

Government of Jamaica



- Presentation at the **Regional Course on Financial Markets**

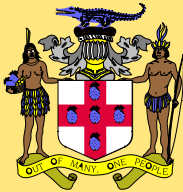
September 10-12, 2019 – Nassau, Bahamas

Government Bond Market Development - The Jamaican Story



Contents

- Jamaica – Strategic Location & Indicators
- Medium-Term Debt Management Strategy (MTDS) - Main Objectives
- Objectives and Impact of Jamaica's Debt Exchanges on Development
- Debt Dynamics FY2009/10 - Prior to First Debt Exchange - Debt Profile,
Legal and Regulatory Framework, Operations
- Debt Dynamics FY2019/20 - After two Debt Exchanges- Debt Profile,
Legal and Regulatory Framework, Operations
- Further Development of the Government Bond Market
- Q & A



Government of Jamaica



Strategic Location



GDP per Capita (2018)	US\$5,355.60 Mn
Population	2.73 million (2018)

FX Rate (EOP)	J\$137.7=US\$1 (August 2019)
Annual Inflation	3.4% (Fiscal Year 2018/19)
6 Month T-Bill Rate	1.87% (August 2019)
Net Int'l Reserves	US\$2,951.4M (July 2019)
Sovereign Rating	B (S&P 2018)
	B+ (Fitch 2019)
	B3 (Moody's 2019)



Debt Management Objectives

- Raising adequate funding to satisfy GOJ's financing needs, at the lowest possible costs and at a prudent levels of risk
- Minimizing exposure to and managing the main risks inherent in the public debt portfolio
- Maintaining and encouraging further development of an efficient domestic debt market for GOJ securities
- and broadening the Government's investor base and diversifying funding sources



DEBT DEVELOPMENTS FY2009/10 to FY2019/20

- Legal and Regulatory Framework
- Debt Profile
- Operations – Issuances and Settlement
Payment and Settlement Systems



Conditions Leading to Jamaica's Debt Exchange

- Shrinking Fiscal Space
- Poor Debt Dynamics
- Lowering of Jamaica's Credit Ratings
- Large Numbers of Illiquid Securities
- Refinancing Risk



The Debt Exchanges – JDX and NDX

- The Jamaica Debt Exchange (JDX) and National Debt Exchange (NDX) - Comprehensive liability management programmes undertaken in the domestic portfolio, in February 2010 and February 2013.
- JDX & NDX- precondition for approval of IMF programmes.
- JDX objectives - cost savings, increase the fixed rate component, extend maturity
- NDX objectives - extend maturities and reduce interest rates.

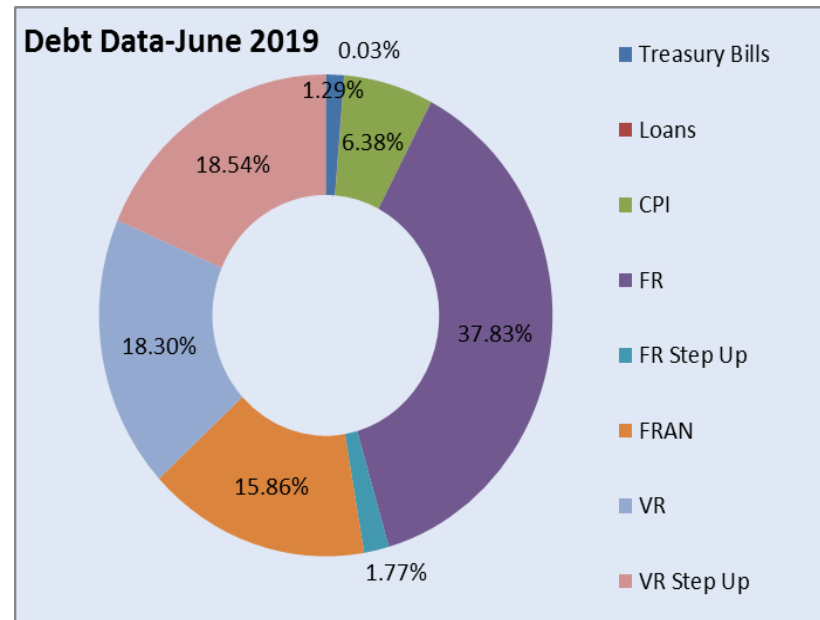
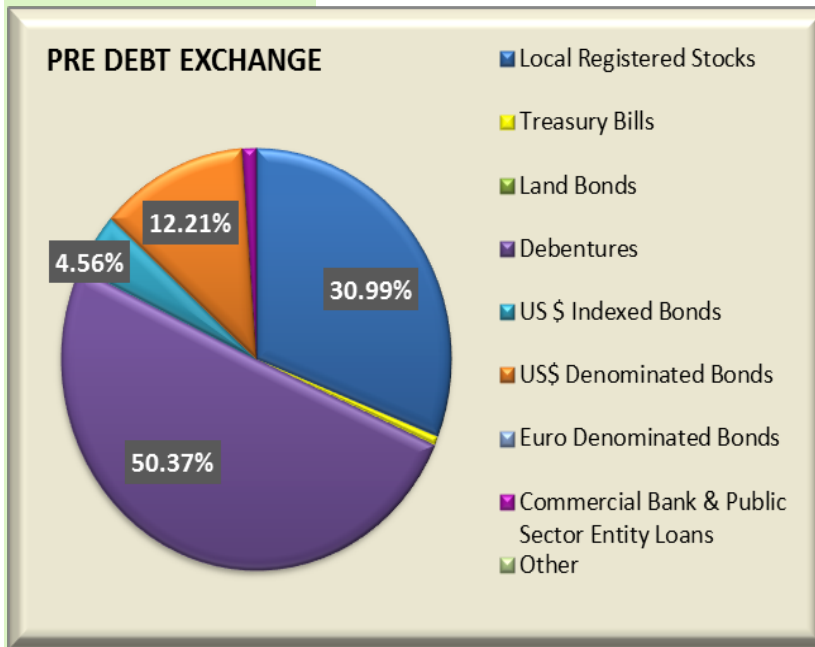


Positive Impact of Debt Exchanges

- **JDX:** Domestic debt portfolio re-profiled, 350 bonds with paper certificates replaced with 25 liquid benchmark bonds in electronic format
- Interest rates reduced, FR:VR ratio increased by 7%
- CPI linked Bonds introduced and US\$ Indexed Bonds discontinued
- Maturities extended and smoothed
- Dematerialisation of debt securities – paperless
- **NDX:** 25 new Benchmark Bonds replaced 25 eligible Bonds,
- Further extension of the maturity profile by approximately 5 years; and
- Interest rates reduced by 200 basis points



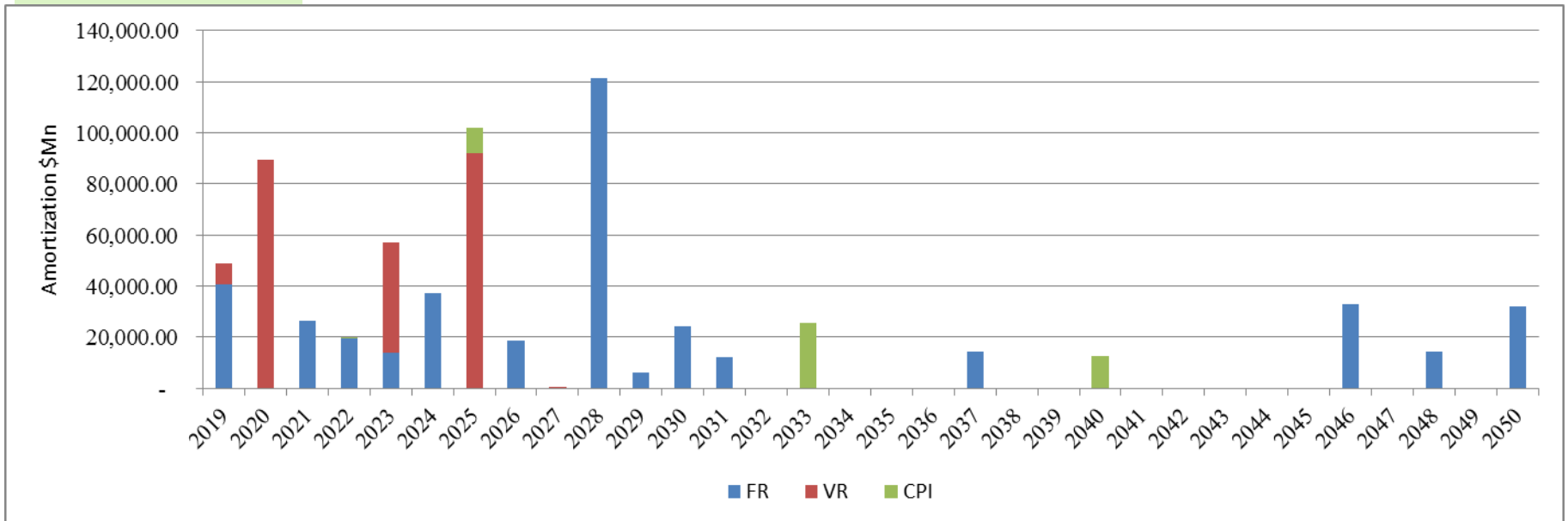
Change in Domestic Debt Composition - 2019





Debt Profile - Extended Maturity Profile

Portfolio: March 2019





Domestic Market Developments Post Debt Exchanges

- No access to primary and secondary markets after NDX
- Reform of the retail repo market
- Introduction of collective investment schemes
- Government's re-entry into the domestic bond market
- Partially refinance large maturities
- Use of liability management tools such as buy backs to re-profile the debt and reduce refinancing risk.
- Formalize the investor relations programme to enhance communication with the market.



Developments - Legal and Regulatory Framework

- February 16, 2010 - The Government Securities Dematerialization Act 2010 was passed into law to facilitate the immobilization and dematerialization of Government securities.
- December 2012 - The Public Debt Management Act, 2012 (PDMA) was enacted and became operational in January 2013. It repealed, updated and consolidated over 20 separate laws into a single legislation.
- March 2015 - Fiscal Agent Agreement between the Ministry of Finance and the Bank of Jamaica.
- May 2017 - Reform of the retail repo market



Developments - Legal and Regulatory Framework

- October 2017 - The Public Debt Management Act, 2012 (PDMA) was amended.
- September 2018 - A revised Primary Dealers Agreement was executed.
- October 2018 - Upgrade of the Central Securities Depository (JamClear-CSD).
- October 2018 - Dematerialization of Treasury Bills (JamClear-CSD)



Developments - Institutional

- Debt Management Unit (DMU) restructured along functional lines
- Front, middle and back office model in keeping with international best practice
- Resulting in increased efficiencies.



Developments: Issuances

- ***Prior to Debt Exchange*** - Issuances through E-Gate
- ***Post Debt Exchange*** – Issuances via the Jam-Clear Central Securities Depository and Real Time Gross Settlement (Jam-Clear CSD and Jam-Clear RTGS).



Developments: Payments and Settlements

- ***Prior to Debt Exchange:***
 - Payments generated via Securities Management System (SMS) by cheques and electronic payments via File Transfer Protocol (FTP)
 - Settlements effected via E-Gate
- ***Post Debt Exchange:***
 - Payments and settlements effected via the Jam-Clear Central Securities Depository and Real Time Gross Settlement (Jam-Clear CSD and Jam-Clear RTGS).



Benefits

- Enhanced price discovery
- Low interest rate environment
- Increased levels of liquidity
- Sustained robust demand for GOJ securities
- Facilitation of a crowding-in effect
- Improved credit rating
- Improved coordination with the Central Bank



Challenges

- Low secondary market trading



Further Development of the Government Bond Market

- Continue policies in accordance with the Medium Term Debt Strategy FY 2019/20-FY2022/23
- Continue to explore opportunistic Liability Management Operations
- Seek to further broaden and diversify the domestic market investor base geographically
- Continue Investor Relation Programme to promote best practices in stakeholder engagement
- Implementation of phase two upgrade of JamClear-CSD
- Incremental Reform of a Fixed Income Trading Platform for Domestic Securities



Are There any Questions?

