

# **Implementing Secured Transactions Reform in Jamaica**

## **Issues and Policy Options**

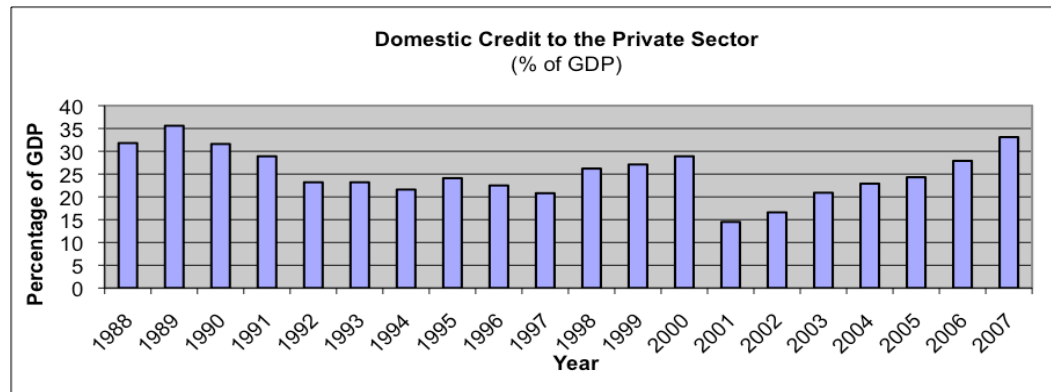
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## Businesses and Entrepreneurs are Starved for Credit in Jamaica

**Jamaica's Financial System is severely underdeveloped**

Although Jamaica has a wide variety of financial institutions, including a stock exchange, finance companies and an insurance sector, its financial system is severely underdeveloped. Domestic credit to the private sector, the best measure of access to finance in developing countries, amounts to less than 35 per cent of GDP. To put this into perspective, ratios of private sector credit to GDP in high-income countries typically exceed 100 per cent, and those countries at the same level of development as Jamaica it is 50 – 70 per cent. The result is that funding for investment and entrepreneurship is limited. Lending tends to occur to only well established businesses and those who own real estate. The dynamism that is needed to raise the growth rate of the economy is lacking. In addition key sectors find it hard to get financing. Smaller hotels, growers of the world famous blue mountain coffee, and small and medium sized businesses of all kinds report enormous difficulty accessing finance.



Source: World Bank: World Development Indicators: 2008

**Modern lending systems are a feature of virtually all countries where credit access is much easier than it is in Jamaica.**

Yet there are ways of improving the functioning of the financial system that will raise the availability of funding. And this does not involve direct government intervention or Development Bank lending, the history of which has been characterized by loan losses and misdirected credit in nearly all countries around the world. Rather it involves modernizing Jamaica's lending framework in a way that reduces the risk of non-payment of loans. Modern lending systems are a feature of virtually all countries where credit access is much easier than it is in Jamaica. The reform involves reforming the framework in terms of which collateral is pledged as security for loans. The system is known as secured transactions. In modern systems of secured transactions, business assets can be pledged as collateral far more easily, with greater reliability and with more certainty of recovery in the event of default than is currently the case in Jamaica. Jamaica needs a well functioning system of secured transactions if access to finance is to improve.

## Reasons Why Access to Finance is Limited in Jamaica

In the sections that follow, this paper describes the key features of an effective, well functioning system of secured transactions, analyze the current system in Jamaica within this framework, describe some of the benefits Jamaica could expect from reform, and make some suggestions regarding how this could be brought about.

**The reason why banks in Jamaica do not lend is therefore not hard to explain. Lending to all but the wealthiest of borrowers is fraught with risk**

Why is access to finance in Jamaica so limited? Creditors cannot lend with any certainty of being able to readily recover property pledged as collateral in a reasonable period of time. The reason why banks in Jamaica do not lend is therefore not hard to explain. Lending to all but the wealthiest of borrowers is fraught with risk. As a result, they tend to ask for personal guarantees on bank loans that are backed by real estate. Furthermore, since the process of repossessing and selling real estate assets is costly, the value of the collateral is usually several times the value of the loan, which raises the risk for borrowers. Potential borrowers without titled, registered real estate and other substantial assets cannot find financing. Thus a very large portion of the Jamaican population is cut off from access to financing.

When the law permits effective use of collateral, the risk from lending falls. Lenders react by offering more credit at the same or better terms. More credit at lower interest rates permits higher rates of investment and more capital per worker, leading to much higher incomes. Seventy percent of bank loans in the United States are secured by movable assets,; at the same time, credit in the United States is about ten times higher relative to GDP than it is in most developing countries.

A legal framework for secured transactions also reduces poverty and reduces wealth disparities, because secured transactions for movable property facilitates greater access to credit by the poor and by micro and small enterprises, compared to those with large assets in real estate. For land, a proper reform permits using small and rural holdings of real estate as collateral. Treatment of portfolios as movable property makes inexpensive and feasible most portfolio diversification and securitization.

## Why Jamaica Needs Secured Transactions Reform

Commercial banks exclude substantial classes of borrowers and financial instruments that are commonplace in other countries. For example, banks will not lend to sole proprietors, who make up by far the largest category of small businesses. Banks will not do financial leases, except to the largest companies,

which means that equipment lending secured by the asset itself does not occur except in a limited number of cases. This especially harms smaller businesses - in the United States, for example, such lending makes up a very large proportion of the financing of smaller businesses.

### **Some Examples of How Jamaican Business Could Benefit**

**Until the collateral framework is reformed, lack of funding for investment and entrepreneurship will reduce the growth potential of the country**

Until the collateral framework is reformed, lack of funding for investment and entrepreneurship will reduce the growth potential of the country. When done properly, secured transactions reforms can have quick and dramatic effects on access to credit. For example, a best practice reform in Romania, which occurred in 2001, resulted filings of security interests rising from less than 10,000 to 600,000 in four years of operation. The number of registered debtors quadrupled, lending rose in both urban and rural areas, and non-bank lending expanded even as a broader range of movable collateral was taken by lenders. Similarly, when New Zealand undertook this type of reform in the mid-1990s, the ratio of domestic private sector credit to GDP rose from 70 per cent to over 140 per cent. Both economies have subsequently grown at well above average world growth rates. While many factors obviously affect access to credit, an improved collateral framework undoubtedly made a significant contribution to the increases in these two countries.

**There are many sectors in Jamaica that could benefit from secured transactions reform. The tourism industry is one.**

There are many sectors in Jamaica that could benefit from secured transactions reform. The tourism industry is one. Hotels take bookings from operators in the United States and Europe. Typically bookings are made several weeks in advance. While a deposit may be paid, the bulk of the payment occurs after guests have left. Operators expect hotels and other tourist industry service suppliers to give credit terms that range from 15 days to 45 days. Tourism industry representatives indicated that while payment is reliable, it is often late, which puts a substantial strain on the industry's cash flow. However, these accounts receivable are high quality assets that under the current system are difficult to use. A well functioning collateral framework would allow tourism industry service providers to pledge the receivables and receive advances of between 60 and 80 per cent of the outstanding amounts.

Similarly, equipment dealers would be able to advance credit more reliably than they can now. The rapid repossession that is possible under a well functioning secured transactions framework would reduce risk of equipment disappearing. While the dealers themselves could take security interests in the equipment, the accounts receivables that extending trade credit provides constitute assets that can be pledged to banks. The result is the lengthening of the credit chain, thereby increasing access to finance generally. Furthermore, the closer to the customer is

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...the procedures to be followed in the event of default should occur rapidly, with a minimum recourse to the courts.

the company providing the credit, the greater the knowledge of the market being supplied. This knowledge assists in the sale of repossessed assets. It is far easier for a supplier of, say, agricultural machinery to resell equipment than it is for a bank. Under a well functioning secured transactions framework it would be easier for a bank to finance the dealer and for the dealer to finance customers than at present. Thus as the credit chain lengthens, risk declines, creating a self-reinforcing process for better credit access.

### Features of a Well Functioning Secured Transactions Framework

The description of secured transactions reform outlined in the previous section does not provide any details of what a well functioning collateral system involves. Essentially, a secured transactions framework allows borrowers to pledge movable property as security for a loan in a manner that removes ambiguity regarding exactly what property has been pledged, to whom the property has been pledged, and gives the lender the right to repossess these assets speedily in the event of payment default. To function effectively, the costs involved in utilizing the system should be low, the rights and obligations of all parties to the transaction should be clear, and the procedures to be followed in the event of default should occur rapidly, with a minimum recourse to the courts.

While every lender will state that the last thing that they want to do is to repossess pledged collateral, the very threat that they can do so provides strong incentives for borrowers to adhere to the terms of loan contracts and to make every effort to repay. The ability of borrowers to pledge property at low cost and for lenders to take collateral and in the event of default, repossess it requires a legal framework that provides for four essential elements.

**Creation.** The law must define the assets that are being pledged, so that a property right is created. It must permit clear and low cost methods for creating this “security interest” on the part of the lender. In general, people should be free to secure obligations with movable property as they wish, without undue expense and without undue legal restrictions and burdens. A simple agreement, should be all that is necessary to secure an obligation with nearly any form of movable property: tangible and intangible property, present and future-acquired property. The parties may agree that the debtor will remain in possession of the collateral and that the debtor may (or may not) sell, deal in, or otherwise dispose of the collateral with, or without, the knowledge or consent of the creditor. This is important when, say, inventory is used as collateral. Typically the debtor will need to sell the inventory, and purchase new stock, i.e. “rotate his/her stock” during the life of the loan. The agreement needs to allow inventory to be sold and newly purchased goods that move into inventory to become collateral, without the ne-

cessity of drawing up a new agreement. This procedure is known as a “floating charge” and applies to any assets that are constantly changing, including debtors or accounts receivable.

**The value of collateral is diminished when others may assert claims against it**

**Priority.** The law must set logical and clear priorities among the different property rights and set a time of publicity from which a right will prevail against other claimants to the same property. “Secured” lending is less than secure when previous creditors already have rights in, and future creditors may acquire rights in the collateral. The value of collateral is diminished when others may assert claims against it, including judgment holders who obtain writs of execution, tax authorities that can seize collateral based on a tax lien that is unknown to the lender, and bankruptcy trustees.

Further, collateral may be sold by the debtor, or otherwise disposed of. There must be rules that determine what rights do the buyers and other transferees acquire in the collateral. The rules should specify whose rights have priority over the rights of others, and under what circumstances. Secured transactions law clarifies these issues in the form of priority rules that specify the rights of borrowers, lenders, and third parties under a variety of commercial situations.

**Filing, therefore, need not take on any burdensome formalities and need not be subject to the scrutiny of a state agency**

**Publicity.** The law must provide a practical, effective and sustainable system for publicizing rights so that other potential lenders can determine whether an asset has already been pledged to somebody else. Therefore a system is needed that publicizes such pledges. It allows the creditor to file a notice that specifies the parties to the loan agreement and describes the collateral that has been pledged. In well functioning modern systems, the publicity merely indicates, in an easily searchable database, that a security interest exists. Filing, therefore, need not take on any burdensome formalities and need not be subject to the scrutiny of a state agency. The notice establishes a priority right to collateral in the event of a dispute among creditors and other third parties, but the actual status of property rights to collateral are to be found only in the security agreement itself.

**With modern technology, notice-filing offices are often operated electronically**

The notice serves only two purposes. First, the notice warns prospective creditors and buyers of possible prior security interests in the debtor’s property. Second, the date of the filing of the notice indicates the date by which competing claims to collateral are measured. The first filer has first priority in the event of default. The description of collateral in the notice may be general in nature, but must be sufficient to apprise prospective lenders and buyers of collateral of the possible status of the debtor’s property. With modern technology, notice-filing offices are often operated electronically, which gives speedy internet access to information regarding the filing of security interests and provide fast, efficient, and accurate service to borrowers and lenders. As a result, ambiguities arising from conflicting claims are substantially reduced.

**The success of secured transactions law depends upon the creditor's ability to enforce speedily its rights**

**Enforcement.** The law must set out a workable system for enforcing lenders' rights, including the repossession and sale of the property in the event of default. The success of secured transactions law depends upon the creditor's ability to enforce speedily its rights. The creditor must have the right, upon default, to take possession or control of the collateral and to sell or otherwise dispose of the collateral in an economically efficient manner. A sale may be through public or private facilities. Collateral may be disposed of in whole, or in parts. In appropriate circumstances, the collateral may be leased or licensed. Regulation of the creditor's efforts to obtain value from collateral must be sensitive to the type of collateral and the commercial circumstances in which the creditor must act.

**In many circumstances, it should not be necessary to go to court to repossess and sell property**

In many circumstances, it should not be necessary to go to court to repossess and sell property. There is no need for judicial intervention when a secured creditor disposes of collateral that is in the creditor's possession or control. Creditors often maintain possession of documents of title, warehouse receipts, and negotiable instruments. Upon default, the secured creditor should have statutory authority to sell or lease the collateral. Similarly, upon default, a secured creditor should have statutory authority to collect on accounts receivable that have been pledged as collateral, without judicial permission. Perhaps only in the case of a non-cooperative debtor in possession of tangible collateral is judicial intervention necessary, and then for the purpose of repossessing the property and giving it to the creditor.

If the secured transactions framework does not account for these phases, then both bank and non-bank lenders are reluctant to lend and financial market development is hindered. For private lending to serve borrowers' needs, the legal and institutional framework needs to assure private lenders about one thing: that the borrower will pay. A country's legal framework for debt collection provides that assurance. When the law permits effective use of collateral, the risk from lending falls. Lenders react by offering more credit at the same or better terms. More credit at lower interest rates permits higher rates of investment and more capital per worker, leading to much higher incomes.

### **How Does the Collateral System Work in Jamaica?**

**Jamaica's collateral framework functions poorly, is costly and uncertain**

Jamaica's collateral framework functions poorly, is costly and uncertain. This is the prime reason why access to credit in the country is limited. What are the reasons for the current inefficient and high cost system? The discussion that follows outlines the problems within the context of the framework outlined in the previous section.

### ***The Creation of Security Interests in Jamaica is Complex***

**At least five separate legal forms are in common use in Jamaican business practice**

A multiplicity of laws governs the creation of security interests in Jamaica. At least five separate legal forms are in common use in Jamaican business practice today. These are:

- ◆ Hire-purchase agreement
- ◆ Finance lease
- ◆ Bill of sale
- ◆ Fixed charge
- ◆ Floating charge

In addition, other ways of pledging property, that arise from common law forms, are used from time to time. These are:

- ◆ Pledge
- ◆ Consignment
- ◆ Assignment

(i) *Each form has its own peculiar trappings.* As a result, it is almost always necessary to employ a lawyer to ensure that the particular agreements in terms of which collateral is pledged is watertight, but even here the complexity of the system makes it far from certain that in the event of default, the agreement will stand up in court. The system results in unnecessary expense, whether in the formalities of creating security, the formalities of protecting security interests against third parties, or in the trappings of enforcing security interests against the debtor upon default. Specific deficiencies include:

(ii) *In Jamaica the type of debtor determines the way that collateral is pledged.* For example, only an incorporated company can give security under a company charge. Individuals may not take advantage of this powerful tool for financing using as collateral existing equipment, inventory, receivables, and other intangible assets. Individuals must resort to devices considered by creditors to be riskier (and therefore more expensive) or less convenient. An individual who tries to finance business receivables, for example, would probably need to resort to the common law assignment, which gives the assignee (the creditor) no protection against a bankruptcy trustee or against prior assignees. The upshot is that the floating charge, which is among the most powerful asset-based lending techniques available, it is out of the reach in Ja-

**...only an incorporated company can give security under a company charge. Individuals may not take advantage of this powerful tool for financing**



maica of all except those who can afford to incorporate and maintain corporate status.

- (iii) *The type of collateral determines how it can be pledged:* Under the existing collateral framework in Jamaica, a financial lease, hire purchase arrangements, and bills of sale may only be used to finance new equipment. A floating charge or a consignment may be used for inventory financing. Floating charge and assignment can be used for receivables financing. Fixed charges, bills of sale, and even pledges may be used when existing equipment is to serve as collateral, while a pledge is quite common where negotiable instruments serve as collateral. Thus the system is complex, with no uniformity of treatment of different types of assets being pledged

**...the system is complex, with no uniformity of treatment of different types of assets being pledged**

***Determining Priority is Difficult***

- (i) Lenders, have difficulty determining whether assets have already been pledged as collateral because there is no public notice of the vast majority of secured transactions in Jamaica. The lack of notice constitutes a trap for lenders and for buyers of goods. In Jamaica, the law on secured sales contracts includes no public notice whatsoever, unless the property happens to be a titled property for which a notice of lien is stated on the title document. The common law on assignment and consignment also carries no public notice component. Secured sales contracts, in the form of financial leases, hire purchase agreements, conditional sales contracts, etc., are very common. By comparison, there are only a few hundred registered company charges per year. Unpublicized secured debt is the norm in Jamaica.

**Lenders, have difficulty determining whether assets have already been pledged**

- (ii) *Uncertainty arising from the registration of charges under the Companies Act:* There is public notice of a limited number of secured transactions. Though largely governed by common law, company charges are subject to statutory rules on registration under the Companies Act. A company charge registered within 21 days of the charge agreement enjoys priority from the date of agreement. This, however, is a troubling provision that creates the possibility of a lien that may be granted elsewhere during this three-week period. In some cases the situation is even worse because the registry of charges often takes days or weeks to publish notice of the charge, back-dating the date of registration to the date of receipt of the charge document. If a lien is given to somebody else [illegally] during this period, the possibilities for disputing priority are substantial.

**...the registry of charges often takes days or weeks to publish notice of the charge**

- (iii) *Uncertainties arising from the registration of charges under the Bill of Sale Act of 1867:* the Office of the General Registrar records the details of bills of sale that can serve as security in a number of transactions. Users report that the records of the office are not organized in a manner conducive to public search. Searching the records is, therefore, time-consuming and fraught with risk of error. Nevertheless, Jamaican lenders take the time, trouble, and expense to search, adding transaction costs that are, inevitably, passed along to borrowers.

**Problems with Enforcement of Security Interests**

**By the time the assets that have been pledged have been seized and sold, months, or even years can have passed. The value of the assets is therefore limited**

- (i) Jamaican secured creditors face their most difficult challenge where tangible collateral is in the possession of a non-cooperative defaulting debtor. In this case, creditors need to use the judicial mechanism to obtain possession of the collateral and legal authority to dispose of the collateral under judicially supervised seizure and sale. Both under the Companies Act and the Bill of Sale Act, the process is time consuming and costly. By the time the assets that have been pledged have been seized and sold, months, or even years can have passed. The value of the assets is therefore limited as collateral and lenders typically heavily discount it.
- (ii) However, Jamaican law does embrace a number of streamlined enforcement measures that apply to some types of collateral, in particular negotiable securities. Upon default, creditors in possession of instruments may negotiate them, creditors in possession of security certificates may market them, creditors in possession of goods may dispose

	<i>Non-Judicial Enforcement Possible</i>		<i>Judicial Enforcement Only</i>	<i>Public Notice of Claim</i>	<i>Priority Against Third Parties</i>	<i>Stamp Duty Required</i>
Pledge	Yes	No	No*	Most	No	
Assignment	Maybe	No	No	Few	No	
Finance Lease	Yes	No	No	All	No	
Hire-Purchase	Yes	No	No	All	No	
Bill of Sale	No	Yes	Yes	Most	Yes***	
Floating Charge	Maybe**	Maybe**	Yes	Some	Yes	
Fixed Charge	No	Yes	Yes	Most	Yes	

\* The pledgee takes possession of pledge goods, usually a suitable substitute for notice  
 \*\* Judicial execution required for tangibles; accounts may be pursued directly  
 \*\*\* Unless the creditor is a credit union

of them, and creditors may proceed directly against receivables.

**...for most classes of movable assets, the bottom line is that the system of enforcement is complex and costly**

- (iii) Nevertheless, for most classes of movable assets, the bottom line is that the system of enforcement is complex and costly. The table on the previous page summarizes the various ways to repossess assets pledged as collateral. As the diagram shows, complexity and uncertainty in the Jamaican secured transactions system is the norm. The result is higher risk for lenders, higher costs for borrowers and reduced access to credit that impacts in particular smaller businesses and those who do not have titled registered property.

#### ***High Transactions Costs***

- (i) Taking collateral under the existing framework incurs high transactions costs that raise the expense of borrowing and reduce competition in the banking system. These costs arise from a number of sources.
- (ii) Since each loan agreement that involves collateral requires review by a lawyer, legal fees can be substantial. Some security documents necessitate the payment of stamp duty, particularly on the registration of company charges and bills of sale. Stamp duties on assets pledged have a pernicious impact on the cost of access to finance. First, they constitute a tax on borrowing. Second, they increase transactions costs by requiring extensive bureaucratic procedures to be followed. Third, they apply to some types of registration of collateral but not to others. Fourth, they make it costly to switch lenders because new loan documents need to be drawn up and stamp duties paid. Fifth, borrowers report structuring their loans to avoid stamp duty. For example, they use hire purchase arrangements, which are not subject to stamp duty. In addition, practitioners report that stamp duty is frequently not paid until enforcement is against the debtor is sought. In many cases, therefore, it goes unpaid altogether. Another avoidance measure is to use a loophole to minimize or avoid the tax on company charges by subordinating the company charge to a small or token mortgage (the first transaction is taxed, the second is not). Furthermore, stamp duties on the registration of security interests are a small and may not cover the costs of collection. For all these reasons, stamp duties should be abolished.

**Stamp duties on assets pledged have a pernicious impact on the cost of access to finance**

**The existing system needs complete, comprehensive reform**

The existing system needs complete, comprehensive reform through passing a new secured transactions act, the establishment of a registry of security interests and the abrogation of existing legislation governing the creation and enforcement of security interests. Features of the new law should include:

**The new law should establish the clear priority rule that the first to file...has priority over other creditors**

**Concurrently with the new law, an electronic filing archive must be established**

- (i) Security interests in movable property should be created in a simple agreement that need not use any special terminology and need not be on or in any particular form. Anyone, corporate or individual, should be permitted to give or take security in movables of any nature. In other words, there will be no distinction in the process between companies, sole proprietorships, individuals, producers or consumers. The collateral may exist at the time the agreement is made, or it may be anticipated to arise in the future [in the case of taking liens over future crops, for example]. Collateral may be tangible or intangible. The secured obligation may be monetary or non-monetary. It may be expressed in any currency. It may be contingent or conditional.
- (ii) The new law should establish the clear priority rule that the first to file notice in the Notice Registry has priority over other creditors. Tax liens must be filed in order to obtain priority over other secured creditors. Existing legislation must be reviewed carefully to identify articles that would conflict with new legislation. These should be abrogated in the new law.
- (iii) Concurrently with the new law, an electronic filing archive must be established, in which all security interests will be registered. No stamp duties should be payable on any filing of security interests.
- (iv) A system of warehouse receipts could go a long way towards providing some industries in Jamaica with finance that is currently unavailable. This reform will contribute towards establishing a system of de facto insurance. [See box on next page]

### **Next Steps to Promote Reform**

Discussions with stakeholders have begun. Consultations reveal that the concept of secured transactions reform is not well understood. Users of the existing system have adapted to it and are generally not well informed regarding alternatives. Furthermore, the constituency that the existing system locks out – smaller businesses, farmers, and sole proprietors are not well represented in the higher echelons of Jamaica’s business associations. Nevertheless, once the characteristics and advantages of a reformed system have been discussed in detail, those interviewed became enthusiastic regarding the usefulness of a well functioning secured transactions framework.

Furthermore, it became apparent that there is some recognition at the political level for the need for this reform. Further consultations and discussions are necessary to broaden awareness of the advantages of a well functioning secured transactions framework. Once there is a consensus on the need for re-

**...this system of warehouse receipts... has the potential to solve a number of problems that exist in the financing of agriculture.**

### **Box 1: The Use of Warehouse Receipts in Financing of Agriculture in Jamaica**

*An important part of financing available to agriculture in developed economies arises from the use of a financial instrument known as a warehouse receipt. Under this system an accredited warehouse takes in agricultural products, vouches for its quality and existence, and issues a receipt to the owner that becomes a negotiable instrument. Under a well functioning system of secured transactions this receipt can then be used as collateral. No such system exists in Jamaica but if it were to be established as part of a secured transactions reform it has the potential to solve a number of problems that exist in the financing of agriculture.*

*Jamaica's most famous agricultural product is Blue Mountain coffee. Since this coffee can be stored for up to two years without any loss of quality, there is the potential to improve the financing of the sector and perhaps develop a system of self-insurance. If negotiable warehouse receipts could be used as collateral, growers would have the opportunity to store their coffee after it is harvested, obtain financing, and keep back some of their production as a hedge against price fluctuations or even destruction by hurricanes. Since the warehouse would guarantee the existence and quality of coffee, lenders could advance funding knowing that a product that is easily salable on world markets backed it. A reformed secured transactions system would ensure easy repossession and sale in the event of default.*

*Furthermore, since the harvesting season is long, if growers were able to store their coffee in an accredited warehouse and obtain funding as they do so, there would be far more funds available to invest back into the industry to ensure continued high standards. In particular, if the warehouse checked quality as the product came in, there would be strong incentives to keep standards high.*

*Once the system was established for the coffee industry it could be extended to other agricultural products that are not immediately perishable.*

form, the following steps are required.

- (i) **A legislative position paper needs to be circulated** prepared for the Minister of Finance by international and Jamaican experts – the involvement of international lawyers is essential for the development of an effective reform. While the competence of Jamaican lawyers is

**...it might be useful to discuss with the CPC whether in this case draft legislation could be presented**

**...definitive plans for implementing the registry cannot be finalized until the substance of a legislative enactment is known.**

high, the details of such a reform require expertise based on knowledge of best practices around the world. The experts should be guided by a steering committee made up of business people government officials and other stakeholders. The position paper should present a set of specific and tightly drawn drafting instructions, addressed to the Chief Parliamentary Counsel (CPC). A piece of draft legislation is usually not acceptable to CPC. Rather, a position paper might analyze each policy question to be embodied in a legal rule. The analysis should explain the need for the rule, and policy considerations in formulating the rule. Illustrations of the principles involved are useful. Before doing this, however, it might be useful to discuss with the CPC whether in this case draft legislation could be presented, given the very specialized nature of secured transactions reform.

- (ii) **A plan for registry implementation must be prepared.** Planning may begin when the consultants and steering committee have reached consensus on the details of the legislative proposal with respect to registry operations, although definitive plans for implementing the registry cannot be finalized until the substance of a legislative enactment is known.
- (iii) At this stage, specifying in more depth the exact procedures to be followed is probably not worthwhile. Consultations to be held in Jamaica during the first half of 2009 will provide a foundation for preparing a detailed action plan for the speedy implementation of secured transactions reform.