



Comments on Interim BOJ Report on Survey of Fees and Charges of Deposit-Taking Institutions

Submitted by:

Fair Trading Commission (FTC)

January 24, 2014

General Comment

The FTC's primary role is to ensure that, where feasible, the environment in which enterprises operate is conducive to competition since competition is the best means of ensuring that consumers are provided with quality goods and services at the most affordable prices.

Our comments were informed by comparable surveys the FTC undertook in (i) the Commercial Banking Sector, a report on which we published in December 2010 covering the period 2005-2009; and (ii) the Credit Union Sector, a report on which we published in November 2012 covering the period 2007-2010.

Specific Comments

- *Free Bank Services.* The interim report suggests that First Global Bank (FGB) had 8 services for which it charges no fees but the table "Commercial Banks Schedule of Fees and Charges, as at 31 October 2013" suggest that 13 services are free.
- *Trend in real (constant 2009 dollars) bank charges.* Given our inflationary environment, we suggest that the Bank of Jamaica (BOJ) include a discussion on the average bank charges over the period 2011-2013, adjusting for changes in the consumer price index during the period. We have created a graph based on inflation adjusted fees and charges as an indication of the trend in real terms over the past 8 years.

We observe that since 2011 the spread in fees between the bank with the lowest and highest fees has narrowed sharply relative to the 6 year period prior to 2011.

- *Excluded significant charges.* We recommend that the final report include a discussion on charges such as "Cheque book" and "Overdraft interest/ facility fee" in its basket of

services reported on. In the FTC’s 2011 Bank Survey Report, these charges were among the highest for commercial banks ranging between \$1,700.00 and \$2,498.33 in 2009.

- We recognize that the BOJ did not report on the Credit Union Sector in its Interim Report. The FTC’s Survey of the Credit Union sector revealed that for comparable financial services, fees charged by credit unions, on average, are lower than fees charged by commercial banks (*Appendix D* of the Report for details).

References:

FTC, Prospects for Competition in the Credit Union Sector, November 2012. Download copy at <http://jftc.gov.jm/Research/IndustryStudies.aspx> (last accessed: January 24, 2014).

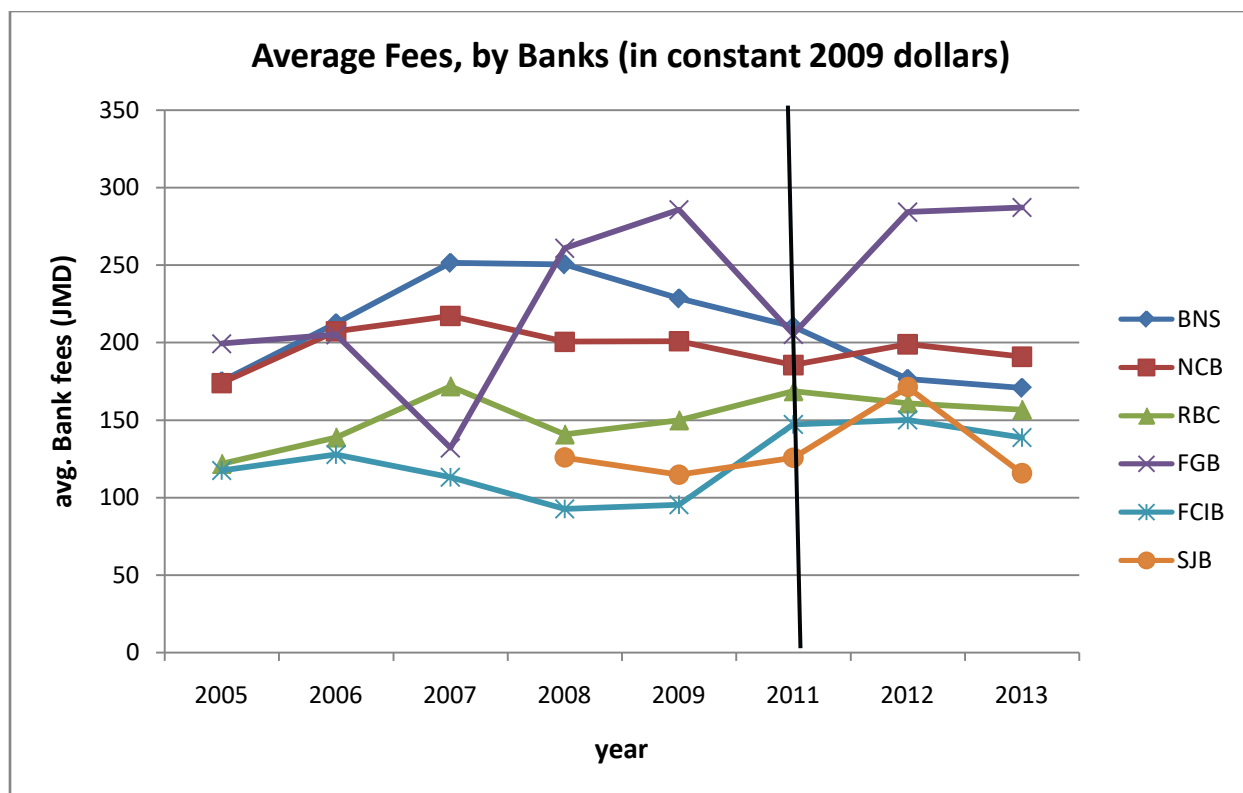
FTC, The Nature and Extent of Competition in the Commercial Banking Sector, December 2010. Download copy <http://jftc.gov.jm/Research/IndustryStudies.aspx> (last accessed: January 24, 2014).

Average Bank Fees: 2005 – 2009 & 2011- 2013 (in constant 2009 dollars)

	2005	2006	2007	2008	2009	2011	2012	2013
BNS	175.08	212.50	251.42	250.43	228.49	210.31	176.63	170.85
NCB	173.97	207.28	217.14	200.53	200.90	185.53	198.96	190.93
RBC	121.86	138.90	171.86	140.84	149.93	168.71	160.87	156.72
FGB	199.38	205.12	132.04	260.94	285.87	205.34	284.31	287.24
FCIB	117.39	127.82	113.15	92.73	95.32	147.17	150.02	138.65
SJB	-	-	-	125.91	114.88	125.77	171.25	115.73

Services used in calculating average fees:

1. ABM
2. P.O.S
3. Minimum balance (savings account)
4. Dormant account (savings account)
5. Dishonoured cheque (current account)
6. Bank statement (current account)
7. Manager’s cheque



Average Bank Fees: 2005-2009 (nominal values)

	2005	2006	2007	2008	2009
BNS	1,103.10	1,479.00	2,142.50	2,498.33	2,498.33
NCB	737.50	1,115.00	1,259.90	1,526.00	1,700.00
RBC	893.22	815.60	1,831.50	1,831.50	1,831.50
FGB	596.25	596.25	596.25	1,337.83	1,833.33
FCIB	-	-	-	-	-
SJB	-	-	-	1,732.06	1,732.06

Services used in calculating average fees:

1. Cheque book
2. Overdraft interest / facility fee