

Central Bank Strategy Rethought: Enhancing Stability and Growth



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22 July 2019

Agenda

1. Main Functions of the CBvS

2. Recent Economic Developments

3. Challenges Facing CBvS

4. Revised Strategy

5. Policy Responses

6. Road Ahead

Main Functions of the Centrale Bank van Suriname

According to Article 9 of the Bank Act (1956), the main functions of the CBvS are:

- promoting monetary stability;
- issuing/circulating the national currency and facilitating cashless payments;
- promoting financial stability;
- supervising the financial sector;
- promoting and facilitating international transactions;
- promoting sustainable socioeconomic development.

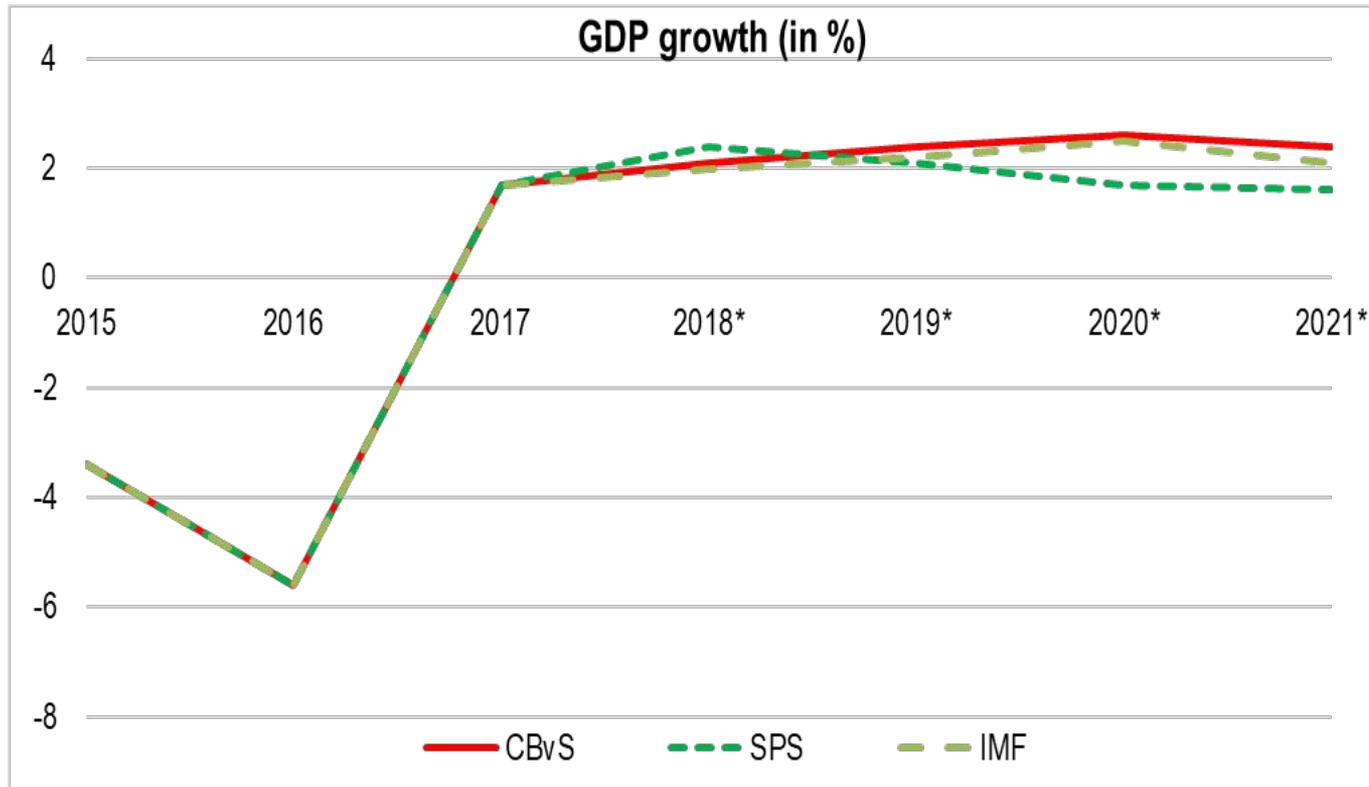
Furthermore, the CBvS is also banker of the Government and commercial banks

2. RECENT ECONOMIC DEVELOPMENTS



Economy on a positive growth trajectory...

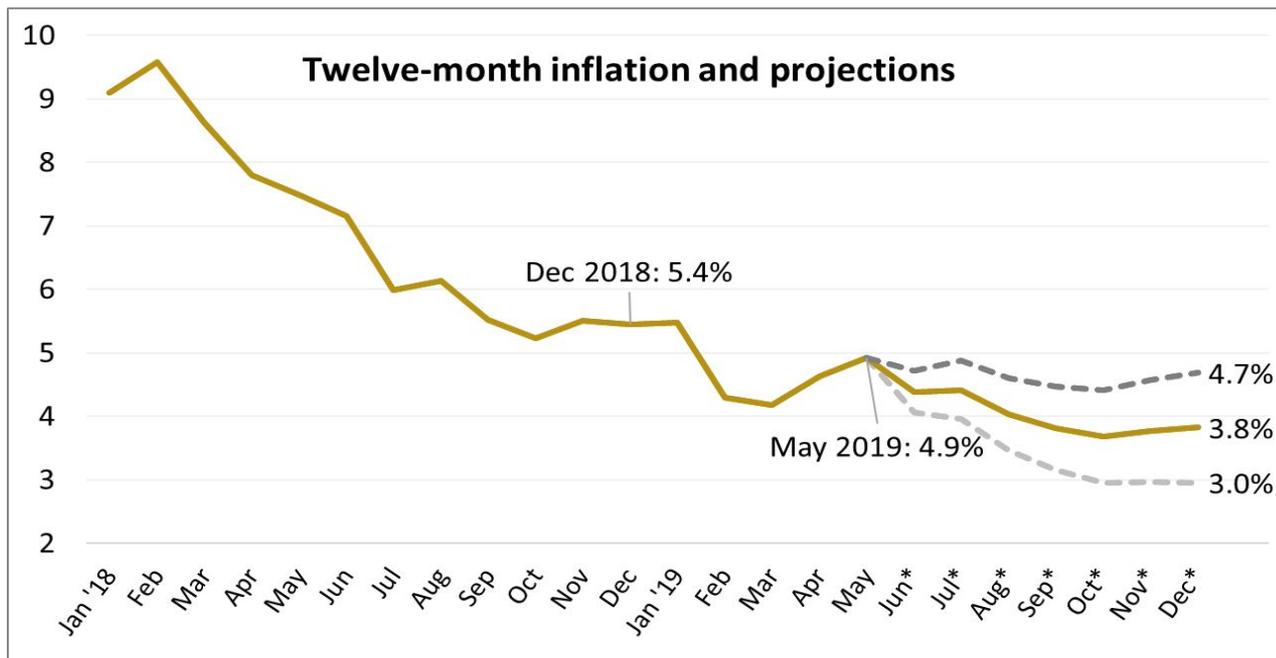
Central Bank to play a more active role in stimulating growth in the near future



Source: CBvS, GBS, SPS, IMF

* Estimation (2018) and projections

Inflation is falling due to active Central Bank monetary policy...

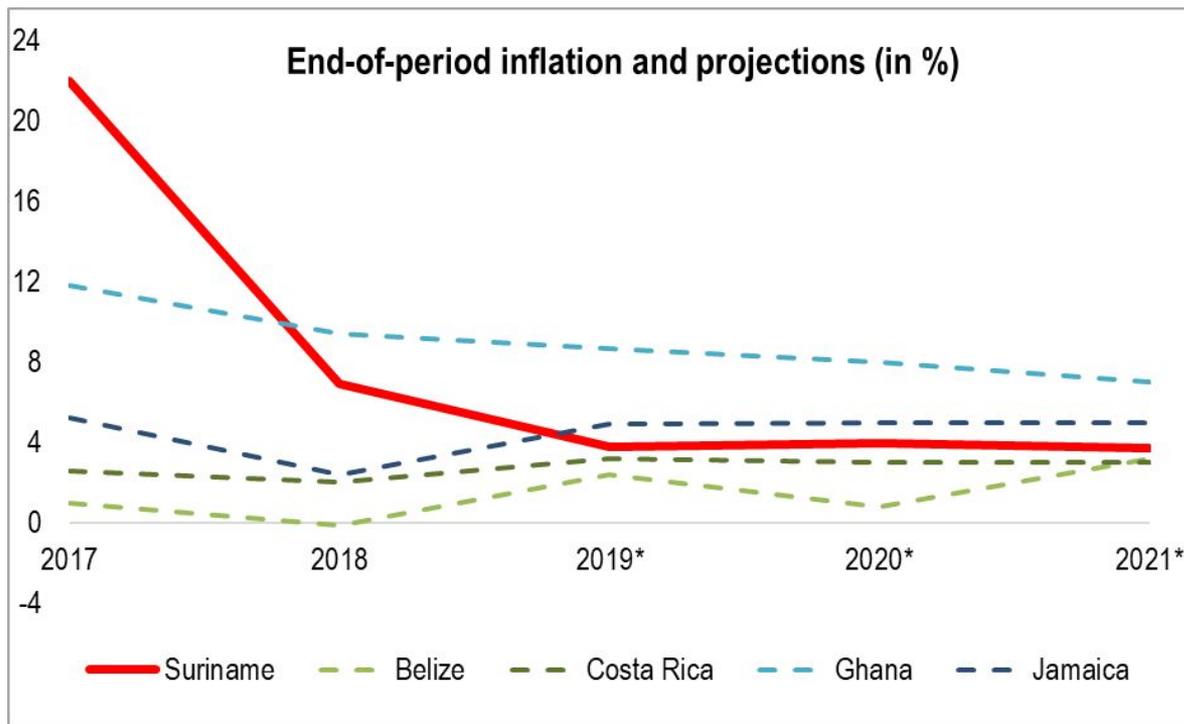


Note: These projections are subject to change, due to both domestic measures and developments as well as external developments.

Source: CBvS

*Projections

Inflation in Suriname performs well compared to other B-rated countries

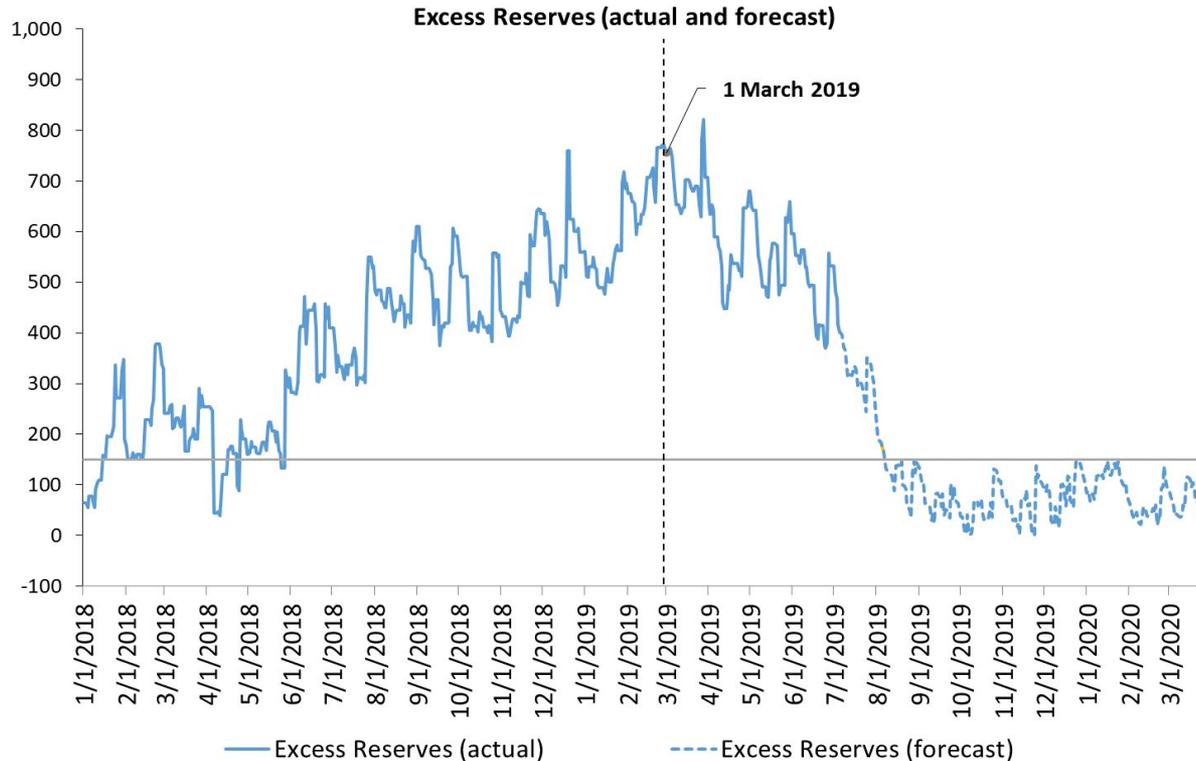


Note: These projections are subject to change, due to both domestic measures and developments as well as external developments.

Source: CBvS, GBS, IMF

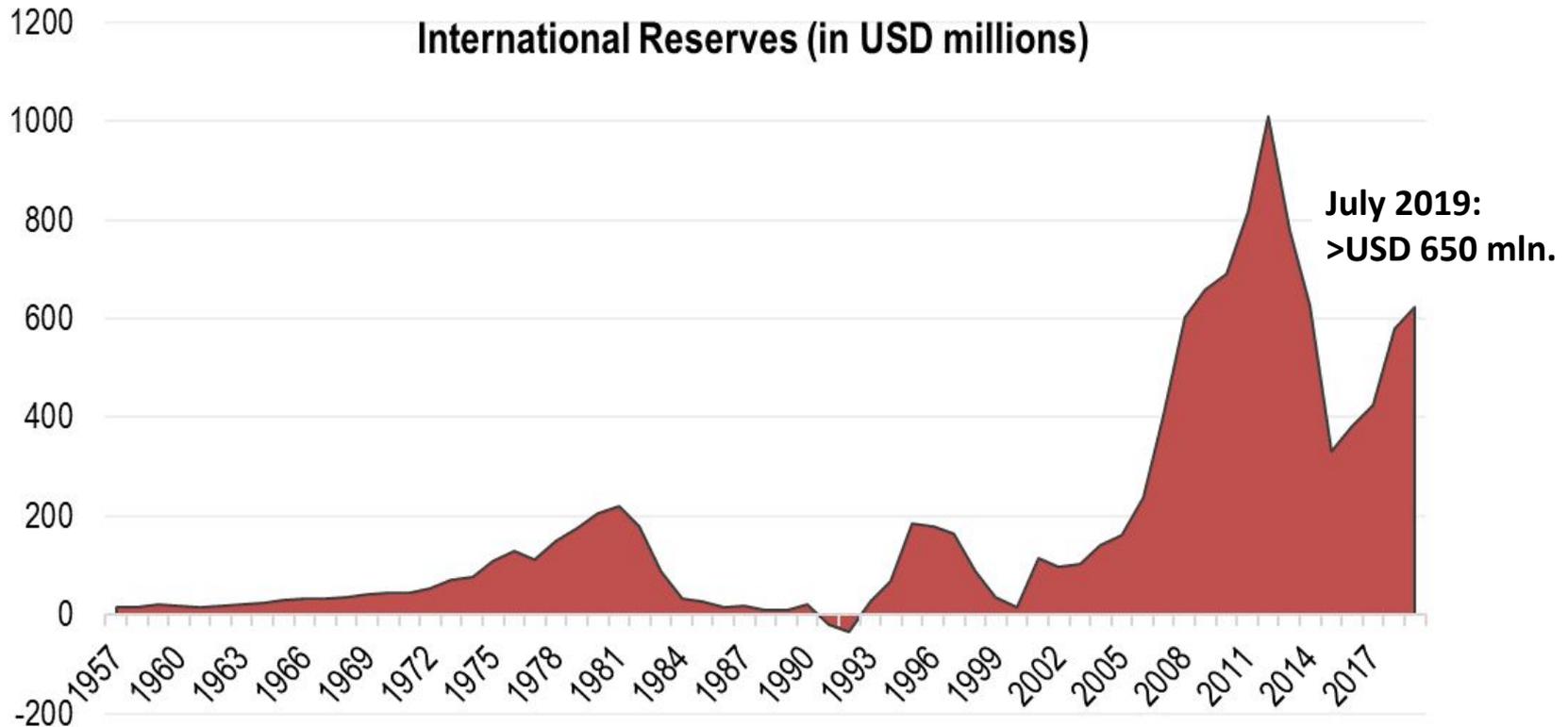
*Projections

Central Bank is steering Excess Liquidity to a downward path



- The Central Bank successfully absorbed excess liquidity since the beginning of March 2019.
- The policy of the Bank: keep liquidity at manageable level (around SRD 150 million).

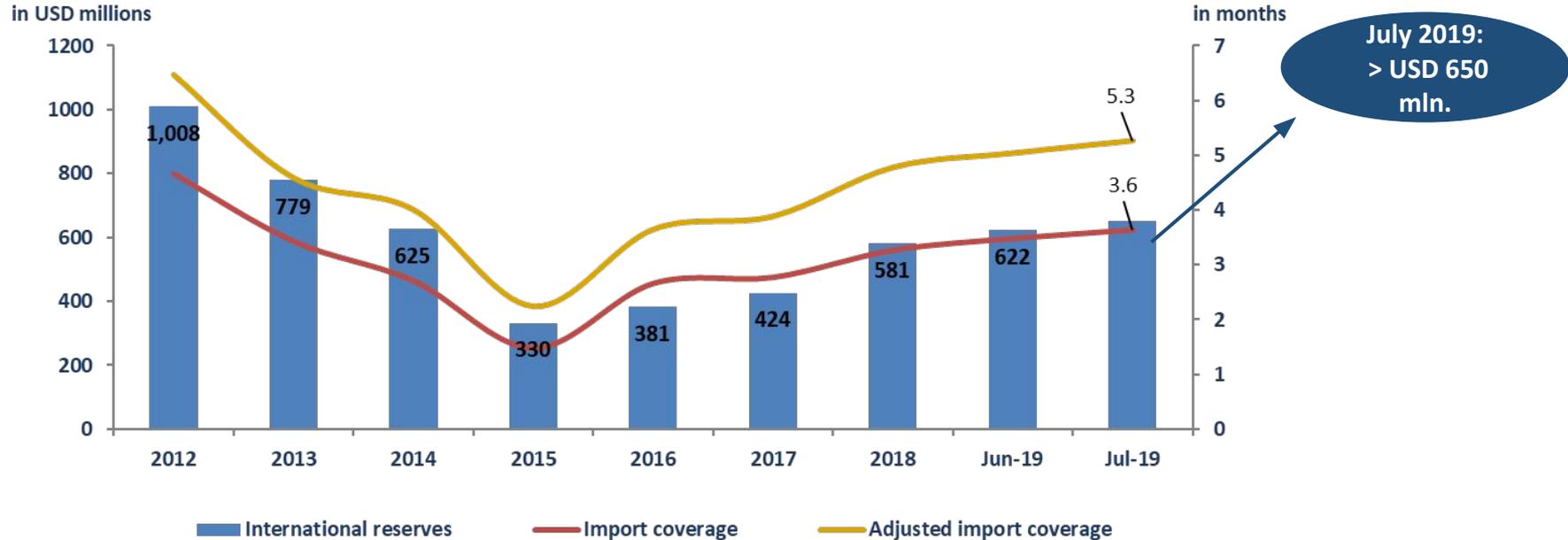
International Reserves exceeding US\$ 800 million by end 2019..



Source: CBvS

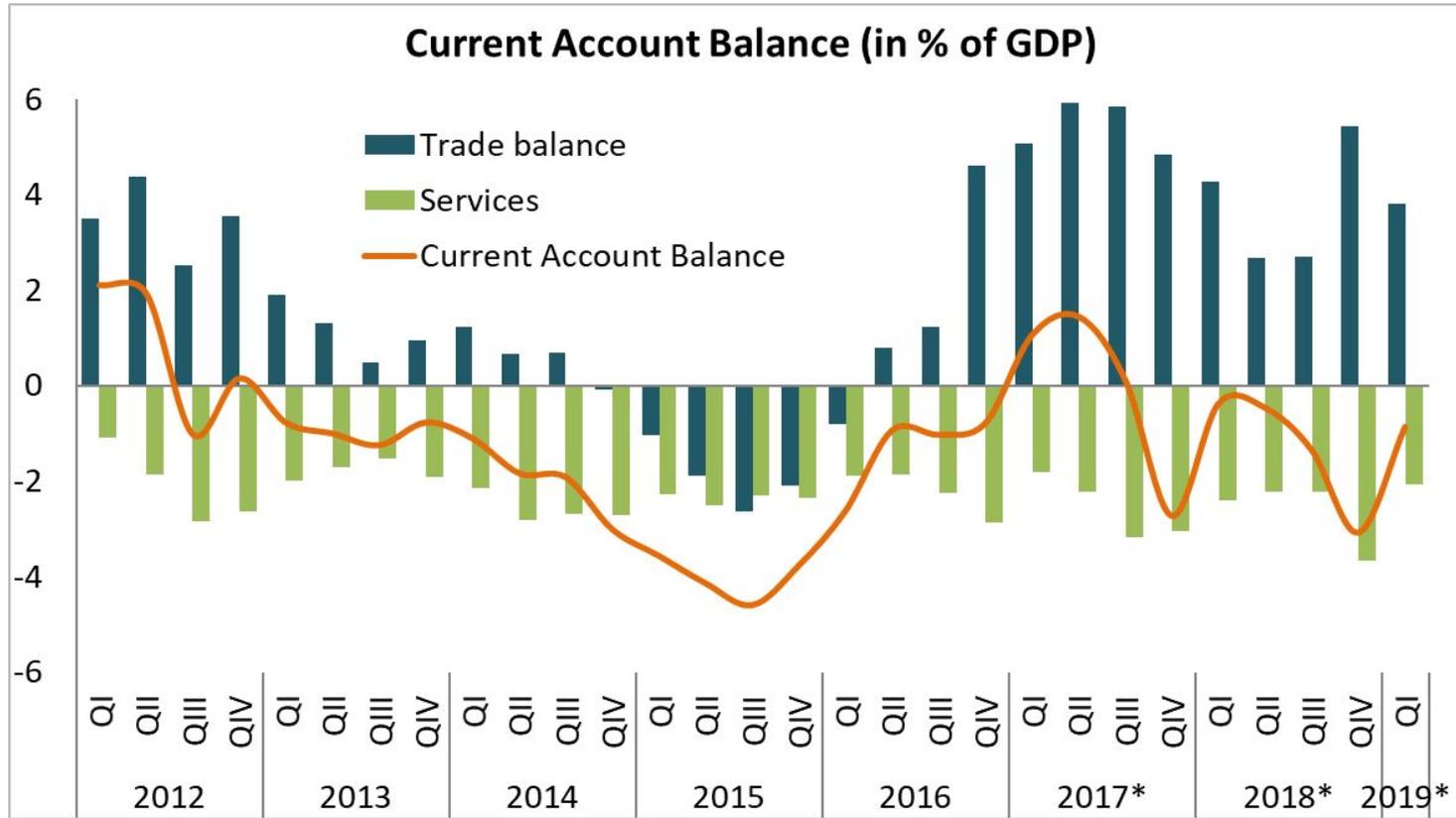
International Reserves exceeding US\$ 800 million by end 2019 and adequate import coverage...

International Reserves and Import Coverage



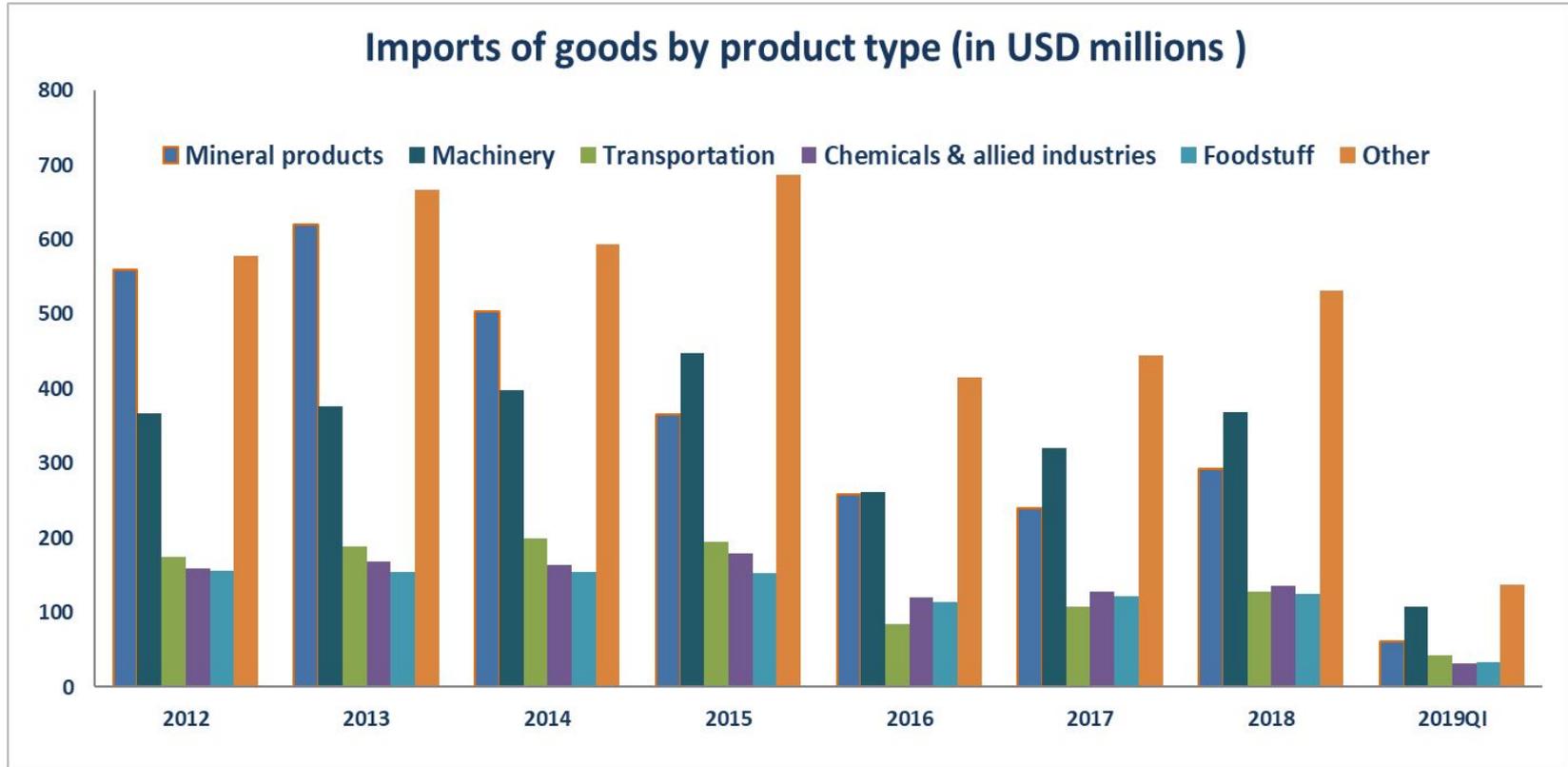
* Adjusted import coverage: ratio of gross international reserves to non-mining imports of goods and services, expressed in months. The mining sector is not dependent on the country's international reserves as it finances its own imports. This excludes the imports of goods and services by Rosebel Gold Mines, Newmont Suriname, Local gold companies, Staatsolie and Suralco.

Current Account



Source: CBvS

Current Account



Artificial temporary effect on cross rates.....

CAMBIO exchange rate

Buy

1 USD = 8.00 SRD
1 EURO = 8.45 SRD

1 USD = 0.939 EURO
1 EURO = 1.043 USD

Sell

1 USD = 8.10 SRD
1 EURO = 8.55 SRD

1 USD = 0.959 EURO
1 EURO = 1.065 USD

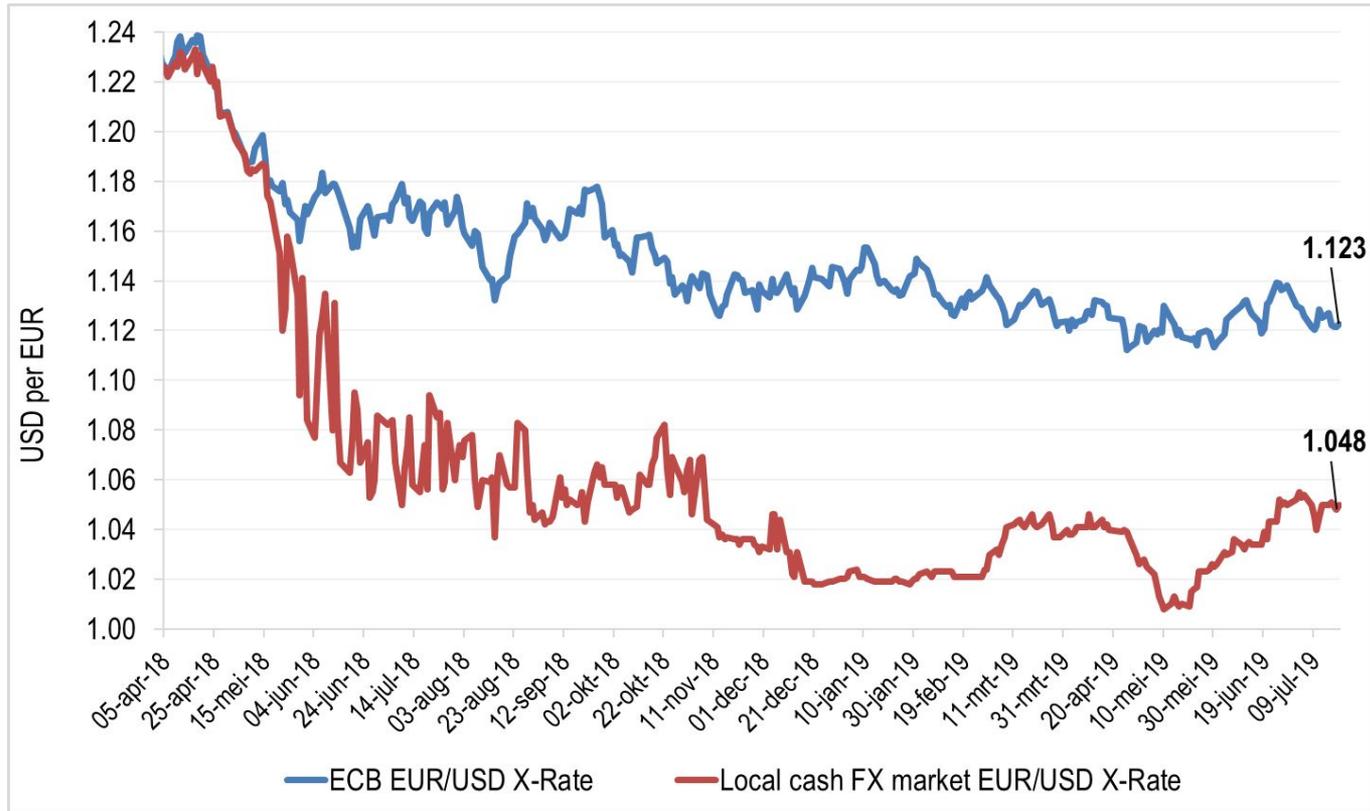
International cross rate

EUR/USD



1.123

Artificial temporary effect on cross rates.....



Source: CBvS, ECB

FX Market Measures to sustain exchange-rate stability....

- FX sales to cater excess import demand and the demand of the public for payments in foreign currency
- FX is made available to importers through the commercial banks for the import of basic goods, medicine and building materials.
- Through moral suasion, maximize the use of cash Euro's to cater cash USD-demand.
- Gold exporters transfer USD to CBvS account through their commercial banks, and CBvS supplies cash Euro's, in collaboration with banks.
- Removal of SNEPS fees on SRD transactions by the Bank and the subsequent adoption of this policy by banks to facilitate clients.

Developments in the Financial Sector...



- Integrity/ Compliance to AML/CFT Supervision
- International Financial Reporting Standard (IFRS)
- Strengthening supervision on Money Transfer Offices

Performance Banking Sector

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
Capital Adequacy					
Regulatory capital/RWA	11.5	11.3	5.5	9.3	9.9
Regulatory Tier 1 capital/RWA	11.4	11.3	5.5	8.7	9.3
Capital (net worth)/assets	8.8	7.9	3.3	5.0	4.9
Asset Quality					
NPLs/gross loans	6.2	8.4	10.8	13	10.8
NPLs net of provision/capital	33.0	39.8	76.8	52.1	31.8
Earnings and profitability					
ROA	1.7	1.3	-0.7	0.9	0.1
ROE	20.3	15.4	-11.9	16.2	2.3
Liquidity					
Liquid assets/total assets	30.9	32.1	32.7	37.9	40.2
Liquid assets/total short-term liabilities	63.0	69.1	69.2	82.3	82.3
Source: CBvS					

The performance of the banking sector improved since 2017. More stringent supervision has been developed to ensure that banks comply with regulations.

3. CHALLENGES FACING CBvS





Complete National Risk Assessment by 2020.....

Full commitment of the Government for NRA implementation and compilation of NRA report with technical assistance from Inter-American Development Bank (IDB) in March 2019 .

Setup of Project Management Team (PMT) in May 2019. PMT consists of employees from Ministry of Justice and Police, the Ministry of Finance and CBvS.

NRA has been launched on 15 July 2019.

Unjustified Seizure of Money Shipment in April 2018 adversely affects the Economy....



The money shipments of Surinamese banks, under the responsibility of the Bank, were discontinued since April 2018.

Implications:

- Banks experienced direct effects on daily operations.
- Central Bank provided instructions to banks aimed at harmonizing fees and policies.
- Encouragement of wire transfers, no shortage of electronic US dollars.
- FX market freeze.
- Adverse impact on the profitability of banks □ higher costs for clients.
- Restrictions imposed by commercial banks affect confidence of the public leading to a certain extent of disintermediation.
- Banks comply with international standards to mitigate liquidity risk.

Strengthening of the Legal Framework the Financial Sector...

The Central Bank is strengthening regulations and implementing new and revised standards. The following initiatives and developments are being prepared or supported by the Bank.

Expectations are that most of these will be finalized in 2019 as some of them are in final draft stage.

Bank Act amendment (□ initiative)

Bank Supervision Act amendment (□ initiative)

Draft Insurance Supervision Act (□ final draft)

Draft Bank Resolution Act (□ initiative)

Draft Deposit Insurance Act (□ draft)

Draft Act on Credit Bureau (□ awaiting Parliament)

Sanction policy

Supervision fee policy

Draft national corporate governance code (□ final draft)

Revise bank regulations

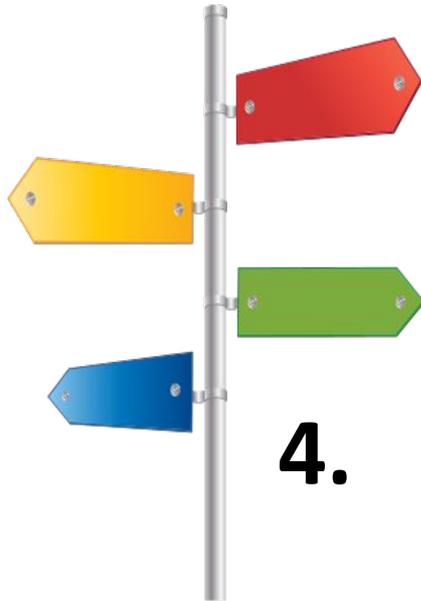
Other challenges...

Digitalization and financial inclusion challenges

- FinTech (SupTech, RegTech)
- Lack of Financial Inclusion indicators

Institutional strengthening

- Backlog in development of the CBvS



4. REVISED STRATEGY

CBvS Strategic Framework

Strategic Pillars

Vision



The Central Bank of Suriname, an autonomous monetary and financial authority that co-directs the sustainable economic development of our country in a professional and transparent manner.



1. Monetary stability
2. Financial stability
3. Payments
4. Internal operations
5. Governance
6. Communication
7. Sustainable economic development

Sustaining Monetary Stability with Liquidity Management and FX Market Measures, while boosting International Reserves

Active Management of Liquidity

- Gradual approach toward reserve money targeting regime
- Manage excess liquidity by implementing new monetary instruments

FX Market Measures

- Implement new measures to develop foreign exchange market and to enhance supervision of Money Transaction offices

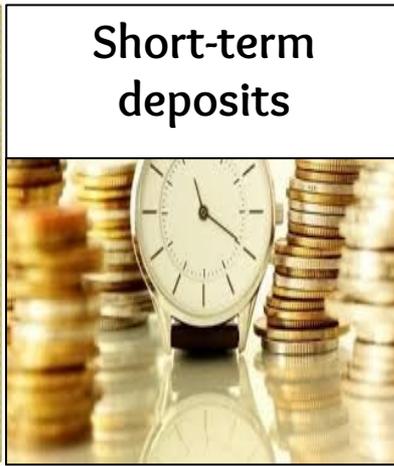
Boosting International Reserves

- Strengthen international reserves position
- Implement Central Bank revenue enhancing measures

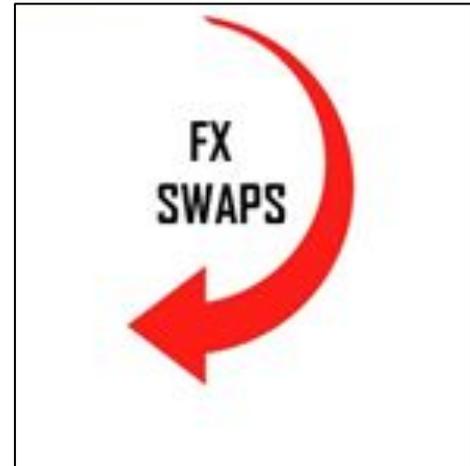
The Bank focuses on Active Management of Liquidity...

Introduction new Instruments

Unwind FX Swaps



Short-term deposits



Enhance supervision of Money Transaction Offices

- **Strict enforcement of the act on Money Transaction Offices 2012**
- **Strict assessment of renewal applications for licenses**
- **Assessment of a real time FX transactions monitoring system**
- **Full in corporation of AML/ CFT inspections**
- **Assessment governance performance, including performance of supervisory board and management**
- **Assessment of administrative organization and internal control mechanisms of Money Transaction Offices**

Strengthening International Reserve position.....



- Required FX reserves of commercial banks are being transferred to the Bank
 - Boost IR and confidence
 - Enhance resilience of financial system



- Establishment of Strategic Investment Committee
 - Investment policy of the Bank
 - Interest on investment of FX required reserves



- Implement revenue enhancing measures CBvS

Ensuring Financial Stability.....

Implementation of the National Risk Assessment (NRA)

The draft Bank Resolution Act is expected to be finalized by the end of 2019

Drafting a comprehensive contingency plan for systemic risk by the end of 2019

Establishing a macro-prudential framework

Strengthening supervisory capacity through additional staff and IT systems

Promoting Financial Inclusion...



FinTech

- FinTech Department
- CBvS has leading role while regulating
- Innovation hub
- Regulatory sandbox approach
- Awareness sessions started in July

Financial Inclusion

- Improve access to financial services
- Collection of supply-side indicators
- CBvS host of AFI GPF 2020

SNEPS

- Connect Free Balance to SNEPS system
- Straight-Through Processing: Integration current system Olympic and SNEPS
- Removal of SRD fees
- USD transactions will be accommodated in SNEPS, shortly.

Institutional Strengthening CBvS

New Departments in support of CBvS new policy direction

Open Market Operations Dept.

Treasury Department

Strategic Investment Dept

Risk & Compliance Committee

Risk Department

Compliance Department

FinTech Department

Monetary & Fiscal Policy
Coordination Committee

CBvS Academy

Investment Committee

Financial Intelligence Dept

Audit Committee



Strengthening Central Bank governance....

CBvS Handbook for Corporate Governance and relevant regulations in accordance to international standards:

1. Corporate governance code

2. Regulations for the supervisory board

3. Rules for committees of supervisory board
(i.e. Audit and Risk Committee)

4. Rules for the Governor

5. Rules for management

6. Integrity code and Code of conduct

Expanding income streams enables CBvS to execute its mandate more effectively



- Interest on investments by CBvS
- Commission (“provisie”)
- Exchange rate spread
- Supervisory fees
- Penalties
- SNEPS fees on USD-transactions
- Interest on investment of FX reserve requirement funds
- Seigniorage
- Vault fees
- Money shipment fees
- FinTech



Improvement of macro and micro monitoring...

Liquidity and Exchange Rate monitoring

New departments

- Open Market Operations Department
- Strategic Investment Department
- Financial Intelligence Department
- Treasury Department
- Risk Department
- Compliance Department
- FinTech Department

Monetary & Fiscal Policy Coordination Committee

AML/CFT guidelines and regulations

Strengthening supervisory capacity



5. Policy Responses

Strategic Investment Wealth Fund... geared towards sustainable growth and development



Trade account: +

- Investments through Strategic Investment Fund will spur exports

Services account: +

- Services exports

Income account: +

- Income from invested assets

Current account: +

Financial Account: +

- FDI inflows

International Reserves: +



Update on NRA

- NRA launch on 15 July 2019 with full commitment of the Government.
- Presidential Resolution for implementation of AML/CFT National Risk Assessment signed in March 2019.
 - Compilation of National Risk Assessment report with technical assistance from Inter-American Development Bank (IDB).
- Information sessions for supervised institutions on compliance, NRA and the 4th MER in March 2019

Update on Seizure of Money Shipment



- The Bank has filed a formal complaint against the Dutch Public Prosecution on 28 June 2019.
- The lawsuit is set to go to court on November 5th, 2019.
- The Bank is in negotiation with several parties and expects to resume bank-note shipments within this year.
- Banking system is able to fulfill demand for US dollars to finance imports.

Update on Fintech and Financial Inclusion

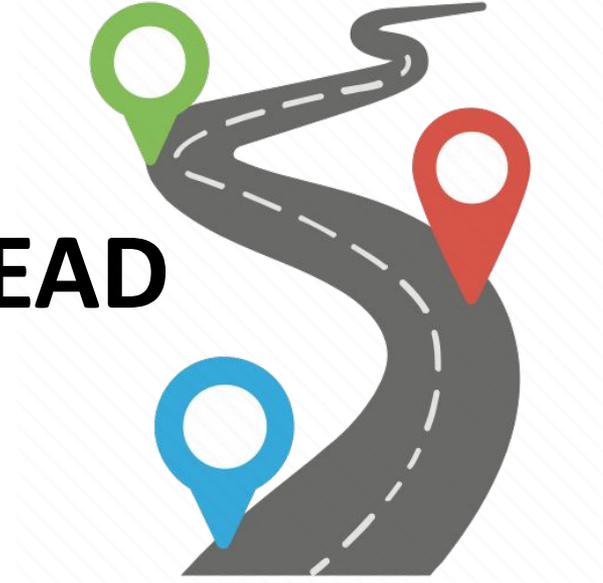


- Financial Inclusion Awareness sessions started from 18th of July, CEMLA project.
- The Bank established a Fintech Department.
- Launch of an innovation hub to discuss FinTech initiatives.
- Drafting regulatory sandbox guidelines to accommodate Fintech innovation.

Legislation in Progress...

- Revised Central Bank Act
- Bank Resolution Act
- Insurance Supervision Act
- Deposit Insurance Act
- Act on Credit Bureau (for approval)
- National corporate governance code

6. ROAD AHEAD



Accomplishments

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Excess Liquidity on a downward path

A light gray circle is connected to a dark blue horizontal bar containing the text 'Low and stable inflation'.

Low and stable inflation

A light gray circle is connected to a dark blue horizontal bar containing the text 'Steady accumulation of International Reserves'.

Steady accumulation of International Reserves

A light gray circle is connected to a dark blue horizontal bar containing the text 'Institutional strengthening: Handbook for Corporate Governance (code of conduct), new departments in support of CBvS new policy direction'.

Institutional strengthening: Handbook for Corporate Governance (code of conduct), new departments in support of CBvS new policy direction

A light gray circle is connected to a dark blue horizontal bar containing the text 'Launch NRA with full commitment of the government and all stakeholders'.

Launch NRA with full commitment of the government and all stakeholders

The Way Forward...



- **Economy on a positive growth trajectory**
- **Ensuring monetary and financial stability**
- **Going forward, the CBvS will focus on:**
 - Actively managing liquidity
 - Developing of FX market
 - Boosting International Reserves
 - Promoting Financial Inclusion and Awareness
 - Promoting a de-cashing policy

The Way Forward... (cont'd)



- Implementing Corporate Governance
- Implementing Capital Requirement
- Building capacity (CBvS Academy)
- Resuming of money shipments
- Modernizing law and regulations
- Spurring economic growth (Strategic Investment Wealth Fund)

