



COMMUNIQUE OF THE
80TH MEETING OF THE MONETARY COUNCIL
OF THE EASTERN CARIBBEAN CENTRAL BANK
31 OCTOBER 2014

The Eightieth (80th) Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held under the chairmanship of Dr the Honourable Ralph Gonsalves, on 31 October 2014 at the Eastern Caribbean Central Bank, St Kitts and Nevis.

Council received the Governor's Report on Monetary and Credit Conditions which was based on developments during the year to September 2014, evaluated against outcomes during the comparative period of 2013.

Council was informed that:

1. As at the end of September 2014, the backing ratio was 95.85 per cent and the Import Cover Ratio (ICR) was eight (8) months.
2. Improvement in the reserve position of the ECCB during the twelve (12) months to September 2014 contributed to an improvement in money and credit conditions in the ECCU.
3. Member governments' fiscal and debt positions were estimated to have improved for the year to September 2014 with declines in the primary and overall deficits of \$71.8m and \$17.8m respectively.
4. The near term outlook and prospects indicated that external factors, including the performance of ECCU major trading partners, were expected to improve in the near term and that was expected to provide support for an easing in money and credit conditions which would in turn contribute to an expansion in economic activity.

Council discussed the economic conditions in the ECCU member countries and the role of commercial banks in the growth and development thrust. Council expressed concern with regard to commercial bank charges and indicated that some action needed to be taken to

address this matter. Council also agreed that a concerted approach to the restructuring of the banking sector was critical.

Council addressed the issue of the importance of the private sector in spearheading the growth agenda and the need for defining the appropriate public and private sector collaboration which was needed in the new growth thrust.

Council agreed to maintain the minimum savings deposit rate at 3.0 per cent; and the Central Bank's discount rate at 6.5 per cent.

Council further agreed that the creation of a single financial space within the Currency Union is a matter of great urgency to stabilise and consolidate the banking sector.

Council reaffirmed that the regulation and supervision of the financial sector as a whole must be undertaken on a regional basis and agreed that the following pieces of legislation were urgently required to provide the central bank with the tools to execute the successful stabilisation of the banking sector:

- Amendments to the ECCB Agreement and the Banking Act
- Legislation establishing the Asset Management Corporation
- Regional legislation on Foreclosure

In order to expedite this legislative process, Council agreed to a working session of the ECCU Financial Secretaries, Attorneys General, the International Financial Institutions and the ECCB to review the legislation. The session will be held in Saint Lucia during the period 24 to 28 November 2014 and will be chaired by the Honourable Dr Kenny D Anthony, Prime Minister and Minister for Finance, Saint Lucia.

Council underscored the need to synchronise the financial programmes of member countries, deepen the fiscal reform initiative and tighten the coordination of fiscal policy in support of the restructuring of the banking sector.

Council agreed to further refine and coordinate a regional and national debt strategy to support the restructuring of the banking sector.

Council received an update from the Chairman of the Ministerial Subcommittee on Insurance in respect of the BAICO and CLICO situation and noted the following:

1. Major efforts were continuing to secure additional funding to complete Phase Three (3) of the ECCU Policyholders Relief Programme and proceed to an additional phase for policyholders over \$30,000; and
2. That an alternative resolution strategy for the CLICO International Life Insurance Limited (CIL) is being pursued with Barbados.

Council acknowledged and thanked BAICO and CLICO policyholders for their patience in this matter.

Council also agreed to expedite and complete work on the new Insurance Law for the ECCU and continue preparatory work for the establishment of the Eastern Caribbean Financial Services Regulatory Commission. In this regard, a steering committee comprising regulators, industry representatives, an Attorney General and a member from the Core Committee on Insurance will be asked to coordinate this work and prepare a report for Council in the shortest possible time.

Council agreed that the Eighty-first (81st) Meeting of the Monetary Council would take place on Friday, 23 January 2015, face-to-face at the ECCB Headquarters in St Kitts and Nevis.

1.0 Attendance

Council members attending the meeting were:

1. Dr The Honourable Ralph Gonsalves, Prime Minister and Minister for Finance, St Vincent and the Grenadines (Chairman)
2. Honourable Hubert Hughes, Chief Minister and Minister for Finance, Anguilla
3. Dr the Right Honourable Keith Mitchell, Prime Minister and Minister for Finance, Grenada
4. Honourable Donaldson Romeo, Premier and Minister for Finance, Montserrat

5. The Right Honourable Dr Denzil L Douglas, Prime Minister and Minister for Finance, St Kitts and Nevis
6. Honourable Dr Kenny D Anthony, Prime Minister and Minister for Finance, Saint Lucia
7. Senator Lennox Weston, Temporary Council Alternate, Ministry of Finance, Antigua and Barbuda
8. Mrs Rosamund Edwards, Council Alternate, Ministry of Finance, Commonwealth of Dominica

31 October 2014