advised immediate action to rectify the situation. The same report says that your administration decided that this was not "politically possible". Can you please explain what was meant by that statement? Do you think that the eventual cost of 40% of GDP was an acceptable trade off in this regard?

45. The IMF in its letter of November 27, 1996 stated that "it has been our experience that no resolution strategy can be successful in restoring a financial system to soundness in the absence of a sound macroeconomic framework that is consistent with achieving a sustainable and low rate of inflation as well as external viability. Jamaica's policy mix of fiscal laxity, monetary restraint, and exchange rate stability is, in our view, not consistent with achieving such macroeconomic objectives". Are you in agreement with this assessment? Was this advice acted upon?