

26 May 2020

## **BANK OF JAMAICA READIES FOR LAUNCH OF ELECTRONIC FOREIGN EXCHANGE TRADING PLATFORM**

Bank of Jamaica's (BOJ's) ongoing reform of the foreign exchange (FX) market is poised to take another significant step.

The long-awaited electronic FX Trading Platform (FXTP) is almost here.

**The platform will facilitate real time electronic FX trading and observation of trades between all authorized FX traders - namely Deposit Taking Institutions (DTI's), and cambios for the USD/JMD currency pair.**

For greater transparency, a select list of large corporate clients involved in buying and selling FX has been provided by the relevant umbrella organizations (PSOJ, JMEA, SBA, MSME Alliance and the JCC) to be added to the system as observers. While they will be unable to take part, these observers will be able to see all daily trades in real time which will help them make informed decisions when approaching the market to buy or sell foreign exchange.

The intended implementation of the platform this year has been slightly delayed by the systemic impact and distraction of COVID-19, plus the need to fine-tune the system to accommodate specific internal compliance requirements of DTI's. These requirements include limits on exactly how much FX they can trade with non -DTI's, and so to facilitate seamless trading when the system is implemented, protocols will be built into the system for each cambio that a DTI may trade with.

**To make productive use of the delay period, BOJ will, on 01 June 2020, introduce a pilot phase of the FXTP where DTI's alone will be able to trade, while cambios will be able to familiarise themselves with the system as observers.**

**After the pilot phase, the actual platform, including ALL authorized FX traders (DTI's and cambios), will be introduced gradually, in the following order, in three phases:**

1. **Order Market Trading** – the pilot will mimic activities in this market. In this first phase, dealers will post sell (offers) and buy (bids) requests on the platform and conduct trades anonymously online.
2. **Quote Market Trading** – in addition to the order market, FX traders will be able to contact each other directly within the FXTP to negotiate and settle on a bilateral basis.
3. **External Market Reporting** – in addition to the first two phases, this is the phase where FX traders will report to BOJ trades with large corporate clients as well as trades in other currencies. With implementation of this third phase, FXTP will effectively replace BOJ’s longstanding eGate® system, which is currently being used for reporting all daily transactions in the FX market.

Phases one and two should be introduced before the end of 2020, while the final component, phase three, should be introduced in early 2021.

The FXTP is the latest feature in the radical, but relatively smooth process of BOJ-led FX market reform, which has so far been highlighted by the 2-part introduction (‘sell side’ then ‘buy side’) of the Bank of Jamaica Foreign Exchange Intervention and Trading Tool (B-FXITT) in late 2017/early 2018. This was followed in July 2019 by the signing of the Bank of International Settlements FX Global Code.

B-FXITT has revolutionized and modernized the way in which BOJ trades with authorized FX dealers and created much greater transparency in the FX market. The signing of the BIS FX Global Code adds credibility and holds those dealers to a global standard of integrity, efficiency and good customer service. The FXTP is expected to further upgrade the FX market by adding even greater layers of efficiency and transparency.