

6 APRIL 2021

**BOJ REACHES AGREEMENT WITH FINANCIAL HOLDING COMPANIES AND
OTHER DEPOSIT-TAKING INSTITUTIONS TO RESUME DIVIDEND
DECLARATIONS AND DISTRIBUTION**

On April 1, 2021, Bank of Jamaica (BOJ) met with representatives of financial holding company designates (FHC) and deposit taking institutions (DTIs) and agreed the following:

1. **Effective immediately, the boards of FHCs and DTIs can choose to resume the distributions of dividends to shareholders owning more than one per cent of issued shares which had been declared for their 2019 and 2020 financial years; and**
2. Dividends for 2021 can be declared and distributed to shareholders owning more than one per cent of issued shares.

Against the background of still significant uncertainties associated with the COVID-19 pandemic, BOJ, however, continues to urge financial institutions to remain prudent in their decisions to declare and distribute dividends.

The agreement to resume dividend declaration and distribution reflects the fact that the quantum of loans that were afforded payment accommodations since the onset of the COVID-19 pandemic has fallen. In addition, BOJ believes that the worst of the impact of the pandemic on the economy is behind us, although the economic outlook remains uncertain. In this context, Bank of Jamaica is of the view that the financial system has adequate capacity to absorb unexpected losses that could arise as the crisis unwinds. BOJ's views about the evolution of system risks in 2020 are contained in more detail in the recently released report on Financial System Stability for 2020 (see http://www.boj.org.jm/uploads/pdf/finstab/finstab_2020.pdf)

This agreed position also reflects the commendable efforts of financial institutions over the past year to proactively manage the risks arising from the crisis.

Background

Since mid-March 2020, financial institutions had been experiencing extraordinary demand for liquidity in order to facilitate the needs of their customers and to build buffers against growing uncertainty associated with the outbreak of the COVID-19 pandemic in Jamaica. In this context, Bank of Jamaica consulted with the boards of FHCs and DTIs in May 2020 and obtained their agreement to suspend the distribution of dividend to relatively large shareholders.

This agreement was broadened in December 2020 in the context of the persistent uncertainty about the economic impact of the pandemic and the results of BOJ's credit stress tests, which pointed to the ongoing need for prudent capital planning to preserve regulatory capital. It was further agreed that DTIs would not declare or pay any dividend over the next two quarters and that FHC's could declare dividends, but continue to limit these distributions to shareholders owning one per cent (1%) or less of issued shares. BOJ, the FHCs and the DTIs further agreed to revisit this arrangement at the end of March 2021.