



TWIN PEAKS

Regulatory demarcation and
Coordination mechanisms

29 July 2025

- Financial Regulation models
- Twin Peaks model why?
- Legislative framework for Jamaica model
- Demarcation of responsibilities of regulators
 - ✓ Regulatory oversight of BOJ and FSCA

– Licensing / registration regime

- Coordination and collaboration
- Enforcement actions
- Implementation phases

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(Funding model structure will be addressed in Part 2)

Models of Financial Regulation

INSTITUTIONAL/TRADITIONAL

- Regulation is legal entity driven.
- One regulator for the legal entity which supervises all activities.
- **Fails to adequately address financial conglomerates and products that span different financial sectors.**

INTEGRATED/ UNIFIED

- One “super” regulator has full oversight across all sectors and businesses (prudential and market conduct).
- Facilitates consolidated supervision.
- **Risk of single point of failure and concern as to whether one regulator can effectively address both prudential and market conduct matters.**

FUNCTIONAL (*Current model in Jamaica*)

- Regulatory oversight determined by the function being conducted.
- A single entity may be regulated by several different regulators depending on products/services offered
- **Lack of holistic oversight.** No single regulator has full visibility across sectors.
- **Consolidated supervision requires high dependency on coordination and cooperation between multiple regulators.**

TWIN PEAKS (*Proposed new model for Jamaica*)

- Regulatory functions are objectives based and divided into two specialist regulators: (1) prudential regulator; and (2) market conduct regulator.
- Specialized oversight is tailored to each regulatory focus.
- **Allows for a 360 degree view of supervision from the perspective of each regulator across all sectors.**
- **Possibility of regulatory overlap with dual regulated entities.**
- **Collaboration among regulators key.**

Why Twin Peaks?

Advantages of the Twin Peaks Model- Prudential Perspective

A single prudential authority would facilitate much needed system-wide oversight and effective supervision.

Promotes a consistent, harmonized regulatory framework and supervisory methodology, thus reducing regulatory arbitrage and gaps.

Creates options for more effective organization of resources, facilitate risk-based allocation of staff to emerging supervisory risks and different approaches to conglomerate supervision.

Why Twin Peaks?

Advantages of the Twin Peaks Model- Market Conduct and Consumer Protection Perspective

Significantly strengthens the safeguards in the regulatory architecture to protect consumers' interests

Specialized regulatory focus on market conduct issues addressing the fair treatment of financial consumers and maintaining a transparent market

Need to strengthen the consumer protection and market conduct regulatory framework, best done in a focused manner by a single agency with a clear mandate.

Twin Peaks Approach – Other Jurisdictions

Australia

- PR is a separate entity from the central bank.
- Twin Peaks implemented through the establishment of the: **Australian Prudential Regulation Authority**, the PR, under the Australian Prudential Authority Act; and the **Australian Securities and Investments Commission**, the **MCR**, under the Australian Securities and Investments Commission Act. Cooperation and information sharing arrangements are provided in legislation such as the Financial Accountability Regime Act.
- **Dual licensing regime.**

United Kingdom

- PR is part of the central bank.
- Twin Peaks implemented through the Financial Services and Markets Act which establishes: **the Bank of England as the Prudential Regulation Authority**, the PR; and the **Financial Conduct Authority** as the MCR. The Act also includes provisions to ensure a coordinated exercise of their respective functions.
- Single licensing regime.

New Zealand

- PR is part of the central bank.
- Twin Peaks implemented through the establishment of the: **Reserve Bank of New Zealand**, the central bank, under the Reserve Bank of New Zealand Act as the PR;; and the **Financial Markets Authority**, the MCR, under the Financial Markets Authority Act. Joint regulatory collaboration is governed by the Financial Markets Infrastructure Act.
- **Dual licensing regime.**

South Africa

- PR is a separate entity from the central bank.
- Twin Peaks implemented through the the Financial Sector Regulation Act which establishes: the Prudential Authority as the PR and; the Financial Sector Conduct Authority as the MCR. The Act also includes strong coordination, cooperation and information sharing requirements.
- Single licensing regime.

Twin Peaks Approach – Proposed for Jamaica

- ***Prudential regulation proposed to remain a part of central bank –***
 - ✓ Suggested that this would be appropriate for a country as small as Jamaica given the costs relating to establishing a separate regulator with sole responsibility for microprudential supervision.
 - ✓ The mandates of price stability and financial soundness are complementary and mutually reinforcing.

- ***Twin Peaks Implementation proposed–***
 - ✓ BOJ remains the prudential authority for all financial institutions (DTIs and NBFIs). Suggested that this be achieved through amendments to the BOJ Act.
 - ✓ A new authority to be established as the market conduct authority for all financial institutions. Suggest that this be the Financial Services Conduct Authority (FSCA).
 - ✓ Legislative changes would address the collaboration and coordination between the regulators, information sharing and funding arrangements.

Regulatory Oversight Under Twin Peaks

Bank of Jamaica

Proposed that BOJ as prudential regulator would focus on financial safety and stability of institutions and the broader financial system.

Micro-prudential Oversight

- BOJ as prudential regulator would have micro-prudential responsibility for DTIs, SDs, Insurance (life & general), Pension Schemes and Credit Unions

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Macro-prudential Oversight

- BOJ would retain responsibility for conducting macroprudential oversight of financial institutions for the purpose of maintaining overall financial stability.
- BOJ would retain oversight for Payment Systems Infrastructure, Payment Service Providers, Securities Depository

Regulatory Oversight Under Twin Peaks

Bank of Jamaica

□ AML/ CFT/CPF Supervision and Enforcement

- It being proposed that BOJ be the Competent Authority under POCA for all financial institutions

□ Foreign Exchange Market Oversight

- BOJ would have regulatory oversight of **market conduct matters** with respect to FX market trading activities of:
 - DTIs designated as authorized dealers
 - cambios

Regulatory Oversight Under Twin Peaks

FSCA

□ Market Conduct and Consumer protection:

FSCA responsible for market conduct and consumer protection regulation in **protection of the rights and interests of consumers of financial services** and the **promotion of fair, efficient and transparent markets, financial inclusion and literacy**. This will apply to

- all FIs save for market conduct matters as regards FX market trading activities of:
 - DTIs designated as authorized dealers
 - cambios
- Trust and corporate services providers (TCSPs)¹⁰
- Credit bureaus, Stock exchanges and central securities depositories

□ AML/ CFT/CPF Supervision and Enforcement

- TCSPs that are not financial institutions.

Licensing Regime

□ Two Models used across Twin Peaks Jurisdictions:

Dual Licensing Regime (Australia , New Zealand)

- Financial institutions, subject to prudential regulation, will need a licence from the prudential regulator as well as the market conduct/consumer protection regulator.
- The market conduct/consumer protection regulator consults with the prudential regulator prior to suspending or cancelling a licence issued by that regulator

Single Licensing Regime (UK, South Africa)

- Licence is issued by the prudential or the market conduct/consumer protection regulator depending on the type of entity.
- Both regulators have to concur.

Single licensing regime as proposed

- Applicants for license to operate business subject to prudential regulation would not need to be licensed by FSCA as well as BOJ.
- FSCA would be the regulator responsible for licensing pension plans, TCSPs and market actors who interface directly with the customers.
- One regulator would therefore be responsible for each type of license/registration applicable.
- Preferred over dual licensing regime to avoid duplications in processes, delays for start-ups and double costs of regulation.
- Responsible regulator for licensing to collaborate with the other regulator on matters related to the other regulator's remit as applicable.

Coordination and Collaboration

- ❑ Successful roll out of TP will require effective collaboration and coordination channels between the regulators.
- ❑ The legislation will:
 - ✓ *address coordination and cooperation arrangements including data sharing*
 - ✓ *allow for the adoption of MOUs to address matters of cooperation*
 - ✓ *allow each regulator to have full right of access to requisite information concerning licenses and the financial system for the sole purpose of effective discharge of their mandates*
 - ✓ *Have relevant confidentiality requirements*

Coordination and Collaboration

- ❑ Regulators will each have a seat as an ex-officio member on the Supervisory Committee of the other regulator. Facilitates collaboration and coordination of regulatory action
- ❑ Avoids duplication of efforts and facilitates timely regulatory decisions which factor in both peaks.

Enforcement actions

❑ **Licensing sanctions:**

✓ *Regulator with licensing/registration authority may effect licensing sanctions (such as suspensions or revocation).*

✓ *The other regulator may make recommendations with regard to licensing sanctions, through its seat on the supervisory committee of the licensing regulator. These recommendations are to be considered in the making of final decision.*

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❑ **Other enforcement actions:**

✓ *Both regulators will take other enforcement actions with regard to breaches, such as warnings, directions, other sanctions, fixed penalties.*

THE TWIN PEAKS MODEL WOULD BE IMPLEMENTED IN TWO
PHASES

PHASE I

- Implementation of the legislative amendments and changes in regulatory and supervisory processes:
 - ✓ Enabling legislation to reflect BOJ as prudential regulator and FSCA as market conduct regulator for FIs (proposed amendments to BOJA and enactment of the proposed new Financial Services Conduct Authority Act (FSCA Act));
 - ✓ Provisions for establishment of initial overarching financial consumer protection framework
 - ✓ Amendments to sector legislation necessary to facilitate the Twin Peaks model
 - ✓ Critical measures necessary for strengthening of the regulatory authority from the outset;
 - ✓ Amendments to accommodate proposed funding arrangements for prudential and market conduct regulations;
 - ✓ Basic framework for handling financial consumer complaints
 - ✓ Provisions with regard to cooperation and coordination arrangements between the regulators;
- Regulators will put in place policies and measures needed for a smooth transition

PHASE II

- ✓ Additional legislative changes for both prudential and market conduct regulation would be explored and pursued. Includes amendments to further rationalize and strengthen the regulatory and supervisory framework
- ✓ A comprehensive and consolidated framework for financial consumer protection developed
- ✓ Enhancements as needed to coordination and collaboration arrangements

Some take-aways

- ❑ Twin Peaks model of financial regulation will have significant benefits for Jamaica allowing for
 - 1) *Two specialist regulators focusing on important aspects of prudential regulation and market conduct regulation*
 - 2) *Ease in implementation of consolidated supervision of conglomerates across all sectors*
- ❑ Single licensing regime ensures that industry will not be required to obtain two licenses/approvals for any one function.
- ❑ Governance structure which allows each regulator to participate as an ex-officio member of the supervisory committee of the other regulator allows for collaboration and for issues affecting both regulators to be considered in the supervision process.

Some take-aways

- ❑ Coordination mechanisms between the regulators to
 - ✓ ensure that actions by one regulator will not have unintended consequences in terms of the supervisory remit of the other regulator or the broader financial system and
 - ✓ limit duplication of efforts and bureaucracy for the industry