



**STANDARD OF SOUND PRACTICE ON  
FIT AND PROPER ASSESSMENTS  
UNDER  
THE MICROCREDIT ACT, 2021**

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Standards of Sound Practices (SSP) are guiding principles issued by the Bank of Jamaica which set out minimum expectations of the Supervisory Authority in relation to its licensees; and against which licensees can evaluate their performance.

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**Standard of Sound Practice on  
Fit and Proper Assessments  
(For licensees under The Microcredit Act 2021)**

The Standard of Sound Practice on Fit and Proper Assessments for Microcredit Institutions is available on Bank of Jamaica's website at [www.boj.org.jm](http://www.boj.org.jm).

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## List of Abbreviations

FID	Financial Investigations Division
FISD	Financial Institutions Supervisory Division
JCF	Jamaica Constabulary Force
MCA	Microcredit Act
MCI	Microcredit Institutions
MOU	Memorandum of Understanding
PQ	Personal Questionnaire

## GLOSSARY

1. **“Company”** - A company is any corporate body incorporated in Jamaica or elsewhere and any entity which, in the opinion of the Supervisor, is analogous to a body corporate.
2. **“Financial Institution”** - means a person who undertakes or engages in financial services.
3. **“Financial Services”** includes the following:
  - (a) banking business;
  - (b) lending;
  - (c) consumer credit;
  - (d) financing commercial transactions;
  - (e) transfer of money or value;
  - (f) issuing electronic money;
  - (g) financial guarantees and commitments;
  - (h) dealing in securities and trading in other financial instruments;
  - (i) participation in security issues;
  - (j) individual and collective portfolio management;
  - (k) insurance business and insurance related financial services;
  - (l) investment of moneys and other financial assets on behalf of third parties;
  - (m) pension fund management; and
  - (n) any other service designated as a financial service by the Supervisor by order published in the Gazette, subject to affirmation resolution.
4. **“Officer”** - a person who (a) is a director, president or vice-president (however designated), general manager, company secretary, financial controller or treasurer; or (b) performs functions similar to those normally performed by the holder of any position referred to in (a).
5. **“Substantial Shareholder”** - person or legal person who holds 20 per centum or more of the shares of a licensee.

# STANDARD OF SOUND PRACTICE ON FIT AND PROPER ASSESSMENTS FOR MICROCREDIT INSTITUTIONS

## A. PREAMBLE

Microcredit institutions (MCIs) should be owned, managed and operated by “fit and proper” persons who maintain high ethical standards, whose conduct and business dealings support a conclusion of overall integrity and probity, and who are competent and qualified to conduct such business.

Licensees are statutorily responsible for ensuring that microcredit institutions are prudently and soundly managed (section 30.1 of the Microcredit Act, 2021 (MCA)). Therefore, on an ongoing basis, Bank of Jamaica (the “Bank”) requires that licensees develop and implement clear due diligence processes to guide the hiring and appointment of directors, management and all prospective staff members.

The Supervisor has a statutory responsibility to assess the fitness and propriety of substantial shareholders and officers in microcredit institutions. Upon completion of assessments, a recommendation is made to the Supervisor which has responsibility for making determinations on whether an individual is a “fit and proper” person.

The Standard of Sound Practice on Fit and Proper Assessments (the “Standard”) is, therefore, intended to provide guidance regarding:

- i) the criteria for “fit and proper” assessments;
- ii) the application of the “fit and proper” criteria by the Supervisor; and
- iii) the approach to conducting “fit and proper” assessments.

## **B. INTRODUCTION**

### **Legal Basis for Fit and Proper Testing**

All individuals with responsibility for the management and control of a microcredit institution and officers within the institution must satisfy the “fit and proper” criteria outlined in section 2(2) of the MCA. For the purposes of the MCA, an individual is a “fit and proper” person if:

- a. he possesses the knowledge, skills and experience which are necessary for the intended functions to be carried out by that person;
- b. he has not been convicted of an offence involving fraud or dishonesty, or an offence specified under the Proceeds of Crime Act, the Terrorism Prevention Act or the United Nations Security Council Resolutions Implementation Act, or any other relevant Act, or an offence that is similar to any such offence in another jurisdiction;
- c. his employment record does not give the Supervisor reasonable cause to believe that the person has carried out an act involving dishonesty or an act involving impropriety in the handling of financial business;
- d. in the opinion of the Supervisor -
  - i. he is a person of probity;
  - ii. he is a person whose appointment to the board of, employment by, or ownership of, the licensee, as the case may be, will not result in a conflict of interest;
  - iii. he is able to exhibit competence and exercise diligence and sound judgment in fulfilling his responsibilities in relation to a microcredit institution; and
  - iv. the interests of consumers will not be threatened if the person assumes the office that he is likely to hold, or continues to hold the office that he currently holds.

## **C. PURPOSE AND APPLICATION OF FIT AND PROPER ASSESSMENTS**

### **C.1 Purpose**

1. The purpose of the “fit and proper” assessment is to:
  - a. deter persons who are not “fit and proper” from entering or continuing in the microcredit system;
  - b. ensure compliance with statutory and regulatory requirements;
  - c. ensure consistency with internationally accepted best practice standards; and
  - d. promote a high standard of corporate governance.
  
2. By definition, a “fit and proper” assessment is the statutory basis for evaluating the probity, expertise, competence, diligence and sound judgement of the substantial shareholders and officers.

### **C.2 Application**

3. The Supervisor is statutorily required to assess whether substantial shareholders and officers of microcredit institutions are “fit and proper” on:
  - a. an ongoing basis;
  - b. the review of a licensing application; or
  - c. the review of any application involving a change in ownership or control of a licensee (see section 19 of the MCA) or a person to whom section 2(2) of the MCA relates.
  
4. Additionally, assessments shall be conducted in situations such as the following:
  - a. where findings of on-site examinations point to or uncover information which may affect the ongoing fitness and propriety of a substantial shareholder or officer;
  - b. in response to a request for regulatory co-operation; and
  - c. where the Bank is notified of information which may adversely impact a person’s fitness and propriety.

5. The MCA provides that licensees should ensure that each substantial shareholder and officer is and remains a “fit and proper” person. Therefore, licensees have a responsibility to ensure that substantial shareholders and officers are “fit and proper” at appointment or upon assumption of the relationship and on an ongoing basis thereafter.

#### **D. SUPERVISORY APPROACH TO FIT AND PROPER ASSESSMENTS**

6. The Bank will assess substantial shareholders and officers as to their probity, expertise, qualification, competence and financial soundness. In addition, the Bank will determine the suitability of substantial shareholders via in-depth due diligence assessments which would involve examination of the transparency of ownership structures, source(s) of financial resources, financial soundness and probity, as well as conformity with laws and ethical standards that govern business conduct.
7. Individuals will be assessed in accordance with the stipulations of the MCA as well as the principles outlined in Section F of this Standard - “Description of Fit and Proper Principles” - in order to ensure transparency, objectivity, consistency and overall fairness of the process.
8. In determining whether a person meets the “fit and proper” requirements, the considerations set out in Section F will be assessed individually as well as on a cumulative basis according to their relative importance. Failure to meet one indicator may not, on its own, mean failure to meet the “fit and proper” criteria.
9. The weight of the contribution of each of the relevant principles to the assessment of the fitness and propriety of an individual may vary depending on the degree of the individual’s influence and responsibilities in the affairs of the entity. For example, consideration will be given to whether there are material changes in the nature and scope of the responsibilities assumed by an individual, which would require higher standards of competence or judgement in order to properly perform the duties associated with said position. Material

changes in expected duties could give rise to conflicts that could impair the individual's performance in the position.

10. The Bank's approach will be informed by all available evidence taken together, including third-party evidence.

## **E. CRITERIA FOR FIT AND PROPER ASSESSMENTS**

11. In general, three (3) fundamental and universally accepted principles determine a person's fitness and propriety. These are probity (honesty, integrity, and reputation); financial soundness; and competence.

12. In executing a "fit and proper" assessment, the most critical considerations are:

- a. Probity (honesty, integrity and reputation) – Substantial shareholders and officers must have no record of criminal offences involving fraud or dishonesty, or an offence specified under the Proceeds of Crime Act, the Terrorism Prevention Act or the United Nations Security Council Resolutions Implementation Act, or any other relevant Act, or an offence that is similar to any such offence in another jurisdiction. Neither should there be any adverse regulatory determinations that may make a person unfit to hold management positions or positions with the capacity to significantly impact the performance of a microcredit institution;
- b. Financial soundness - Substantial shareholders and officers must be compliant with tax and other statutory requirements. Additionally, they must manage their financial affairs judiciously; and
- c. Competence - Substantial shareholders and officers must possess the necessary knowledge, skills, and experience which are required for their current or intended functions.

13. The statutory provision regarding fitness and propriety is not exhaustive and therefore the

Supervisor can take other factors into consideration when conducting its assessments.

## **F. DESCRIPTION OF FIT AND PROPER PRINCIPLES**

### **F.1 Probity (Honesty, Integrity and Reputation)**

14. It is difficult to precisely define integrity, however, qualities such as honesty, reputation and honourable behaviour in dealings with third parties, are principally considered in the determination of one's integrity. Integrity demands a disciplined and consistent approach to high standards of conduct.
  
15. Integrity will be reflected in the degree of stewardship exhibited in managing the financial affairs of the microcredit institution, attitude towards maintaining internal controls and effective procedures. The absence of the foregoing could be highly detrimental for a microcredit institution and will impinge on the Supervisor's assessment of an individual's fitness and propriety.
  
16. The Bank will consider whether an individual has been convicted of any criminal offence involving fraud or dishonesty, or an offence specified under the Proceeds of Crime Act, the Terrorism Prevention Act or the United Nations Security Council Resolutions Implementation Act, or any other relevant Act, or an offence that is similar to any such offence in another jurisdiction. Convictions for other offences will also factor in determining issues of probity.
  
17. Acting with integrity also involves candid disclosures to the Supervisor on any matter concerning the microcredit institution about which the Bank should be aware (see section 21(1) of the MCA and section H of this Standard).
  
18. Where the Bank discovers that such information was not brought to its immediate attention, it will assess the following in order to determine the extent to which this will impact the

individual's fitness and propriety:

- a. the circumstances surrounding the failure to report;
- b. the time which has elapsed between the occurrence of the event and its discovery;  
as well as
- c. the material impact that the event has had or could have had on the entity.

19. The Supervisor will not view positively an individual who has not demonstrated a readiness and willingness to comply with the requirements and standards of the regulatory system and other legal, regulatory and professional requirements and standards.

20. The list below highlights more specific instances in which an individual may receive increased scrutiny and the integrity test impacted. While not exhaustive, the list should be interpreted as a guide to understanding the considerations in conducting the integrity test.

The instances are as follows:

- a. The individual has been the subject of any existing or previous investigation or disciplinary proceedings by the Supervisor, other past or existing regulatory authorities, professional bodies, or government bodies or agencies or any justified complaint relating to regulated activities;
- b. The individual has contravened any of the requirements and standards of the regulatory system or the equivalent standards or requirements of other regulatory authorities (including a previous regulator), professional bodies, or government bodies or agencies, whether in Jamaica or overseas;
- c. The person is or has been the subject of any proceedings of a criminal nature, or has been notified of any potential proceedings or of any investigation which may lead to those proceedings;
- d. The individual has been involved with a company, partnership or other organization that has been refused registration, authorization, membership or a licence to carry out a trade, business or profession, or has had that registration, authorization, membership or licence revoked, withdrawn or terminated, or has

been expelled by a regulatory or government body; and as a result of the removal of the relevant licence, registration or other authority, the person has been refused the right to carry on a trade, business or profession requiring a licence, registration or other authority;

- e. The individual has been dismissed, or asked to resign and resigned from employment, from a position of trust or fiduciary appointment due to any alleged or proven inappropriate action(s)<sup>1</sup>;
- f. The individual has been disqualified from acting as a director in any managerial capacity or as an employee;
- g. The individual has been adjudged liable by a Court for fraud, misfeasance or other misconduct;
- h. The individual (in his personal or professional capacity) or an entity of which an individual has been a major shareholder, director or senior manager has been non-compliant with any tax and other statutory requirements imposed;
- i. Any other unethical or reprehensible conduct which is of such significance that it raises doubts as to the individual's integrity.

21. With regard to the examples above which relate to proceedings before a disciplinary, regulatory or other legal body, each case will be determined under the particular circumstance. However, the general principles that will guide the Supervisor's consideration are as outlined below:

- a. In the case where criminal charges or regulatory proceedings pending are against an individual, the Supervisor will not normally proceed with the application until the matter is resolved<sup>2</sup>;
- b. In the case of any legal proceeding, matters which are terminated will be taken into consideration by the Supervisor contingent on the outcome<sup>3</sup>; and
- c. Pending civil proceedings will not form the sole basis of a determination but may

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<sup>1</sup> There may not be any evidence to substantiate an employer's claim that an employee's engagement was severed by them being asked to resign.

<sup>2</sup> This is dependent on the proportionality or nature of the charge, for example, revenue related offences.

<sup>3</sup> If the individual is not convicted of the offence, the outcome of the proceedings would not form a part of the determination of the individual's fitness and propriety.

be considered together with other factors where there are extenuating circumstances.

## **F.2 Financial Soundness**

22. Financial soundness is an important element in determining the fitness and propriety of current and prospective persons who are substantial shareholders or officers in microcredit institutions.

23. Individuals are required to manage their financial affairs judiciously, evidenced by requisite credit reports issued by authorized credit reporting bureaus.

## **F.3 Competence**

24. To demonstrate competence, including expertise in the relevant subject matter, individuals involved in the financial sector must act in a knowledgeable and professional manner, demonstrating sound judgement and a culture of compliance. In this regard, the Supervisor will focus on three main areas, namely qualification, experience and performance.

25. Demonstration of competence takes the following factors into account:

- a. the technical know-how and ability to perform prescribed duties for which they are engaged as supported by the requisite experience including recognised professional qualifications;
- b. an appropriate range of skills and experience to understand, execute, manage or oversee the activities for which he or she is being proposed or for which he or she is responsible; and
- c. sound knowledge of all applicable legislation, rules, policies, guidelines and standards of sound practices.

## G. FREQUENCY OF ASSESSMENTS

26. To facilitate the “fit and proper” assessments, the following documents must be submitted to the Microcredit Regulatory Oversight Department of the Financial Institutions Supervisory Division (FISD) in the required frequency (see Table 1):

<b>Table 1. Frequency and Documentation for Fit and Proper Assessments</b>			
	Document	Required Frequency	Comments
1	Fully completed and duly certified Personal Questionnaire (PQ)	Initially	PQs are required prior to effecting appointment of substantial shareholders and officers. Information provided relates to the individuals, in both their personal and professional capacities.
		Annually	The Annual PQs are to be submitted as at 31 December, within 60 days of the calendar year end.
2	Police clearance reports from the Jamaica Constabulary Force (JCF)	Initially and every seven years thereafter	The Bank requires original receipts evidencing proof of payment of the requisite fees to the Collector of Taxes for JCF reports; and a collection date noted by the JCF. These reports will be collected directly from the JCF by the Bank.
3	Clearance reports from the Financial Investigations Division (FID)	Initially and every seven years thereafter; or at such other frequency as the Supervisor deems necessary	Payment for these reports is the responsibility of the licensee. Cheques should be made payable to FID and submitted to the Bank.
4	Overseas law enforcement clearance reports	Initially	This requirement applies to individuals who have - at any time - worked, studied or habitually resided in overseas jurisdictions for six or more months, since attaining the age of eighteen years. These clearance reports are required to be requested by the licensee from the law enforcement agency within each applicable jurisdiction. Overseas law enforcement agencies are to be requested to submit their report (in English) directly to the Microcredit Regulatory Oversight Department of the FISD.

		Every seven years	This requirement applies to an individual who has habitually resided in an overseas jurisdiction for six or more months, subsequent to the last “fit and proper” assessment.
5	A certified or notarized colour passport-sized photograph	Initially and every seven years thereafter	This requirement applies to all substantial shareholders and officers who reside overseas. A photograph is not required in cases where this is already embedded in the JCF clearance reports.
6	Summary of the microcredit institutions due diligence on the individual <sup>4</sup> .	Initially	In addition to the requisite “fit and proper” documentation, the microcredit institution shall provide the Bank with a summary of the findings of its own evaluation which served as the basis for determining that the proposed individual is “fit and proper”.  This should include the MCI’s assessment of the individual’s probity, financial soundness and competence.

27. Assessments rely, principally, on the review of PQs and associated submissions, along with information from any other internal or external sources including such information received from other jurisdictions in which the individual has worked; reports in the media; and Court judgements.

28. The Bank reserves the right to request documentation at greater frequency depending on the risk levels present over time.

## **H. NOTIFICATIONS TO THE BANK OF JAMAICA**

29. All microcredit institutions are required to notify the Supervisor in writing of proposed

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<sup>4</sup> Section 30 of the MCA provides that every licensee shall ensure that each substantial shareholder and officer is and remains a “fit and proper” person.

substantial shareholders and officers. All notifications must be accompanied by the required documentation and information to facilitate “fit and proper” assessments (see Table 1 in Section G of this Standard).

30. The microcredit institutions are required to await the final determination of fitness and propriety by the Supervisor before effecting appointments, confirmations or acquisitions.

31. In keeping with section 21(1)(a-c) of the MCA, licensees must immediately notify the Supervisor, in writing, of any:

- a. fraud or other criminal activity committed by or against the licensee or any other matter that could reasonably be viewed as adversely impacting the licensee’s reputation or status as a licensee;
- b. circumstance which renders a substantial shareholder or officer of the licensee unfit to hold office or incapable of satisfying the requirements of a fit and proper person under section 2(2), and the action that is being taken with regard to such matter; and
- c. dismissal or resignation of an officer and the reasons for the dismissal or resignation.

## **I. THE ROLE OF THE SUPERVISOR**

32. The Supervisor, under section 10(5)(b) of the MCA, is responsible for “fit and proper” determinations. The assessment is informed by the licensees’ own “fit and proper” assessment of the individual, the information provided on the “fit and proper” questionnaire and other documents required to be submitted by the substantial shareholders and officers.

## **J. APPEALING AN UNFAVOURABLE DECISION**

33. Every person who is aggrieved by a decision of the Supervisor, as to whether a person is “fit and proper”, may appeal to the Microcredit Appeals Tribunal in accordance with section 41

of the MCA.

## **K. INFORMATION SHARING**

34. One of the core principles for effective banking supervision is co-operation and collaboration among authorities with responsibility for the stability of the financial system or for the safety and soundness of banks or other financial institutions. In this regard, the Bank has entered into multilateral Memoranda of Understanding (MOU) with supervisors across the region as well as bilateral MOU with several other jurisdictions. These MOU involve sharing information regarding financial institutions as well as the “fit and proper” status of individuals. Given the confidential nature of such information, signatories to the MOU have committed to treat the information with utmost confidence and use same only for supervisory purposes.

35. In addition, section 7(1) of the MCA provides for the sharing of information among local or overseas regulators.

## **L. ENFORCEMENT**

36. Licensees are obligated to ensure that the substantial shareholders and officers are “fit and proper”. As such, licensees commit an offence under the MCA when the obligations are not met. These offences include:

- a. Failure by a licensee to ensure that each substantial shareholder and officer is and remains a “fit and proper” person;
- b. Failure by a licensee to notify the Supervisor of any fraud or other criminal activity committed by or against the licensee or any other matter that could reasonably be viewed as adversely impacting the licensee’s reputation or status as a licensee;
- c. Failure by a licensee to notify the Supervisor of any circumstance which renders a substantial shareholder or officer of the licensee unfit to hold office or incapable of

satisfying the requirements of a fit and proper person under section 2(2), and the action that is being taken with regard to such matter; and

- d. Failure by a licensee to notify the Supervisor of any dismissal or resignation of an officer and the reasons for the dismissal or resignation.