**THE FINSAC CONSPIRACY**

**by YOLA GRAY-BAKER, Past President of the ASSOCIATION OF FINSAC’D ENTREPRENEURS**

“*As one writer puts it – “A virtual hurricane has struck the Jamaican financial services sector, ploughing a path of destruction through the indigenous banking and insurance industries….. (A HIGH WIND IN JAMAICA – THE STUDY OF A FINANCIAL CRISIS).*

*But did this writer know some of the underlying actions/plans of action – that the then government, under it’s Finance Minister –* ***Dr. Omar Davis*** *– had in mind when they claimed – inter alia – “that persons borrowed money and did not want to repay their loans and then labelled them as ‘****BAD DEBTORS”?***

***Well, let’s get the REAL facts from:***

***(a) A DOCUMENT PRESENTED TO THE PAST PRESIDENT OF THE ASSOCIATION OF FINSAC’D ENTREPRENEURS – MRS YOLA GRAY-BAKER BY THE LEGAL ADVISOR TO THE COMMISIONERS ON THE LAST DAY OF THE ENQUIRY (the writer is since deceased) - followed by:***

***(b) Mrs. Gray-Baker’s interpretation of facts she gathered from evidentiary witness statements and other documents gathered during the two and a half years of the Enquiry sitting.***

**(a)**

**“JAMAICA’S MID 1990S FINANCIAL SECTOR CRISIS:REFLECTION OF CRISIS RESOLUTION STRATEGIES AND THE CONSPIRACY THAT FOLLOWED**

*The Financial system of Jamaica was in serious distress. Almost ALL domestically owned banks, including merchant banks and building societies were insolvent, albeit in varying degrees.(1)*

*“For the period 1990-1996 six commercial banks accounted for about sixty percent of deposits in the population of nine commercial banks, five life insurance companies accounting for over ninety percent of premium income in the business, one third of all merchant banks and several building societies were found to be insolvent and closed. In 1996 and 1997 there was a run on two commercial banks triggered by rumours of their insolvency. Depositors feared a repetition of the experience of late 1995 when depositors were initially unable to access their funds in a bank that was put under temporary management and later closed. (Crawford)(2)*

*By 1997 there was a real crisis when every major domestic financial entity effectively collapsed.*

*(1) Jamaica Resolution Strategy for Financial Sector Distress of IADB, IBRD and*

*I.M.F. November 1996.*

*(2) Storm in a Teacup by Dr. Gladstone Bonnick - May 1999.*

*Further, it was suggested that given the escalating problems from 1994 there was no specific course of action proposed to avert the crisis. (3)*

*The Causes Of Jamaica’s Financial Crisis In The 1990s From A Different Perspective*

*This paper attempts to highlight various studies and reports dealing with the problem.*

*First, a World Bank study suggested that the fundamental causes of Jamaica’s financial crisis were a privatisation of financial institutions without much regard to the owner’s capacity to withstand crises and with a liberalisation of financial markets, both in the context of weak regulation and supervision, followed by a tightening of monetary policy to contain the resulting credit boom and inflation.*

*In the late 1980s the Government began to privatize the banks that had been nationalised in the 1970s, as part of it’s general privatization strategy. However, the privatization was largely limited to domestic investors, who did not have large resources that could be called upon in the event of crisis, particularly as they were subject to the same risks as the Jamaican economy.*

*(3) Submission to the Commission of Enquiry by Dr. Paul Chen-Young - Chapter 4 pgs 27-28*

*Regulation and supervision of the financial system was weak. Most countries including Jamaica, did not consider financial regulation to be a major issue in the 1970s and 1980s.*

*After banks were nationalized, political and social objectives, rather than prudential considerations, sometimes affected Government’s policy toward the financial system. Regulation of non-banking entities was given even less attention.\**

*The 1992 legislation to strengthen supervision of deposit taking institutions did not provide sufficient sanction and intervention powers to bank supervisors, even for banks that were using the liquidity facilities of the Bank of Jamaica.(4)*

*The supervisory authorities identified institutions that evidenced escalating weakness and problems which could eventually pose a threat to their solvency as well as to overall systems stability. There were identified as growing levels of non-performing loans;*

*\*There was no widespread nationalization of banks in the sense in which the word is usually used. Only two banks which were in trouble were taken over. One bank was too big to fail.*

*(4) World Bank Country Study: The Road to Substantial Growth in Jamaica. Chap 4 Revitalizing Jamaica’s Financial System. P.85-87.*

*4*

*declining profitability shrinking capital bases; poor management practices; submission of inaccurate and/or misleading financial information relating to the entity’s true financial status/condition and significant liquidity deficiencies.*

*Second, the Bank of Jamaica considered that there was no one factor that caused difficulties in the financial sector, although there were a number of factors that interrelated with each other, which led to the financial difficulties. All institutions faced the same macro economic conditions which were characterized by an acceleration of asset and consumer price inflation, the liberalization of the foreign exchange market and the anti-inflation policies that followed this episode. The Central Bank states that attempts to have some licenses closed before their insolvency reached major levels, were in most cases unsuccessful, because of interminable discussions with owners and managers who did not accept the need for intervention.*

*Inadequate supervision in the insurance sector played a fundamental role in the crisis, insofar as the liquidity crisis experienced by insurance companies spread to affiliated banks.(5)*

*In the mid 1990s tight anti-inflationary policies had an adverse*

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*impact on the financial sector, as non-performing loans increased which was initially marked by extension of liquidity support from the Central Bank. In addition, the high interest rates and the depressed economic conditions encouraged a shift from the traditional financial intermediation to trading in securities, mainly, government securities issues for financing deficits. This shift is reflected in falling shares of loans and advances relative to the proportions of assets held in the form of securities by the financial institutions. In turn these conditions were further exacerbated by the collapse of the financial sector that occurred, starting in 1996.*

*Having realized the inadequacies in the 1992 banking legislation, a more comprehensive review of the laws were undertaken, combined with the impact of the crisis in 1996/97 led to several important*

*amendments to the Banking Act and the Financial Institutions Act in 1997.*

*Third, the Government’s economic stabilization policy has been identified as the villain that caused the financial services sector’s problems. Initially, the Bank of Jamaica provided extended liquidity*

*(5) BOJ response to questions - Finsac Enquiry at pages 7 and 23*

*support for the affected banks; however, with the continued drains, this Bank of Jamaica’s support was insufficient and the insolvency of the banks was unavoidable. (6)*

*Fourth, the macro-economic policy environment, particularly high interest rates and high reserve requirements, has been cited by owners/managers as an important factor that undermined the viability of their institutions. The collapse of the real estate market has also been cited as an important cause of insolvency. (7)*

*Fifth, financial liberalization without prior attention to regulatory and supervisory adequacy was also strongly shown to have increased the likelihood of the crisis. Contrary to assertions in favour of financial laissez, faire, the results clearly indicate that, if left unchecked, the profit motive will lead to financial sector crisis. Increased interest*

*rate spreads earned by commercial banks on the post liberalization period were shown to have had an impact on the crisis. A similar conclusion is derived from the result which showed that the crisis was related to increased deposits at higher deposit rates. The practice of*

*6) Financial Sector Forum Program (JA-0049) pages 4-7 IADB*

*(7) Adjusting Jamaica’s Financial Sector to meet the challenges of the 21st Century - Bonnick.*

*7*

*offering high interest rates in a bid to rapidly increase the institutions’ deposit base, led to very risky, but potentially high return investments being undertaken so as to maintain the desired spreads. (8)*

*There has been, and probably still continues to be divergence of views as to the cause of the crisis in the 1990s.*

*The differences are between the causes as stated by the authorities and some professionals and the causes as stated by the owners/managers of the interviewed domestic institutions and other professionals.*

*The main culprit appears to be the effect of the high interests rate policy in the 1990s. The authorities and their supporters, like Dr. Gladstone Bonnick and Wilberne Persaud, to the best of my knowledge, do not agree with this position. For example, Persaud*

*states, “the contributory factors for the crisis, among others, the attitudes of domestic entrepreneurs were inappropriate for the financial sector, the quality of indigenous management of the troubled*

*institutions was deficient, poor portfolio performance, deficiency in regulatory environment, failure to exercise due diligence and care, high incidences of connected party lending high and increasing level of non-performance assets. In stating the cause of the crisis they omit to state*

*8) Identifying the Ranking Determinants of Financial Crises: Lessons to be learnt from the Jamaica*

*Experience by Davie Tenant and Marion Tracey’s paper Feb. 2010, pages 31-32.*

*8*

*the high interest rate policy as one of the reasons for the crisis. (9)*

*Was this by choice or by influence? And if so, from whom?*

*The BOJ states that the very objective of monetary policy is to regulate the amount of money and credit in the system in line with compatible inflation. Hence, if the central bank tightens policy for example, it is expected that the levels of interest rates, money supply and credit would adjust in the same direction, otherwise, policy would have been ineffective. Firms and households therefore, need to have done the receiving risk assessment associated with entering into new contractual arrangements at higher rates. (10)*

*(9) Adjusting Jamaica’s Financial Sector to meet the challenges of the 21st Century by Dr. Gladstone*

*Bonnick paragraph 25 - a former Director of Finsac. Storm in a Teacup by Dr. Gladstone Bonnick.*

*Jamaica’s Meltdown by Wilburne Persaud pages 24-27 - a former director of Finsac.*

*(10) BOJ’s response to Finsac Enquiry page 43.*

*9*

*Persaud states, “Surely, banking executives and risk assessment managers must consider the economic and business environment in which they, and more importantly their clients operate. It is indisputable in the industry that loans ought not to be approved independent of consideration of the potential borrowers’ ability to repay credible cash flow projections, and evaluation of risk.”(11)*

*Whereas, Paul Chen-Young states, “The Government, various professionals and commentators, and even an outstanding economist like Dr. Bonnick, former executive chairman of FINSAC, have erred in not recognizing the adverse effect of inappropriate financial policies on the sector. Bonnick, in a paper entitled “Storm in a Teacup or Crisis in Jamaica’s Financial Sector,” which was presented at the Caribbean Center for Monetary Studies in 1998, disregarded the impact of “bad” financial policies and cited other factors that caused problems in the sector, namely: “too many small banks and insurance companies, poor credit management, diversification into non-banking areas, poor portfolio management, and flaws in the investment mindset of domestic entrepreneurs in the sector.”*

*(11) Jamaica Meltdown supra page 14*

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*I do not agree with such generalizations and any objective analysis of the situation in the 1990s would lead to the conclusion that “BAD” financial policies contributed to the demise of the domestic financial sector. In the 1980s the banks and life insurance companies were financially healthy and there was no systematic problem that was associated with the sector as was the case in the 1990s.*

*The owners and managers of the institutions and other professionals were firmly of the view that the high interest rate policy was one of the main causes for the collapse. They contend that the period was marked by sustained high interest rates, inflation, worsening deficits and declining employment in the productive sector. Contracted arrangements that had been made concerning loans at a rate of interest which was now caught by the high interest policy resulted in the loans becoming delinquent and the slump in real estate, consequently the institutions then ran into trouble, as borrowers increasingly found it difficult to repay their loans.(12)*

*(12) With all good intentions - The Collapse of Jamaica’s Domestic Financial Sector by Dr. Paul Chen-Young - 1998 - former Chairman Eagle Group of Companies. The Entrepreneurial Journey in Jamaica - When Police Derail by Dr. Paul Chen-Young - 2nd Ed. pages 64 and 70.*

*11*

*The Government appointed a Commission of Enquiry to, among other things, determine the circumstances that led to the collapse of several financial institutions in the 1990s, with particular regard to, inter alia, Governments’ fiscal and monetary policies, the management and practice and role of Board of Directors of failed institutions. Suffice it to say, the Directors of the institutions who testified were all of the view that the high interest rates was a significant factor in the collapse of the institutions.(13)*

***DEALING WITH THE CRISIS***

*Any strategy to restore the system to soundness must be comprehensive and fully coordinated because of the interconnected structure of financial entities.*

*The IADB, IBRD and IMF in a paper states –*

*“Optimally, in the current circumstances of Jamaica, the resolution strategy should aim at the removal of all insolvent and unviable financial institutions through a pre-emptive and wide scale intervention. However, the authorities indicated that this approach was not politically*

*(13) Danny Williams and Dennis Lalor - LOJ*

*Dr. Marshall Hall - Mutual Life*

*Mr. Oliver Jones - Island Life Insurance Co.*

*12*

*possible and would have posed logistical difficulties.”*

*“A second best comprehensive strategy would focus on removing those institutions that could be made viable through placement of new management and supported by the removal of non-performing loans from their portfolios or through mergers either voluntary or facilitated with limited government support maintaining in operation and strengthening those that, because of their importance in the payment system are “too big” to fail; and providing temporary liquidity support to sound institutions that may be subject to runs in the event of systematic shock.”*

*The authorities would have needed to frame their financial sector resolution strategy in the context of parameters to be determined by political decisions regarding issues of equity and cost to the taxpayers.*

*Whatever the outcome of those decisions, the resolution strategy would have needed to be supported by a macro-economic framework that ensured the implementation of the strategy did not lead to further increase in real interest rates or uncontrollable inflation.(14)*

*14. Jamaica - Resolution Strategy for Financial Sector Distress IADB, IBRD and IMF*

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*Jamaica’s financial sector crisis was one of the costliest in terms of GDP worldwide, but its clean-up was one of the quickest. The high cost of the crisis reflect the banks substantial use of Bank of Jamaica’s unsecured overdraft facility and the Government’s 1997 blanket guarantee of institutions liabilities implemented by Finsac. (15)*

*The government tried to limit its liability in the first two institutions that failed but in 1997, concerned about deposit runs, it issued a blanket guarantee that was implemented by Finsac. In March 2001, the Government took over the Finsac’s bond issues to the banks and insurance companies valued at J$142.7 Billion or 42% of GDP at that time and proceeded to service this debt.*

*Finsac’s resolution of the crisis was one of the fastest. In July 2001, about five years after its creation, Government closed Finsac’s operation for practical purposes. Finsac took over about 172 financial*

*15. World Bank Country Study - Cap. 4 page 87*

*14*

*institutions including banks, merchant banks, building societies and insurance companies and their subsidiaries. In the most important cases, Finsac merged deposits from banks, merchant banks, and*

*Building society depositors together with Finsac Bonds in the Citizens/Union Bank and National Commercial Bank, and then sold these banks to Royal Bank of Trinidad & Tobago Holdings Limited and AIC Barnados 2000 and 2002 respectively.*

*Regarding insurance companies, Finsac transferred the deposit like instruments into Nova Scotia and Scotia Trust, along with and equivalent amount of Finsac securities. It sold Life of Jamaica to Barbados Mutual Assurance and its minority stakes in Island Life Insurance Company, Dyoll Insurance Company and a few small companies, as well as its preferred shares in Victoria Mutual Building Society were divested. Altogether, Finsac liquidated 74 companies, with the liquidation of a further 84 pending most assets taken over by Finsac have either been liquidated or sold, the proceeds were partially used to reduce Finsac’s debt.*

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*The Beale Group purchased J$68 billion of non-performing loans and liquidated them, with the Government retaining a share. Recovery rates were obviously low and unlikely to reduce the net cost of the crisis much. (16)*

*In late 1996 the authorities initiated a three stage approach to manage the failed financial institutions, namely intervention, reorganization/rehabilitation and divestment. To carry out this task, the Ministry of Finance created in January 1997 the Financial Sector Adjustment Company (Finsac), a limited life, special purpose entity wholly owned by the Government. In exchange for Finsac’s bonds, the non-performing assets from all intervened institutions were hived off to a workout unit within Finsac, thus setting up a “good bank/bad bank” structure.*

*Finsac took an equity interest in several of the intervened institutions in exchange for Finsac’s paper. Interest on this paper was payable either in cash or with additional Finsac paper and the government chose the latter form of payment for all, but a few issues. This led to a substantial build up in the stock of this debt.*

*16. World Bank (2000) Cap. 4 Revitalising Jamaicas Financial System - pages 87 & 89*

*16*

*As of March 31, 2002, Finsac had liabilities of about J$107 billion in bonds outstanding, while its assets included equity interests in Union Bank, National Commercial Bank and some insurance companies, non-performing loans and unsold properties. (17)*

*The work of Finsac was planned to be in three phases to be completed over a five to seven year period. First there would be intervention based on an agreed rehabilitation plan or to acquisition or closure where rehabilitation was not a feasible option. Second, would be rehabilitation of institutions; and third, complete divestment of assets acquired. (18)*

*Jamaica’s financial sector strategy was that “...the government recognized the need for a long-term comprehensive solution to address the mounting debt burden associated with the Finsac liabilities. The strategy for Finsac debt resolution involved six key measures: (i) write off of debt to the central government; (ii) offset debt to other public sector entities (notably the BOJ); (iii) sale of Union Bank; (iv) recovery*

*17 Financial Structure Reform Programme (JA-0049) pages 7 to 9*

*18 Storm in a Teacup - Bonnick 1999.*

*17*

*of non-core Assets; (v) use proceeds from possible MDB financing to reduce the stock of Finsac debt; and (vi) government would explicitly assume, and make full cash interest payments on all remaining Finsac liabilities outstanding as of end of 2000/01. The strategy for managing the Finsac debt calls for reducing the stock of debt over two years. In the first year (a) all debt owed to other central government agencies was to be written off; (b) approximately J$12 billion (US$300 million) of the debt owed to the Bank of Jamaica was to be offset against an equal amount of deposits of the central government at the BOJ and the remaining J$14 billion to be managed in a manner which would not jeopardize the profitability of the BOJ nor impede its ability to conduct open-market operations or other central banking activity, and a portion of the remaining debt, held by the private sector, would be amortized (i) with revenues from the sale of Finsac assets; and (ii) through government repurchase of the equivalent of approximately   
US$162.5 million in outstanding Finsac debt. The timing and amount of revenue from the sale of other Finsac assets, and from claims against former owners and other miscreants, were difficult to determine and had not been factored into the calculations.*

*There is no doubt that Finsac’s intervention in the financial sector was vital, if late, and had helped to restore confidence and stability.*

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*However, there was criticism that was neither articulated nor demonstrated any coherent policy for tackling the problems of the financial sector. Further, that Finsac’s intervention was not based on any structured operational plan. For example, the bailing out of financial institutions that were clearly insolvent protected the interest of shareholders, directors and management of those favoured entities. That was not the case for the management and shareholders of institutions that were not so favoured.*

*Moreover, the Jamaican Government was late in acting on a*

*structured and non-proactive basis to help the troubled domestic financial sector. It DID NOT intervene until early 1997 when Finsac became operational. By that time, the capital base of the domestic financial institutions were wiped out or nearly so and the majority of the institutions were facing serious runs.*

*The domestic financial industry was faced with high interest costs, declining value of investments, rising loans and mortgage defaults and higher operational costs. Their losses accumulated to the point where shareholders’ equity was either completely wiped out or well on the way to being wiped out. (20)*

*20. With all good intentions – The Collapse of Jamaica’s domestic Financial Sector byPUL Chwn-Young 1998 pages 10 – 14.*

*19*

*The ensuing rapid growth of Finsac’s debt worsened as interest rates continued to rise adding to an already large pre-crisis public debt burden of about 100 percent of GDP, leading to an extremely high overall level of the debt, as well as to adverse debt dynamics. Indeed, the total public debt increased to 140 percent of GDP by early 2000s*

*while debt service costs grew close to 50 percent of revenues owing to the high local interest rates on government borrowing.*

*The costs of the financial crisis had a huge burden on Jamaica significantly increasing public debt, leading to the debt and fiscal problems that the country faced thereafter. Indeed, because of the large debt overhang, the crisis could not be deemed to be totally resolved and that vulnerability to future crises has been eliminated.* *(21)*

*(21) See Joseph Cox - 1990 Crisis - pages 35 & 36.*

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*WHAT MIGHT HAVE BEEN DONE DIFFERENTLY*

*“The Jamaican revolution process as regards the restructuring*

*Of the banking sector and insurance sectors and the safeguarding of the interest of depositors, policy holders and pensioners was assessed by outside observers as “one of the costliest in terms of GDP worldwide but its clean-up was one of the quickest.” (22)*

*What might have been done differently to resolve the crisis? Without question, the speed of the eventual clean-up by Finsac was excellent. Before the crisis the weakness of regulation and supervision and the access to liquidity from the Bank of Jamaica may have contributed to the weak lending quality; the unsustainable boom, and the eventual cost of the crisis.*

*If weak institutions had been intervened sooner and the costs paid up front, then the unsustainable boom probably would have been smaller and the eventual cost of the crisis less.*

*22. World Bank Country Study - The Road to Sublime Growth, Chapter 4 pg 48.*

*21*

*The need for prompt corrective action and acceptance of the initial losses to avoid bigger losses later, is a lesson that has been repeated over and over in crises, but governments seems to have difficulty in facing these costs until they are overwhelming.*

*Once Jamaica’s crisis became obviously large, decisions had to be made quickly with limited information. First, it is important to understand clearly that the key issue in crisis decision making is the allocation of the cost of non-performing loans, which of course were unlikely to be measured very precisely. Hence the issue came down to whether depositors would bear the cost or taxpayers and future investors would bear the costs.*

*In Jamaica the eventual decision was to guarantee all liabilities, despite the lack of any Government legal obligation, which meant that taxpayers and future generations would bear the cost. The Government could have refused to accept any obligation, which would have transferred all costs to the depositors.*

*An alternative to the blanket guarantee would have been another approach to force depositors to bear some of the costs. The forced conversion of, say time deposits into long-term marketable instruments bearing below market interest rates. The banks could have been*

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*permitted to do this, in effect making their depositors equity inventors in their portfolios, or the Government could have issued such bonds, which would have lowered the cost compared to the actual approach. Either way, depositors would have borne some of the cost, but would have had access to their deposits if they needed liquidity, through the market for the instruments.(23)*

***It has been stated that, “The issue surrounding FINSAC is not about bailing out depositors and policyholders. It is about the mismanagement of a crisis and the failure of the entity to provide any leadership to restructure the sector. Simply taking liability for bad loans and cleaning up balance sheets of the entities before selling them off is NOT LEADERSHIP. It was an irresponsible and a very costly course to have pursued, both financially and from a balance of payment perspective.***

*The sector should have been restructured by mergers and consolidation with change in directors and management that that would allow for strong bargaining for joint ventures with overseas financial institutions.*

*Joint ventures have been the path undertaken by most countries that have experienced a crisis in their financial sectors, as well as those which have liberalized the sector to foreign participation.(24)*

*(23) World Bank Country Study - supra cap. 4*

*(24) Paul Chen-Young - letter 24 August 2007 to Gleaner*

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*It has been stated that the Swedish model of intervention has been recognized by many analysts as the most sensible in terms of addressing the problem and in protecting taxpayers.*

*The Swedish Government did not just bail out its financial institutions by having the government take over bad debts. It extracted contributions from shareholders, before writing cheques. The banks had to write down losses and issue warrants to the government. The strategy held the banks responsible and turned the government into an owner.*

*When the distressed assets were sold, the profits flowed to the taxpayers, and the government was able to recoup more money later by selling its shares in the companies, as well. (25)*

*In the end the resolution occurred much more quickly than initially anticipated. Liquidations were completed at a smaller cost to the taxpayers than was anticipated.(26)*

*(25) Paul Chen Young – Submission to Commission of Enquiry – page 21.*

*(26) On the Resolution of Financial Crises:The Swedish Experine by O. EmreErgungor*

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*The Jamaican Government has stated that it had to ensure that smaller depositors, policy holders and pension funds were not lost and consequently it had to give a blanket guarantee to protect those persons and hence embarked on the recovery process implemented by Finsac.*

***Effect of Finsac’s Action***

*The Jamaican public sector debt, already large before the crisis rose to almost 150 percent of GDP; domestic debt is about 90 percent of GDP, largely reflecting the replacement of financial institution’s loans by government debt. The resulting 45 percent ratio of Jamaican government debt to total bank deposits was one of the highest in the world. That debt reduced the risk of the banking system as long as confidence was maintained in the government’s capacity to service the debt at par.(27)*

*Persaud states “that none of the foreign control banking institutions suffered from the widespread default of loans nor did they end up with non-core, non banking projects gone belly-up.*

*(27) World Bank Country Study – Supra Cap. 4.*

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*This fact makes it difficult to accept the argument advanced by some, that economic conditions, macroeconomic policy, changed banking regulations and policy environment in general, were responsible for the crash. Both indigenous and foreign institutions operated in the same environment. That the outcome of their operations ended dramatically differently can only be the result of peculiarities of the institutions themselves, internal operations and associated decision making.”(28)*

*Another analyst, Gladstone Bonnick also states, “the relative importance of domestic versus foreign ownership is an important political issue, because the troubled financial institutions were all indigenous.(29)*

*Further, that whilst Governments economic stabilization policy has been identified as the villain that caused the financial services sectors problems, one would expect all financial institutions to be affected, at least to some degree. Whilst the macro economic policies may have precipitated the insolvency of most domestic institutions, it is significant that in this period the foreign banks performed well during and after the crisis.*

*28. Jamaica Meltdown Indigenous Financial Sector Crush 1996 by Wilbourne Persaud. Page 7*

*29. See Adjusting Jamaicas Financial Sector to meet challenges of the 21st Century by Bonnick - paragraph 29 and Storm in a Teacup 1999 by Gladstone Bonnick.*

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*These views have been challenged by the owners and managers of some of the domestic institutions who stated that they pioneered the concept of consortium to fund the construction of hotels. That the domestic banks led the way for government’s privatization for the Telephone Company, Radio Jamaica, Caribbean Cement Company and National Commercial Bank and several other entities.*

*In retrospect it is stated that the foreign controlled banks did the smart thing in not committing themselves as domestically controlled banks did in helping to develop Jamaica and was therefore able to survive the trauma of the 1990’s. None of the foreign controlled banks invested in the resuscitation of the tourism sector, including the divestment program.*

*The policies of the domestically controlled financial institutions were fully supported and encouraged by the then Government, but when the crisis came, it turned its back on these institutions, took them over and sold them to overseas interests. This destroyed the possibility of Jamaica ever having any future effective control over the banking industry, one of the commanding heights of the economy.(30)*

*30. Submission to the Commission of Enquiry - Dr. Paul Chen-Young pages 14-15*

*27*

*Moreover, the chairmen of the domestic institutions who had given evidence before the Commission of Enquiry all stated that they were the unsung heroes, as it was them who were the ones who took the risks of development of Jamaica’s economy, in particular the Tourism industry and other industries and an endeavour was being made to make them scapegoats for so doing.(31)*

***CONCLUSION***

*The fact that the Finsac resolution for the crisis was one of the world’s fastest, nevertheless, the results ARE important in a country where so many of affected individuals are still desperate for closure, thirty four years after the crisis began. Finsac was to have a lifespan of 5 to 7 years, although it sold its portfolio of what it claimed were “bad debts”, nevertheless the* ***reckless and unlawful manner in which hundreds affected persons were treated, with no explanations and/or resolutions and with reckless abandon, their properties taken unlawfully- some because of the illegal actions of individuals within the******banking institutions who illegally***

*30. Evidence before the Commission of Danny Williams, Dr. Marshall Hall, Dennis Lalor and Oliver Jones.*

*28*

***used titles of properties of debtors who had no knowledge of these actions, to access loans for themselves and the added atrocities of the legal entities who represented the government, the debt collectors to whom properties were sold and by not giving borrowers of the financial institutions access to Statements of Accounts, left a traumatized set of persons, some of whom saw no way out but to take their own lives.***

*To this day - 32 years later, the Debt Collector to whom the bad debt portfolio was sold - Jamaica Re-Development Foundation Inc., still has properties to be sold.*

*It has also been pointed out that the sale of the loans to Beale Bank of Texas, proved extremely costly to the taxpayer and to the country. Loans amounting to US $393M were sold for US$23M with some participation from collections, which is questionable if this actually was fulfilled.*

*Finsac’s agreement to sell the non-performing loan portfolio and related securities to Jamaica ReDevelopment Foundation, Inc. a foreign debt collector, for an initial payment of US $23 million or 5.8*

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*cents in the Jamaican Dollar on the outstanding principal balances as of November 1, 2001, plus a percentage of net collections, appeared to be extremely generous. Not addressing the FACT that a lot of loans on titles of borrowers were not loans that the title owner benefited from, but by persons in the banking institutions who ILLEGALLY used these titles to access loans for themselves.*

*The total collections net of direct costs to the 31st day of October 2008 amounted to US$137.5 Million of which Finsac received US $32.9 Million.*

*The Agreement for Sale of the non-performing loans by Finsac to Jamaica Re-Development and exemption from the Moneylending Act granted by the Jamaican government have allowed Jamaican Redevelopment Foundation to extort maximum returns from each loan in total disregard for the plight of the local businesses that were devastated by the harsh economic conditions of the 1990s.*

*The approach taken by Finsac and the Government in dealing with the portfolio of non-performing loans acquired by Finsac, failed to take advantage of an opportunity to rehabilitate those businesses.*

*It is the position of the writer that the decision taken by Finsac to set up a collection unit to administer the non-performing loan portfolio, without providing it with the expertise necessary to restructure loans,*

*31. A review of the Sale of Finsac’s Assets by Dennis Boothe, December 11, 2000*

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*Finsac AND the government appeared to have been in such a desperate haste to generate cash and as a result, valuable assets were disposed by what were considered “bargain basement prices”. (31)*

*The real question is, when will it all end. The Governments’ unwillingness to present a Report on the Findings of the Finsac Enquiry that cost an additional over J$100,000.00 of taxpayers’ money, sends a signal that there is some kind of* ***COMPLIANT CONSPIRACY*** *between the People’s National Party and the Jamaica Labour Party.*

*To add to the agony -*

1. *Litigations in the courts that can come to no conclusion.*
2. *Businesses that collapsed, putting thousands of persons out of a way to make a living,*
3. *Children of the affected persons who were unable to finish their education, not to mention , all this leading to some of the murders and CONTINUED CRIMINAL ACTS BEING INFLICTED ON THE NATION, possibly because of the loss of jobs of over 40 thousand businesses that collapsed because of this* ***Finsac Conspiracy.***

***31***

1. *Additionally the conditions that some of the individuals met after they were thrown out of their homes*
2. *The purposeful denial to some of these businesses for funds to restart businesses and participate in the re-building of the Jamaican economy.*

*No one knows if and when this crisis will ultimately come to an end and the cost to taxpayers, which will be likely for generations to come. If lessons are to be learned from the Swiss experience, it appears that the Swedish success in crisis resolution can be credited to be a wise policy. Policies that preserve market discipline are critical for reducing the likelihood and severity of future crises.*

*The proliferation of scamming that exists within the banking institutions has left entities questioning the security of their funds in these institutions.*

*In the 1970’s and 80’s, Jamaica embarked upon a course of Jamaicanization of the financial sector. The foreign Banks were Jamaicanized as well as insurance companies.*

*Criticism has been made that Finsac not only failed to rehabilitate troubled institutions but carried out its mandate in such a way that the Jamaicanization of the financial sector has been destroyed and once again the banking sector and insurance companies vested in foreign entities.*

*32*

*The domestic commercial banks and merchant banks were vested in RBTT of Trinidad, whereas in the insurance industry some companies were sold to Barbados Life, now Sagicor and others to Guardian Life in Trinidad.*

*It was felt that Finsac could have embarked on different policies and would have been able to raise local investment to rehabilitate these institutions.*

*Once Finsac took over bad debts and investments with corresponding holdings of high cost deposit and commercial funding liabilities, the bank and life insurance companies could have recovered and achieved viability. Finsac could have taken preference shares and made loans with convertible rights so as to participate in future profits. It could have insisted that workout plans be put in place by restructured financial institutions to assist businesses with viable prospects. This would have saved the domestic financial sector.(32)*

*In Jamaica’s case the sale of the financial institutions left taxpayers with a massive national debt as they received what must be described as nominal payments based on current book values for companies with clean balance sheets. The sale of National*

*32. Submission to the Commission of Enquiry - by Paul Chen-Young page 24.*

*33*

*Commercial Bank Jamaica Limited, Union Bank, was with a downpayment and loans for the balance of the purchase price at the nominal rate of 6 percent, substantiating less than the rate on which Government borrowed money. There was no conversion feature to allow for any upside gain in future profits.(33)*

*It has been submitted that Finsac’s operation departed radically from its mandate and terms of reference. Instead of seeking to restructure finances of the troubled financial entities and to allow enough time for them to be rehabilitated, either individually or on the basis of mergers and consolidation, the thrust was towards finding causes to prosecute the principals of those institutions.*

*Had it followed its mandate there would not have been the massive sale of financial institutions and the crisis would not have been costly in economic and financial terms. Economically, the continuing adverse balance of payments affects, the closure of businesses and entrepreneurship. Finally, the terms of sale provided for no upside benefit to taxpayers from the profitability of financial institutions that received such massive assistance and are now extremely profitable.(33)*

*33 Submission to the Commission of Enquiry - by Paul Chen-Young page 24*

*34. Paul Chen-Young’s submission to Enquiry page 19*

*34*

*It has also been stated that Finsac failed to take into account that failure was not solely the fault of management. By abrogating its responsibility to resuscitate the troubled financial sector and taking over all the domestic financial institutions. It played no constructive role in saving the troubled financial institutions and other businesses. It failed to arrive at any agreement with the principals of the troubled financial entities to “assist institutions in developing work out plans” as per its mandate. Instead, its actions could be described as anti-ownership by taking over all the domestic financial institutions and selling them to overseas interests for terms that proved costly to the Jamaican taxpayers.(35)*

*In this paper attempts have been made to summarize the gist of various studies on the financial crisis in Jamaica in the 1990s and how it was addressed by Finsac, the Government entity created for the explicit purpose of dealing with the problems. No consensus exists either in the analysis of the problem or how it was addressed. At one extreme, the views of those who were in key Government appointed positions differ significantly from those who were leaders of the troubled entities. The latter placed great emphasis on high interest rates as the key factor that caused the problems while no mention of this was made by the former.*

*(35). Chen Young supra page 52*

*35*

*Other “independent” studies and reports cite inadequate financial regulation, weak capital base of the financial entities and factors that border on MISMANAGEMENT.*

*Also of significance is the opposing view that Finsac had no alternative but to act as it did while another view is that it breached its mandate by not resuscitating the troubled entities, but instead, sold off to overseas investors virtually the entire domestic life insurance and banking industries.*

*The Commission of Enquiry into the collapse of Financial Institutions in Jamaica in the 1990s, of which I am the Legal Advisor - who was given comprehensive terms of reference, and who planned on addressing many of the issues and positions posited in the various studies, and in testimonies that was heard in the duration of the Enquiry, hoped that the Report would provide a more authoritative position on the financial crises, and how it was addressed”.(*36)

36.Appendix - Terms of Reference in Commission of Enquiry.

36

**(b) THE REAL CONSPIRACY – (YGB)**

As Past-President of **THE ASSOCIATION OF FINSAC’D ENTREPRENEURS**, I would like to take this opportunity to remind **ALL JAMAICANS** – especially at this time of electioneering, to jog the memory of PRIME MINISTER ANDREW HOLNESS - THAT IT WAS HIS PARTY UNDER THE LEADERSHIP OF MR. BRUCE GOLDING who was instrumental in his address to Parliament on April 22, 2008, and as a follow-up to a letter I had written to Mr. Golding, as a result of which he expressed the following:

**“Re FINSAC:** "Last week, I received a petition signed by hundreds of "**finsac’d**" Jamaicans calling for a Commission of Enquiry, a forensic investigation and suspension of any further sale of assets by the FINSAC debt collectors. In examining the petition, I saw the signatures of many notable Jamaicans, persons who have served their country well and are befuddled as to how their country could have done this to them. Some have lost their businesses that they spent their entire life to build. Some have lost their homes. What is being done to these people is **CRUEL, HEARTLESS and IMMORAL”.**

“The government sold the FINSAC debts for an initial payment of US$23 million. Thereafter, it is entitled to a percentage of whatever is recovered. Up to the end of January 2008, the debt collectors had recovered a total of US$122 million net of operating costs, out of which they paid the government an additional US$30 million. So, for an initial investment of US$23 million the debt collectors have so far made US$92 million. What can the government do? The government cannot repurchase the loans. The taxpayers cannot bear that burden. The debt has been sold, and the owners are entitled to enforce legally recovery even if it means selling the home of that 14 year old girl and her two brothers. **The Money Lending Act** which says that the MAXIMUM interest rate that can be charged on a loan is 20% does not apply to banks and licensed institutions with which the loans were originally contracted. I have asked the Attorney-General to assemble a team to advise me on the matter. I can offer no assurance because there are legal and international business principles involved. **What I can say which is all I can say to the FINSAC debtors at this time, is that this government is deeply moved by your plight, and we are seeking the best advice available to determine what, if any, response can be made”.**

**I will remind you Mr. Bruce Golding, it was you who advised Mr. Daryl Vaz who was in the process of purchasing one of the debtors’ properties “… DO NOT BUY IT. IT DOESN’T LOOK GOOD….”. For that Sir, the writer has every respect for your integrity.**

**ELECTION CONSPIRACIES?**

I have recently (March 2025) listened to Prime Minister Andrew Holness' "throne" speech and noticed - with much concern, as well, for CONCERNS OF THE MORE THAN 44,000 businesses/persons who were dispossessed of their businesses and properties in the most dastardly manner - the Prime Minister lambasting the Leader of the Opposition regarding FINSAC. It brings to mind the ELECTION YEAR when the **PNP’s Dr. Omar Davis** gave his "**WE HAVE AN ELECTION TO WIN SO RUN WID IT….**" speech. I'm sure MOST if not ALL Jamaicans will NEVER forget it. And to add insult to injury, EVERY OPPORTUNITY DR DAVIS GOT, in the media and elsewhere he referred to these debtors as ‘**BAD DEBTORS**” who borrowed money they did not want to repay. But also brought to memory is the JLP’s Mr. Audley Shaw's speech in which **HE** impressed his work in **GETTING AN ENQUIRY** started for the **FINSAC FIASCO**. We were grateful that Mr. Shaw did set up the requested **ENQUIRY from which a REPORT “WOULD”/”SHOULD” BE FORTHCOMING**. But **WHERE IS THE REPORT, TWENTY HOW MANY YEARS LATER? WHAT ARE YOU ALL COVERING UP AND HIDING FROM THE JAMAICAN ELECTORATE? DON’T RUN WID IT? COME WID IT**. **We now realize that the “PN” and the “JL” of these 2 parties are one and the same** – **WHERE IS THE REPORT?** It’s just the taxpayers’ money being wasted – so what??? After all – laws were changed to accommodate facilitating the illegal activities.

Ref: file:///C:/Users/Yola%20Baker/Downloads/Finsac%20Submissions-on-Legal-Issues-JRF.pdf

The **HYPOCRISY** from both the Prime Minister Andrew Holness and the current Leader of the Opposition – Mr. Mark Golding, as well as the obvious reason for Mr. Shaw setting up the Enquiry is palpable, to say the least. I do hope Jamaicans will WAKE UP and realize that POLITICIANS of BOTH PNP and JLP that sit in the Parliament of Jamaica are **ONLY THERE TO COLLECT RETIREMENT BENEFITS**. And not just collecting benefits but, as well, give themselves 300% income increase **for DOING SUCH A GREAT JOB ROBBING the Jamaican taxpayers. DON’T FORGET THE PRIME MINISTER WHO MADE IT INTO LAW THAT EVEN “AFTER” RETIREMENT, WHENEVER THERE IS AN INCREASE IN SALARIES/BENEFITS FOR CURRENT POLITICIANS, PAST/RETIRED POLITICIANS WOULD ALSO GET “THE” INCREASE – IF ONLY THE ELECTORATE WOULD WAKE UP.**

Mr. Holness in his “remembrance” in addressing Mr. Mark Golding, regarding **Finsac** failed to mention the **Jamaica Labour Party members who ALSO BENEFITED**.

**WHERE IS THE FINSAC REPORT?**

**“After paying out over $218.3 million of taxpayers’ resources, spent between March 2008 and March 2019, has turned out to be a glorified photocopying exercise, devoid of the lofty ideals adumbrated by then Finance Minister Audley Shaw, in announcing an enquiry into the collapse of the financial sector in March 2008”.** <https://www.jamaicaobserver.com/2024/10/20/finsac-probe-fiasco/>

**JAMAICAN VOTERS – Let this be a shining light in making your decisions in the voting process in the upcoming election. The PEOPLE’S NATIONAL PARTY WERE THE MAIN INSTRUMENT IN INFLICTING THE ORIGINAL WOUNDS ON THE ENTREPRENEURIAL CLASS AND THE JAMAICA LABOUR PARTY REFUSAL TO TREAT THE WOUNDS.**

**THE FORMATION OF FINSAC – the entity:**

***FINSAC'S STANDARD POLICY FOR NON-PERFORMING LOANS WORKOUT* –**

**Of NOTE - Loans mentioned in these policies, at this point reflect a) balances that reflect interest charges/rates unknown to borrowers, b) loans taken out on debtors’ titles by bank personnel unknown to the title holders etc. So this term to which the politicians, and their associates refer to as NPL – NON- PERFORMING LOANS - the borrowers/title owners were servicing the portions of loans of which they were aware. The BANK PERSONNEL who were illegally taking money on the titles were the culprits who were NOT repaying the funds they were taking.**

**Historical background on Finsac** -

<https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/JFC_About_FINSAC.pdf>

**“In the early 1990s, dangerous symptoms of a possible collapse of Jamaica’s financial system began to show themselves. Consequently, in December 1992, new legislation was enacted to strengthen and restructure the country’s banking and insurance industries. But, with hindsight, it was "too little, too late", and the next five years saw the Government of Jamaica assuming management or control of a number of failed financial institutions notably the Blaise, Century and Eagle financial entities. By late 1996, the Jamaican Government recognized that the whole indigenous financial system had reached a state of such considerable distress, that the investments of Jamaican depositors, policyholders and pensioners were now at risk. Urgent action needed to be taken…………”.**

**In the formation of FINSAC – the entity - the following is a part of the STANDARD POLICY FOR NON-PERFORMING LOANS WORKOUT –**

<file:///D:/Finsac%20policy%20for%20NPL.pdf>

*”\*….****Diagnostic reviews of troubled institutions in 1997 unearthed several factors contributing to the sector's turmoil:***

***“Absence of or failure to comply with proper internal control procedures.***

***The troubled banks showed a high incidence of fraud and irregularities***

***indicating weaker controls.***

***Poor risk management and inadequate portfolio diversification***

***This resulted in (1) a high ratio of bad loans and (2) poor portfolio diversification***

***as evidenced by unacceptably high exposure to single borrowers and/or single***

***industries. To further compound the situation, where portfolio diversification***

***occurred, it was into areas where they had no competencies***

***The larger spreads pushed up interest rates and in some instances, no***

***doubt compounded customers' indebtedness and inability to pay, thereby***

***contributing to bad debts. The high spreads continue with a recent World Bank***

***study of 132 countries ranking Jamaica's interest rate spread of 19.1% in***

***1998 as the seventh highest in the world.***

***Poor quality of management and strategic planning***

***Domestic Banks had negative Return on Assets compared with positive, although slightly declining, ROAs of 2% - 3.5% in the case of foreign banks in Jamaica.***

***Breach of fiduciary duty and fraud.***

***“Several files have been turned over to the Director of Public Prosecution indicating forensic evidence of fraud and breach of fiduciary duty, among other CRIMES.”***

On the matter of **Breach of Fiduciary Duty and fraud**, please note that **DR. OMAR DAVIS IN HIS TESTIMONY AT THE ENQUIRY STATED THAT** **“THE BANKS WERE DEALING IN ACTIVITIES THAT WOULD TURN MY HAIR WHITE”.**

Dr. Davis was obviously aware of these bank activities. **WHAT HAVE BEEN THE RESULTS FROM THE FILES THAT WERE TURNED OVER TO THE DIRECTOR OF PUBLIC PROSECUTIONS?** **Was anyone charged and if not, WHY/WHY NOT?** **DIDN’T THE FINANCE MINISTER HAVE A FIDUCIARY DUTY TO THE DEBTORS AS MUCH AS HE HAD TO THE DEPOSITORS?**

**QUESTIONS TO DR. OMAR DAVIS AT THE ENQUIRY –**

[**https://www.mof.gov.jm/wp-content/uploads/DR-DAVIES-QUESTIONS-AND-ANSWERS.pdf**](https://www.mof.gov.jm/wp-content/uploads/DR-DAVIES-QUESTIONS-AND-ANSWERS.pdf)

**Finsac Enquiry - Omar on the defensive**

A person in a suit talking to another person

Description automatically generated  
**Opposition spokesman Dr Omar Davies answers questions from Michael Hylton during the Finsac enquiry at the Jamaica Pegasus hotel on Tuesday. - Rudolph Brown/Photographer**

**I**n his seat at National Heroes Circle, Dr Omar Davies presided over a treasury that increasingly became burdened by debt, some of which is attributed to the $140-billion rescue of the financial sector. In prepared testimony presented to the Justice Boyd Carey-led Commission of Enquiry into the financial meltdown and operations of bailout vehicle, Financial Sector Adjustment Company (FINSAC), Davies on Tuesday blamed bankers. On Wednesday, his successor Audley Shaw who now presides over a treasury that is flirting with bankruptcy, charged that Davies was disingenuous in placing blame on bankers, instead of the high interest rate regime he presided over.

The full text of Davies' prepared submission is reproduced here.

**1. What options were open to the Government to deal with the financial crisis in the mid-1990s?**

**DAVIES:** Two main options:

i) Appoint receivers for the failed institution(s) and allow them to dispose of assets and eventually pay depositors a percentage of their savings based on the ratio of the realised value of assets to liabilities; or

ii) The intervention could take the form of the establishment of an institution such as FINSAC, which would be the umbrella organization through which depositors, holders of insurance policies and contributors to pension funds were protected.

The latter intervention obviously came with a clear appreciation that the Government of Jamaica (GOJ) would absorb the difference between the value of the assets of the institutions and their liabilities.

There are variations on each option but, conceptually, those are the two main ones which were available.

**2. Which option was elected and the reason, therefore, in preference to the other options?**

The second option was selected. It should be recalled that at that point in time, there was no-deposit insurance and, hence, pursuing the first option would, most likely, not only lead to the loss of their life savings by a significant percentage of the population but, also, the collapse of the financial system. In such an event, both domestic and foreign organisations would lose confidence in the system, even with regard to those institutions which had not failed.

Given that trade-off, the decision was made to establish FINSAC.

**3. What was the prime purpose for FINSAC and what was it intended to achieve?**

The prime objective in establishing FINSAC was to allow for orderly intervention in the failed institutions to prevent a total loss of confidence in the financial system; to preserve the savings, insurance policies and pension funds of the public. Secondly, FINSAC was charged with "healing" the intervened institutions and preparing them for divestment.

Finally, FINSAC was assigned the responsibility to spearhead the revamping of the financial system within the context of a more rigorous legislative framework.

**4. How was FINSAC capitalised? From what source did the funds come?**

FINSAC was capitalised by a small grant from the Ministry of Finance (Accountant General's Department). The authorised capital was 200 ordinary shares at $1 each. Issued and fully paid up were 150 ordinary shares at $1 each.

**5. Was there a loan to capitalise FINSAC?**

See answer to No 4.

**6. Was the public debt increase consequent on the establishment of FINSAC and to what extent?**

The public debt was increased over time because of the intervention of FINSAC in the various institutions. Specifically in the first instance, 'FINSAC Bonds' were issued, guaranteed by the Ministry of Finance. The public debt was increased when these bonds were brought formally in the Ministry of Finance's stock of public debt. As regards the second part of the question, 'to what extent', it is estimated that the cost of the intervention was approximately 40 per cent of GDP.

7. What was the reason for high interest rates between 1995 to 2000?

The interest rate policy between 1995 and 2000 was determined by the Bank of Jamaica, consistent with its mandate stability in the financial system, and in the foreign exchange market. Within the context of a coherent macro-economic programme, the interest rate policy pursued was consistent with the fiscal profile, as reflected in the annual budget.

8. Was there a time factor within which FINSAC was to liquidate the loan for its capitalisation?

As was indicated in the response to question 4 and 5, the amount used to capitalise FINSAC was minuscule.

9. What was the reason for public debt rising from 124% of GDP in 1997 to 144% of GDP at the end of 1999?

I have not checked the validity of the figures presented, although I am aware of the increase in the debt. The major reasons for the increase in the public debt during the period would have been the formal assumption of responsibility by the Ministry of Finance of the FINSAC bonds which had been issued. This step was necessary in order to "heal" the repackaged failed institutions, prior to divesting them.

Insofar as financial institutions were concerned, was a distinction made between those that had liquidity problems and those that were insolvent?

Yes, there was always a conceptual distinction made between institutions with liquidity problems and those which were insolvent. However, it was only after FINSAC, through forensic auditors, was able to closely examine the books of the problem institution that the full picture emerged.

11. Were the depositors of the failed institutions paid their capital and interest which was sourced from loans to FINSAC?

In general, the answer is yes. However, with regard to the depositors in the Blaise Financial Institution, they were paid 90 per cent of their savings.

12. Having repaid the depositors, why were these financial institutions closed down?

The decision was taken to close certain institutions as it would not be prudent to return them to the original investors, not only because of capital inadequacy, but also because of inappropriate management practices which were unearthed.

13. What progress did FINSAC make between 1996 and 2001 to recover funds from the delinquent borrowers and reduce its loans?

I am unable to provide a precise answer to this question, but answers should be available from the records of FINSAC.

14. What was the quantum of the delinquent loans of all the failed institutions at the time of FINSAC's incorporation?

Same answer as No 13.

15. What was the rate of interest being charged by FINSAC between 1995 and 2002?

Same answer as 13.

16. Were there any guidelines given to FINSAC as to the disposition of assets of delinquent borrowers? If so, what were the guidelines?

The basic guidelines provided to the Board and Management of FINSAC was that equity, trans-parency and courtesy would be maintained in carrying out its activities. For the record, it should also be noted that, at all stages, the Administration sought to appoint to the FINSAC Board and that of the subsidiaries, persons of the highest integrity. In addition, all important actions taken were guided by the Solicitor General's Department, with the personal involvement of the then Solicitor General himself, the late Dr Kenneth Rattray and his deputy Douglas Leys, the present Solicitor General.

17. Were parameters given to FINSAC within which to negotiate with delinquent borrowers?

Having established FINSAC and appointed a Board of highly reputable persons (first board chaired by Dr Gladstone Bonnick), the only policy guidelines given to FINSAC related to the sale of family residence which had been used to collateralise business loans.

18. Why was it necessary to sell the debts and their securities to Jamaica Re-Development Foundation Inc?

The decision to sell the debts was taken for the following reasons:

a) to allow FINSAC to concentrate on other aspects of its mandate such as preparing the restructured entities (example, NCB and Union Bank) for sale;

b) to allow FINSAC to provide leadership for revamping the regulatory system governing the financial sector;

c) to allow the administration to reach the objective of returning the financial sector to normal, within the context of a regular system which met international-best practices, in as short a timespan as possible; and

d) FINSAC staff were coming increasingly under pressure from some debtors, seeking preferential treatment in the settlement of their obligations.

19. What powers did Jamaica Re-Development Foundation have to enforce the collection of bad debts from delinquent borrowers that FINSAC did not leave?

I do not believe there were any.

20. Was exemption given to JRF under the Moneylending Act? If so, what was the purpose for so doing?

I do not recall, but such in-formation would be in the files at the Ministry of Finance.

21. What was the JRF exempted from consequent on the order made under the Act? Is it interest rates or any other exemption?

Same as answer to question 20.

22. Were any of the exemption orders to JRF made retrospectively?

Same as answer to question 20.

23. What was the total amount in monetary terms of the debts sold to JRF?

Same as answer to question 20.

24. What percentage of the total debt was the deposit made by JRF?

Same as answer to question 20.

25. Why were no conditions attached to the exemption order to JRF?

I do not recall. The files at the Ministry of Finance would contain all the relevant correspondence.

26. In what way was it in the public interest to give JRF an exemption under the Act? (Section 14).

Same as the answer to question 25.

27. Were any guidelines given to JRF as to how assets of delinquent borrowers should be disposed of?

No, expect for the request or a moratorium of a certain period to allow those clients who had reached an agreement with FINSAC but had not been able to complete arrangements for financing prior to the transfer.

28. Was any consideration given to the fact that interest rates were reduced by commercial banks, and what was to be done to delinquent borrowers?

After the sale of the bad debt portfolio, the Ministry of Finance had no direct influence over the actions of JRF. However, it was assumed that since JRF was a commercial operation, they would be sensitive to changes in the market.

29. Was it expected that the rate of interest charged by JRF should also be reduced accordingly? If not, why?

See answer to question 28.

30. Was it intended that JRF should be at liberty to charge any rate of interest on delinquent debts, consequent on the exemption order?

See answer to question 28.

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?

Not by the Ministry of Finance. Please see answer to question 28.

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 years?

Please see answer to question 18.

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?

Please see answer to question 18. The fact that the firm purchasing the portfolio was a foreign one was irrelevant to the decision. Of note is the fact that a prominent local firm which had, initially, expressed interest in purchasing the bad debt portfolio, had made proposal significantly below that from JRF.

34. How were the loans to FINSAC to be repaid and in what time?

Based on the proceeds realized from sale of assets, FINSAC has contributed to the repayment of some of the debt incurred through intervention in the failed institutions. However, by virtue of the rationale for its establishment, it was clear that FINSAC would never be able to repay all the loans which had been guaranteed by the Ministry of Finance.

As such, the remainder became part of the public debt, and repayment the responsibility of the Ministry of Finance.

35. Has the loans to FINSAC been repaid to date? If so, what was the status of the loans as at 2005?

Please see answer to question 34. As regards part 2 of the question such information can be made available by the Debt Manage-ment Unit of the Ministry of Finance.

36. At any time were any directions given to the Central Bank concerning interest rates?

No directions were given by the Ministry of Finance 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?

No directions were given to the Central Bank. However, in terms of the development of policies related to exchange rate, inflation and financial stability, the governor and senior members of the Bank of Jamaica (BOJ) were involved in ongoing discussions with me, as minister of finance, the financial secretary and the director general of the Planning Institute of Jamaica concerning overall macro-economic policy.

Within that context, the macro-economic programme was developed for each fiscal year and for the medium term.

38. Were any directions given to the central bank to make loans available to insolvent financial institutions?

After the Administration took the decision to establish FINSAC, the Central Bank was the only institution capable of making funds available to facilitate the intervention. However, repayment of these resources became the responsibility of the Ministry of Finance.

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?

I do not know that there were any such cases. I would add that in financial transactions of this type, the only valid 'market value' of an assets is that which a buyer is willing to offer.

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?

Yes. Advice was sought from the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank (IDB). The discussions took place in both Kingston and Washington and dragged on for several months.

The summary of the advice which was eventually received was that intervention would be costly and would impact for an extended period on the fiscal accounts.

Against that background the advice was to allow institutions to fail; their principals excluded from future participation in the financial sector and the depositors paid out of the proceeds of the sale of the assets which existed. In order to effect this approach, there was the recommendation to close the whole financial system for a period of two weeks to implement all the required changes.

This last recommendation reflected a total lack of appreciation of the implications of such an action and was rejected as impractical.

41. What was the prime purpose for the Financial Sector Legislation in 1997?

There were six main objectives:

i) to provide more effective powers for remedial action to be taken by the supervisory authorities in respect of distressed institutions;

ii) to reduce the capacity for institutions to lend to, or invest in, related parties;

iii) a more stringent computation of capital adequacy;

iv) a more precise definition of non performing rules and provide increased power for the supervisory authorities to prescribe accounting rules;

v) to provide the supervisory authorities with greater control over changes of ownership; and

vi) a stricter definition of a 'fit and proper person', for managers, directors and owners.

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?

Two international firms were retained to do forensic audit:

i. Lindquist-Avay from Canada; and

ii. Ernst and Young out of the UK.

A major recommendation made by both firms **was that civil proceedings should be instituted against the principals of the failed institutions. This advice was followed with significant success. In certain instances, they advised that criminal prosecutions should proceed, but this has not met with the same success as in the civil suits.**

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 allowed to have caused a major systemic problem in the finance system?

The BOJ did make reports indicating insolvency, or expected insolvency of certain institutions. However, in virtually all instances, the level of bad loans was far greater than initial inspections. It was agreed by Cabinet, the Ministry of Finance and the BOJ that attempts would be made to work with the principals to inject capital and sell assets, in order to address the deficiencies identified. However, after many attempts, it became apparent that the principals had no genuine commitment to carry out the undertaking given and the decision was taken to do a generic intervention, through FINSAC. (My address to Parliament on July 16, 1996 provides a comprehensive report on the experience with the Century Financial Entities.)

44. The November 1996 report of the IMF, IDB and International Bank for Reconstruction and Development (IBRD) estimates the size of the insolvency of Jamaican financial institutions at 20 per cent 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 per cent of GDP was an acceptable trade-off in this regard?

I do not recall the specific report to which reference is made. I recall discussions with the institutions and the representatives of the institutions were told that the closure of so many institutions would result in chaos.

I do not recall the use of the term "politically possible". I do recall it being pointed out to the multilateral the potential social consequences of some of their recommendations.

As regards the trade-off of the cost of the intervention, there can be no definitive response.

Whilst the eventual cost was greater than expected, there is no way to assess the social chaos which have resulted from taking some of the actions recommended by the multilateral, for example, closure of the system for two weeks.

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?

I am in agreement with Part I of the assessment and actions were taken to achieve the objectives listed. These actions produced reduced inflation, an increased primary surplus, and stability in the foreign exchange market.

Within that context, I would agree that the advice was acted upon.

I do not agree with the observation in the second part of the paragraph, in particular the reference to fiscal laxity.

***business@gleanerjm.com***

**EDITION 2**

**Let’s address one debtor - THERMO PLASTICS LIMITED:**

**A portfolio debt valued at US$460 million – the assets of which had a value of US1.5 billion sold to JAMAICA REDEVELOPMENT FOUNDATION for US23 mil.** Debt to liability was approx. 10 – 25%.

I should mention here that:

**THERMO-PLASTICS LIMITED** - a manufacturer of PVC pipes, paint buckets etc., exporting to the Caribbean and other destinations, with an asset value at approx. **US$50 million was sold/ TRANSFERRED for US$1.2 million** to a **VERY POLITICALLY CONNECTED ENTITY** of the **PEOPLE’S NATIONAL PARTY**. **Thermo-Plastics’ debt to liability was 5%**. This is **AFTER** Directors of Thermo-Plastics had made a trip to Germany and Switzerland to access a partner with the guarantee and the funds necessary to repurchase **Thermo-Plastics for much more**, and on their return to Jamaica to **Mr.** **Rex James** at **NIBJ** - they were denied their request.

**Transcript of questions to Mr. Errol Campbell, General Manager of Finsac at the Enquiry regarding Thermo-Plastics-**

“Errol Campbell, General Manager of the Financial Sector Adjustment Company (FINSAC), was on Wednesday again subjected to searching questions at the enquiry into the operations of the entity he heads.  
On his second day at the enquiry, Mr. Campbell again appeared ill-prepared to answer the onslaught of queries from attorney-at-law Anthony Levy, who represented Thermo Plastics (Jamaica) Limited, one of the companies that went under in the 1990's and had its properties sold by FINSAC.  
**Mr. Levy came armed with documents and questions for Mr. Campbell.**  
**One of the documents - a transfer of property for premises located at Twickenham Park in St. Catherine, was the subject of much comment at the enquiry.**  
The document stated that the property valued at $145 million by the Tax Department, was sold by **ReFin Trust Limited,** a **FINSAC subsidiary**, for a mere $35 million.  
  
Mr. Campbell was unable to shed any light on the vast differences between the value of the property and the actual sale price.  
"**Do you see an anomaly between the Transfer Tax Certificate and transfer in terms of the consideration**," Mr. Levy asked.  
**"I can see that they are two different figures,"** Mr. Campbell responded.  
To this Mr. Levy asked why there were two different figures.  
**"I can only guess Mr. Levy,"** said Mr. Campbell.  
"**Let's have that, that's better than nothing**," Mr. Levy responded.  
"**The Tax Department has a different value from what the property is being sold at**," Mr. Campbell said.  
**"The Tax Department assessed the property at $145 million, so help me Mr. Campbell, how could this possibly happen, that the company of which you're a director, transferred a property for such a vast difference of undervalue,"** Mr. Levy asked.  
  
Mr. Campbell's response was that he was not in a position to answer that question.  
There was more of the same throughout the question and answer segment but it was Mr. Campbell's admission that he was not familiar with details of a court case involving the same property that drew the ire of Commission Chairman Boyd Carey.  
  
**"Mr. Levy says you've been around the court on this matter,"** said Mr. Carey.  
**"Yes, I've been to court on this matter,"** said Mr. Campbell.  
"**That would suggest that you, at the very least, have an interest in it,"** said Mr. Carey.  
"**We do have an interest,"** Mr. Campbell responded.  
**"Why do you go to court ... as a passer by? Why do you go to court,"** Mr. Carey asked.  
I go as a representative for ReFin Trust in the matter, was Mr. Campbell's response to the Commission Chairman.  
**"Indeed, but you don't go there in the sense that you're an ignoramus, you're a person who has knowledge. You're not a disinterested party ... I would think you're very interested in the matter are you not,**" asked Mr. Carey.  
**"Yes we're interested in the matter**," Mr. Campbell responded.  
**"Of course, you have to be, you're the director ... you're not the janitor,**" said Mr. Carey.

<https://jamaica-gleaner.com/gleaner/20110603/business/business6.html>

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Receiver said FINSAC interfered with sale of thermo-plastics’ assets in 1990s

June 1, 2011

Listen

[Finance & Public Service](https://jis.gov.jm/category/finance/)

KINGSTON — Former receiver for Thermo-Plastics Jamaica, Richard Downer, told the FINSAC Commission of Enquiry Tuesday (May 31) that he could not confirm if there was political interference in the disposal of the assets, as well as those of sister company Plas Pak Limited, after the 1990s financial sector meltdown.

“It was a matter of opinion,” Mr. Downer told the Commission of Enquiry probing the meltdown and the role of the Government ‘s Financial Sector Adjustment Company (FINSAC), on Tuesday (May 31) at the Jamaica Pegasus Hotel, New Kingston.

Mr. Downer was responding to questions from attorney Anthony Levy, representing Thermo-Plastics Jamaica’s and Plas-Pak’s former boss, Jean Marie Desulme.

Mr. Levy admitted he was summoned to a meeting at Jamaica House in January, 1999, with former Prime Minister, the Most Hon P.J. Patterson, and two of his cabinet ministers, Horace Clarke and Paul Robertson, as well as National Workers Union (NWU) executive and Portmore Councillor Owen Saunderson, to discuss the future of the companies.

He said that the meeting was convened by then FINSAC managing director, Patrick Hylton, and that he informed those present of a January 15 deadline for bids to purchase both companies, as well as the fact that he was not sure whether the National Investment Bank of Jamaica (NIBJ) was going ahead with its proposal to purchase the debenture from FINSAC.

He said that he was requested by Mr. Hylton to extend the deadline for the disposal of the companies to February 28, to accommodate NIBJ’s interest. He extended the deadline to March 3, but The NIBJ still failed to make it. He was eventually instructed by Mr. Hylton to suspend the sale of the companies, to allow FINSAC to review an offer from NIBJ.

Mr. Downer denied that he did not advertise the assets for sale abroad because he wanted to confine the bids, but confirmed that the receivership lasted three and a half years because FINSAC was not prepared to sell to the bidders that he submitted, although offers were coming in from 1998.

“The length of the receivership, during which our fees continued to be incurred, was due to the fact that the then debenture holders, FINSAC, instructed me, on several widely separate occasions, to facilitate the efforts of the NIBJ to buy the debentures or the businesses, and also not to entertain bids at various times that were coincident with these efforts,” he explained.

He said that this required him to continue the receivership instead of selling the business, “as I could have on at various times to Omni Industries.

“In the interim, we had to keep the businesses operating as going concerns, so as to get the best possible price in a sale. It was not until 2001 that the secured creditor instructed me to accept an offer from NBJ,” he said. By the time NIBJ assumed the assets, receiver’s fees had cost the companies some $111 million.

Mr. Downer’s responses triggered an appeal from Mr. Levy for the Commission to subpoena former Prime Minister, P.J. Patterson, to appear at the enquiry. Commission chairman, Worrick Bogle, said that they would reconsider the Commission’s earlier rejection of the request.

The enquiry resumes Tuesday (June 7).

By BALFORD HENRY, JIS Reporter & Editor

<https://jis.gov.jm/receiver-said-finsac-interfered-with-sale-of-thermo-plastics-assets-in-1990s/>

Letter from a family member of Thermo-Plastics

A letter from a person

AI-generated content may be incorrect.A paper with text on it

AI-generated content may be incorrect.

Exhibit - <https://radiojamaicanewsonline.com/business/finsac-sells-145mil-property-for-35mil>

As a matter of note:- **the manager of FINSAC - Errol Campbell** testified at the Enquiry - when asked what portion of debtors’ loans were transferred to Jamaica Redevelopment Foundation - he stated - **THE PRINCIPAL**. Therefore persons who had already made payments on their loans - those payments were **NOT** calculated in the loan balances that were transferred to **JAMAICA REDEVELOPMENT FOUNDATION. IF THIS IS NOT CRIMINAL - WHAT IS?**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**EDITION 3**

**THE EVENTS of being thrown out of our properties – WITHOUT NOTICE – NOT EVEN THE COURTESY OF A NOTICE!!**

**IN July 2008 my husband Milton Baker – having gone to court to request time from the supposedly new owner– a connected PNP affiliate - JOSHUA THOMAS - to find somewhere else to live. He denied us time. (My reason for publishing the name – that’s the name on the title of said property).**

**Seven o’clock one morning a bailiff in a truck of men and women just drove in our front yard, barged into our home and started throwing all our stuff outside, stealing what they wanted loading up on a truck they brought. It was pure chaos. In the midst of it I did not see my husband. My attention was focused on getting out of there ASAP.**

**In the midst of the chaos – the original President of our Association – Neville Boxe – lived not far from us, was passing by and saw what was occurring. He stopped and came in and arranged for a truck to assist us. (It was within a few months after this that Neville was diagnosed with a life threatening illness and subsequently died – another blow to us.**

**During the chaos I did not see my husband anywhere. Later I realized he was so traumatized – he was at the back of the house just sitting, shaking like a leaf and staring into space - in a daze. Thanks to the bailiff who recognized that ANCAR’s office was being operated out of the home, as, by this time we could not afford the rent for an office. The bailiff proceeded to call JOSHUA THOMAS – and advised him that legally he has to give us time to move the vehicles and equipment that were there – which he eventually did – after some expletives from him.**

**The events experienced by us that day were prime examples of what were inflicted on MULTIPLE debtors in the following months.**

**There was one lady who called me the morning they came to throw her out and when I went to give her moral support – this lady was standing outside with the urine running down her legs – and the persons throwing her things out – laughing at her.**

**THIS WAS HOW THE GOVERNMENTS OF JAMAICA – JLP and PNP - ORGANIZED TAKING AWAY COLLATERAL PROPERTIES OF APPROXIMATELY 44,000 BUSINESS PERSONS. And I say GOVERNMENT(S) as while the PNP was the party in power, we had NO EVIDENCE that the JLP did anything to show outrage.**

**With these kind of events – the suicide rate and deaths from stress-related illnesses increased exponentially among our members and businesspersons. I would get calls when persons were being thrown out of their homes - so as President of the Association I felt I had a moral responsibility to, if nothing else, be a pillow of comfort and support for them. At some points I felt as if I was carrying the burdens of all 44 thousand entities. Only GOD knows.**

**LETTER PREPARED AND GIVEN TO DEBTORS RE GETTING STATEMENT OF ACCOUNTS to which there was no response nor Statements of Account from JRF.**

**A letter of a contract

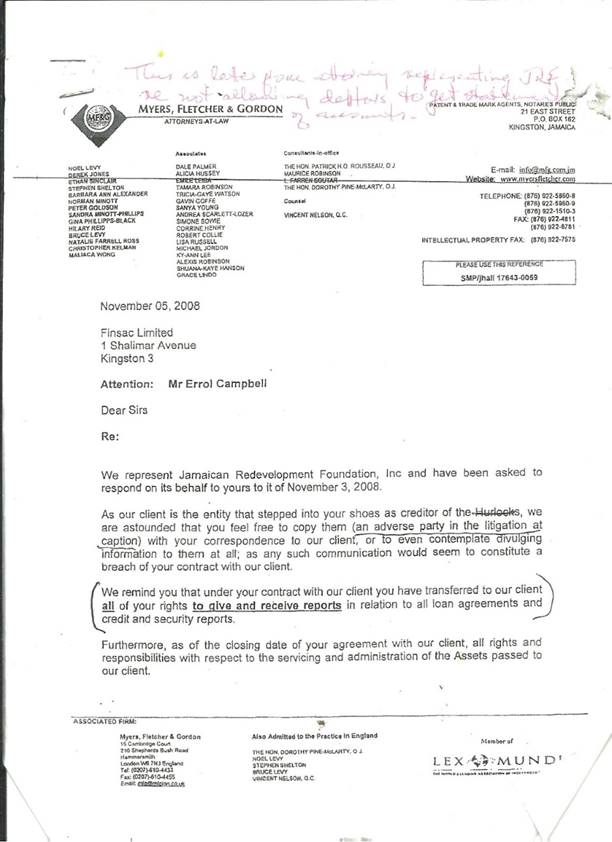
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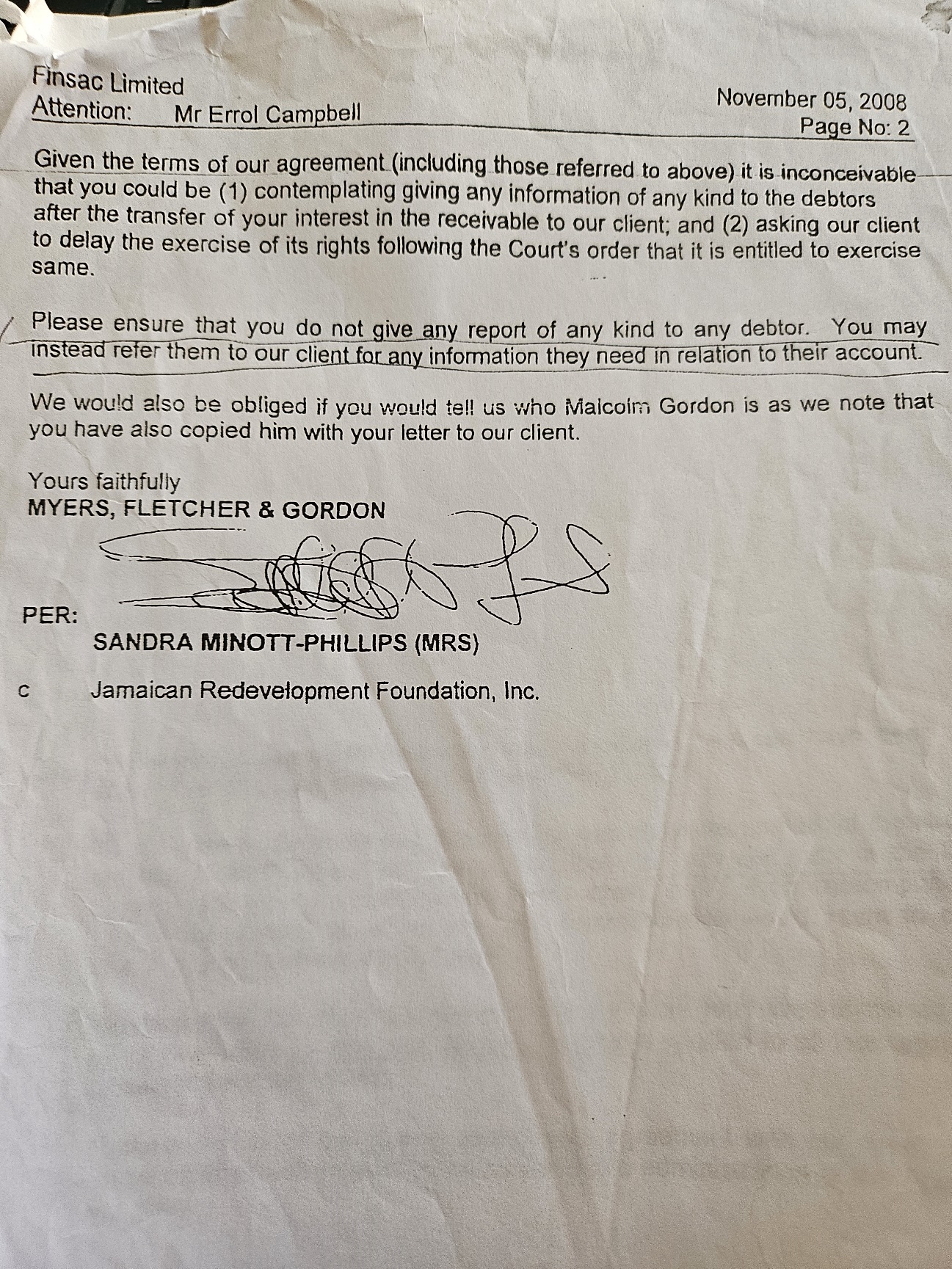
**REFIN TRUST**

Another entity set up along with **FINSAC** was **REFIN TRUST**. What was the purpose of **REFIN TRUST**? Of note **MYERS, FLETCHER & GORDON** - one of Jamaica’s largest legal firms was the entity that handled, on behalf **of the government, on behalf of FINSAC, on behalf of JAMAICA REDEVELOPMENT FOUNDATION and MOST, IF NOT ALL legal activities that had to do with the FINSAC debacle, AGAINST debtors. As most documents were referenced and/or signed by the wife of the once PNP’s Minister of Finance, an attorney at the firm.**

**QUESTION - WAS THIS THE ENTITY USED TO TRANSFER PROPERTIES FROM SOME OF THE DEBTORS’ TITLES TO GOVERNMENT MINISTERS WHO ACQUIRED SOME OF THESE PROPERTIES? AND IF SO - DID THE ACQUIREES PAY FOR THE PROPERTIES? AND IF SO, HOW MUCH? ALSO – WERE THE PAYMENTS, IF ANY, APPLIED TO THE DEBTORS’ LOANS AT THE BANKS?**

**As a matter of interest one particular property was transferred on its title FROM the bank that had it’s loan to REFIN TRUST and then to A PNP MINISTER – all transfers done on the same day, I guess UNDER THE STATUTE OF “SELF CONTROL” – the signatory of REFIN TRUST. See evidence of why we did not get statements of accounts:**





**SOME OF THE CONSTITUTIONAL VIOLATIONS:**

1. Debtors were never given Statements of accounts and/or advised prior to the accounts being transferred to Denis Joslin (Beal Bank) and later - **Jamaica Redevelopment Foundation (JRF).**

**NOTE**: Most Debtors, as far as I know, were servicing their accounts at the banking institutions - paying the REQUIRED amounts as were signed in the bank loan agreements. **I KNOW FOR SURE THAT ANCAR AS WELL AS THERMO-PLASTICS WERE.**

2. It wasn't until the INTEREST RATES that were signed for increased exponentially - **e.g. from 18% to 120% - and for some debtors to as much as 173%**, at which time debtors started having difficulties to service their agreed payments. My husband **MILTON BAKER** borrowed $10 mil. Paid back $52 mil and was told by **JAMAICA REDEVELOPMENT FOUNDATION** that **he STILL owed $85mil.**

3. At this point debtors communicated to the various bank managers/personnel to try and arrange for **REASONABLE** payment plans. **Certain bank managers TESTIFIED at the Enquiry that they asked Dr. Omar Davis to give them a chance to work with the debtors. Their requests were never granted. WHY and/or WHY NOT?**

**HOW WERE THE DEBTORS ACCOUNTS TRANSFERRED TO DENIS JOSLIN/BEAL BANK/JRF?**

4. Two companies formed by the government - **FINSAC, REFIN TRUST.**

5. My understanding was that Dr. Davis was advised by ERNST & YOUNG - a multinational professional service organization - that “**A GOVERNMENT CANNOT FORM A PRIVATE ENTITY AND USE THAT ENTITY TO DISPOSE OF PEOPLE'S PROPERTIES - IT IS ILLEGAL”**. Was this what was done? What was the REAL purpose of FINSAC and REFIN TRUST? **SHOULD DR. OMAR DAVIS BE LEGALLY CHARGED?**

6. **ERROL CAMPBELL** (Finsac Manager) testified at the Enquiry, when asked how were debtors' accounts transferred, stated that "**the accounts with the ORIGINAL amounts were transferred**". In other words, payments made by debtors on their original debt - up to the time of transfer - were not a part of the loan portfolio transferred, nor were those payments taken into consideration before transfer to JAMAICA REDEVELOPMENT FOUNDATION. It's the ORIGINAL loan amount that was transferred, and JRF started requesting the original loan amounts plus interest that had **supposedly** accrued from the banking institution and then added their interest charges? **AN AMERICAN DEBT COLLECTOR abrogating the USURY ACT to enrich himself, THE REASON WHY DR. OMAR DAVIS AMENDED THE JAMAICA MONEY LENDING ACT TO ACCOMMODATE THEM?**

Is this because they could not differentiate the debtors’ loan amounts separate from the “unauthorized” loan amounts, and so made the decision not to disclose the information to the debtors or the public?

A close-up of a document

AI-generated content may be incorrect.

A close up of a screen

AI-generated content may be incorrect.A screen shot of a computer

AI-generated content may be incorrect.

7. **JAMAICA REDEVELOPMENT FOUNDATION - Are the laws that govern a FOUNDATION applied to this entity? If so what purpose has that FOUNDATION served? IS UNITED STATES INTERNAL REVENUE SERVICE AWARE OF THIS?**

**JAMAICA REDEVELOPMENT INC SUBMISSION ON LEGAL ISSUES prepared and Submitted by Myers Fletcher & Gordon.**

<file:///C:/Users/Yola%20Baker/Downloads/Finsac%20Submissions-on-Legal-Issues-JRF.pdf>

In looking through this document – there are several questions that are needed to be asked – e.g. For every statement that begins with “….THE MONEY LENDING ACT DOES NOT APPLY TO……. IT IS OBVIOUS THAT THE MONEY LENDING ACT WAS “**REARRANGED**” TO COVER JAMAICA REDEVELOPMENT FOUNDATION AND THE GOVERNMENT”.

**NOTE**: **From one particular debtor - 17 of his properties were transferred to JRF and in 2020-2021, the gentleman's wife received an invoice for over $700 million which JRF claimed represented interest charges. This debtor was one that also committed suicide.**

8. **NOTE: Several debtors visited the Titles Office and were NEVER able to access their titles.**

***The writer learned that titles of compromised properties were removed from the Title’s Office and are stored at an undisclosed location.***

**DESPERATE ACTIONS TAKEN BY SOME DEBTORS BECAUSE OF GOVERNMENTS’ BETRAYAL**

(Some of the family members would rather their names not be mentioned).

1. **Mr**. **Morris Richards** was a well-known builder in the Mandeville area while his wife Grace was a retired librarian. The two had for years operated a business on South Race Course Road which sold household chemicals. They did not show up for church one Sunday morning. After church some members started calling the couple and getting no response, they went to their home – the car was in the driveway – they knocked on the door – and getting no response, decided to call the police. When the police came, they found the couple – both hanging from the ceiling of their home, a note left on their dining table read – “**I CANNOT GO ON ONE MORE DAY WITH THE NOOSE OF FINSAC AROUND MY NECK”.**

2. Gentleman living in Cherry Gardens – he knew the day they were coming to throw he and his family out of their home, but he said nothing to his wife and daughter. He got up the morning – went to the gas station and purchased a can with gasolene. Came back home. His wife and daughter were both in the front of the house. He went to a back room – sprinkled the gas all over the room and lit a match and stood there when there was a “boom”. The wife and daughter were lucky enough to run out of the house and were not hurt.

3. **Ms. Harrison** who was a manufacturer of mattresses. She called me one morning crying because the bailiffs had shown up to throw her out of her home, just like they had come to ours. When I showed up there to give her moral support – she was standing outside her house, her urine was literally running down her legs and the people who had come to throw her out of her house stood laughing at her. AS A MATTER OF NOTE - HOMEOWNERS WERE NOT ADVISED WHEN THESE HOODLUMS WERE GOING TO SHOW UP.

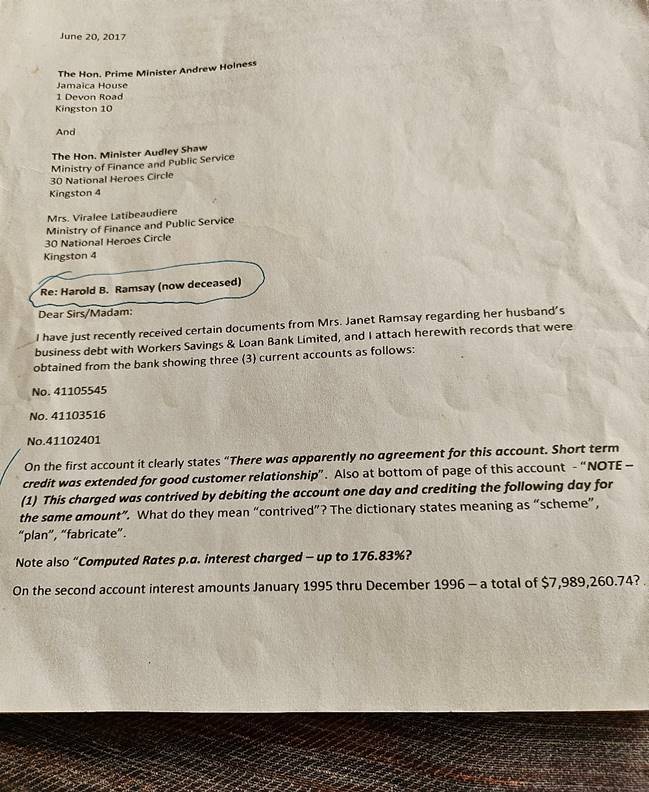
4**. Mr. Mario Hernandez** – a windows manufacturer had been paying on his account and when Jamaica Development Foundation informed him he had a balance of US$12,000. He was able to borrow the funds from family members overseas. He called me on the morning he was on his way to Jamaica Redevelopment Foundation to pay off his loan. About a couple hours later I got a call from his phone number. When I answered the phone with a “hello” I got no response from him. I called his name and when he finally answered – he was crying. He told me “I went down to JRF and I gave them the check for the US$12,000. They took the check and I am waiting for a receipt. They came back and told him he owed additional enormous amounts for interest charges. Mr. Hernandez died of a heart attack within a couple of weeks thereafter. His young wife died within a few months after his death - leaving a young child orphaned.

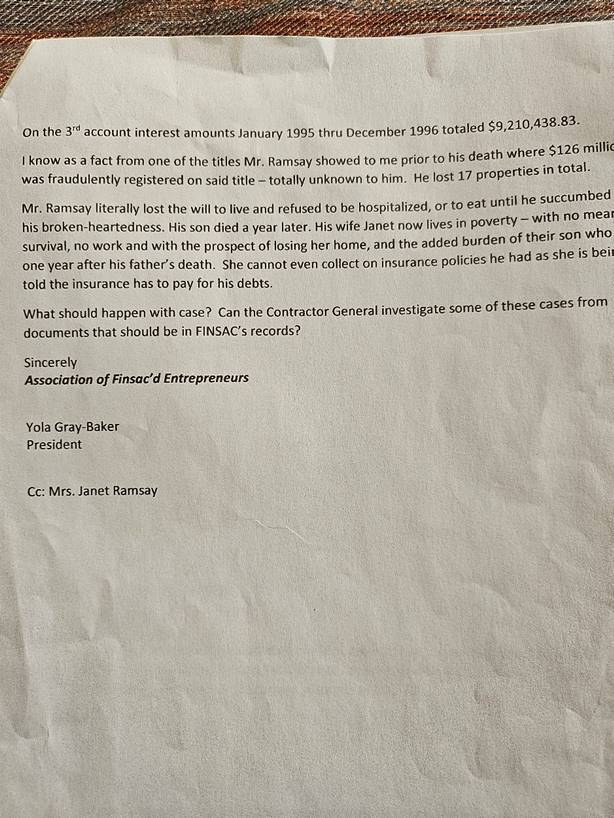
5**. Mr. Mal Levy** was owner of several plazas, including the Bankhouse Mall in Mandeville. He realized he was fighting a losing battle with his debts, with the bank and FINSAC, and decided to leave Jamaica to live in the U.S., to give his family a better life. He returned to Jamaica a few months later to attend the funeral of a friend. On his way from the funeral he stopped at a friend’s bar to visit with him. He was shot and killed as he stepped out of his car. The family returned to Jamaica to bury him and returned to the US. His wife was very distraught over his death. She returned to Jamaica when she thought she was in a better place after his death. She never made it back to the U.S. She died within days of returning to Jamaica. One of their sons died within months after that. It was really taking a toll on their entire family. The pressure of how they have been running several SUCCESSFUL businesses and these are their benefits.

6. **Mr**. **Sidney Barnes** – Mr. Barnes did not testify at the Enquiry because he did not know he was Finsac’d. He had a loan that was PAID IN FULL. It wasn’t until 2012 when JRF sold his property and the new owners came and threw him out of his home and business that he went to the Titles Office to get a copy of his title. They advised him at the Titles Office that his title was not there as ALL titles of finsac’d properties were removed from the office. However, after some amount of searching he got a copy of his title only to realize that the loan of US$120,000 that he borrowed in September 1988 and repaid in full directly to his bank by cheques from his vendors in January 1989, was not registered on his title until June 1989 – 6 months after he repaid the entire loan.

7. **Ms Pauline James** – A single mother from Negril. Having paid in full a loan she had with NCB, went there to pick up her title, was told she had to go to NCB head office in Kingston. On doing so, she was told her title was given to FINSAC. She subsequently learned that her title was passed on by JRF to International Asset Services, whom she took to court. At both hearings the Judge ordered IAS to return her title to her because according to her records, she has paid her loan in full and IAS could not give a logical Statement of Account of the debt they claimed she owed. IAS subsequently sold her property and still – after a number of years, she is unable to collect a penny for the illegal sale of her property.

7. **Mr**. **Harold Ramsay** – a developer/hardware owner from Mandeville was advised by his doctor and his attorney not to attend the Enquiry because he had a heart condition and they knew he could not withstand the stress. He lost 17 properties. He was CUSTOMER OF THE YEAR for two years straight at his bank in Mandeville. When he realized he was losing ALL his life’s work he asked his wife not to give him any more food. He refused to eat. He just laid in his bed and died within a few days.

**Letter written on Mr. Harold Ramsay’s behalf** --



8. **Mr. Mescheck Willis**, a handicapped man in his 70s. Mr. Willis was not able to complete his education but he and his wife used to buy and sell products and he would leave Kingston to go to the country to sell. He was doing very well for a person with limited education – to the point where he purchased a beautiful home in Patrick City. He had reached a point where he could hire a helper to come to his home to take care of his kids. With one of his sons attending University of Technology. While he and his wife travelled to sell, he was able to hire a taxi to transport his kids to and from school.

Mr. Willis went to the bank and borrowed J$140,000 because he was getting orders from hotels to make curtains and pillows etc for the hotel. Mr. Willis used his house valued at over J$11 million as collateral. The bank manager at the bank that he had dealt with called him one day telling him that he (the manager)was being transferred to another bank and he thought it would be good if Mr. Willis transfer his account to the bank he was moving to, and Mr. Willis agreed. It wasn’t a few months later that Mr. Willis received a letter from Jamaica Redevelopment Foundation regarding him owing J$11million for loan he supposedly took out using his home as collateral. Mr. Willis was shocked – and of course where would he get J$11mil. His wife, under the stress developed a life-threatening disease and died within a few months.

I personally wrote 2 letters to Prime Minister Andrew Holness asking him to assist Mr. Willis to acquire a decent home for him and his kids, possibly even through Food for the Poor. No response. I personally visited Mr. Audley Shaw’s office while he was Finance Minister, to ask him to assist Mr. Willis. Mr. Shaw’s response was that “...if he assisted Mr Willis others are going to expect him to assist them…” It reminds me of the saying ‘**MAN TO MAN IS UNJUST, BLACK MAN TO BLACK MAN - TEN TIMES WUS…” Mr. Mecheck Willis** ended up living in, and still resides there - a place that CANNOT called “home”. The first place he had to move his family to had no doors. He had to hang sheets etc. to make doors to give them some form of privacy. Mr. Willis is in his late 80s and should not be living alone. But there is not enough space for one of his kids to live with him. The gentleman who took loans on Mr. Willis titles has not been charged, much less imprisoned.

**It is my belief that the fact that these persons mentioned here were unable to make a living drove them to take drastic measures.**

**Edition 4**

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| --- |
| **OPINIONS - John Wildish (wildish@express.tc)** |
| **Mon 12/10/12 9:55 PM** |

|  |
| --- |
| **Why did finsac occur... deception and secret schemes at the highest level** |
|  |

In looking at any problem one must take some time to look at why the problem occurred, a plague, a disease, or a die off of always has an origin, FINSAC could be considered a massive economic die off. I will try to explain to the public why FINSAC occurred so that we as a nation will not have to endure this sort of tragedy again.

Prior to 1990 the Jamaican economy had endured first democratic socialism followed by the JLP model of tightly restricting imports through a licensing board, things like cars, appliances, various foodstuffs had to be licensed and only those who had licenses were able to do business. Basically the Government protected the status quo or they allowed politically connected entities to get the various import license so as to conduct business or build monopolies on the back of politics, the Jamaican economy had withered..

At the very beginning of the 1990’s the Government bravely embarked on a program of deregulation, they deregulated the markets so as to allow the “cream”of Jamaica to rise to the top as they say, and Jamaica has a lot of cream that has never been allowed to rise. Import licenses were available to those who wanted and with this the currency markets were also deregulated. It was a time of excitement and opportunity. The business community realized that with deregulation there would be big opportunities for the producers and also the status quo would be broken. The best and the brightest would succeed. There would not be economic protection of the protected ones. Due to this, people started to invest in production and new businesses, it was time of great excitement and growth and the PJ Patterson Government must be commended for this; furthermore the banks lent money for production, and expansion of the business community.

The mass of imports and trade put a great deal of pressure on the exchange rate, but this was to be expected. For far too long the exchange rate had been fixed and falsely manipulated and kept artificially low, this was good at soothing the masses, but in terms of building a productive Jamaica the nation was not flourishing under this system.

Now as the market forces took over the exchange rate started to move to where it would be set by the market forces, this if it had been allowed to happed it would have fired up production. People were expanding their farms, and their businesses and the banks were lending heavily, local businessmen were also entering into the hotel and hospitality trade and starting to compete with the established players. These local businessmen were doing this with debt, they realized that if the dollar was at 18 to 1 now it would soon be at 30 to one and would continue to slide until the productive forces took hold and started to produce and drive the equation the other way. Also to pay back say 50 million JA$ of borrowed money at an exchange rate of say 18JS$ to each US$ at a new rate of 50JA$ to each US$ would not be a problem as the productive capability would be there. So devaluation was being used as a tool to release the productive forces of Jamaica and empower those who were bold an acted in line with what the government had stated, and the record shows that this was occurring on a grand scale, local businessmen like Don Crawford, Paul Chen Young and Delroy Lindsay were expanding their empires at a massive rate. **If the Government had held course these men would have built massive businesses that put thousands of Jamaicans to work, and would have truly blessed Jamaica.**

But in the light of what was happening it appears that fear entered the hearts of political leaders and they broke faith!

It has now come to light that the political leaders after telling the nation that deregulation was the order of the day got so worried at what was occurring that they arranged a **‘secret meeting’** with the old “the captains of industry”to try to bring the now liberated market forces under control. **As it has now been revealed a ‘most secret plan’ was cooked up to reverse the effect of the liberated market forces, and this came in the form of a initiative launched by a private individual,** **but as it now has been explained was secretly authorized by the government. You see the Government had already said it was liberating the markets so it could not launch a initiative to reverse what it had freed up, instead the Government secretly anointed a person to do this terrible deed!**

**The result of this initiative is now clearly apparent in the words of the private individual who ran it the result was, that the ‘currency speculators’ in the newly liberated market had their businesses ‘ruined’, and the once liberated exchange rate was brought back from about 30JA$ to each US$ to a new fixed rate of 22.15JA$ to each USA$. For those who borrowed funds to expand and grow their businesses in the ‘liberated’ market of Jamaica the results were nothing short of disastrous, and for the banks that had believed and acted on what the political powers told the nation was the status quo they too faced and experienced destruction.**

You see they had all acted assuming that the rate would have been allowed to float in line with the liberated market forces, but this was not allowed to happen. The market forces were stopped by the private initiative that was secretly authorized by the political powers and then in order to keep the rate artificially low the Central Bank implemented interest rates in excess of 100% per annum on those who had thought the government was telling the truth, about deregulation and the exchange rate being set by market forces and borrowed to expand their businesses.

The Jamaican banks collapsed en mass, Century, Eagle, Mutual Security, NCB, IVB, Workers, Jamaica Citizens, and others went down like a house of cards, as they had lent at say 12% but then were forced to pay over 50% percent on deposits so they folded as did the vast majority of productive Jamaica that was carrying any debt. Finsac was created to deal with this problem, that was created by this deception at the highest level according to the documents brought to light in 2009 this occurred right out the Office of the Prime Minister. To this day the injustice of FINSAC hangs over our island like an evil cloud!

Following this the wisest businessmen and investors simply invested their money in government paper that was paying massive returns right out of the Central Bank, and our nation’s debt has grown and grown and grown, while many of our farms and factories sit idle and waste away and no new mass of farms or factory’s spring up as they cannot make the returns that the Government was paying out for several decades, **this is a fact**.

It would have been very different if the government had held course and allowed the market forces to be liberalized and deregulated as they promised, instead of secretly authorizing plans to reverse the market forces in 1992, but which the general public was never informed about until 2009. I would ask if the names of these so called “captains of industry” who secretly met with the Prime Minister in 1992 could be revealed so that we can see if they saw what was secretly planned and were able to survive and maybe even benefit when everyone else was perishing as it would show that they had and had been trading with as it is called in the USA “inside information”.

I have enclosed copies of the articles which clearly outline the total misleading of the Jamaican population and the deception of what the government secretly authorized in 1992.

**JAMAICA REDEVELOPMENT FOUNDATION**

US FEDERAL STATUTES ON -- PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS

<https://www.fdic.gov/system/files/2024-08/2019-03-rc-n.pdf>

Jamaica Redevelopment Foundation – an American entity

NOTE: THE USERY LAWS OF THE STATE OF TEXAS - AT THE TIME THE ENTITY -JAMAICA REDEVELOPMENT FOUNDATION - WAS FORMED STIPULATED THAT A “COLLECTION AGENCY” COULD NOT CHARGE INTEREST ON NPLs.

A debt collector can charge interest on a debt they purchased from a government, but only if the original agreement or law allows it. The debt collector cannot charge interest that is not authorized by the agreement or by law. If the original agreement or contract allows for interest charges, and no laws prohibit it, the debt collector can continue to charge interest.

**The following link will highlight the supposed changes that were made to the JAMAICAN MONEY LENDING ACT. WAS THIS ORDER DONE TO ACCOMMODATE JAMAICA REDEVELOPMENT FOUNDATION NOT ADHERING TO LAWS THAT WERE IN PLACE PRIOR TO THE FORMATION OF FINSAC?**

[**https://www.mof.gov.jm/wp-content/uploads/Submissions-on-Legal-Issues-JRF.pdf**](https://www.mof.gov.jm/wp-content/uploads/Submissions-on-Legal-Issues-JRF.pdf)

**Of NOTE:**

# **FINSAC Commission says no to calling P.J. Patterson**

**June 22, 2011 - We wonder WHY??**

[Finance & Public Service](https://jis.gov.jm/category/finance/)

## **The Full Story**

KINGSTON — The FINSAC Commission of Enquiry has rejected the request for the appearance of former Prime Minister, the Most Hon P.J. Patterson, but has written former Minister of Water and Housing, Dr. Karl Blythe, asking his participation.

Both requests were made by attorney Anthony Levy, who represents Thermo Plastics Jamaica Limited/Plas Pak former managing director, Jean Michael Desulme.

Chairman of the Commission, Worrick Bogle, told Tuesday’s (June 21) sitting that the Commission had written Dr. Blythe, asking him to appear. This follows recent statements in the media which indicated that he could shed some light on the 1990s financial sector meltdown and the activities of the Government owned Financial Sector Adjustment Company (FINSAC) in the recovery efforts, the issues the commission is probing.

In mid-May, Dr. Blythe urged Mr.Patterson and former Minister of Finance and Planning, Dr Omar Davies, to accept responsibility for the role that the Government they formed in the 1990s played in the financial sector meltdown, and chided the then administration for maintaining, for too long, a high interest rate policy that crippled many businesses.

"With the Commission of Enquiry now underway, it appears as if everyone is blaming everybody else, except themselves, and I am surprised that the Government, of which I was a part, seems to be following the same path, instead of taking responsibility for its role in the crisis," Dr. Blythe said in a statement

But, Mr. Bogle said that the Commission did not see any need to call Mr. Patterson, as there were documents which could provide the information which the former Prime Minister would be asked about. Mr. Levy suggested that the decision was “very shortsighted”.

Attorney for the Jamaica Redevelopment Foundation, Sandra Minott-Phillips, however, found the Commissioner’s ruling odd and, in a rare act of agreement with Mr. Levy, said that she could not see the need to call Dr. Blythe, and not the former Prime Minister, a Minister of Finance.

Mr. Levy added that it was Mr. Patterson’s decision to liberalize the foreign exchange system, which triggered the process leading to the fiscal meltdown.

However, Mr. Bogle insisted, “we do feel that we have enough information”. He said that not calling the witnesses proposed by Mr. Levy would not detract from the commission’s work.

Mr. Levy also sought the appearance of FINSAC’s first chairman, Dr. Glastone Bonnick, and first Managing Director, Dennis Boothe. But, the Commission also denied those requests.

Mr. Bogle noted that Dr. Bonnick was living abroad and there were papers written by him, including one titled, “Storm In a Teacup”, which he felt would provide the commission with his views about the establishment of FINSAC under his watch.

The enquiry started another lengthy break yesterday. Mr. Bogle said that following the postponement of Wednesday’s reappearance by current general manager of FINSAC, Errol Campbell, they would not meet again until July 4, when Mr. Campbell will be the witness. This was attributed to the death of the mother of the commission’s secretary, Fernando Deperalto. The commission ended a previous two-week break on Tuesday.

Asked by Mrs. Minott-Phillips when the enquiry was likely to end, Mr. Bogle said they were hoping to end by mid-July.

By Balford Henry, JIS Reporter

# Blythe says he was treated differently by FINSAC and JRF

July 15, 2011

[Finance & Public Service](https://jis.gov.jm/category/finance/)

## **The Full Story 2**

KINGSTON — Former People’s National Party (PNP) Member of Parliament and Minister of Water and Housing in the 1990s administration, Dr. Karl Blythe, on Thursday July 14, 2011 urged the FINSAC Enquiry to determine if all FINSAC debtors were treated equally.

Dr. Blythe said that the critical point in the Commission’s terms of reference was to determine whether or not debtors were treated fairly by FINSAC, and the Jamaican Redevelopment Foundation, the U.S. owned company which eventually bought the bad debts.

He told the Commission that although some of his political colleagues were given special treatment of their debts, his efforts at similar treatment were flatly rejected by the JRF, who insisted that his outstanding principal and interest must be paid in full. He noted that, at the time, he was a vice-president of the PNP vying with some of his colleagues to succeed former Prime Minister, the Most Hon P.J. Patterson, as leader of the party.

Dr. Blythe said that he was advised by the late Dennis Joslin, former boss of the JRF that he could not convince his principals to write off any part of his debt, and that he (Joslin) was instructed that “when it comes to any adjustments in your debts, the Ministry of Finance, as well as FINSAC, would have to agree”.

“Look at the value of the debt, look at the value of the assets securing the debt, examine the write off and the terms of repayment and conclude from this, whether they were treated the same as those debtors who testified before you, including me,” Dr. Blythe urged the Commission.

“It was clear to me that I was to be treated differently, and they would be in no hurry to settle the debts,” he said, noting that the matter is now before the court. At last count, he said that the $1 million loan he had taken over from his father had ballooned to over $43 million by 2005.

Dr. Blythe was testifying at the FINSAC Commission of Enquiry at the Jamaica Pegasus Hotel, New Kingston. The Commission is enquiring into the causes of 1990s financial sector meltdown and the role of the Government-owned Financial Sector Adjustment Company (FINSAC) in the recovery of the sector and the outstanding bad debts.

When the enquiry resumes Thursday, Dr. Blythe will be cross examined by lawyers for FINSAC and JRF.

By BALFORD HENRY, JIS Reporter & Editor

**Last Updated:** August 8, 2013

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<https://jis.gov.jm/finsac-commission-says-no-to-calling-p-j-patterson/>

<file:///D:/Finsac%2010/US%20Federal%20Statutes%20on%20Non%20Accrual%20Loans.pdf>

US FEDERAL STATUTES ON -- PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS

**A letter of a contract

AI-generated content may be incorrect.**

**EDITION 5**

**The historic Save-the-Dollar initiative**

**17 years later, Butch Stewart tells why he did it**

BY DESMOND ALLEN Executive Editor — Operations allend@jamaicaobserver.com

Wednesday, December 30, 2009

Read more: <http://www.jamaicaobserver.com/news/The-historic-Save-the-Dollar-initiative#ixzz2EqZSxAQV>

ONE awful December morning, 17 years ago, the Bank of Jamaica (BoJ) delivered a fatal stab to the heart of one of the most patriotic acts of modern Jamaica. It was an act that Jamaicans popularly dubbed the “Butch Stewart Save-the- Dollar Initiative” — the BS Initiative, for short.

BoJ men in grey suits and operating out of spanking new briefcases, fanned out across the city and traded the Jamaican dollar above the rate that the BS Initiative had kept it for nine months previously, signalling its eventual demise six months later.

STEWART... the Jamaican dollar was devaluing at supersonic speed

Michael Manley

PATTERSON... had just taken the reins of Government from Manley

|  |
| --- |
| STEWART... the Jamaican dollar was devaluing at supersonic speed |

But while it lasted, Jamaica was a country reborn.

On the 17th anniversary of that still-to-be explained action by the central bank, the local dollar is trading at approximately $90 to US$1.

But one can speculate as to where it might have been, had it not been for the historic Butch Stewart Initiative.

“The Jamaican dollar was devaluing at supersonic speed,” said Stewart, recalling what was going through his mind in April 1992 when he launched his campaign to stop the precipitous slide of the dollar.

“Every night, the radio and television reports spoke of the new rate of exchange. With each movement of the currency, the nation felt the sting in the tail, as prices spiralled out of control. Jamaicans were in a state of despair never before seen. It was difficult to sit back and do nothing,” Stewart revealed.

Stewart, who earned US dollars from his Sandals hotels, didn't stop long enough to calculate the cost of his plan. Before it ended an unbelievable 15 months later, he had lost roughly US$23 million.

“I never see it as a loss. I prefer to believe that it was a gift to the Jamaican people. In effect I subsidised the Jamaican economy to the tune of US$23 million at the time and I am glad I did it,” he said in an interview with the **Observer**, of which he is also chairman.

He remembered that P J Patterson had just taken the reins of government from the ailing Michael Manley. Deregulation was the order of the day and the national cupboard was almost bare. Under extreme demand pressures, the Jamaican dollar screamed. The currency speculators were having the time of their lives.

“At whirlwind speed, the dollar flew from J$17 to US$1 in almost a week. It then picked up momentum and crashed the J$27 barrier in almost no time at all,” said Stewart. “It seemed like nothing could stop this free-fall. Before long it was J$29 to one on the official market and speculators were trading at J$31 to one.”

Patterson called a meeting of the captains of industry to discuss the state of the economy and appealed to them to draw on their Jamaican creativity to respond. Stewart was at the meeting.

On his way back to his office, Stewart agonised over what he could do. I'm in a unique position, he thought to himself.

On one hand, his highly successful ATL Group was buying US dollars on a weekly basis to import appliances, motor cars and the like. On the other hand, he was earning US dollars through his Sandals tourism entities.

He found himself mentally reciting a verse of the patriotic poem: “Breathes there a man with soul so dead, who never to himself hath said, this is my own, my native land…” And a plan began to take shape in his mind.

Stewart's strategy was simple. He knew that the currency speculators determined the unofficial rate of exchange to the extent that they could price their US dollars. He also understood that the BoJ, with its weighted average formula, determined the official rate. The challenge, therefore, he argued, was to be able to skew the weighted average by the amount he could pump into the market.

The hotelier also reckoned that by setting the example, he could inspire other Jamaicans to do the same. This would have the effect of taming the speculators, who could only have their way in an environment of a deteriorating dollar.

Stewart gathered his financial gurus, led by Patrick Lynch, and together they worked out the finer points of the plan. Everyone agreed it was going to be an unprecedented corporate sacrifice for the good of a nation. But it had to be done.

Then he called a first of a kind press conference to make the amazing announcement that would galvanise Jamaicans in a patriotic rally that compared only with Michael Manley's declaration of May 23 as National Labour Day in 1972.

In the conclusion tomorrow, the Night Doctor takes the dollar’s temperature

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PORTLAND, Oregon (AP) -- The mall Santa was waiting for the next child's Christmas wish when shots rang out, causing the shopping mall to erupt into chaos. About to invite a child to hop onto his lap, Brance Wilson instead dove for the floor and kept his head down as he heard shots being fired upstairs in the mall ...[more »](http://www.jamaicaobserver.com/latestnews/Man-opens-gunfire-at-shopping-mall--suspect--2-dead)

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AD SPACE



**Recalling the Butch Stewart Initiative**

Thursday, December 31, 2009

Over yesterday and today, we have recalled in the pages of the Observer some of the high points of a story that ignited our people 17 years ago. It was not merely to lionise our chairman, Hon Gordon 'Butch' Stewart.

The circumstances in which we find ourselves, as a country today, are demanding that we summon every ounce of patriotism and nationalism that we can, to tackle the many challenges that we will take into the New Year.

In April 1992 when Mr Stewart launched the save the dollar campaign which came to be popularly known as the Butch Stewart Initiative, the country was in a tailspin from the erratic movement of the dollar.

With each downward movement of the currency, prices skyrocketed. The currency became so unstable that business planning became all but impossible. Predictably, currency speculators grabbed the opportunity to clean up.

The central bank found itself competing with the black market for United States dollars and it appeared that nothing could be done to break the free-fall of the Jamaican currency.

Out of a great sense of patriotism, and may we add, enlightened self-interest and just plain good sense, Mr Stewart embarked upon a plan to put US$1 million a week into the foreign exchange market, at a rate of J$25 to one, against the prevailing rate of J$31 to one.

That action captured the imagination of the Jamaican people who, encouraged by Dr Leahcim Semaj, joined in with their widow's mite, to drive the exchange rate down to J$22 to one and stabilise the Jamaican currency, thus securing vital breathing space for the economy.

Confidence returned to the business community and to consumers, and investors started to find Jamaica an attractive place to put their money, thus boosting employment.

Mr Stewart's action would, by itself, have failed to achieve its objective, had the country not rallied behind it. That is the lesson which we wish to highlight in this space.

The tax package announced by the Bruce Golding administration, is among other things, a clear indication of the poor state of our economy. Next year is going to be a real test of the true mettle of the Jamaican people.

Our well-established tendency to try to find an individual to blame for our problems, or to act as saviour, will not work this time. For example, the call for the removal of Finance Minister Audley Shaw, while it could serve to satisfy one's political appetite, will not move us one inch closer to the Promised Land.

We will not have the luxury of being able to sit back and blame any one individual or organisation or political party for the country's problems. The true greatness of the Jamaican man and woman is the only solution that will take us forward.

If we enter 2010 with the mindset that it is others who must find the solution, then we might as well suggest that the last person to leave turn off the lights

Read more: [http://www.jamaicaobserver.com/editorial-for-dec-31\_7294774#ixzz2EqZzIg4j](http://www.jamaicaobserver.com/editorial-for-dec-31_7294774" \l "ixzz2EqZzIg4j)

**Let God determine the truth** (2 Corinthians 13:8). The truth is not determined by your thoughts, feelings (1 John 4:1) or the opinions of others.. Truth is what God says it is, and He is the sole authority for interpreting any situation (2 Corinthians 10:5).

[Man opens gunfire at shopping mall; suspect, 2 dead](http://www.jamaicaobserver.com/latestnews/Man-opens-gunfire-at-shopping-mall--suspect--2-dead)

PORTLAND, Oregon (AP) -- The mall Santa was waiting for the next child's Christmas wish when shots rang out, causing the shopping mall to erupt into chaos. About to invite a child to hop onto his lap, Brance Wilson instead dove for the floor and kept his head down as he heard shots being fired upstairs in the mall ...[more »](http://www.jamaicaobserver.com/latestnews/Man-opens-gunfire-at-shopping-mall--suspect--2-dead)

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