

GET IT RIGHT

A QUICK GUIDE TO GETTING YOUR
MICRO-FINANCE BUSINESS
CENTRAL BANK COMPLIANT

REGULATIONS

REQUIREMENTS

COMPLIANCE




POLICIES




STANDARDS

RULES

Created by

**PHOENIX
INTERNATIONAL**

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Introduction

All microfinance institutions operating for over 12 months are required to be licensed by Jamaica's central bank, The Bank of Jamaica². To become licensed, microfinance institutions are required to put in place systems and processes to manage their operations and compliance. These requirements are far-reaching and have legal implications under the Microcredit Act (2021) and Microcredit (Requirements for Grant of Licence) Regulations (2021) as well as The Proceeds of Crime Act (2007), and subsequent amendments. Phoenix International can ensure your business is ready for licensing.

We are ready and able to help your MFI implement the technology to support your licensing and compliance journey in just a few weeks.

²Under the Microcredit Act (2021) and Microcredit (Requirements for Grant of Licence) Regulations (2021)

About Phoenix International

OUR MISSION

To be the catalyst for financial inclusion and fintech adoption in emerging markets globally.

Who We Are

Phoenix International is a digital transformation partner providing core banking and value-added solutions, enabling financial institutions of all sizes to scale quickly, sustainably, and affordably, while satisfying increasingly stringent regulatory requirements.

Our Core Banking System is mature with 25 years of development - meeting the diverse requirements of customers across the globe. Our customers rely on us for our responsive, flexible system for lending, deposits, and payment acceptance capabilities, which simplifies their internal and external customer experiences.

Why Choose Us

Phoenix International's financial technology solutions can help microfinance institutions carry out lending effectively. By partnering with us, you can increase the capacity of your customers to interact with your institution and start transactions from anywhere. Your microfinance institution can now reduce its lending costs, compliance costs, improve loan issuance speed, and reduce risk. This ripple effect will give your business a competitive advantage, boosting customer loyalty and retention.

Our innovative lending solution is the ideal choice for MFIs as it effectively streamlines operations. We prioritize growth and are committed to providing you with ongoing fintech product development and maintenance support.

Additionally, we offer a mobile wallet application, which allows your customers to manage their accounts and access new lending products that are verified through our payroll systems and validated against their pay slips, significantly reducing the need for manual loan processing operations.

Our system is hosted on Microsoft's Azure for Financial Services cloud computing platform. When microfinance institutions partner with Phoenix International, they gain access to cutting-edge cloud technology and improved security created specifically for financial institutions. This trusted technology enables our customers to maximize security, reduce downtime and reduce risk, enabling top-tier customer service and system availability.

Phoenix International is a division of MC Systems Ltd, who is this year celebrating its 50th anniversary. Through our parent company, Phoenix International has created financial industry solutions for over 20 years meeting the needs of various customer segments in the local market. Coupled with our vast experience, we understand the local financial landscape and possess first-hand familiarity with the challenges. Consequently, we have a comprehensive financial technology solution to help you improve your customer experience and efficiency.

What We Offer

As microfinance institutions vary in size and need, effective and scalable core financial technology solutions are essential for growth. Phoenix International works with your company to identify your business needs and provide you with technology and business process improvement solutions that create the ideal internal and external customer experience.

Customer and Digital Loan Origination

Through our partnership with LoanCIRRUS, we offer a fully digital loan application solution. With our platform, your customers can access and apply for loans anytime, anywhere, through a seamless online interface. This gives your microfinance business the power to improve sales while removing the constraints of physical locations, loan officers and limited opening hours. In addition to the customer-facing benefits, our solution streamlines internal processes for executives. This is achieved through an integrated workflow, giving the executives real-time visibility into the status and progress of all loans throughout the lending lifecycle. Consequently, this unprecedented transparency facilitates faster decision-making and ensures efficient management of the loan portfolio.

With features like creating fixed or floating interest rates as well as integrations with 3rd party service providers like Credit Bureaus, our solution can meet your specific needs, improve operational efficiency and reduce operational costs.

Loan Management and Collections

Our General Ledger (GL) provides a comprehensive and organized record of all financial activities, ensuring transparency and accuracy in your bookkeeping. Our application allows customers to setup GL Accounts for each product (or type), charge or fee, input important details and automatically make journal entries. Microfinance institutions can also benefit from Phoenix International's integration with payment rails, including remittances, payroll services and other industry providers to provide flexible payment options for loans, further boosting operational efficiency and customer experience. Debt collection is simplified with monitoring tools to identify at-risk customers who might be in default or are at risk of doing so.

Compliance and Reporting Tools

Our software can help you to get and remain compliant in accordance with regulations. With our guided approach, our affordable solutions free up your time and processes while providing value.



Requirements for Microfinance Institutions

General Requirements

1. Ability to open an individual account for a natural person and/or self-employed person by capturing the following customer information³
2. Ability to capture and store business and personal contact details
3. Ability to capture the source of wealth of funds
4. Ability to capture personal details - occupation or economic activity
5. Ability to capture business details - name, business registration etc.
6. Ability to open a corporate body, partnership and charity account by capturing the following non-personal information:⁴

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The Phoenix system has tools that can complement the requirements of the BOJ, per the POCA act. This means that your company will be better able to monitor transactions and customer information



³Transaction number/account number, name, date of birth, place of birth, TRN, residential address, contact information, references, nationality, signature specimen, source of funds and ID.

⁴Transaction number/account number, business name, description of business, TRN, registered office address, source of funds, the names, addresses and nationalities of principal owners, directors, beneficiaries, and senior officers; evidence of the identity of the natural persons who are the beneficial owners and signature specimen of all nominees or alternate operators of the account.

Requirements for Microfinance Institutions

Requirements: Risk Based Framework

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7. Ability to capture the risk profile of all customers
8. Ability to automatically assign risk rating based on customer information
9. Ability to access customer's risk rating changes



Requirements: Compliance Monitoring

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10. Ability to remove and/or change hold status on cheques before expiry with approval
11. Ability to cross-check information as it relates to the source of funds, business type and risk profile
12. Ability to implement a tracking system for unusual transactions (Suspicious Transaction Reporting)
13. Ability to send a notification when a customer's identification documents have expired
14. Ability to integrate with 3rd party applications to scan, validate and upload identification type



Requirements for Microfinance Institutions

Requirements: Transaction Monitoring and Reporting

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Microfinancing Institutions should have systems to monitor all transactions and detect unusual customer activity.

- | | |
|---|-------------------------------------|
| 15. Ability to set a limit of 1 million JMD or equivalent for cash transactions | <input checked="" type="checkbox"/> |
| 16. Ability to accept various methods of payments, e.g., cash, cheque etc. | <input checked="" type="checkbox"/> |
| 17. Ability to screen all payment transactions made - e.g., wire, remittance etc. | <input checked="" type="checkbox"/> |
| 18. Ability to view and report transactions that are suspended | <input checked="" type="checkbox"/> |
| 19. Ability to accept cash or cheque payments of different currencies | <input checked="" type="checkbox"/> |
| 20. Ability to process and validate funds cleared before acting on them | <input checked="" type="checkbox"/> |
| 21. Ability to remove and/or change hold status on cheques before expiry with approval | <input checked="" type="checkbox"/> |
| 22. Ability to generate reports upon request | <input checked="" type="checkbox"/> |
| 23. Ability to set approval limits for transactions | <input checked="" type="checkbox"/> |
| 24. Ability to convert transactions amount to account currency, where applicable | <input checked="" type="checkbox"/> |
| 25. Ability to reverse payment when a cheque has been returned | <input checked="" type="checkbox"/> |
| 26. Ability to store ID Types and documentation for the source of funds for all transactions exceeding \$1,000 USD | <input checked="" type="checkbox"/> |
| 27. Ability to set a limit of 1 million JMD or equivalent for cash transactions | <input checked="" type="checkbox"/> |
| 28. Ability to implement a tracking system for unusual transactions (Suspicious Transaction Reporting) to detect and mitigate money laundering and financial risks. | <input checked="" type="checkbox"/> |
| 29. Ability to track account monitoring orders in effect for a specified time | <input checked="" type="checkbox"/> |
| 30. Ability to capture approver details for transactions that were authorized | <input checked="" type="checkbox"/> |

Requirements for Microfinance Institutions

Requirements: Record Keeping

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- | | |
|--|---|
| 31. Ability to retrieve details about a previously posted transaction and extract the following details about the transaction and the customer if a customer information order is served: ⁵ | ✓ |
| 32. Ability to provide a reporting tool with information stored for a minimum of 7 years | ✓ |
| 33. Ability to store loans, identification, and other types of documents | ✓ |
| 34. Ability to capture all transaction type records - Date and Description | ✓ |

⁵1. Account/transaction number.

2. Date on which the individual began to hold the account.

3. Date on which the individual ceased to hold the account.

4. Transaction date and description of transaction type.

5. Account number of any other accounts to which the individual is a signatory and details (comprising the personal or private information) of the other persons holding those accounts.

6. Source of funds that will be used in the transaction or used to access the service offered by the financial institution.

7. Source of wealth.

8. Occupation or economic activity/(ies) responsible for the source of income.

9. Business and personal contact details.

10. Capacity in which the business is being transacted, (including details of the representative relationship (if applicable));

11. Information regarding the customer's character and integrity (for customers other than customers who are visitors to the island and not transacting business in the course of, or pursuant to a work permit situation);

12. Any other particulars necessary to complete its KYC requirements and to assess among other things, the likelihood that the account will be used for significant transactions.

Requirements for Microfinance Institutions

Requirements: KYC Customer Due Diligence (CDD)

Know Your Customer (KYC) is a verification process that confirms customer information to prevent potential financial fraud.

- 35. Ability to display customer information details confirmed and/or change
- 36. Ability to send notifications when customer's identification documents have expired
- 37. Ability to open a corporate body, partnership, and charity account by capturing non-personal information
- 38. Ability to retain KYC details for electronic fund transfers which exceed \$1,000 USD or the equivalent amount in any other currency.⁶
- 39. Ability to automatically require ID when the transaction is above a specified threshold (\$250 USD or equivalent⁷) for foreign currency exchange

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Requirements: KYC Verification Process

- 40. Ability to validate that information captured is following the country's regulations.
- 41. Ability to integrate with sanction screening applications, e.g., World-Check

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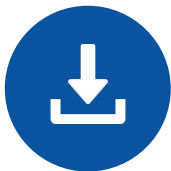
Phoenix's clients and customers may be assured that all the information they utilize from us has undergone local and international verification through this method.



⁶ The details must include a national identification number, the customer identification number; or the date and place of birth of the person who places the order for the transfer and the holder of the account which is the source from which the funds are transferred.

⁷ Based on policy, Phoenix's system automatically requests an ID for foreign exchange transactions.

The Application Process in Five Steps



Download the application form and Microcredit Act (2021) Rules



Submit the application form for consideration.



Documents relating to policies and procedures should be presented with the completed application form.



Completion and signature of the Fit and Proper Questionnaire by ultimate formal owners, such as shareholders, the board of directors, etc.,



Submit the documents and application form to the Bank of Jamaica for approval

Sanctions

If a licensee under the Banking Services Act (BSA) is assessed to be operating in an unsafe or unsound manner, it can be subject to any one or more of the following penalties under section 109 of the BSA:

- Warning letter
- Voluntary Board Undertaking
- Supervisory directions
- Cease and desist order

Failure to comply with any such requirement, undertaking, direction or order constitutes an offence for which a person on conviction in a Resident Magistrate's court can be fined *up to J\$5 million and/or imprisoned for a term not exceeding one year.*

In the case of Money Transfer and Remittance Agents and Agencies ("remittance companies") and Bureau de Change ("cambios"), non-compliance with their respective Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) obligations, including the Guidance Notes, may result in the imposition of regulatory sanctions, such as being placed on probation and subject to enhanced monitoring or oversight, or the suspension or revocation of the license.

A conviction for an offence under any applicable legislation can also adversely impact a person's ability to be deemed as 'fit and proper' and continue to operate within the sectors regulated by the Bank of Jamaica (BOJ).






YOUR MICROFINANCE COMPLIANCE PARTNER

By partnering with Phoenix International, your microcredit business can quickly achieve central bank compliance, ensuring you meet all the necessary regulatory requirements in just a few weeks.

BOOK A CONSULTATION TODAY!

PHOENIX INTERNATIONAL

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