



## **Re Dividends Postponement by Financial Holding Companies and Deposit-Taking Institutions**

Since mid-March 2020, financial institutions have experienced an extraordinary need for liquidity in order to facilitate portfolio shifts by their customers and to build buffers against growing uncertainty. In response to liquidity needs Bank of Jamaica initiated several measures including the purchase of securities and the extension of short-term lending in order to relieve those pressures.

In the context of the uncertain duration of the economic disruption brought on by the COVID-19 pandemic, Bank of Jamaica consulted with Boards of financial holding company (FHC) designates and deposit taking institutions (DTIs) and sought and received their agreement to postpone the payments of dividends declared for both 2019 and 2020 financial years. Bank of Jamaica considers this move a prudent one aimed at preserving liquidity, conserving capital and enhancing licensees' lending and loss absorption capacities given the challenges that bank customers will likely face in servicing loans given the fall out in major segments of the economy. This agreed position on the conservation of capital will help preserve financial system stability in the best interest of all stakeholders and is not intended to signal that any financial institution presently has liquidity or capital concerns.

After discussions with the Jamaica Stock Exchange (JSE), Bank of Jamaica has communicated with FHC designates and DTIs indicating its non-objection to shareholders owning one percent or less of the issued shares being paid their dividends for both periods. This payment would cover over one hundred thousand small and medium sized shareholders representing, on average, 90 % of all shareholders in these FHC designates and typically about 28% of the annual dividends. Payments to other shareholders would be postponed until circumstances normalize.

Once the economic conditions improve, it is expected that FHC designates and DTIs will return to normal dividend practices.

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