

RULES for BANK OF JAMAICA FOREIGN EXCHANGE INTERVENTION TRADING TOOL

Bank of Jamaica Foreign Exchange Intervention Trading Tool (B-FXITT) is a rules-based competitive multiple-price FX tool that will improve the Bank's interaction with authorised dealers (ADs) and cambios for buying and selling foreign exchange. Operations will take the form of either the Standard Intervention Tool (SIT) or the Flash Intervention Tool (FIT) and reflect a fixed volume format, accepting bids on a best price principle.

The SIT operations will be conducted at a pre-announced frequency where the calendar of offers for up to four weeks ahead on a rolling basis will be announced weekly while the FIT will be discretionary, dependent on market conditions. For the SIT operations, the amount to be offered is determined by market intelligence and the pre-announced amount may be modified by $\pm 10\%$ immediately prior to an operation. The notices and results of each operation will be via electronic means designated by BOJ.

The Bank hereby outlines the guidelines which govern the operations of the competitive multiple-price FX tool and the requirements for ADs and cambios to participate in these operations.

1.0 Definitions

Approved Participant means inter alia, an Authorised Dealer or specified cambio that has the ability to settle electronically with BOJ, that is, wire transfers via SWIFT or JamClear[®] - RTGS for foreign currency and JMD payments, respectively, and has the capacity to transact weekly in the minimum bid size of the operation.

Auction means a bidding process hosted by Bank of Jamaica at which bids to buy or sell foreign currency may be made by eligible bidders.

Authorised Dealer means a licensed deposit-taking institution authorised by BOJ to deal in the business of buying and selling foreign exchange, forward exchange contracts, options, swaps or other derivative contracts involving a foreign currency, or arranging for payments in foreign currency. These may also be referred to as ADs.

Bid means an offer to purchase or sell foreign currency, competitively in these operations. A bid must be presented as prescribed herein. Once submitted, a bid is irrevocable, and constitutes a contractually-binding offer.

Bid amount means the total amount of foreign currency desired or offered by a bidder.

Bid form means a pre-printed form used by bidders and distributed by BOJ or an electronic version of the same.

Bid price means the rate of exchange offered to purchase or sell foreign currency in exchange for JMD.

BOJ means Bank of Jamaica.

Business day means any day BOJ is open for business.

Cambio means an entity that is licensed and regulated by BOJ to buy and sell foreign currency only.

Code of Conduct means a document outlining the set of globally recognized standards and principles of good practice with which each authorised dealer and cambio will be expected to conduct their business, to promote the integrity and effective functioning of the foreign exchange market in Jamaica. The Code prescribes standards

of market conduct relating to ethics, governance, execution, information sharing, risk management and compliance and confirmation and settlement processes.

Competitive Bid means a bid to purchase or sell a stated amount of foreign currency at a specified price.

DvP means Delivery versus Payment

Eligible bidder means an Approved Participant that meets the requirements at section 3.0.

Foreign currency means the legal currency of a country other than Jamaica.

FX Net Open Position (NOP) is defined for authorised dealers as under the Banking Services Act and represents the aggregate of the net spot position, the net forward position, guarantees and any other item representing profit or loss in foreign currencies.

FX Position Limits means Foreign Exchange Position Limits which apply to Cambios and is based on gross commercial purchases i.e. purchases from non- ADs and non-Cambios.

Jamaica Dollar means the legal currency of Jamaica and may be referred to as JMD.

Market Intelligence means data received from the Approved Participants in the prescribed format, which outlines each entity's two-week forecast (at a minimum) of supply and demand of foreign currency for their respective clients.

Minimum Bid Size means the lowest single bid amount allowed in an operation.

Operation Amount means that amount offered by Bank of Jamaica in a sale or buy operation

Secured Electronic System means the BOJ proprietary system designated to facilitate these operations.

Settlement means the exchange of JMD for successful USD bid at a sale or purchase operation on a DvP basis.

Successful bidders mean bidders that are awarded winning bids.

US Dollar means the legal currency of the United States of America and may be referred to as USD.

2.0 Foreign Exchange Operation Announcement

The announcement via electronic means designated by BOJ for either operation will provide information on the date and time, offer amount, and other pertinent information (see Exhibit A).

2.1 Standard Intervention Tool

- a) The BOJ will issue a market announcement two business days prior to the conduct of an operation.
- b) These operations will be held as per defined frequency in the weekly announcement.
- c) BOJ will pre-announce on a weekly basis, the calendar of offers for up to four weeks ahead on a rolling basis. The pre-announced amount may be modified by $\pm 10\%$ immediately prior to an operation.

2.2 Flash Intervention Tool

- a) The BOJ has the flexibility to conduct a Flash operation at short notice, in the event of abnormal or disorderly market conditions.
- b) The BOJ will issue a market announcement at least one hour prior to the conduct of an operation.

3.0 Eligibility

Approved Participants are eligible to participate in the operations, subject to the following mandatory requirements and rules:

- a) Each entity must provide market intelligence (MI) information on the prescribed form to BOJ on a weekly basis each Friday.
- b) Each entity must adhere to FX NOP limits in the case of ADs and FX Position limits in the case of Cambios. In the case of ADs, the FX NOP limit is defined as an absolute percentage of an institution's Regulatory Capital, subject to a maximum cap. On implementation,¹ the FX NOP limit will be ± 20 percent of Regulatory Capital with a maximum cap of JMD 8 billion, whichever is lower. For Cambios, the FX Position limit is currently defined as seven days' gross commercial purchases.²

4.0 Eligible Currency and Quotation Convention

- a) The operations will be conducted to purchase or sell United States Dollars (USD) against the equivalent value in Jamaica Dollars (JMD).
- b) The quotation of bid price placed in these operations will reflect the equivalent value in JMD expressed against one unit of the USD and should not exceed 2 decimal places. The Bank will truncate the bid price to be consistent with this requirement.

¹ A separate advisory on the implementation date will be sent to ADs

² See Cambio Operating Directions Paragraph 4.0

5.0 Submission Process for Competitive Bids

- a) The SIT operation will be open on the designated day at 8:30 a.m. and close at 9:15 a.m. The FIT operation will open at least one hour after the announcement and close 45 minutes thereafter.
- b) Eligible bidders should submit their bids via a designated email in the approved format provided by BOJ or via secured electronic system designated by BOJ.
- c) Each eligible bidder is permitted to submit a maximum of three (3) bids in an operation, quoting their desired amount and at their freely determined bid price as per quotation convention.
- d) The minimum size of a single bid and increments thereafter will be determined by Bank of Jamaica and may be subject to change from time to time. The current minimum bid size is USD 100,000 and the increment thereafter is USD 25,000.
- e) The maximum bid size of a single bid should not exceed the portion of the Operation Amount as determined by BOJ from time to time. The current portion is 10 percent.
- f) The aggregate volume of all bids from an eligible bidder should not exceed the portion of the Operation Amount as determined by BOJ from time to time. The current portion is 20 percent.
- g) Bids with incomplete or missing information or submitted after the deadline will not be accepted.
- h) Bids that are lower than the minimum bid amount or do not accord with specified increments will not be accepted.
- i) If bids of an eligible bidder exceed the aggregate volume limit, BOJ reserves the right to reject the bids placed at the lowest exchange rate in the case of a sell and highest exchange rate in the case of a buy so that the aggregate of accepted bids does not exceed the aggregate volume limit defined at (f) above
- j) Each bid is final and is irrevocably binding on the eligible bidder. Once a bid has been submitted, no request for changes will be considered by BOJ.

6.0 Allocation Methodology

- a) Bids received from eligible bidders will be prioritized, from the highest bid price to lowest to buy foreign exchange from the Bank and from the lowest bid price to highest to sell foreign exchange to the Bank, until the Operation Amount is fully allotted or all bids are fully allocated.
- b) Bids at the cut-off price will be pro-rated based on the amount that is left to be allocated and entities' bid amounts, rounded to the nearest USD25,000.00. As a general principle, the amounts accepted at the B-FXITT operation shall be kept close to the announced operation amount, with a variance not exceeding ± 10 percent.

7.0 Confirmation and Settlement of Trade

a) BOJ will confirm the successful as well as the unsuccessful bids via telephone call from the BOJ Trading Room or via secured electronic system designated by BOJ. The confirmation with successful eligible bidders will include details for accepted bids to facilitate settlement.

b) Unless otherwise announced, the settlement for the operation shall be on a T+1 basis. This will facilitate liquidity planning for eligible bidders and is consistent with international spot settlement standards.

8.0 Communication of Operation Results to the Market

a) B-FXITT operation results will be dispatched to the market within 45 minutes of the close of the operation via email or secured electronic system designated by BOJ. The results will also be published on the BOJ website by end of day.

b) Please see Exhibit B for the format of publishing B-FXITT Operation Results by BOJ.

9.0 Sanctions for Non-adherence to B-FXITT Operation Rules

a) All transactions must be settled. Failure by a Successful Bidder to settle on a foreign currency transaction in T+1 will attract a charge on the JMD settlement portion of the transaction. Such charge will be calculated using the Bank's excess funds rate (EFR) and will be applied daily until settlement occurs. For sell operations, the charge will be added to the JMD settlement amount while for buy operations, it will be deducted from the JMD settlement amount.

b) Approved Participants are required to:

- I. submit MI reports on a weekly basis each Friday
- II. adhere to FX NOP and FX Position limits
- III. settle any FX operation transaction within T+1

Failure by an Approved Participant to comply with these operation rules will result in the entity being prohibited from participating in the next two operations. If non-compliance recurs, this could result in additional sanctions to include prohibiting the institution from participating in future operations for the rest of the calendar year.

10.0 Reservation of Rights and Remedies

a) BOJ reserves the right to reject some or all of the bids at each operation if the prices are significantly out of line with the market prevailing price or if it judges that collusion among the bidders or other malfeasance has occurred.

b) BOJ reserves the right to cancel the operation if the total bid amount is below 10 percent of the operation amount.

11.0 Other Provisions

a) ADs and cambios are reminded to comply strictly with the regulations in respect of foreign exchange open position limits as prescribed by BOJ.

b) ADs and cambios shall also comply with the provisions of the Code of Conduct for the Foreign Exchange Market in Jamaica.

c) The Bank reserves the right to review and amend these rules based on experience and prevailing circumstances.

EXHIBIT A

B-FXITT Sale [Purchase] Operation Number:

BOJ/FX-S/20170920/009

BANK OF JAMAICA

NETHERSOLE PLACE

P.O. BOX 621

KINGSTON, JAMAICA, W.I.

TO: ELIGIBLE BIDDERS

RE: B-FXITT – STANDARD INTERVENTION TOOL -SALE OPERATION [PURCHASE OPERATION]

The Bank is receiving applications for the sale [purchase] of US Dollars to [from] Eligible Bidders as follows:

Operation Date:	Wednesday, 20 September 2017
Settlement Date:	Thursday, 21 September 2017
Operation Amount:	USD 30 000 000.00
Pricing Format:	Competitive Auction for the full amount

Participation in B-FXITT operation is not mandatory

The conditions for participation in the operation are as follows:

- 1.0 Bids will be accepted up to **9:15 am** on **each operation date**.
- 2.0 Bids will be received by email sent to BOJAuction@boj.org.jm: An automatic acknowledgement will be sent. If an entity has not received this acknowledgement, please follow-up with a telephone call by **9:30 am** to any of the telephone numbers listed: **922-8121, 932-4212, 932-4068, 922-0827** and **967-4941**.
- 3.0 Bids will only be accepted via the bid form provided by the Bank. At the close of the auction, each participant will be advised of their successful and unsuccessful bids. The result of the operation will be dispatched by 10:15 a.m.
- 4.0 There is a minimum bid size of USD 100 000.00. Bids above this amount should be rounded to the nearest USD 25,000. Bids that are not in keeping with this requirement will be deemed ineligible.
- 5.0 Each entity may submit up to **three (3)** bids in the operation. Bids in excess of this limit will be rejected on the basis of the bid price ranked from highest [lowest] to lowest [highest].

- 6.0 The maximum bid size of a single bid **must not exceed 10 percent** of the Operation Amount. Bids in excess of the 10% limit will not be accepted.
- 7.0 The total value of all bids submitted by each entity **must not exceed 20.0 per cent** of the Operation Amount. Bids in excess of the 20% limit will be rejected on the basis of bid price ranked from the highest [lowest] to lowest [highest].
- 8.0 The bid price should not exceed two (**2**) decimal places. The Bank will truncate the bid price to be consistent with this requirement.
- 9.0 The allocation of bids will start at the highest [lowest] bid price to the lowest [highest] bid price, until the Operation Amount is fully allotted or all bids are fully allocated. Bids at the cut off price that are not fully allocated will be allocated on a pro-rata basis rounded to the nearest USD25,000.
- 10.0 Successful allotments must be reported in eGATE® Web 1.0 **by 12:00 noon** on the operation date.
- 11.0 The Bank reserves the right to reject any bid for reasons outlined in Section 10 of the Rules for Bank of Jamaica Foreign Exchange Intervention Trading Tool (B-FXITT).

EXHIBIT B



Results for Bank of Jamaica B-FXITT Sale [Purchase] Operation

Applications were opened by Bank of Jamaica on **Wednesday, 20 September 2017** for the B-FXITT Standard Intervention Tool – sale [purchase] operation of **USD 30 000 000.00** for allocation to Eligible Bidders for settlement on **Thursday, 21 September 2017**.

The results of the B-FXITT sale [purchase] operation are as follows:

<i>B-FXITT Sale [purchase] Operation Number: BOJ/FX-S/20170920/009</i>	
Operation Amount	\$30,000,000.00
Total Eligible Bids Received³	42
Total Value of Eligible Bids Received	\$62,600,000.00
Number of Bids Accepted	17
Total Value of Accepted Bids	\$30,000,000.00
Weighted Average Price for Total Eligible bids:	\$130.93
Weighted Average Price for Accepted bids:	\$131.36
Highest [Lowest] Submitted Bid Price (\$) / Amount (USD)	\$131.80/\$3,000,000.00
Lowest [Highest] Submitted Bid Price (\$) / Amount (USD)	\$121.28/\$1,000,000.00
Lowest [Highest] Bids for Full Allocation Price (\$) / Amount (USD)	\$131.15/\$4,750,000.00
Bid Price for Partial Allocation	\$131.10
Partial Allocation Percentage	88.39%

³ As per the requirements in paragraphs 4.0 - 7.0 in the Foreign Exchange Operation Announcement