

FINSAC ANNUAL REPORT 1999

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Chairman's Remarks

During the fiscal year 1998/1999, a new FINSAC has emerged. There have been changes in our internal management and organisation, with a whole new departmental structure for FINSAC being created and put in place under the leadership of Mr. Patrick Hylton, who took over as Managing Director early in 1998.



And there have been changes in the Board of Directors, most notably the stepping down as Chairman of Dr. Gladstone Bonnicks, FINSAC's founding father and my predecessor. I should like to pay tribute to the seminal work done at FINSAC by Dr. Gladstone Bonnicks. His wide-ranging experience and insightful mind gave him an understanding of the kind of organisation needed to address this crisis situation for Jamaica. Dr. Bonnicks established FINSAC's "intervention by negotiation" approach, and he laid firm foundations for the rebuilding of this country's financial sector.

We thank Dr. Bonnicks for his vision, and we wish him well now that he has returned to Washington to continue his important work for the World Bank. It was always agreed that his contribution would be that of "start-up", and we are sad to see him go. The background to the organisational changes that followed Dr. Bonnicks's departure was as follows. In early 1998, we decided to take a long hard look at where we stood in our three-stage strategic workplan of Intervention, Rehabilitation and Divestment, and to work out what was needed to achieve FINSAC's mandate "to resolve the problems of solvency and liquidity being experienced by the financial sector". The Intervention phase of our operations was substantially complete.

To use an analogy from another type of crisis, we realised that the fire-fighting was finally over, and that what we needed to do now was to assess the extent of the damage in the sector, and work out what new superstructures might be needed for rebuilding to proceed. To address these needs, we commissioned the internationally experienced and respected consultant firm of McKinsey & Company to produce a diagnostic report. Their brief was to help us further understand Jamaica's financial crisis and to assist us in charting a course for the future, applying the lessons learned from other countries, who had successfully worked through similar financial sector crises, to the problems being experienced here. Their analyses and findings re-assured us that "we were not alone", and confirmed that we were already on solid ground.

Their recommendations pointed the way to a new, stronger FINSAC that would be capable of taking us through our Rehabilitation and Divestment phases. To make McKinsey "walk their talk", we asked that they stay on for several more months to see their recommended restructuring through into practical working reality. This they did. The new FINSAC that has emerged in the past year is larger, in keeping with the growing enormity of the tasks we have undertaken. We number some 130 staff at the time of writing. The new FINSAC is also immeasurably stronger, with highly qualified staff, drawn from Jamaica and overseas, working full-time and frequently overtime for us. Much has been achieved in the past year by this new FINSAC. As Chairman, I will restrict myself to mentioning here some of the major headlines, leaving the details to the body of the report which follows. The highlights of 1998/1999 are:

- The successful formation of Union Bank, created out of the merger of four of the FINSAC-intervened commercial banks. Upon its fast-approaching completion, it will be the third largest bank in Jamaica.
- The rationalization of the traditional life insurance and equity-linked portfolios of Crown Eagle Life Insurance, Dyoll Life Limited and Jamaica Mutual Life Assurance Society.
- The significant progress made by the FINSAC / Inter-American Development Bank project to restructure our Insurance regulatory framework.
- The establishment of an aggressive and active Non Performing Loans Unit within FINSAC, which has restructured many millions of dollars of loans, and already collected over J\$1.6 Billion.
- The achievements of the Asset Management team in beginning the lengthy process of selling the many hotels, real estate, works of art and other non-core business assets that FINSAC has necessarily acquired from intervened institutions.

But perhaps most important of all, in reviewing FINSAC's achievements, we should remind ourselves that FINSAC was created to protect the ordinary people of Jamaica. Our greatest achievement of all must surely be that throughout this unparalleled crisis in Jamaica's financial sector, not a single depositor, policyholder or pensioner has been deprived of his or her assets. In fact, 1.5 million deposit accounts with a value of J\$68,700 Million and 569,000 individual insurance policies with a sum insured of J\$174,400 Million have been protected, along with 55,000 pensioners with a pension fund value of \$19,023 Million. All of the above have contributed to significant progress being made this year towards achieving another part of our mandate - "to restore confidence in Jamaica's financial sector". I believe that we have successfully maintained Jamaica's profile internationally, with the International Monetary Fund, the World Bank, Moody's and others publicly expressing their approval of the way in which FINSAC and this Government have acted in this potentially disastrous situation. Our challenges for the next financial year include the more difficult task of winning the confidence and support of the Jamaican people themselves.

Dr. Hon. Kenneth Rattray, OJ, QC
Chairman, FINSAC