



Eastern Caribbean Central Bank

Communiqué of the 101st Meeting of the Monetary Council of the Eastern Caribbean Central Bank

Issued: 25 February 2022

The One Hundredth and First (101st) Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 25 February 2022, via videoconference, under the Chairmanship of the Honourable Joseph Easton Farrell, Premier and Minister for Finance of Montserrat.

1.0 Update on the Fintech Pilot Project (DCash) for the ECCU

The Monetary Council reiterated its full support for the DCash Central Bank Digital Currency (CBDC) Pilot Project and noted efforts to restore full functionality to the DCash service following a service interruption. Further, Council endorsed the ECCB's plans to expand the DCash ecosystem to include additional financial institutions, merchants and end users, making DCash available to many more ECCU citizens.

The DCash pilot launch of 31 March 2021 established the ECCU as the first currency union to deploy a CBDC. DCash is a legal tender digital currency on par in value with EC Dollar paper money and coins. The digital currency was introduced to improve ECCU payment system speed and efficiency, promote financial inclusion of the unbanked and underbanked populations, and increase resilience and competitiveness with real-time money transfers that attract no fees during the pilot project.

2.0 Monetary Stability

Council received the *Governor's Report on Monetary, Credit and Financial Conditions in the Eastern Caribbean Currency Union (ECCU)* for the period January to December 2021. The Report subtitled "*Economic Recovery, the*



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Pandemic and Policy Responses” addressed the ongoing economic recovery being experienced, both globally and within the ECCU, and indicated that:

- a. Conditions in the economies of the ECCU improved, as Advanced Economies experienced a pick-up in economic activity.
- b. This positive activity continues to drive overall credit growth, with private sector credit expanding by 3.8 per cent in the credit union sector and 0.7 per cent in the banking sector. Overall, broad money grew by 6.3 per cent.
- c. The ECCU’s stock of international reserves expanded to a level 8.5 per cent higher than pre-pandemic levels, helping to maintain the stability of the financial and external sectors. In 2021, foreign reserves averaged \$5.0 billion monthly.
- d. Continued economic support in the form of fiscal and monetary accommodation will be necessary for the economic recovery of ECCU member countries because, although the outlook for 2022 is positive, ongoing supply chain disruptions, inflation and COVID-19 mutations remain the primary threats to recovery. As it relates to inflation, the Report noted that, although it is on the rise, prices have not yet reached historic highs observed in 2008 and 2010.

Having considered the state of monetary and credit conditions in the ECCU, Council agreed to:

- a. Maintain the minimum savings deposit rate at 2.0 per cent; and
- b. Maintain the Central Bank’s discount rate at 2.0 per cent for short-term credit and 3.5 per cent for long-term credit.

The Minimum Savings Rate (MSR) is the lowest rate that commercial banks can offer on savings deposits. The Central Bank’s Discount Rate is the rate at which the ECCB lends to governments and commercial banks.



3.0 Financial Stability

Council was apprised that the number and amount of moratoria loans have been steadily decreasing.

As at 31 December 2021, commercial banks had 2,003 loans on moratoria with total outstanding balance of \$1.2 billion, which represented 9.0 per cent of total loans. This compared favourably to about 40 per cent in September 2020 and about 18 per cent in June 2021. This is an important signal from the banking sector, likely reflecting improving confidence and diminishing uncertainty surrounding the economic recovery.

In furtherance of the Council's expressed support for uniform financial legislation in the ECCU, the Monetary Council encouraged the relevant member Governments to:

- a. Enact the proposed amendments to the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation, to confer authority on the ECCB for AML/CFT supervision for its licensees at the earliest;
- b. Enact the proposed amendments to the Banking Act, 2015; and
- c. Enact the harmonised Credit Reporting Bill in Anguilla and Saint Lucia, to allow for the operation of the credit bureau regionally; as well as
- d. Deepen their involvement in the implementation of initiatives contained in the Programme of Action for Recovery, Resilience and Transformation (PARRT), particularly those relating to financial stability, resilient growth, and digital transformation.

To date, the ECCB has AML/CFT supervisory authority in Antigua and Barbuda, Grenada, Saint Vincent and the Grenadines and the Commonwealth of Dominica.



Saint Lucia's Parliament recently passed amendments that name the ECCB as supervisory authority. This legislation is awaiting assent.

At its 85th Meeting held on 22 July 2016, Council took the decision to recommend to Member Governments that the legal responsibility for AML/CFT supervision and regulation of financial institutions licensed under the Banking Act be transferred to the ECCB.

4.0 Growth and Competitiveness

Council was informed that economic activity in the ECCU recovered in the latter half of 2021, resulting in 2021 Growth Estimates being revised upward from 0.9 per cent to 3.9 per cent. This higher estimate is due to firmer recovery in the ECCU's main trading partners, stabilisation and stimulus measures and vaccination rollouts. Based on the current trajectory, economic growth in the ECCU is projected at 6.7 per cent in 2022, compared with 4.4 per cent for the world economy.

Pent-up demand for leisure travel in the region's source markets induced some recovery in the Tourism industry in 2021. This recovery is expected to strengthen in 2022. However, full recovery of the Tourism industry - to its pre-pandemic level - is not expected to occur before 2023.

5.0. Enhancing the Resilience of the Supply Chain

The Council considered and adopted policy recommendations for enhancing supply chain resilience in the ECCU, which were outlined in an appendix to the Governor's Report. The appendix titled *"Disentangling Disruptions to the Global Supply Chain - The Case of the ECCU"* noted that the disruption of the supply chain has considerably affected the availability and price of goods in the ECCU, with 92.0 per cent of firms surveyed reporting higher prices for goods.



The Council was informed that, based on the ECCB's calculations, at the firm level, inflation expectations are pegged at 5.0 per cent for the next 12 months.

The Council was advised that, since the ECCU imports most of what it consumes, its survival depends on an effective supply chain.

Recommendations to enhance the resilience of the supply chain include:

- a. Developing a comprehensive risk management strategy to diversify the supply chain and reduce dependency on any one market;
- b. Forming national task forces in each member country to monitor and address supply chain issues that arise, such as bottlenecks, while coordinating and implementing regional solutions; and
- c. Enhancing supply chain visibility (SCV) to better track developments in key supply chains.

6.0 Report from the Technical Core Committee on Insurance (BAICO and CLICO)

BAICO

- Council received Report No 1 of 2022 from the Core Committee on Insurance, which is charged with advancing efforts to bring resolution for ECCU Policyholders of the failed insurance companies – British American Insurance Company Ltd. and CLICO Life Insurance Ltd.
- Council was informed that, as at 30 September 2021, a total distribution of EC\$93.0 million was declared, representing 14 cents on the dollar, and approximately 96.0 per cent of all distributions by value and 59.0 per cent of all distributions by number had been paid as at 30 September 2021.
- The Report from the Core Committee on Insurance also indicated that efforts are still ongoing to locate policyholders and distribute unclaimed dividends; provide assistance to the BAICO and CLICO Insurance Company Policyholders Group



(BACOL); recover additional monies for policyholders; realise remaining assets in the ECCU, and resolve all pending litigation.

- Council discussed the status of the Annuity Relief Programme (ARP). Funds in Phases 1 and 2 of the ARP currently due to policyholders will revert to the ECCU Governments by 31 March 2022, if they remain uncollected by policyholders. The Judicial Managers (KPMG, Bahamas) are charged with publishing the listing of the names of the policyholders and beneficiaries in each member country.

CLICO International Insurance (CIL)

- The Council was apprised that Council Member and Chair of the Ministerial Sub-Committee (MSC) on Insurance, the Honourable Gaston Browne received a letter dated 3 February 2022 from the Honourable Mia Mottley, Prime Minister of the Government of Barbados, acknowledging the acceptance of the revised offer of BBD\$37 million by the Monetary Council. The original bond of BBD\$31 million offered by the Government of Barbados to the ECCU Policyholders was revised to BBD\$37 million.
- Prime Minister Mottley also attached relevant documentation, including the Debt Holder (Approval of Debt Restructuring) Act 2018-24 which details the Series B bond offer and the illustrative amortization schedule.
- On 15 November 2021, the Barbados Court ruled that the bond will be issued directly to the ECCB, for administration on behalf of the ECCU policyholders. The ECCB has begun its assessment of the documents to advise on the logistics of receiving the bond and its purchase by financial institutions to facilitate upfront payment to ECCU policyholders.



7.0 Report from the Eastern Caribbean Asset Management Corporation

Council received the Report on the Status of the Operations of the Eastern Caribbean Asset Management Corporation (ECAMC) covering the period 01 September to 31 December 2021. The ECAMC, headquartered in Antigua and Barbuda, was established by the Monetary Council in July 2017 under the ECCU's financial stability strategy for reducing high non-performing loans (NPLs). The Eastern Caribbean Asset Management Corporation acquires bad assets, such as NPLs, from banks and other approved financial institutions (AFIs), and also acts as the receiver of failed financial institutions whenever appointed in this capacity by the ECCB.

Council was informed that with the coming into force of the Eastern Caribbean Central Bank's Prudential Standard for the Treatment of Impaired Assets in January 2022, not only will the AFIs be required to ramp up their provisioning for their NPLs but may be more incentivised to transact with the ECAMC.

8.0 Report from the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) on the Status of its Operations

Established by the Monetary Council, with strong financial and technical support from the World Bank, the ECPCGC officially launched on 5 October 2020, and is part of the suite of initiatives that the ECCB is working on with the World Bank Group to help build out a modern credit ecosystem in the ECCU. Such initiatives include the establishment of the ECCU Credit Bureau and a Secured Transactions Collateral Registry, as well as the enactment of a modern insolvency framework.

The ECPCGC has as its primary objective one of the strategic priorities of the ECCB, which is an increase in the availability of loans to Micro, Small and Medium Enterprises (MSMEs), thereby expanding access to credit. MSMEs account for 70 to 80 per cent of the businesses in the Eastern Caribbean and for more than 50 per



cent of GDP. The Eastern Caribbean Partial Credit Guarantee Corporation works through the commercial banks, credit unions and development banks in member countries.

The ECPCGC has formed a partnership with the German Savings Bank to provide training on MSME Lending to the loan officers of all Participating Lenders.

9.0 Date and Venue of the 102nd Meeting of the Monetary Council

Council agreed to the convening of the 102nd Meeting of the Monetary Council on Friday, 22 July 2022 in Saint Lucia, immediately following the Handing Over Ceremony to mark the change in Chairmanship of the Monetary Council.

The Honourable Philip J Pierre, Saint Lucia's Prime Minister and Minister for Finance, is due to assume Chairmanship of the Council from the Honourable Joseph Easton Farrell, Montserrat's Premier and Minister for Finance, who assumed the Chairmanship on 23 July 2021.

10.0 ECSRC Annual Budget and Work Programme for the Financial Year Ending 31 March 2023

The Council considered and approved the Budget and Work Programme of the Eastern Caribbean Securities Regulatory Commission (ECSRC) for the financial year 01 April 2022 to 31 March 2023, in accordance with Article 27 (2) of The Eastern Caribbean Securities Regulatory Commission Agreement (ECSRC) 2020. The primary responsibility of the ECSRC is to regulate and supervise the Eastern Caribbean Securities Market (ECSM).



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11.0 Participation

Council Members attending the meeting were:

1. The Honourable Joseph Easton Farrell, Premier and Minister for Finance, Montserrat (Chairman)
2. The Honourable Dr Ellis Lorenzo Webster, Premier and Minister for Finance, Anguilla
3. The Honourable Gaston Browne, Prime Minister and Minister for Finance, Antigua and Barbuda
4. The Honourable Roosevelt Skerrit, Prime Minister and Minister for Finance, the Commonwealth of Dominica
5. The Honourable Gregory Bowen, Minister for Finance, Grenada
6. Dr the Honourable Timothy Harris, Prime Minister and Minister for Finance, Saint Christopher (St Kitts) and Nevis
7. The Honourable Philip J Pierre, Prime Minister and Minister for Finance, Saint Lucia
8. The Honourable Camillo Gonsalves, Minister for Finance, Saint Vincent and the Grenadines

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