

February 11, 2011

Dear Valued Scotiabank Customer,

In an effort to keep our customers informed, we would like to update you on the Payments Systems Reform process being implemented by the Bank of Jamaica (BOJ).

The BOJ implemented a Real Time Gross Settlement (RTGS) system in February 2009. The RTGS is an on-line funds transfer system where the transfer of money is effected from one bank to another in "real time". The BOJ has indicated that effective March 31, 2011, financial transactions with a large value (i.e. \$5,000,000 and above) are to be cleared via the RTGS system instead of the "regular clearing" system (Automated Clearing House/ACH), where all cheques are now cleared. Consequently, the BOJ will impose a penalty of \$5,000 on any transaction of this value which is processed through ACH after March 31, 2011, providing the bank does not reduce its volume of large transactions by at least 50% over an assessment period.

What does this mean for you?

For any cheque that you write for \$5,000,000 or above, your account will be automatically debited the penalty fee of \$5,000 (plus GCT) as per the deferred charge imposed by the BOJ. Should BOJ advise Scotiabank that we will not be charged the deferred penalty fee at the end of the assessment period, we will then reimburse your account. Please also note that Manager's Cheques will no longer be issued for \$5,000,000 or above.

What are your options?

In order to avoid incurring the penalty charge, large payments can be done through our branch network. Simply present information on your payee's bank, branch, and account number, and the funds will be electronically transferred from your account to the payee at a nominal cost. Another option, providing you have signed our fax and email indemnity form, can be to email or fax your instructions with the necessary details to your branch.

We do appreciate that BOJ's new fee will affect our customers but hope that by providing you with options, the impact will be minimal. Please contact your branch or call us at 1 888 4 SCOTIA if you have any further questions.

At Scotiabank we remain committed to our customers and look forward to further serving your financial needs in the future.

Yours sincerely,

 **Scotiabank Group**

FREQUENTLY ASKED QUESTIONS RE NEW BANK OF JAMAICA CHARGE

Q - Why RTGS?

This RTGS system enables Banks to manage their liquidity efficiently while providing a better tool for Monetary Policy Management to the BOJ thus contributing to the realization of a more stable financial system.

Q – What are the benefits of using RTGS?

- Ensures efficiency and speed as transactions are on a real time basis
- Eliminates settlement risk by minimizing payment exposure
- Ensures finality and irrevocability of payments
- Is secure and instantaneous
- Boosts the confidence of investors and the general public in Jamaica's payment System.

Q – Why was this penalty fee introduced?

This fee was introduced by the Bank of Jamaica in an effort to encourage the use of RTGS for large value transactions (i.e. transactions with a value of JMD\$5,000,000 or more), and thus reduce the liquidity, credit and settlement risks. BOJ has advised that if the volume of large value transactions is reduced by 50% over an assessment period then this penalty fee per transaction will not be incurred by banks, and as such customers will be reimbursed at that time.

Q – How can I avoid being charged this fee?

In order to avoid incurring the penalty charge, large payments can be done through our branch network at a nominal cost. Simply present the following:

- ☐ Beneficiary name
- ☐ Beneficiary Bank and branch
- ☐ Beneficiary account number
- ☐ Value date of payment

and the funds will be electronically transferred from your account to the payee.

Another option, providing you have signed our fax and email indemnity form, would be to email or fax your instructions with the necessary details to your branch.

Q – Will I still be able to write cheques valued at J\$5,000,000 or more?

You can still write cheques valued at JMD \$5million or above, however if these items are presented at another Bank, it will incur the deferred penalty fee of \$5,000 per item as imposed by the BOJ, and this fee (plus GCT) will be subsequently charged to your account. Please be reminded that should the BOJ determine that the volume of large value transactions has decreased by 50% then your account will be credited the penalty fee at that time.

Q – When will I know whether the volume of large value transactions has met the BOJ's target of 50% and thus know whether my account will be reimbursed?

It is expected that BOJ will advise Scotiabank about this at the beginning of 2012. As soon as we are notified we will pass this information to our customers and reimburse your account at this time (assuming the 50% or greater reduction in volume was achieved).

Q – I don't have a chequing account but from time to time I would request a Manager's Cheque. Will this fee also affect me?

Because this fee applies to all cheques, including Managers Cheques and corporate cheques issued for JMD\$5 million or more, Scotiabank will no longer be issuing Manager's Cheques valued at JMD\$5 million or over. However you will be able to electronically transfer the funds from your account to your payee's once you provide us the information as outlined above.

Q- Are payments through RTGS safe?

Payments through RTGS are made via secured links between each Bank and the Bank of Jamaica and are therefore safe.