XXVII ANNUAL CONFERENCE OF MONETARY STUDIES

AN EXAMINATION OF BUILDING SOCIETIES IN THE CONTEXT OF FINANCIAL LIBERALIZATION AND DEREGULATION: JAMAICA 1990 - 1995

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INTRODUCTION

Recent developments in the financial sector, nationally and internationally, have been rapid, creating many challenges for monetary policy implementation, the supervision of financial institutions and the stability of the sector itself. Influenced significantly by financial liberalization, the general macro-economic environment, changing customer demand and the advancement of technology, these developments have had an impact on the operations of all types of financial institutions, including building societies (savings institutions designed to provide home financing).

Building societies were first established in the United Kingdom, in the early nineteenth century, as during the process of industrialization, many persons migrated from rural areas to seek employment in the towns. Formed as mutual institutions (owned by members), the principal objective was the mobilization of a flow of savings for long term loans (mortgages). The concept has spread to many countries over the world and the societies have developed considerably over the years.

Bound by legal constraints and faced with competition from other financial institutions, changing investor demands and increasingly sophisticated financial instruments and services, building societies, worldwide, have been forced to expand their range of services while endeavouring to retain their core function. In many cases, legislation governing these institutions have had to be amended to facilitate the modernization of their operations.

In the United Kingdom, the Building Societies Act of 1986 has permitted societies to provide a wide range of banking products including overdrafts, personal loans and credit cards. Similarly, in South Africa, laws passed in the same year have allowed building societies to offer traditional banking products and many of these institutions have become equity-based and listed on the Johannesburg Stock Exchange. Mergers in the South African financial sector have resulted in several major banking groups, each providing a wide range of financial services.

Developments in housing finance institutions in the Caribbean have been consistent with trends in other countries, and are expected to impact significantly on the development of money and capital markets. The recent appointment of an interim Board of Directors, has brought the Eastern Caribbean Home and Mortgage Bank (ECHMB) closer to reality. The ECHMB is expected to create a secondary market for home mortgages, thereby enhancing the growth of the capital market in that region. Similarly, the Jamaica Mortgage Bank, a wholly owned Government institution, was established in 1972 to operate primarily in the secondary mortgage market.

It is against the background of the changing nature of home financing institutions worldwide that the building societies in Jamaica are being examined. The first section briefly reviews the origin and development of the societies in Jamaica (prior to 1990) and the factors influencing their growth. In section II developments in the industry are discussed against the background of financial liberalization and the deregulation of the foreign exchange market. Finally some concluding remarks and recommendations are made.

SECTION I

HISTORICAL BACKGROUND

Building societies in Jamaica's financial sector emerged in the early post-emancipation period, as the former slaves moved away from the plantations and sought to establish dwellings, grow crops and raise livestock on their own account. The first society dates back 1864 and was formed, like many others in that period, with considerable assistance from the religious community.

In the early years, there were a number of closures and mergers as the societies attempted to expand their operations when confronted with various challenges including the provision of loans to small farmers all over the island. However, with the credit boom of the 1960s, fueled by overseas foreign investment particularly in tourism and bauxite, the number of societies in operation grew from 7 in 1961 to 16 in 1971.

As the authorities grappled with the challenges of the 1970s (the first oil price shock, the collapse of the Bretton Woods System of fixed exchange rates and the consequent pressure on the country's external reserves) the restrictive monetary policy environment posed many challenges for building societies and other financial institutions. However, the impact was greater for building societies because of their inability to respond competitively to rates offered by other financial institutions. Their response was curtailed by the

Building Societies Act of 1897[1] which fixed their lending rates and restricted their investment portfolio. The competition for funds was exacerbated by the development of merchant banking activities which grew considerably from the early 1970s, through the provision of lease financing facilities, the demand for which was propelled by the increased cost of capital arising from the effects of devaluation, inflation and tight liquidity conditions.

In the case of building societies, the impact of inflation and tight liquidity was translated into higher housing costs. The societies were also challenged by the formation, in 1976, of the National Housing Trust (NHT), which arose out of the need for financing low income housing (see Appendix 1 for some differences between traditional building societies and the NHT). However, as housing costs continued to escalate, the challenge posed by the NHT was converted into co-operation with building societies, in order to augment the pool of available resources and ease the burden of mortgage payments for many persons.

Faced with high operational costs and the inability to adjust lending rates and mobilize large pools of deposits, the smaller societies were forced to merge with larger ones to benefit from economies of scale. Consequently, at the end of 1989, only five (5) societies were in operation, falling from 16 in 1971. All societies were then (1989)

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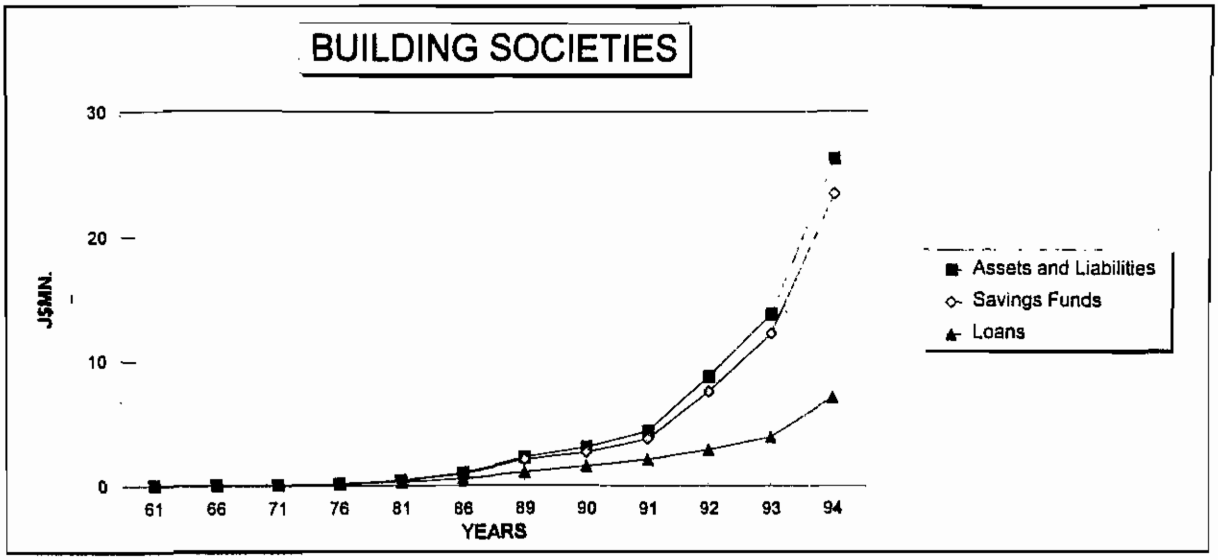
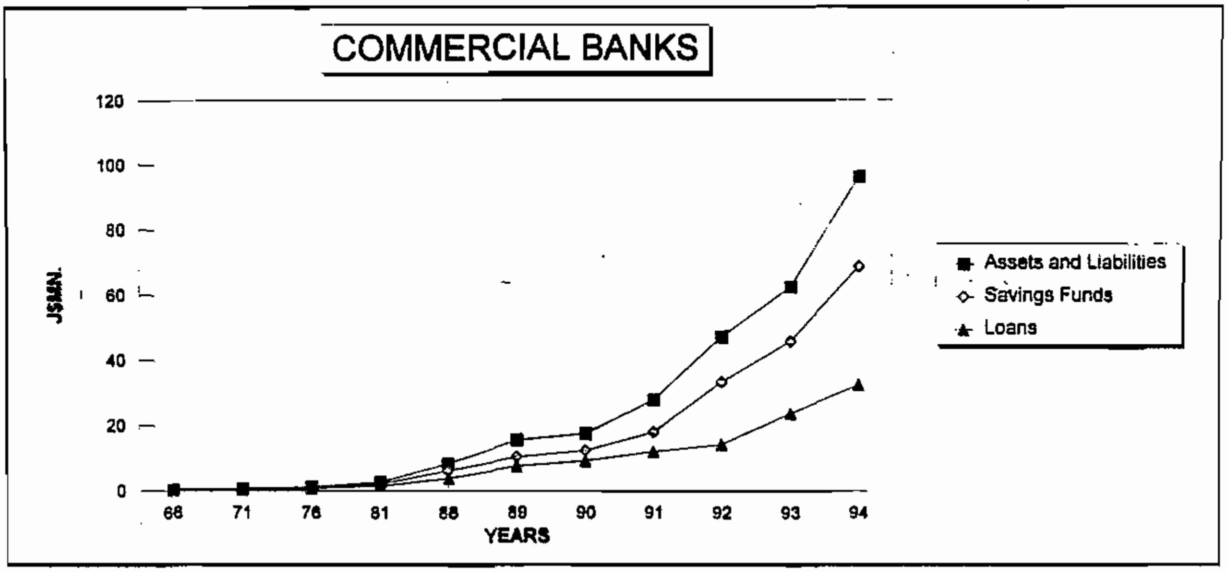
[1]/ The first Act governing the operations of building societies in Jamaica passed in 1864 was replaced by the 1987 Act which still governs the societies.

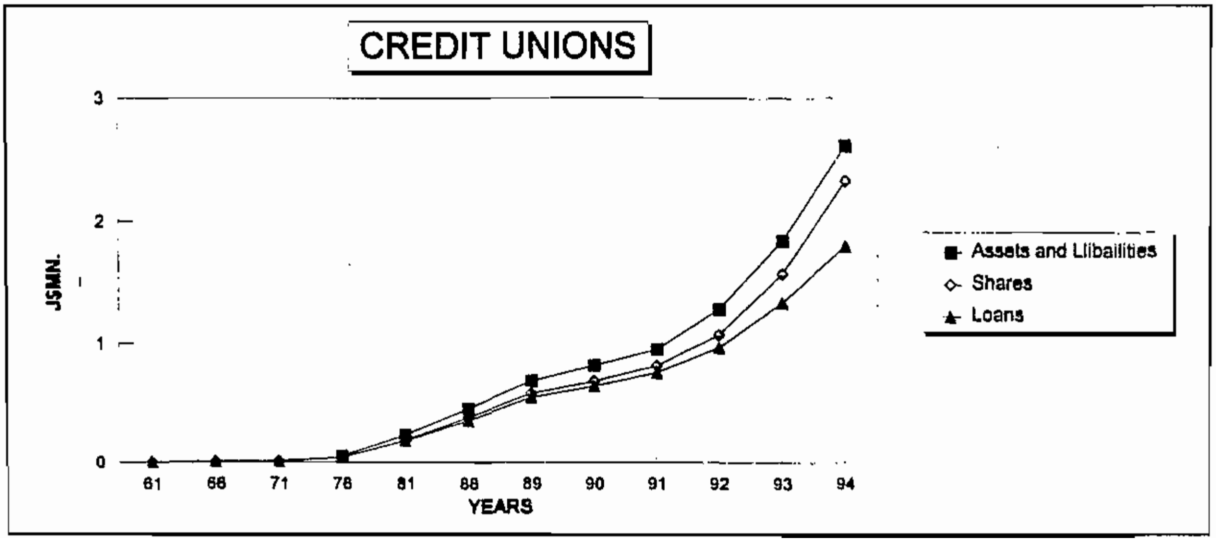
members of the Building Societies Association of Jamaica (BSAJ) which had been established in 1959 to protect the interests of the societies and enhance public confidence in the industry.

The assets and liabilities of building societies grew from J$17.0 million in 1961 to J$57.4 million in 1971 and further to J$2,280.2 million in 1989. Figure 1 compares the assets and liabilities of building, savings and loans of building societies with similar deposit taking institutions (commercial banks and credit unions).

SELECTED INDICATORS OF BUILDING SOCIETIES, COMMERCIAL BANKS AND CREDIT UNIONS (J$MN.)







BUILDING SOCIETIES IN JAMAICA 1990 - 1995

The developments in the building societies in the last five years must be analysed against the background of the recent macro-economic policy environment. Geared primarily towards price and exchange rate stability, the policy focus has been the free interplay of market forces through economic deregulation, a significant aspect of which has been the liberalization of the foreign exchange market. This has been supported by financial sector reforms including the deregulation of interest rates, the removal of credit ceilings and the introduction of a phased reduction in the liquid assets ratio to a level not exceeding that necessary for prudential considerations.

With the reduction of reliance on direct controls, emphasis has been placed on liquidity management through the use of more market based instruments. The main instrument of monetary policy has been open market operations. The authorities have also sought to encourage the development of a secondary market [2] for securities. These

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2/ Since 1991, the Bank of Jamaica has engaged in repurchase agreements (REPOS) and reverse repurchase agreements (REVERSE REPOS). REPOS are used to inject liquidity into the system when the money market is tight. These involve the sale (by holders) of securities to the Bank of Jamica, under a contract to repurchse the same securities at a pre-determined price and on a specified date within their eventual maturity. On the other hand, REVERSE REPOS may be used to moderate liquidity in the money in the case of perceived excess.

Also, in April 1994, new arrangements were introduced between the Bank of Jamaica and some financial intermediaries (Primary Dealers). Primary Dealers provide continuous underwriting support for all new issues of Government and Bank of Jamaica securities, being prepared to trade actively in them.

measures have been accompanied by an upward movement in interest rates (to record levels in the first half of 1994) and fierce competition in the financial system which has forced building societies to aggressively mobilize resources both locally and overseas.

These developments have redefined the roles of many financial institutions and provoked the introduction of various new institutions and products. This has been especially so in the case of building societies. Over 20 new building societies have been established between 1989 and 1994, the bulk being in the last two years. The industry has seen changes in the ownership structure of the societies from mainly "mutual" societies to "proprietorship" societies. Mutual societies are owned by the savers who hold share accounts and who, in addition to receiving interest on savings, participate in the surplus. On the other hand, in a "proprietorship" society, holders of share accounts do not participate in the after tax surplus but only receive fixed rates of returns on their savings. "Proprietorship" societies which are mainly owned by banks and other financial institutions, tend to offer higher rates of interest as well as other banking type services, in addition to the traditional mortgage financing.

Many of the newer building societies were established as affiliates of other financial institutions which do not enjoy some benefits available to building societies. These include:-

(1) Interest paid gross on savings in building societies while in other institutions interest paid to investors is subject to a withholding tax.

(2) Preferential corporate tax rate of 30 percent instead of 33 1/3 percent if reserve to assets ratio is less than 5 percent.

Besides the taxation benefits, the proliferation of building societies was also influenced by differential regulations in the financial system, particularly with respect to prudential reserve ratios and capital adequacy. The legislation governing the banking system was amended in 1992 with respect to licensing, investments in commercial companies, lending to single customers or to groups and the powers of supervision both of the Inspection Department and the Minister of Finance, among other provisions. However, similar legislative changes regarding building societies were effected only in 1994 after problems developed in one society.

TABLE I

ASSETS AND LIABILITIES OF BUILDING SOCIETIES, COMMERCIAL BANKS AND CREDIT UNIONS 1989 - 1994

	Building Societies		Commercial Banks		Credit Unions	
	J$mn	% Growth	J$mn	% Growth	J$mn	% Growth
1989	2,280.2	-	15,332.2	-	686.0	-
1990	2,967.8	5.2	17,327.5	13.0	812.1	18.4
1991	4,375.7	47.4	27,691.9	59.8	948.5	16.8
1992	8,737.0	99.7	47,067.9	70.0	1,280.7	35.0
1993	13,806.6	58.0	62,291.8	32.3	1,913.0	49.4
1994	26,252.4	90.1	96,128.9	54.3	2,708.4	41.6
Avg. Annual Growth		60.1%		45.88%		32.24%

With the increase in the number of building societies the nominal assets and liabilities of the reporting institutions increased from J$2.3 billion at the end of 1989 to J$26.3 billion at the end of 1994. This reflected an average annual increase of 60.1 percent compared to 45.9 percent in commercial banks and 32.2 percent in the case of credit unions (see Table 1). In real terms, however, growth in all the institutions was negative in 1990 and 1991 but positive from 1992 to 1994, especially in the case of building societies which recorded growth of 99.7 percent, 58.0 percent and 90.1 percent compared to point to point inflation of 40.2 percent, 30.1 percent and 26.8 percent in 1992, 1993 and 1994, respectively (see Table 2).

TABLE 2

ANNUAL GROWTH OF BUILDING SOCIETIES, COMMERCIAL BANKS AND CREDIT UNIONS AND THE INFLATION RATE %

	BUILDING SOCIETIES	*COMMERCIAL BANKS*	*CREDIT UNIONS*	*POINT TO POINT INFLA.*
1990	**5.2**	**13.0**	**18.4**	**29.8**
1991	**47.4**	**59.8**	**16.8**	**80.2**
1992	**99.7**	**70.0**	**35.0**	**40.2**
1993	**58.0**	**32.3**	**49.4**	**30.1**
1994	**90.1**	**54.3**	**41.6**	**26.8**

Source: 1) Building Societies Association of Jamaica
2) Statistical Institute of Jamaica

An examination of the assets of the financial system (excluding life insurance companies) reveals that while there were fluctuations in the case of credit unions and commercial banks, the building societies share of total assets increased steadily from 9.4 percent at the end of 1989 to 17.8 percent at end of 1994 (see Appendix 3).

Despite the relatively high deposit rates offered by other institutions in the financial system, savings inflows (exclusive of interest payments) into the building societies increased from J$1.7 billion in 1989 to J$41.3 billion in 1994 (see table 3). With average annual withdrawals of 82.8 percent, the societies retained on average 20 percent of savings each year. For the period 1990 - 1994, gross savings inflows into the societies, grew at an average annual rate of 64.6 percent, compared to 47.9 percent and 32.5 percent for commercial banks and credit unions, respectively (see Table 5).

TABLE 3
BUILDING SOCIETIES SAVINGS FLOWS
1989 - 1994

	SAVINGS	WITHDRAWALS	NET SAVINGS	SAVINGS RETENTION RATIO %
1989	1705.8	1536.8	169.0	9.9
1990	2,328.5	2,051.3	277.2	11.9
1991	3,427.8	2,844.1	583.7	17.0
1992	9,677.0	6,464.0	3,213.0	33.2
1993	18,805.3	16,705.4	2,099.9	11.2
1994	41,305.6	33,156.2	814.4	19.7

The success of building societies in savings mobilization was due in part to the introduction of contractual savings arrangements which guarantee fixed low rates on mortgages. For example, the "5 percent mortgage plan" offered by several societies allows customers to save contracted sums of a targeted amount over a minimum period, after which a mortgage may be accessed at a rate of 5 percent over the life of the mortgage.

Through aggressive marketing, the societies have also received significant inflows from overseas residents in the United Kingdom, Canada and to a lesser extent, the United States of America. Foreign currency accounts balances (see Table 4) in the societies grew from US$23.5 mn. at the end of 1991 to US$79.6 mn. at the end of 1994. This reflected an average annual growth of 52 percent for the period 1992-1994.

TABLE 4

BUILDING SOCIETIES
FOREIGN CURRENCY ACCOUNTS

Year	US$MN.	% Growth
1991	23.5	-
1992	37.1	57.9
1993	65.6	76.8
1994	79.6	21.3
1995		
June	90.4	13.8

TABLE 5

BUILDING SOCIETIES, COMMERCIAL BANKS AND CREDIT UNIONS SAVINGS GROWTH 1990 - 1995 %

	BUILDING SOCIETIES	COMMERCIAL BANKS	CREDIT UNIONS
1990	27.3	18.7	17.5
1991	39.8	47.3	18.5
1992	101.8	86.1	32.1
1993	62.4	37.8	46.5
1994	91.9	49.9	48.0
AVERAGE	*64.6*	*47.9*	*32.5*

Inspite of reduced effective demand due to escalating real estate and construction costs, loans disbursed by building societies increased from J$518.7 million in 1990 to J$3,880.6 million in 1994 (see Table 6). Over the period, the number of new loans each year grew by approximately 27 percent except for 1993 when there was a decrease of 4 percent. At the same time, the average loan size increased by an average of 40.3 percent each year. Lending activity in the societies was especially buoyant in 1994 when loans made amounted to three times the 1993 level and the number of loans was almost twice that of 1993.

TABLE 6

BUILDING SOCIETIES LOANS
1990 - 1995
J$mn

	LOANS MADE	REPAYMENTS	NO. OF LOANS	AVG. LOAN SIZE J$'000
1990	518.7	151.3	2,261	229.4
1991	741.5	211.2	2,598	285.4
1992	906.3	307.1	2,719	333.3
1993	1,270.2	331.0	2,609	486.8
1994	3,880.6	1,539.3	4,629	838.3

The societies have, for several years, financed the bulk of mortgages in the financial system and through co-financing with the National Housing Trust, have eased the burden of loan servicing for many clients. Through this scheme, clients are able to borrow from a building society at one rate and from the NHT at a lower rate, thereby reducing the effective rate for the overall loan. Joint financing with the NHT has been made more attractive since August 1995 when the rates charged by the Trust was reduced from a range of 6 - 14 percent to a range of 2 - 14 percent, compared to the building society preferred mortgage rate of 19 percent.

With respect to the employment of resources, since 1990 and, especially in 1993 and 1994, building societies have been investing approximately 24 percent of liquid funds in Government securities each year, compared with approximately 33 percent disbursed as loans. This has helped them not only to take advantage of attractive yields on Government securities, but also to maintain affordable rates for their customers. However, the broad trends exhibited in Table 7, indicate a decrease in the loan/liquid funds ratio and an increase in the securities/liquid funds ratio. This is particularly so in the case of the newer building societies who, relative to the traditional societies, have smaller investments in loans.

TABLE 7

BUILDING SOCIETIES LOANS AND INVESTMENTS IN GOVERNMENT SECURITIES AS A PERCENTAGE OF LIQUID FUNDS

	LOANS	SECURITIES
1990	44.0	22.4
1991	44.3	21.1
1992	23.4	21.8
1993	19.8	27.0
1994	31.9	28.8
*1995**	10.7	26.4
Average 1990 - 1994	32.7	24.2

* June

A disaggregation of the operation of the building societies since 1990, reveals that the four traditional (mutual) societies accounted for an average of 80.0 percent of assets and liabilities outstanding. Notably also, the advances/deposits ratio for traditional societies averaged 52.7 percent while that for the other societies averaged only 17.5 percent. On the other hand, the liquid funds/savings funds ratio averaged 48.3 percent for the traditional societies and 66.5 percent for the other societies.

TABLE 8

BUILDING SOCIETIES: SELECTED RATIOS

	TRADITIONAL SOCIETIES		OTHER SOCIETIES		
	Adv/Savings	**Liquid Funds/ Savings**	**Adv/Savings**	**Liquid Funds/ Savings**	**No. Of Insts.**
1990	60.6	46.7	25.1	72.8	6
1991	58.4	64.4	32.7	68.8	6
1992	48.5	47.7	6.8	63.4	6
1993	48.6	43.1	8.1	64.6	9
1994	47.5	39.4	14.7	62.9	15
Average	**52.7**	**48.3**	**17.5**	**66.5**	

Trends observed in the level of savings actually employed in loans in the newer building societies and the emergence of financial groups involving building societies have provoked the need for revisions in the legislation governing these institution. Complex relationships involving the transfer of funds among institutions under joint ownership have resulted in the recent failure of one building society, bringing the need for a policy response sharply into focus.

In 1994, the Bank of Jamaica (Specified Financial Institutions) (Building Societies) Notice was issued by the Minister of Finance, designating building societies as specified financial institutions under the Bank of Jamaica Act. This gave the central bank the power to supervise and examine the operations of these institutions. In March 1995, the Bank of Jamaica Act was amended to this effect.

The new regulations affect the societies in several areas including licencing, capital adequacy, the imposition of cash reserves and liquid assets requirements and loan loss reserve (see appendix 5). The Building Society Act of 1897, which still governs the societies, is currently incapable of dealing with new developments in the industry.

The staff in the Department of Supervision of Banks and Financial Institutions, has been increased to facilitate the auditing of building societies. As is the case for those institutions traditionally supervised by the department, the societies will be almost continuously assessed through annual on-site examinations combined with off-site analyses of data submitted at shorter intervals. This should facilitate the detection of early warning signals.

SECTION III

CONCLUSIONS AND RECOMMENDATIONS

Despite the various challenges facing building societies over the years, these institutions, as a group, have performed creditably, compared with similar deposit-taking institutions (commercial banks and credit unions). However, the proliferation of societies especially in the last two years has caused some concerns in the financial system.

The process of financial liberalization and deregulation has necessitated significant amendments to the banking systems' legislation. In an effort to circumvent specific requirements of the Banking and Financial Institutions Acts, particularly as they relate to prudential reserve and capital adequacy requirements, many banking institutions sought to acquire building societies, which prior to 1994, were not regulated by BOJ. The ability of banks and other financial institutions to shift resources between themselves and their building society contributed to the liquidity crisis that resulted in the recent closure of a building society by the Minister of Finance.

Accordingly, the long overdue amendments to the Building Societies (1897) Act must be speedily completed. In the context of liberalization and deregulation, the Act should seek to control the level of risk to which a society may be exposed, enhance the protection of the depositors, and allow for the modernization of the industry, especially through the broadening of the societies's investment portfolio. The societies should also be encouraged towards more self-regulations as Directors must feel some burden for the proper management of the depositors' funds.

The imposition of a non-interest bearing cash reserve ratio, especially in the case of the traditional societies and those societies committed to mortgage financing, will effectively reduce the pool of funds now being invested by the societies in order to assist with the maintenance of affordable mortgage rates. Also, depending on the level of ratio imposed mortgage rates could be pushed upwards beyond affordable levels. This would be a negative development, given the chronic shortage of housing and the fact that the annual addition to the housing stock is consistently, well below the demand.

While it is true that appropriate legislation may be necessary but not sufficient in precluding financial failure, the liberalization process in Jamaica could have been more closely accompanied by amendments to the financial legislative framework. Recent experiences in several countries (developed and developing) have revealed that in cases of financial crisis in the process of financial liberalization, appropriate regulations and supervision had been either "neglected or broken down" (Galbis, 1994).

In view of the trend towards financial groups, the main challenge for monetary policy implementation will be ensuring that while depositors are protected and prudential requirements are maintained, adequate resources will be available to enable the societies to execute their core function at a reasonable cost.

APPENDICES

APPENDIX I

TRADITIONAL BUILDING SOCIETIES	NATIONAL HOUSING TRUST
Under the Building Societies' Act of 1897 Building Societies are not allowed to own properties unless they are operating a Branch Office on said property.	Allowed to land bank and construct housing units with significant tax advantages.
Interest paid on every dollar of savings (1994 average 13.54% per annum) Marketing and other overhead costs in garnering savings.	Contributions are by compulsory pay roll deductions from employees and employers at 3% interest costs (bonus) with employers picking up cost of administrative expenses for deductions made and reporting to NHT.
Over the last three years Government Treasury Bill rates peaked at mid 50% per annum with Commercial Banks lending rates in the 90% region. Building Societies maintained mortgage rates at 19% per annum to preferred savers.	Mortgage rates 6% - 12% based on Graduated plan.
Commitment fee - Savers 0% - 1.5% NON-Savers	Commitment fee - 1.5%
Up to 1984 lending rates of building societies were fixed by Statute	Under the NHT Act interest rate approved by Minister
70% of savings funds on call 30% of savings funds short term (3-6 mth)	40% of contributions held for 7 years 60% of contributions held indefinite
Mortgages granted up to 35 years	Mortgages granted up to 30 years with statutory limits
Tax on surplus at 30	Exempt from tax under the National Housing Trust Act

Source: "NHT and Building Societies" by Noel M. Haan in Housing and Finance, June 1995.

APPENDIX 2

SELECTED INTEREST RATES 1990-1995

YEAR	*TREASURY BILL (YIELD)*	*SAVING RATE**	*OVERALL WEIGHTED DEPOSIT RATE*	*OVERALL WEIGHTED LOAN RATE*
1960	4.95	3.50	n.a	n.a
1965	4.49	3.00	n.a	n.a
1970	4.38	3.50	n.a	n.a
1975	6.98	6.00	n.a	n.a
1980	9.91	9.00	9.00	16.68
1985	21.28	20.00	19.60	29.20
1990	34.00	18.00	24.50	31.59
1991	38.42	18.52	27.50	34.03
1992	24.63	19.51	23.00	46.04
1993	48.97	18.17	39.80	49.60
1994	29.41	18.75	27.85	45.79
1995				
June	24.24	17.49	19.41	40.91

*Savings rate deregualated in October 1990. Rates for 1991-1994 represent the artihmetic average of the rates offered in the system.

APPENDIX 3

ASSETS OF THE FINANCIAL SYSTEM* - 1989 - 1994

	1989	% of TOTAL	1990	% OF TOTAL	1991	% OF TOTAL	1992	%OF TOTAL	1993	% OF TOTAL	1994	% 0F TOTAL
OMMERCIAL BANKS	15,332.2	63.0	17,327.5	60.7	27,691.9	65.8	47,067.9	65.4	62,291.8	66.4	96,128.9	65.3
IERCHANT BANKS	3,676.3	15.1	4,526.9	15.9	6,029.7	14.3	10,734.6	14.9	10,926.6	11.6	14,836.8	10.1
RUST COMPANIES+	122.7	0.5	109.1	0.4	114.2	0.3	11.5	0.0	21.2	0.0	-	-
INANCE HOUSES	206.9	0.9	265.8	0.9	273.8	0.7	355.9	0.5	471.4	0.5	745.9	0.5
A. MORTGAGE BANK	686.3	2.8	849.2	3.0	315.3	0.7	386.6	0.5	461.6	0.5	609.1	0.4
A. DEVELOPMENT ANK	173.3	0.7	181.3	0.6	174.8	0.4	265.6	0.4	299.9	0.3	375.9	0.3
GRI. CREDIT BANK	669.4	2.7	679.8	2.4	952.0	2.3	1,099.4	1.5	1,460.8	1.6	1,971.4	1.4
ATIONAL DEV. BANK	413.3	1.7	592.2	2.1	744.2	1.8	1,295.4	1.8	1,335.9	1.4	2,389.9	1.6
UILDING SOCIETIES	2,280.2	9.4	2,967.8	10.4	4,375.7	10.4	8,737.0	12.2	13,806.6	14.7	26,252.4	17.8
REDIT UNIONS	686.0	2.8	812.1	2.8	948.5	2.3	1,280.7	1.8	1,838.5	2.0	2,607.9	1.8
RAFALGAR DEV. ANK	101.8	0.4	214.9	0.8	440.4	1.0	703.7	1.0	922.2	1.0	1,229.6	0.8
OTAL	**24,348.4**	**100.0**	**28,526.6**	**100.0**	**42,060.5**	**100.0**	**71,938.3**	**100.0**	**93,836.5**	**100.0**	**147,147.8**	**100.0**

* Excludes Life Insurance Companies

\+ At the end of 1994 there were no Trust Companies

APPENDIX 4

BUILDING SOCIETIES, COMMERCIAL BANKS AND CREDIT UNIONS
SELECTED INDICATORS (J$mn)

	1961	1966	1971	1976	1981	1986	1989	1990	1991	1992	1993	1994
BDLG. SOCS.												
Assets & Liabilities	17.0	24.8	57.4	142.6	387.6	1,046.8	2,280.2	3,058.1	4,375.7	8,737.9	13,806.6	26,252.4
Savings Funds	14.2	22.4	53.0	135.9	366.5	977.3	2,097.4	2,669.2	3,731.8	7,530.8	12,228.2	23,471.0
Loans (Balances)	14.0	21.6	46.1	114.0	271.0	582.6	1,092.1	1,596.1	2,106.1	2,884.2	3,917.6	7,066.4
COMM. BANKS												
Assets & Liabilities		205.8	517.3	1,066.1	2,634.2	8,240.2	15,332.2	17,327.5	27,691.9	47,067.9	62,291.8	96,128.9
Deposits		161.5	406.1	804.8	2,102.6	6,203.5	10,187.4	12,097.5	17,815.0	33,153.2	45,676.8	68,491.4
Loans		135.1	330.4	702.0	1,495.1	3,821.9	7,446.5	8,997.2	11,880.1	14,095.1	23,557.9	32,294.4
CREDIT UNIONS												
Assets & Liabilities				52.6	230.1	454.2	686.0	812.1	948.5	1,280.7	1,838.5	2,607.9
Shares	2.3	5.5	9.6	42.0	185.1	379.1	582.1	684.0	810.7	1,070.8	1,568.2	2,321.1
Loans	1.1	5.2	9.2	42.1	184.1	353.9	549.3	642.6	753.5	965.0	1,333.1	1,792.7

A GLANCE AT THE BANK OF JAMAICA (BUILDING SOCIETIES) REGULATIONS, 1995

1)	**CAPITAL BASE**	Paid up capital shares - deferred shares, reserve fund, retained earnings reserve. INITIAL SUBSCRIBED CAPITAL - J$25.0 MILLION of which not less than 4/5 must be in cash.
2)	**CAPITAL ADEQUACY**	Maintain at all times capital adequacy ratio between capital base and risk base assets.
3)	**RESERVE FUND**	Maintain reserve fund - transfer 10% of net profits annually until fund equals subscribed capital (profits exclude revaluation from assets except foreign currency) Reserve Fund cannot be reduced without approval of Bank.
4)	**FIXED ASSETS**	Investment cannot exceed capital base.
5)	**PROHIBITED BUSINESS**	Restriction in the acquisiton land. No unsecured loan to directors, managers or immediate relative (but permits 5% of capital base to be lent unsecured) Restricts amount lent to any person to 20% of capital base and to group 40% Restricts holding of share capital of undertakings in excess of 100% of capital base.
6)	**CASH RESERVE**	Society must maintain deposit with Bank in the form of cash reserve not less on average than such percentage in respect of deposit liabilities as Bank may from time to time determine.
7)	**LIQUID ASSETS**	Ensure liquid assets are on the average not less than such percentage of its deposit liabilities as the Bank from time to time determine.
8)	**RETURNS**	Several returns to be filed at 14, 30 and 60 days after month end.
9)	**ACCOUNTS**	Consolidated accounts where necessary to be filed 90 days after year end and 14 days after to be published in Daily Newspaper.
10)	**LOAN LOSS RESERVE**	No further accural of interest on accounts six payments or more in arrears. Loan loss reserver to be shown separately in Balance Sheet Where terms of any loan re-negotiated Bank must be advised within 7 days.

Source: "Inside Jamaica National" July 1995

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