

Performance Review

THE OPERATING ENVIRONMENT

Overview

Fiscal Year 2006/07 was characterized by a favourable environment, allowing the Corporation to ensure that its programme of work remained aligned with its over-arching mission.

The absence of any adverse economic shocks facilitated sustained stability, with the outcome of most key performance indicators ending on or better than target in terms of the medium-term macro-economic framework within which the country was set to operate. Though remaining cautious regarding expenditure plans, both investor and consumer confidence were high, with expectations for positive changes in the economy, profitability and income levels. The policyholder community responded to heightened competition in the business environment with prudent portfolio diversification, having due regard to stability of earnings and risk mitigation.

This, coupled with regulatory reinforcement, augurs well for sound performance and improved risk profile, for individual institutions and system stability.

The Macro-economy

The out-turn of key macro-economic variables was consistent with projections for 2-3 per cent GDP growth rate; single digit inflation; and the gradual reduction in interest rates (see table below). Lower interest rates influenced a reduction in public debt servicing cost and contributed to loan portfolio growth in the banking sector. Policyholders were, however, challenged to maintain growth in earnings, as the continued reduction in interest rates meant that maturing fixed-income securities had to be reinvested at lower rates. The rate of growth of the Deposit Insurance Fund also slowed, as the interest rate slide reduced investment income.

Key Macro-economic Indicators	2004/05	2005/06	2006/07
GDP growth (%)	0.4	2.0(r)	2.5(p)
Inflation (%)	13.2	11.4	6.6
180-day Repo Rate (%)	13.45	13.00	12.00
182-day T-Bill Rate (%)	13.46	13.18	11.65
Exchange Rate (J\$/US\$)	61.54	65.50	67.80
NIR (US\$ Million)	1,901.6	2,078.1	2,329.4
Debt (% of GDP)	138.2	131.8 (r)	130.4 (p)
Fiscal Deficit (% of GDP)	4.8	3.3	5.3 (p)
r-revised p-preliminary			

Real economic growth for the year was 2.5 per cent, an improvement on the 2.0 per cent recorded for 2005/06 and the highest growth rate recorded in recent years. Growth in the financial sector was consistent with the overall growth of the economy at 2.1 per cent. This was a direct result of the sector's response to the changing business environment, with the banking sub-sector expanding core business activities; and fee-based income growth across the financial sector.

At 6.6 per cent, Jamaica's inflation was better than targeted and significantly lower than the out-turn for the three previous years. The lower inflation was primarily due to increased domestic agricultural production, an indication of adequacy in the supply of food products, the price of which weighs heavily in the overall movement of the consumer price index.

The foreign exchange market remained relatively stable as the Central Bank moderated the rate of depreciation through liquidity-control measures; primarily the sale of open market securities and foreign currency. Monetary policy influenced a reduction in short- to medium-term interest rates as the Central Bank maintained its expressed stance against hiking interest rates in an effort to absorb excess liquidity.

Fiscal operations was the only significant area of off-target performance, largely influenced by shortfall in revenues and higher-than-anticipated expenditure related to public sector wages and Cricket World Cup 2007. The deficit/GDP ratio worsened; and the target for a balanced fiscal position was pushed back to fiscal year 2009/10. The country's debt continued to absorb a significant share of government expenditure, with the debt stock rising to over \$900 billion. However, the Debt/GDP ratio fell to 130.4 per cent from 131.8 per cent for the previous fiscal year.

The outlook for 2007/08 remains positive: with projections for containing inflation at 6-7 per cent; the fiscal deficit/GDP ratio at 4.5 per cent; and the primary balance/GDP at 8.5 per cent. Additionally, projections are for increasing the rate of GDP growth to 3-4 per cent; lowering the Debt/GDP ratio to 125.1 per cent; and maintaining relative exchange rate stability without increasing interest rates. Achievement of these targets should bolster economic stability and influence greater consumer and investor confidence both locally and internationally.

The Regulatory Environment

The regulatory machinery was put to the test during the year, as the activities of unregulated investment schemes gained prominence. The Financial Services Commission (FSC) being the regulatory agency with responsibility for the securities and insurance industries, was forced to deploy its full resources in the enforcement of pertinent regulations. Simultaneously the FSC launched a major public education campaign aimed at providing full information on the characteristics and risk components of different investment houses, dealers, services and instruments in the regulated and non-regulated markets. In addition to making its regulatory machinery more robust for securities and insurance, during the year the FSC was required to give attention to the registration process for pension funds, following the passage of the Pensions (Superannuation Funds and Retirement Schemes) Act and supporting Regulations.

The Financial Regulatory Council (FRC), the information clearing house established in 2000 to facilitate co-ordination of the regulatory activities of the Safety Net Players (Bank of Jamaica, FSC, JDIC and the Ministry of Finance

and Planning) remained active during the year. Particular attention was given to information-sharing and fit and proper criteria in an effort to ensure consistency in regulatory enforcement - thereby minimizing the risk of regulatory arbitrage; while being careful to avoid burdening the system unduly.

The Financial Safety Net agencies also kept on their respective and collective agendas, the pending full prudential supervision of credit unions by the Bank of Jamaica, and their subsequent introduction to the Deposit Insurance Scheme. The FSC's work towards the establishment of Compensation Schemes for insurance, pensions and securities advanced with a working group comprising JDIC and FSC representatives being formalized towards the end of the year. The precise structure and operational responsibility for these schemes was still pending at March 31, 2007.

Legislative Developments

During the year, efforts to enhance the effectiveness of the financial regulatory system continued with the Bank of Jamaica's Financial Institutions Supervisory Division spearheading and/or actively participating in the promotion of certain new laws and regulations and coordinating the necessary amendment of others.

Some of the key laws passed were to bring certain technological developments in use by, or impacting, the financial services sector, under a clearly defined framework for assisting commerce and protecting consumers of financial and other services. These included the passing of the Banking (Banking Business) (Electronic Money) Order, 2006, formally recognizing card- based

electronic transactions as banking business, and the passing of the Electronic Transactions Act, in December 2006. This will under specified conditions, include the development of rules for the recognition of electronic signatures and due certification, as well as ensure the security and legal efficacy of electronic transactions.

With the impending regulation of deposit-taking cooperative societies (credit unions) by the Bank of Jamaica, the Cooperative Societies (Amendment) Bill was tabled and this will see the restriction of deposit-taking to only those cooperative societies which operate as credit unions. Bank of Jamaica Regulations for the prudential supervisory regime of credit unions were also under review during the year.

The Bank of Jamaica continued to work towards the development of an omnibus statute which will see the incorporation of the Banking Act, the Financial Institutions Act and the Building Societies Act under one statute so as to ensure that provisions for consolidated and conglomerate supervision are appropriately robust. These developments will bring the banking sector in line with the international standards prescribed in the recently issued Revised Basel Core Principles.

Work continued on regulations for amendments and development related to improving and upgrading the application forms for the licensing of financial institutions under Bank of Jamaica supervision. Pending also was the revision of fees payable by Building Societies to bring them in line with those of banks. Other regulations were being developed with a view to ensuring the independence of the auditors of financial institutions, the enhancement of the credit assessment process, and the taking of security by financial institutions.

The Proceeds of Crimes Act (POCA) was passed into law, repealing the Money Laundering Act and the Drug Offences Forfeiture of Proceeds Act.

The Financial Investigations Division Act (FIDA) was still under development and is intended to satisfy Jamaica's obligation to comply with recommendation 26 of the Financial Action Task Force (FATF) 40 (revised) recommendations.

The Terrorism Prevention (Reporting Entities) Regulations are to be promulgated under the Terrorism Prevention Act, and will outline the operational controls that must be maintained by financial institutions particularly when contemplating the commencement of a business relationship or one-off transactions.

RISK ASSESSMENT AND MONITORING

Assessing the risk to which the Corporation is exposed as deposit insurer is one of the critical core functions of the Corporation. The JDIC's credibility in the Financial Safety Net hinges heavily on, and is sustained through, its demonstrated capability to address potential problems in the system. To be in a state of perpetual readiness, the Corporation must have an ongoing programme of risk identification and measurement to determine the state of health of the system so as to inform corporate decision-making on the Deposit Insurance Fund adequacy and appropriate resolution strategies.

The Corporation performs its risk assessment and monitoring function within a framework developed and operationalized since 2005/06. The Risk Assessment Framework (RAF) utilizes quantitative and qualitative performance measures and market data sourced from the

Supervisor and policyholders as well as the wider market. The Deposit Insurance Act authorizes the Corporation to receive from the Supervisor, copies of on-site examination reports and other information pertinent to the state of health of the insured institutions. In addition through the Policy of Deposit Insurance, the Corporation is authorized to receive from the insured institutions off-site financial performance information as well as to be kept abreast of operational developments.

During the review year, the Corporation continued to benefit from the strengthening partnership with policyholders and, as well, the Supervisor. The flow of required information allowed the Corporation to keep a close watch on the financial performance of institutions and enabled it to remain abreast of pertinent operational developments. The JDIC's risk assessment process was fed also from information disseminated through the Financial Regulatory Council (FRC) on wider policy issues impacting within and across the sub-sectors.

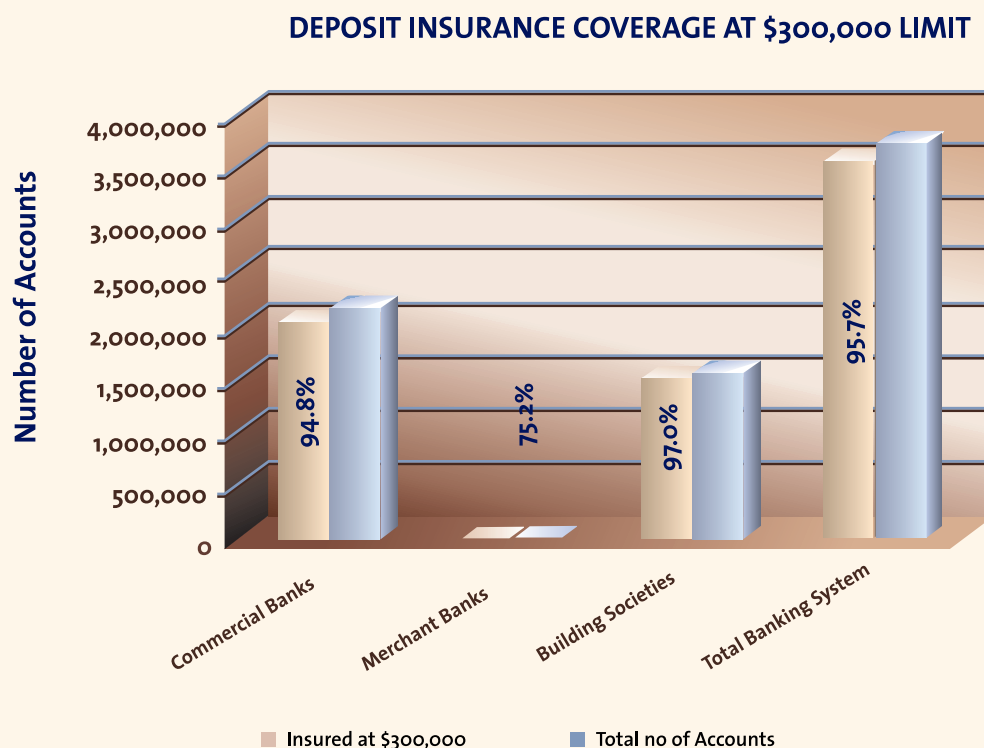
The Corporation's own risk assessment process found the system to be generally sound, and concurring with the general findings from the Supervisor. Hence, for the eighth consecutive year there was no need to call up the resolution machinery, as all institutions remained at a stage where any identified pocket of potential risk was deemed correctable. This assessment informed the annual Fund Adequacy Evaluation exercise: the Fund was determined to be adequate in the medium-term in relation to the risk to which it is exposed. Given that the risk profile of all institutions was maintained or improved over the previous year, there was no imperative to change the flat-rate system of premium assessment. Further exploration of the risk-based system will therefore remain as scheduled for beyond the present three-year planning period.

Deposit Insurance Coverage

The annual Survey of Insurable Deposits in the banking system was conducted using deposit balances as at December 31, 2006. The survey results revealed a trend of continuing growth in system deposits both in number of accounts and dollar value terms. Evident from the survey also is the continued high level of protection enjoyed by depositors for their savings: an estimated 95.67 per cent of accounts are fully covered. Notwithstanding this level however, when assessed against macro-determinants, the analysis revealed that in recent years there has been incremental erosion of the real level of protection.

As at December 2006, total Insurable Deposits

amounted to \$337.66 billion, representing an increase of 10 per cent over December 2005 levels and improves on a 7.98 per cent increase in 2004. The ratio of Insurable Deposits in the three sub-sectors remained unchanged at 75:21:4 for commercial banks, building societies, and FIA licensees (merchant banks). All three groups reported larger growth in Insurable Deposits in numbers and dollar value for 2006 than in 2005. The dollar value of Insurable Deposits at commercial banks grew by 9.24 per cent (up from 7.3 per cent); merchant banks by 17.25 per cent (from 14.6 per cent) and building societies 11.30 per cent (from 9.3 per cent). The number of Insurable Deposit accounts in the banking system totalled 3.74 million, an increase of 1.05 per cent over 2005 levels.



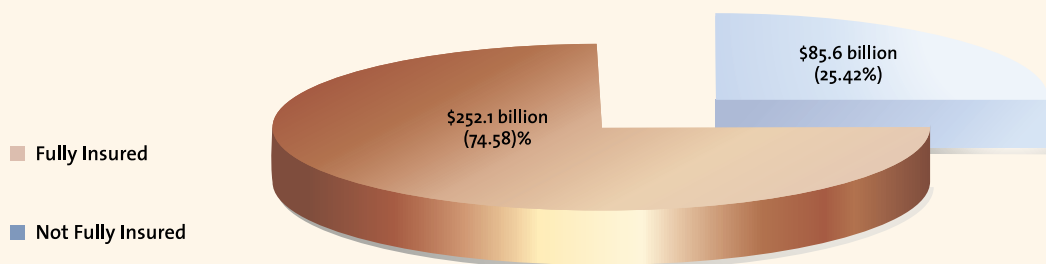
Consistent with the fact that average account balances were higher for 2006 than 2005, the share of the number of accounts that were fully covered at the \$300,000 limit fell to 95.67 per cent in 2006, down from 96.22 per cent in 2005.

Scenario tests show that an increase in the coverage limit to \$600,000 would raise the number of accounts fully covered to near 98 per cent of system total.

Percentage of Fully Covered Deposits at the \$300,000 Coverage Limit						
	2001	2002	2003	2004	2005	2006
% Number of Accounts	97.05	96.60	96.35	96.38	96.22	95.67
% Dollar Value of Deposits	32.06	31.07	31.03	27.64	26.96	25.42

Erosion of coverage level was evident also in dollar value terms as the percentage of accounts estimated fully covered fell to 25.42 per cent from 26.96 per cent at the previous survey date.

FULL VS PARTIAL COVERAGE AT \$300,000 LIMIT



Estimated Insured Deposits was \$134.15 billion an increase of 13.6 per cent over the \$118.08 billion in 2005. The Insured Deposits at commercial banks, building societies and merchant banks were in the ratio 73:26:1 from 71:29:1 in 2005. The shift in distribution of Insured

relative to Insurable Deposits reflects the differing structure of deposits across sub-sectors; merchant banks having significantly larger average account balances and the average balances for building society savers being the smallest.

FUND MANAGEMENT AND ADEQUACY

Financial Overview

Another year of sound financial management is reflected in the financial performance of the Corporation. The out-turn for all key performance ratios was better than projected (see table below), indicating tight expense control.

KEY PERFORMANCE RATIOS ²	2007 Actual %	2007 Target %	2006 Actual %
Expense Control	15.4	19.9	13.9
Net Surplus	84.6	80.1	86.1
Return on Assets	20.2	18.7	23.2
Asset Management	24.9	23.4	27.0

Total revenue for the year, was \$816.2 million, compared to \$724.5 million in the previous year; substantially comprising insurance premiums and interest earned on investments. Premiums are collected in advance in November of each year. Insurance premiums for 2006/07 amounted to \$437.7 million. Interest earned from investments and other income amounted to \$378.5 million. After accounting for administrative expenses, an

² *Expense Control Ratio: Administrative Expense / Total Revenue*

Net Surplus Ratio: Surplus from Operations / Total Revenue

Return on Asset: Surplus from Operations / Total Assets

Asset Management Ratio: Total Revenue / Total Assets

STATEMENT OF OPERATIONS	2006/07 \$'000	2005/06 \$'000
Insurance premiums	437.7	388.7
Interest earned/other income	378.5	335.8
Total revenue	816.2	724.5
Administrative expenses	126.5	101.0
Surplus from operations	689.7	623.5

overall surplus from operations of \$689.7 million was realized, an increase of 10.6 per cent over the \$623.5 million earned in the previous year. The net surplus on investment and administrative operations accounted for \$252 million of the overall surplus from operations.

There was no significant departure from the usual expenditure pattern except for a five percentage point fall in the share of expenses allotted to staff cost. This was directly attributable to a reduction in emoluments resulting from certain staff vacancies for an extended period during the year.

EXPENSES	2006/07 %	2005/06 %
Staff Costs	57	62
Public Education & Advertising	14	13
Professional Fees	7	5
Depreciation	4	4
Other	18	16
TOTAL	100	100

Total assets of the Corporation stood at \$3.4 billion at the end of the year, reflecting an increase of 25.9 per cent compared with the previous year. The reduction from an increase of 33.2 per cent in the previous year was due mainly to the general reduction in interest rates on investment instruments.

Deposit Insurance Fund Performance and Adequacy

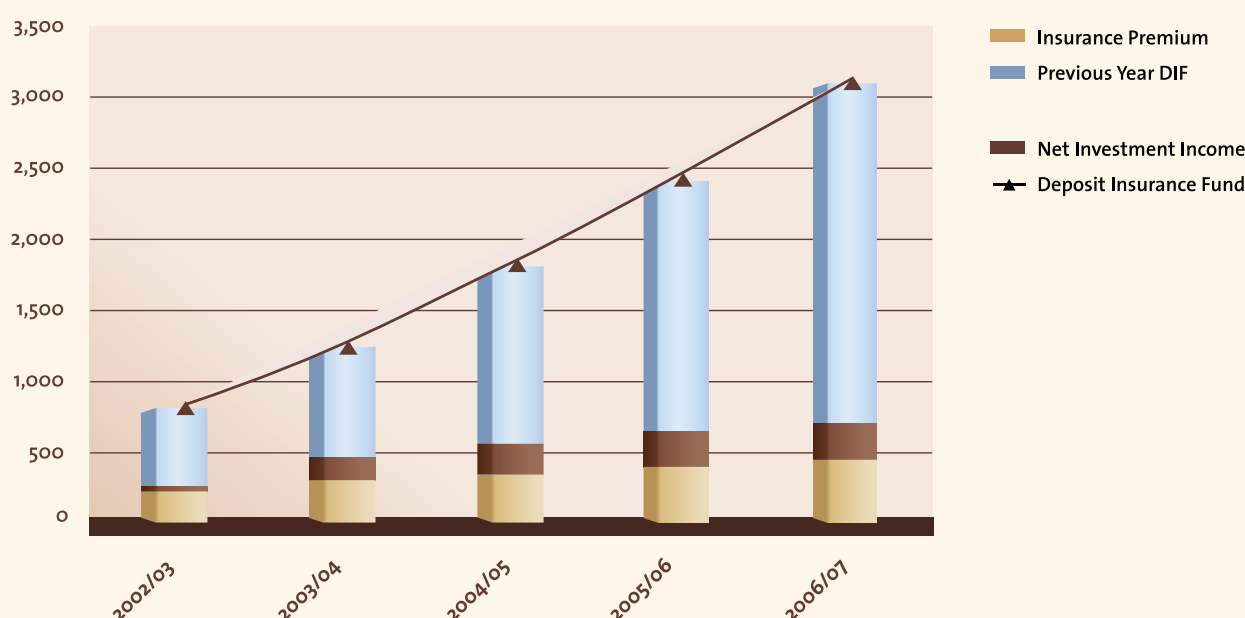
The Corporation is required under Section 17(1) of the Deposit Insurance Act, 1998 to establish and manage a Deposit Insurance Fund (DIF or the Fund). An ex-ante system is employed, whereby premiums are collected from the insured institutions on an annual basis at a flat rate of assessment (currently 0.15 per cent of Insurable Deposits). This, together with the income from

the invested Fund resources (net of operating expenses) constitutes the total inflows to the Fund.

During FY2006/07, there was no failure of any policyholder institution hence no call on the Fund for payout. The Fund exceeded three billion dollars with a closing balance of \$3.1 billion at March 31, 2007, which represents a 29 per cent increase over the previous year's balance of \$2.4 billion.

The \$700 million accretion to the Fund during the year represents the net surplus from insurance premium income and returns from investments net of operating expenses. The Fund total at the end of March 2007 was equivalent to 2.31 per cent of Insured Deposits at the existing \$300,000 coverage limit; up from 1.72 per cent at the end of the previous year.

Deposit Insurance Fund (DIF)



Under Section 17(2) of the Act, the Corporation is obliged to invest the resources of the Fund in risk-free Government Securities and such foreign securities as the Board may approve from time to time. The Fund is now invested solely in Government of Jamaica-issued securities; and the investment portfolio stood at \$3.2 billion at March 31, 2007.

Section 17(4) of the Act requires the Corporation to conduct periodic assessments (at least once per year) of the Fund to determine its adequacy in relation to the risk exposure in insuring deposits in banks, and make recommendation to the responsible Minister (the Minister of Finance & Planning) with respect to any required adjustments to assure adequacy. Although not an expressed requirement of the legislation, the Corporation (in FY2004/05) has adopted a notional target level for the Fund, currently set at 2-2.5 per cent of estimated Insured Deposits.

Adhering to the statutory requirement, the annual evaluation of the Fund was completed based on system data and the DIF balance at September 30, 2006; and updated subsequently to account for December 31, 2006 data; and findings from separate research work on the Coverage Limit sufficiency. The approach taken involved an examination of international studies and the experiences of other deposit insurance jurisdictions; the incorporation of the methodologies and findings of previous studies; and the assessment of the level of coverage in the context of key macro- and micro- variables. Growth projections were developed for the Fund and adequacy tests performed with different assumptions and variation in key variables.

Adequacy depends not only on the Fund size, but also on the potential risks to the system and the probability of failure. The most recent (at December 31, 2006) assessment of the banking

system indicates that the system is relatively sound, thus the Corporation would not be expecting calls on the Fund within the short-term for the purpose of a payout.

The Fund adequacy test suggests that the Fund is sufficiently resilient with respect to changes in the Corporation's recurrent expenses (as the expenses on average constitute a relatively small portion of annual income) as well as to interest rate movements. Because the level of full coverage of deposit accounts is already very high (over 95 per cent of the number of accounts), the DIF is also sufficiently robust to accommodate movements in the coverage limit. Outside of a failure, movements in premium assessment rate would have the most significant impact on Fund growth and adequacy. However the study concluded that based on the assessed risk levels throughout the system and the existing premium assessment structure, there is no compelling reason for any upward adjustment in the current assessment rate of 15 basis points. This finding remains applicable even after the proposed upward adjustment in the coverage limit to \$600,000.

Based on the December, 2006 data, given that the growth in the Deposit Insurance Fund exceeded that of estimated Insured Deposits, the Fund Ratio (DIF/Insured Deposits) increased to 2.17 per cent of Insured Deposits, from 1.77 per cent in 2005.

In summary the findings and recommendations coming out of the evaluation exercise are: the Fund is assessed as adequate in the medium-term based on the current macro-economic climate, positive medium-term outlook and satisfactory risk levels of individual institutions, sub-sectors and overall system. Given that the scope and effectiveness of the failure resolution arsenal is an important determinant of fund adequacy, there

was also a related recommendation: the Corporation's efforts towards securing greater definition and clarity with respect to resolution processes and intervention coordination should be accelerated. This can only add more credibility to its role as deposit insurer in the safety net arrangements.

The assessed adequacy of the Fund notwithstanding, it was considered prudent to recommend an upward adjustment in the notional Fund target from 2-2.5 per cent to 5 per cent, given the conditions specific to the Jamaican context; these conditions being that the Deposit Insurance Scheme and its role in the resolution arrangements are still at an early stage of development and the Fund itself is relatively small.

INTERVENTION READINESS

Despite the current stability within the financial sector, the Corporation continues to maintain a proactive stance, aimed at strengthening its ability to efficiently conduct a payout of depositors and participate in the resolution of a failed deposit-taking institution. An integral component of this stance is the ability to continuously identify and implement process improvement initiatives which will serve to foster and maintain a heightened state of readiness. Through a combination of research into the experiences of Deposit Insurers worldwide as well as ongoing assessment of the dynamics within Jamaica's financial market, the Corporation seeks to undertake key initiatives designed to enhance its ability to participate effectively in intervention in the sector. The most important of these initiatives were:

▶ Insured Deposit Portfolio Transfer Project

▶ Intervention Matrix Review

▶ Policyholder Record-Keeping Requirements Project

▶ Business Process Documentation & Training Manual Development

▶ Insured Deposit Portfolio Transfer Project

The distribution of deposit insurance payments on behalf of the Corporation by a financially sound and otherwise viable policyholder has been assessed to be the most efficient and effective method for such distributions to depositors on the occasion of a policyholder failure. The Corporation has therefore embarked upon a project designed to develop the institutional capacity to undertake an Insured Deposit Portfolio Transfer. This is an arrangement whereby in the instance of a policyholder failure, the depositors' payment information is transferred electronically to another policyholder under an agency agreement. This policyholder undertakes the function of making the payments to the insured depositors. This initiative is comprised of three major components, namely: documentation development, information systems development and a series of simulated transfers in collaboration with policyholders.

The task of compiling project, policyholder, legal, business process and information and communications technology (ICT) documentation, continued during the review year. During the second half of FY2007/08 the Corporation will reopen dialogue with policyholders with a view, firstly, to developing the information systems (Depositor Data Information System) and, secondly, to undertaking the first of several simulations.

Intervention Matrix Review

The Safety Net Players signed a Memorandum of Understanding in 2000, which, inter alia, sets out the framework (Intervention Matrix) for action by the Players in rectifying problems which may emerge with respect to the viability of licensed financial institutions. The Matrix provides transparency and clarifies accountability in the system of enforcement and intervention. With the experience of eight years of operations the Corporation recognizes that there is scope for enhancements to the Matrix. Consequently, an internal Intervention Matrix Review Committee was established to undertake a comprehensive review. The findings from this review will form the basis for dialogue with the other Safety Net Players, which is projected to commence during FY2007/08.

Policyholder Record-Keeping Requirements Project

The reimbursement of depositors of a failed policyholder necessitates reliance on the records of that institution. Much of the reimbursement processing to be undertaken by the Corporation is facilitated by information and communications technology; hence the maintenance of certain depositor database records by the policyholders is essential if payouts are to be accomplished in a timely manner. The Corporation's interest in the policyholder's records extends beyond the depositor database. The scope, availability and timing of submission/extraction of information are matters which require critical consideration. The Corporation commenced an initiative during the review year, designed to institutionalize record-keeping practices among policyholders that are conducive to timely and efficient payout. By year-

end FY2006/07, the Corporation had completed a preliminary review of the related legislation, both of Jamaica and other jurisdictions, and the practices of some of its policyholders. The initiative is expected to continue into FY 2007/08.

Business Process Documentation & Training Manual Development

The Corporation has a statutory obligation to 'take all such measures as may be necessary to ensure that there is the least possible exposure to loss'. In doing so one of the measures necessary is to ensure the accuracy of the data used to effect a payout and to reduce the potential for adverse claims. The Corporation expects to make adjustments, both financial and non-financial, to the deposit liability records uploaded to its payout system in an effort to produce up-to-date and accurate data from which to make payment to depositors. Recognizing that adjustments to depositor records have the potential for errors and disputes, great care has to be exercised in performing this function. The mitigation of these risks may to some extent be accomplished by documentation of the business process, and in this regard the Corporation commenced the compilation of Adjustment Guidelines. Development of, and adherence to, the Guidelines is intended to foster control of the process, the capacity to track entries, facilitate appropriate records management and assure accountability. The Guidelines were substantially complete at year end.

Cognizant of the critical importance of well-documented procedures and training material during an intervention, the Corporation continued the on-going effort of developing and updating its training material and Payout Guidelines.

RESEARCH AND POLICY

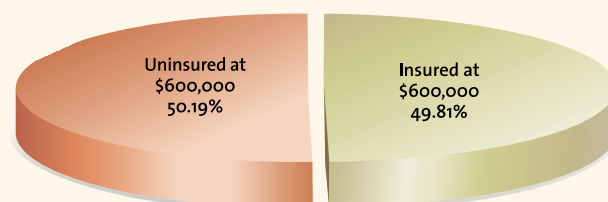
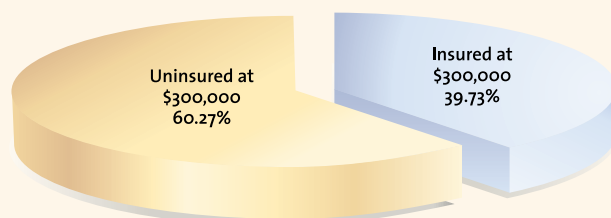
As the Deposit Insurance Scheme evolves in a dynamic financial environment and with exposure to, and involvement with, the development of best practices through the international network of deposit insurers, the importance of the research function is constantly underscored. For successive planning periods, critical areas of operation of the deposit insurance scheme have been identified for research, and relevant projects undertaken accordingly. For FY2006/07 research effort was aimed at greater clarity and definition of the role and authority of the Corporation to properly execute its mandate. Projects were at different stages of completion within schedule, while examinations of adequacy of the coverage limit and efficacy of investment in foreign securities were the two significant ones completed. These facilitated policy decisions at the Board and Ministerial levels.

In addition to ongoing work with respect to information-gathering from policyholders and the

international deposit insurance community, other areas of research related to the scope and structure of deposit insurance coverage and ensuring the operational capability of the Corporation to give effect to this coverage; as well as giving wider options in the management of the Deposit Insurance Fund. A summary of the research paper 'A Case for Adjustment in the Deposit Insurance Coverage Limit-Jamaica' is included as Appendix III.

The coverage limit research resulted in a recommendation to the Minister of Finance and Planning for an upward adjustment from \$300,000 per depositor per institution to \$600,000, with no accompanying hike in the premium assessment rate charged to policyholders. The recommendation was accepted by the Minister and the necessary order put in place for the limit to be increased effective July 1, 2007. At \$600,000, approximately 50% of Insurable Deposits will be covered, compared with less than 40% at the \$300,000 level.

Coverage Level Comparison \$300,000 vs. \$600,000



Work commenced and was substantially completed in respect of developing a policy and framework for the investment of some portion of the Deposit Insurance Fund in foreign securities for achieving best practice portfolio diversification and maximizing returns within the context of the Corporation's Investment Policy. The research took into account the specific role and functions of the JDIC within the wider financial regulatory context and policy objectives.

Over the past two years considerable work was accomplished through an internal Legislative Review Committee, spearheaded by the Legal Department. The Committee's main focus was a comprehensive review of the legislative framework within which the Corporation operates, towards the promulgation of certain legislative amendments to enhance the credibility and efficiency of the Deposit Insurance Scheme. A slate of proposals was completed, regarding which the Corporation sought and received advice from the Attorney General; and at year end was ready for circulation for industry comments and input. The proposals are aimed at achieving two broad objectives viz. to:

- (1) strengthen depositor protection, by giving better clarity to depositor entitlements under the Deposit Insurance Act and to give the fullest effect to the expectations of depositors within the context of banking law and practice; and
- (2) improve the Corporation's capability to execute the most efficient and effective policyholder intervention, if and when the need arises.

PUBLIC AWARENESS AND EDUCATION

Two of the key considerations involved in providing deposit insurance protection for depositors are: ensuring the design of an effective scheme; and ensuring that the public understands how the scheme works to protect their savings within the banking system. This supports the deposit insurer's mission to contribute to the stability and confidence in the financial system.

Benchmarked against international best practices, the Jamaican scheme embodies the essential features of an effective deposit insurance scheme, and since inception the Corporation has emphasized its public awareness and education programmes. Based on market tests, there was evidence that the message was beginning to reach a wider cross-section of the public.

The growing complexity of financial markets and proliferation of products available from various institutions, both regulated and unregulated, of necessity places a heavy duty of care on the users of financial services, requiring them to ensure they are adequately informed of the options available and are therefore able to make the most prudent decisions. The Corporation recognizes therefore that while it must intensify and reinforce the core deposit insurance messages, the programme must also be responsive to the changing business environment. The programme focus remained that of ensuring that consumers are able to distinguish between various product offerings and institution types, and, most importantly, that they understand the JDIC's role as deposit insurer and the extent of the protection offered under the Scheme.

During the review period much of the deposit insurance information was disseminated through the media, mostly by way of advertisements focusing on the institutions and products insured and the coverage limit. Given repeated survey confirmation of radio and television as the most popular media for JDIC's main target audiences, the electronic media was the predominant avenue used. While less emphasis was placed on print, the publication of an updated list of insured institutions in the local newspapers at the end of each quarter was maintained, ensuring that our constituents were continuously reminded of the deposit insurance boundaries. Additionally, ten billboards were designed and strategically placed along major thoroughfares across the country.



Policyholders' Staff Participate in JDIC's Training Seminar

Partnership with policyholders is seen as a key strategy in achieving the public education objective. Policyholders are recognized as being central to the dissemination of deposit insurance information, being the most direct and frequent

point of contact with their customers and the public at large. The Corporation continued to work closely with policyholder institutions through designated Liaison Officers, the Annual Policyholders' Forum and other established channels. The main thrust for the year was training of policyholders' staff and the increased dissemination of information which intensified during 'Blitz Month', celebrated in October. Three training sessions were conducted, while a variety of promotional items were dispatched to policyholders, commencing October, 2006. These included JDIC stickers for Passbooks and Certificates of Deposit; desktop posters to be placed in the customer service area of all branches; and the JDIC 2007/2008 calendars. Further, policyholders were encouraged to enclose the JDIC brochures in customers' statements; prominently display JDIC decals in all locations; show the JDIC video as and when appropriate; and make a notation of being a 'JDIC member institution' in their advertisements.

Outreach to schools continued to be an integral part of the public education programme, and with the endorsement of the Ministry of Education, Youth and Culture, the Corporation hosted its fourth annual Essay Competition for secondary institutions. Public forums and seminars are also among the outreach avenues used by the Corporation to educate the public. For example, towards the latter half of the year, in collaboration with the other Safety Net Participants and the Jamaica Stock Exchange, the Corporation hosted a major public forum. This activity, staged this year in Mandeville, served not only to inform about deposit insurance, but also to highlight the role and function and interrelatedness of the supervisory agencies and the deposit insurer; the common objective being to ensure financial sector stability through effective regulation and cooperation.



Dr. Michael Whittingham, JDIC Board Member and Miss Antoinette McKain, CEO, with the winners of the 2006/07 Essay Competition. 1st place-Patrina Pink of Wolmer's Girl's School; 2nd place-Christopher Malcolm of Meadowbrook High School; and 3rd place-Jade Wright of Ardenne High School

Evaluating the effectiveness of the delivery methods and by extension, awareness level, is ongoing. A public awareness survey was conducted during the year and the results indicate some improvement in awareness levels. While the reported comparatively high percentage of awareness of deposit insurance and its availability in Jamaica (55.6 per cent compared with less than 20 per cent in previous surveys) is encouraging,

the results still suggest a low level of understanding of the role of deposit insurance in protecting savers. To get to the targeted levels, a shift in certain aspects of the programme is necessary. For the 2007/08 programme two of the main areas of focus will therefore be: increased collaboration with policyholders and more direct contact with smaller community-based groups.



Students who visited the JDIC in preparation for the Essay Competition



INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT) supports the core functional areas of the Corporation, in the establishment and maintenance of new and existing operations in

the most cost-effective and efficient manner. A planned infrastructure upgrade was behind schedule at year end due primarily to staffing challenges. However the project advanced to the stage of completed Requests for Proposals in order to satisfy both internal and public sector procurement policies.

Technical production work continued on the payout software which is being customized with the assistance of a consultant. Special attention was paid to the selection of an investment management software to enhance the efficiency of the day-to-day treasury management function, and allow for more rigorous portfolio performance analyses to inform the decision-making process.

HUMAN RESOURCE AND ADMINISTRATION

Administration

The administrative operations of the Corporation continued to function efficiently and reliably; with attention being given to environmental, safety and security issues. Goods and services contracts were appraised in accordance with the Public Sector Procurement Guidelines. The Corporation continued to give careful attention to service providers' adherence to contracted delivery schedules; and ensured that plant, machinery and equipment functioned well within capacity.

Staffing and Performance

The Corporation's approved establishment for the financial year 2006/07 was twenty seven (27). At the beginning of the year the number of persons on staff was twenty three (23). The staff movement during the year included five (5) exits. Two (2) of the vacancies created by these

departures were filled during the year. Corporate and staff performance were monitored during the period under review, as is required under the Public Bodies Management and Accountability Act and in keeping with the Corporation's Performance Management System.

Training and Staff Development

The Corporation continued to place great emphasis on staff training to ensure that it maintains a complement of competent and highly motivated staff, capable of delivering at the highest standard. Opportunities were provided for staff to enhance competency and efficiency in specific deposit insurance courses as well as various other operational areas. Training was accessed locally, internationally and online by way of conferences, seminars and workshops.

During the year, the Corporation again partnered with the UWI Department of Economics in facilitating an internship for one student in the Master's degree programme.

A number of Staff Policies were revised during the year to ensure that staff benefits and operating procedures of the Corporation are consistent with market/industry trends and best practice.

The Corporation commenced an information-gathering exercise to guide the decision-making process for the implementation of pension/retirement facilities for staff.