

WITNESS STATEMENT OF ERROL CAMPBELL

IN THE MATTER OF THE COMMISSION OF ENQUIRY INTO THE COLLAPSE OF THE FINANCIAL SECTOR IN JAMAICA IN THE 1990S

1. My name is Errol Campbell. I am the General Manager of Financial Institutions Services Limited (FIS) and FINSAC Limited and my address for the purposes of this statement is 1 Shalimar Avenue, Kingston 3 in the parish of Saint Andrew.
2. I worked with the National Commercial Bank Jamaica Limited for almost 19 years, during which time I qualified as an Associate of the Chartered Institute of Bankers, London. I worked at a number of branches and departments and my last assignment at the Bank was as Manager at the Port Maria branch.
3. FIS was established in 1995 to take over the operations of the Blaise Financial Entities and a year later also took over the operations of the Century Financial Entities based on a Scheme of Arrangements approved by creditors and depositors and sanctioned by the Supreme Court. The Blaise depositors received 90% of their deposits over an 18-month period while the Century depositors were paid 100% in two tranches over 6 months,
4. In January 1997, FINSAC (Financial Sector Adjustment Company) Limited was established to intervene in the wider financial sector and a threepronged approach was agreed for its operations, namely, intervention, rehabilitation and divestment.
5. FINSAC's intervention was done by way of one or a combination of the following methods: acquiring shareholdings of or granting loans to or purchasing non-performing loans or non-core assets from, the various entities into which it intervened, injection of capital in some instances, appointment of new Boards or Management where necessary and developing and implementing plans for rehabilitation with the assistance of consultants engaged.

6. In August 1997 and May 1998, Finsac established two companies which were used as the vehicles to acquire non-performing loans from various institutions, namely, Recon Trust Limited (Recon) and Refin Trust Limited (Refin), respectively. Recon was used for the loan purchase from National Commercial Bank (NCB) and Refin was used to purchase loans from Citizens' Bank and Union Bank. The Recon loans were assigned to Refin in February 1999.
7. Finsac decided to set up an Non-Performing Loan (NPL) Unit to manage the collection of loans from debtors who it was discovered had borrowed from several of the failed or intervened institutions in order that a joint and consistent approach could be adopted. The Unit's goal was to ensure maximum recovery of value for the distressed loans through a fair process which included uniform treatment of debtors with options determined by their particular circumstances.
8. I was employed to FINSAC in July 1999, as the Manager -- Administration & Control at the Non-Performing Loan (NPL) Unit and held that position until January 2002. My job included the following:
 - i) allocating all loans acquired/purchased from the various institutions to the Credit Officers;
 - ii) corresponding with these institutions on loan related matters, where necessary;
 - iii) arranging the posting of these loans onto the loan database;
 - iv) authorising certain bills for payment;
 - v) managing the clerical and non-clerical staff (excluding credit officers);
 - vi) performing general administrative functions
9. Loans acquired from Century National Bank and Workers' Savings and Loan Bank and loans purchased from Citizens' Bank, Union Bank of Jamaica and loans with principal balances over \$5M from NCB were transferred to the NPL Unit. It was decided that NCB would initially continue to manage collections of the under-\$5M loans.
10. The American consulting firm, McKinsey & Company, was engaged to assist with establishing the NPL Unit. They recommended a database for the loans and a framework to value the loans based on four Cs, namely, Cash Flow, Collateral, Contract and Character. These factors were applied to arrive at the Minimum Expected Recovery (MER) for each loan.

11. In establishing the NPL Unit, McKinsey & Company also recommended that a Committee be established that would approve valuation on the loans to facilitate speedy action in recovery efforts. In this regard, in conjunction with the Finsac/FIS Board, a Credit Committee was established, with requisite approval rights to receive, consider and approve submissions from the Credit Officers.
12. Work-out Teams were established to undertake collections of the loans and these Credit Officers interfaced directly with debtors. Based on the Officers' research of files and discussions with debtors, submissions were then made to the Credit Committee for approval of action on accounts, including MERs, write-offs, sale of assets, legal action, etc. Where matters were perceived to be sensitive or beyond the approval rights of the Credit Committee, it was referred to a sub-committee of the Board or the full Board.
13. The Credit Committee met regularly, initially on a weekly basis, and was chaired by the managing director. In his absence, the general manager for Asset Management & Divestment chaired the meeting.
14. Finally, an Oversight Committee was established based on a National Industrial Policy of the government. It required Finsac to refer to this Committee, entities within the productive sector whose debts were acquired by Finsac for consideration to be given to providing financial assistance in order that their operations could continue.
15. Sometime in 2000, a decision was taken to sell the loan portfolio and in preparation, the following were done:
 - i) an American consulting firm, OCWEN Financial Corporation, was engaged to prepare the loans for sale;
 - ii) temporary personnel were engaged to make copies of all security documents;
 - iii) the NCB under-S5M accounts were transferred to Finsac;
 - iv) OCWEN commissioned valuations of all properties held as collateral to arrive at value of portfolio
16. OCWEN created a database with detailed information on the loans, i.e.
 - i) loan names and account numbers
 - ii) principal and interest balances, collateral
 - iii) payment history, etc,

17. Sometime in early 2001, a "Window of Opportunity" was announced by the Minister of Finance giving debtors up to March 2001 to make arrangements with Finsac to settle their debts and take advantage of a compromise prior to sale of the portfolio. It was expected that a purchaser would honour these agreements providing the debtors are performing.
18. Many submissions were received during this period and were approved but some debtors did not honour the commitments and thus their loans were sold. Others paid and benefitted accordingly.
19. Thereafter, the loans were marketed by OCWEN. I am aware of two failed attempts to conclude a sale due to happenings in Jamaica in July 2001 and in New York in September 2001. In addition, contacts made with other prospective suitors round about this time, did not yield the desired result, as proposed terms were unfavourable for Finsac, until discussions were held with Dennis Joslin. This lead to an agreement being struck and the board and Cabinet approved sale of the loan portfolio to Beal Bank of Texas on January 30, 2002 (with balances as at November 1, 2001). The Jamaican Redevelopment Foundation, Inc. (JRF) was established as its subsidiary in this regard and Dennis Joslin Jamaica, Inc. (DJJ) was appointed the Servicer, as part of the agreement.
20. I was one of two former NPL staff who remained with Finsac. We were re-located to 'head office' with other Finsac staff and commenced monitoring the various Agreements and corresponding with JRF/DJJ on various issues, among other things. The other NPL staff were employed by DJJ and continued managing the loan portfolio.
21. There was a further staff reduction at the end June 2002, where all the senior staff left the company. The former managing director remained in a consultative capacity for a year and was then replaced for six months by Michael Muirhead. Thereafter, the management of Finsac was under the control of the Finance & Administration Manager and myself. I was the Operations Manager.
22. Following the sale of the loans in 2002, DJJ moved into the office formally occupied by Refin/Finsac at the Mutual Life building Oxford Road. In reality, Finsac moved out leaving all loan and collateral files for DJJ.
23. Sometime thereafter, credit files for loans repaid prior to sale of the loan portfolio and non-loan related matters from the NPL Unit were moved to various locations for temporary storage, until some years later a Records Centre was established to house these files. A Foremost database was then acquired to record the files and staff were engaged for this process, with

these files eventually moved into the Records Centre. I should mention that there are about 11,000 boxes of files, each with 10 files on average stored in a warehouse.

24. For operational efficiency, the Finsac Board decided that I would be appointed as a director of Refin and Recon in 2002. This was primarily to facilitate the signing of relevant documents to assist JRF/DJJ with speedy responses to requests for transfer of security documents.
25. As the level of residual activity continued over the years, I was appointed as director of other companies.
26. In May 2005, Dennis Joslin Jamaica, Inc. was removed as Servicer for the loans and JRF assumed that role. Finsac continues its interface with JRF.
27. In November 2007, the Finance & Administration manager left Finsac and in January 2008, I was upgraded to General Manager and thus I now manage the entire operation which includes on-going litigation matters, pension related matters for some of the intervened entities and the management of a few properties intended for sale. I interface with the Chairman / board / attorneys and auditors.

Errol Campbell

May 6, 2011

