

The regional player making waves

INTERVIEW WITH KEITH DUNCAN AND GUILLERMO ARANCIBIA

GROUP CEO AND COUNTRY HEAD, DOMINICAN REPUBLIC, JMMB GROUP



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When Jamaican Money Market Brokers (JMMB), one of the English-speaking Caribbean's largest financial groups, began casting around in 2007 for a base from which to further expand its regional presence, the shortlist of candidates very quickly narrowed down to one: the Dominican Republic, the Caribbean's largest economy, contributing almost half of the region's GDP, and with a market of more than 10 million potential consumers.

"The country's economic and political stability, as well as its friendly business environment and openness to foreign investment, all strengthened in recent years by market reforms, made it the obvious choice," says Guillermo Arancibia, a Chilean with extensive experience of opening businesses in new markets and who is JMMB's country manager in the DR.

"The DR made sense to us because we have always focused on underdeveloped markets. We see ourselves as unpretentious, nimble and flexible. To tell the truth, the learning curve wasn't that steep, and JMMB's culture and values have fitted in quite easily. "With the right product, the right support, and the right team, I knew we couldn't go wrong," he adds.

Furthermore, unlike traditional financial services companies, JMMB says it prides itself on establishing a relationship with its customers. "We take a very personalised approach to banking; before we consider opening an account we talk to customers about their dreams and ideas. We see ourselves as facilitators, and we're particularly interested in helping small businesses: in effect we create a financial partnership with customers," says Group CEO Keith Duncan.

Founded in 1992, JMMB is a publically traded company with total assets of US\$1.87 billion, as at December 31, 2015, serving a total of around 220,000 clients in Jamaica, Trinidad and Tobago, and the Dominican Republic. JMMB has taken an innovative approach to the markets it has entered, providing a broad range of financial solutions that include securities trading, mutual funds, pension funds administration, investments, remittances, and insurance brokering to individual, corporate, and institutional clients.

Talking to the management team, it becomes clear that its unique corporate culture has contributed to creating a loyal customer base. There is a strong spiritual component to the management strategies

implemented by co founders Dr Noel Lyon and the late Joan Duncan that is still followed by the family today, exemplified by the company's ethos, which it calls 'The Vision of Love' – a somewhat non-traditional approach in the modern financial sector

"It stems from how team members treat each other, how we hire team members", explains Keith Duncan. "If team members are living and working in an environment that is genuinely respectful and honest and open and caring, then that, we believe, translates into how clients feel," he explains.

Mr Duncan joined JMMB as trading manager in 1993, becoming deputy managing director in 2000, and was promoted to Group CEO in 2005 with responsibility for overall performance and charting the strategic direction of the group, building one of the strongest financial management teams in Jamaica. His financial expertise has not only benefited the JMMB Group, but also the Jamaican financial sector as a whole. A former president of the Jamaica Securities Dealers' Association, and vice president of the Private Sector Organisation of Jamaica, he partnered with the Financial Services Commission (FSC) in designing and implementing new structures and models to enhance the effectiveness of Jamaica's market players.

"My mother saw the need for money markets in Jamaica in the early 1990s," he explains. "Back then, the banks there had a monopoly on lending, and were exploiting their position by charging very high interest rates, which meant that small businesses in particular were not getting access to liquidity. We have emulated that model in each of the countries we have expanded to since then, and will continue to do so."

Poised for a new phase of growth

A decade on from expanding into the Dominican Republic, during which time it has shaken up the market and established itself as the country's largest securities broker, JMMB is about to embark on a new phase of growth. "We now have the ability to provide a full range of services, with the incorporation of three new business lines in the DR: a savings and loans bank, a mutual funds administrator and a pension funds administrator," says Mr Duncan, adding that the group is also targeting operational and cross-selling synergies via JMMB's flagship head office in Santo Domingo.

The company's operations in the DR made a net

profit of US\$1.36 million for the nine-month period up to December 31, 2015: a modest contribution to the group's post-tax earnings of US\$14.44million for the same period. But the group is planning to add money market mutual funds and other new services through local savings and loan bank, Banco Rio de Ahorro y Credito, which it bought last year for US\$2.15 million and renamed JMMB Bank, offering serious prospects for accelerating revenue growth.

After making an application to the DR's Monetary Board in December 2015, JMMB is now awaiting a licence to acquire an 80 per cent stake in Corporación de Crédito de America (CCA), which provides savings and loans to the retail market. The plan is to merge both entities under the JMMB Bank umbrella, allowing it to provide a wider range of financial solutions in order to quickly attract more customers, and then work on drawing portfolio savers through innovative products.

While JMMB's DR operation makes sense in itself, Mr Arancibia also believes that in a country that operates under a different legal framework and is Spanish speaking, "the move also supports our ambitions of continued growth within the Caribbean and Central American region." He adds that the group is also willing to provide corporate entities seeking to enter the DR with its range of financial solutions, relationships, and expertise.

Equity markets set for take-off

The Dominican Republic has long been home to deep fixed-income capital markets, but has lacked activity on the equity front. However, new market trends and a recently developed regulatory framework are ushering in a new growth phase that is driving growth in the equity capital markets there.

Strict regulations regarding transparency, capital requirements, and creditworthiness are applied to all capital market participants, with three regulating bodies – the Superintendence of Securities, the Superintendence of Banks and Central Bank/Monetary Board providing the checks and balances to maintain market stability and protect investors.

Increasing interest in corporate governance among Dominican companies is expected to profoundly change the landscape of the Dominican stock market. "If these opportunities crystallise, the market will obviously change dramatically, not because the equities will generate a high transaction volume, but because there will be a more accurate perception in the entire market of what the real value added of the securities market is," says Mr Arancibia, adding that the government could further boost development of the DR's capital markets by encouraging private companies to go public.

"The government is working hard to make this country investment grade and has actively been


promoting the DR abroad. Thanks to the government's reorganisation, the DR's stock market has made significant progress," says Mr Arancibia.

As a result, he believes JMMB can help Dominican players dominate the entire Caribbean: "The population here is three times the size of Jamaica's and product penetration is growing but still low, meaning the market is very scalable."

For that to happen, says Mr Duncan, the importance of an active securities market needs to be established.

"We would like to see the securities market open up to new opportunities, creating more affordable funding and driving economic growth by helping new businesses to produce locally what today is imported, all of which would have a positive impact on the local economy like job creation, eliminating the demand for cheap US dollars, and helping to increase productivity to export excess production," he adds.

Having shaken up the Dominican financial services sector with its dynamic approach, the JMMB management team says it expects continued growth to come "organically" in the medium term, benefiting from the appearance of a new generation of companies and business lines that are now in start-up mode and that will mature, bringing greater volumes and more clients. "This approach allows us to compensate for any adverse market conditions that might present themselves in the future.

While its activities in the English-speaking Caribbean market will be planned from its Jamaican headquarters, the JMMB group has made the DR its base for further expansion into the Spanish-speaking Caribbean and Central America, explains Mr Arancibia, concluding: "We're here to stay." 

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The sky's the limit: JMMB's futuristic headquarters in Santo Domingo

