



## **NEW BOJ CREDIT UNION REGULATIONS CLOSER TO IMPLEMENTATION**

With the recent release of yet another draft proposal, the highly discussed Bank of Jamaica (Credit Union) Regulations are now one step closer to completion and implementation.

These Regulations reflect the Bank of Jamaica's intentions to streamline the financial services sector in order to ensure the stability of credit unions and protect them from exposure to the factors that caused the meltdown that commercial banks experienced in the early 1990s. The Regulations are also an extension of the global trend for central banks to regulate credit unions.

### ***What does this mean for Credit Unions?***

When the regulations become law, the Bank of Jamaica (BOJ) will be the main supervisory authority of the island's 51 credit unions. Under their supervision, every aspect of the credit unions' business – from voting rights to the auditors used - will be scrutinized. Below are some of the highlights of the proposed Regulations:

- Shares in credit unions are to be regarded as deposits and will not form part of the capital base of credit unions;
- Annual licensing fees will be imposed on credit unions;
- The amount and particulars of Fixed Assets held by credit unions are to be specified by the BOJ;

- Credit Unions cannot invest or manage funds on behalf of its members;
- Credit Unions cannot grant unsecured loans to members in excess of 5% of its loan portfolio;
- Unsecured credit cannot be granted for more than 24 months;
- Credit Unions are to maintain a specified level of cash reserves in the form of deposits with the BOJ, failing which they have to pay a fine to the Central Bank;
- The fines and penalties for breaches of the Regulations are onerous. For example, engaging in prohibited business will attract a fine of up to \$360,000 and \$150,000 for every day the prohibited business continues.

### **Special Points to Note**

- ▶ *New Blue Cross Rates: from a low of \$2,078 to a high of \$9,528, depending on the policy options*
- ▶ *The Family Indemnity Plan (FIP) age limit is now 75+*



### ***The Implications***

While the Regulations have positive benefits they may impact negatively on the viability of the Credit Union Movement. The proposal that unsecured loans should not exceed 5%, for example, will limit credit unions' ability to provide much needed services to members, which, in the long run, will affect their ability to grow membership confidence and recruit and retain members.

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JPS Employees Co-operative Credit Union already exceeds this 5% requirement as it offers an unsecured loan product – the *Cash-on-Credit* Loan - which goes beyond the stipulated repayment period of 24 months.

From the proposals, it is also evident that credit unions will be regulated in much the same way as commercial banks. Yet these institutions are structurally distinct: unlike banks, credit unions are co-operative societies owned and operated by their members. The restrictions imposed by these new Regulations, therefore, will impact on the decision-making authority of credit union members. Credit unions would now operate almost like commercial banks, but without the same latitude as these banks to provide the services that their members require.

## ***You Can Play a Role***

JPS Employees Co-operative Credit Union Limited is now in the process of assessing its operations to deal with the changes that are expected when the BOJ assumes its new role. However, some changes – like the reduction of our unsecured loan portfolio are definitely going to be harder to deal with. We therefore call upon you the members to help lobby against these negative developments for credit unions and for a more self-regulatory regime through the Jamaica Co-operative Credit Union League.

**DO YOU THINK THAT YOUR  
LOANS ARE IN ARREARS?  
CONTACT US!**

**(876) 968-3700, (876) 968-1115, (876) 929-8559**  
**www.jpscu.com**



## **Forging New Ties The Guardian Insurance Brokers Connection**

Having made a commitment to be a “Financial Partner for Life”, JPS Employees Co-operative Credit Union (JPSECCU) embarked on a search for organizations with which it can partner to make products and services more affordable for its members. Through the partnerships developed, discount facilities are now available at Super Clubs, Singer Sewing Machine Company, Jacan Rubbers, Bert’s Auto, and more recently, Guardian Insurance Brokers.

Guardian offers an excellent motor and homeowners insurance package. Their rates of up to 4.75% for motor vehicles (without claim) and 0.85% for

homeowners are extremely competitive, and are complemented by a 10% group discount and other great facilities such as Magna rewards, road rescue/ambulance services, and contents of up to \$600,000 insured at no extra cost.

First time motor policy holders get a free valuation! This can be done at MSC McKay Limited.

*To access these and other discounts that JPSECCU will negotiate from time to time, members are being asked to pick up their membership cards at the office.*

**As we all try to recover and pick up the pieces following the passage of Hurricane IVAN the JPSECCU is offering its members a special loan of \$100,000.00 at a rate of 12% to assist with recovery efforts.**