



Eastern Caribbean Central Bank

P. O. Box 89, Basseterre, St Kitts, West Indies

Communiqué of the 102nd Meeting of the Monetary Council of the Eastern Caribbean Central Bank

Issued: 22 July 2022

The One Hundredth and Second (102nd) Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held at the Golden Grove Ballroom, Harbor Club Hotel, Gros Islet, Saint Lucia on 22 July 2022 under the Chairmanship of the Honourable Philip J Pierre, Prime Minister and Minister for Finance of Saint Lucia.

1.0 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 June 2022. The Report focused on the ongoing economic recovery both globally and within the ECCU, as well as on the impact that the war in Ukraine and associated economic sanctions are having on this recovery. It indicated that:

- a. Global economic recovery, which took hold in 2021, has slowed in 2022, with economic growth estimated at 3.6 per cent for this year. Economic sanctions on Russia coupled with Ukraine's role as both a major agricultural producer and manufacturer of key inputs into the automobile industry have led to higher levels of inflation globally. The war in Ukraine and associated economic sanctions have resulted in increased prices for fuel and other commodities such as wheat. As a consequence, member countries of the Eastern Caribbean Currency Union have taken several policy actions including subsidizing fuel prices, resulting in a loss of revenue, in an effort to limit the impact of rising costs on citizens and residents. These actions come as ECCU member countries recover slowly

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from the pandemic, and amid the continuation of some policy interventions they introduced to help mitigate the impact of COVID-19.

- b. Overall monetary conditions in the ECCU remain accommodative. Monetary and credit conditions improved during the first half of 2022, with growth in private sector credit being positive.
- c. The ECCU's stock of international reserves expanded to a level 12.1 per cent higher than pre-pandemic levels (February 2020). At the end of June 2022, the total foreign exchange reserves of the ECCB amounted to \$5.3 billion. From the period March 2020 to June 2022, the average monthly foreign reserves backing ratio was 96.4 per cent. To put this in context, the statutory requirement is sixty (60.0) per cent.

Having considered the state of monetary, financial and credit conditions in the ECCU, the Monetary Council decided 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.

2.0 Financial Stability

The Monetary Council was advised of the following developments in the financial sector:

- a. The banking system remained stable, with overall credit extension to the private sector exhibiting resilience throughout the pandemic.

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- b. Moreover, the banking system maintained its high degree of liquidity and capital buffers remained at robust levels.
- c. The Non-Performing Loans Ratio increased marginally to 11.8 per cent, this is well above the 5.0 per cent regulatory minimum requirement.
- d. Council was apprised that activity on the Regional Government Securities Market (RGSM) showed notable improvement during the first half of the year (Jan - June 2022). New investment flows into the market increased by 23.4 per cent (EC\$102.3 million) when compared with the corresponding period (Jan - June 2021). This is a welcome sign as the market continues to recover from the effects of the COVID-19 pandemic.
- e. Council was also apprised that the number and amount of moratoria loans have continued their steady decline. This is an important signal from the banking sector, likely reflecting improving confidence. As at 31 March 2022 (the end date of the ECCB's regulatory waivers for the COVID-19 Loan Moratoria Programme), commercial banks had **1,150** loans on moratoria, with total outstanding balance of **\$741.1 million** representing **5.4 per cent** of total loans. This compared favourably to about 40 per cent in September 2020 with a value of \$5.2 billion. The COVID-19 loan repayment deferral programme created the necessary space for financial institutions and borrowers to restructure loan facilities without incurring defaults.

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 Eastern Caribbean Central Bank

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(ECCB) for AML/CFT supervision for its licensees at the earliest opportunity, particularly in light of the FATF 4th Round of AML/CFT Mutual Evaluations;

- b. Enact the proposed amendments to the Banking Act, 2015 in Saint Christopher (St Kitts) and Nevis and Saint Lucia; and
- c. Enact the harmonised Credit Reporting Bill in Anguilla and Saint Lucia, to allow for the operation of the credit bureau regionally.

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

3.0 Growth and Competitiveness

Council was informed that the recovery is spreading - albeit slowly - throughout various sectors of the ECCU's economy.

Cruise ship arrivals and stay-over levels have increased relative to the end of December 2021, and ECCU member countries have opened with minimal restrictions for travellers. Cruise arrivals rose to 656,011 at the end of March 2022 and is expected to continue increasing in 2022, as COVID-19 protocols continue to ease. The recovery in Tourism is hampered by ongoing challenges with air connectivity in the region. The construction sector also continues to recover, bolstered by capital investment by member governments.

Economic activity in 2022 is being adversely impacted by higher levels of inflation due to the war in Ukraine and associated economic sanctions, higher energy prices, supply chain disruptions and low air transport connectivity. For example, stay-over arrivals from the Caribbean - which averaged 20.0 percent of total stay-over arrivals in 2019 - averaged only 6.5 per cent in March 2022. This



lower level of arrivals from the Caribbean is indicative of the air connectivity challenge within the ECCU.

4.0 Report on the Status of Implementation of Programme of Action for Recovery, Resilience and Transformation (PARRT)

Council received the Report on the Status of implementation of the Programme of Action for Recovery, Resilience and Transformation (PARRT) of the ECCU Economies. At the 97th Meeting of the Monetary Council held on 23 October 2020, the Council approved the PARRT. The Programme focuses on key policy actions considered fundamental for the recovery, resilience and transformation of ECCU economies in the wake of the COVID-19 pandemic, which caused the deepest economic contraction on record.

PARRT encompasses four (4) broad pillars, namely:

- Financial Stability;
- Resilient and Inclusive Growth;
- Fiscal and Debt Sustainability; and
- Payments Modernisation and Digital Transformation.

5.0 Presentation of the Draft Payment System and Services Bill

The Monetary Council approved the draft *Payment System and Services Bill, 2022*. Once the Bill is enacted by ECCU member countries, it would facilitate a payment system that is safe, efficient, resilient and competitive.

Council agreed that:

- a. The PSSA is needed to support an environment where innovative payment service providers may leverage technology to expand the range of payment services;

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- b. The payment system in the ECCU stands to benefit from an increased role by non-banks in the payment system, facilitated by a forward-looking and predictable legal and regulatory environment; and
- c. The PSSA is required to align the legal and regulatory framework for the payment system in the ECCU with the International Organization of Securities Commissions' Principles for Financial Market Infrastructures (PFMIs).

With the introduction of a legislative framework for enhancing the payment and settlements system in the ECCU, the Eastern Caribbean Central Bank would be further empowered to:

- Regulate, monitor and oversee the payment system in the public interest;
- Promote financial inclusion and financial innovation;
- Ensure protection of the interests of consumers;
- Ensure the safe and effective operation of the payment system; and
- Reduce any inefficiencies and potential risks to the payment system.

6.0 Report from Technical Core Committee on Insurance

Council received Report No 2 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.

a. British American Insurance Company (BAICO) Resolution

The Monetary Council agreed to deliberate on the way forward to resolve outstanding matters, including the subrogated claim by the Government of Barbados on the pension assets and the funding arrangement with Sagicor.



b. CLICO International Insurance (CIL)

The Monetary Council ratified the round robin decision approval of the trust arrangement regarding the bond proposal of BBDS\$37.0m from the Government of Barbados.

7.0 Report on the Operations of the Eastern Caribbean Asset Management Corporation (ECAMC)

The Monetary Council considered the report on the ECAMC's management accounts as at May 31, 2022. Council noted that the ECAMC had onboarded assets from all four (4) approved financial institutions. The Corporation is actively managing the assets acquired to date, holding discussions with debtors.

8.0 Report from the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC)

Council received an update on the status of the operations of the ECPCGC. The Corporation continued its engagements towards admitting credit unions and development banks to the ECPCGC. Council also noted the plans by the Corporation to host training for Loans Officers from August 2022 and to hire Technical Assistance professionals to provide support to MSMEs before the approval of the guarantees. Further, Council strongly endorsed the ECPCGC's plans to undertake targeted promotions in each member country to bring greater awareness to the ECPCGC and encourage greater uptake of the guarantees.

Established by the Monetary Council, with strong financial and technical support from the World Bank, the ECPCGC officially launched in October 2020, and is integral to building out a modern credit ecosystem in the ECCU.

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9.0 Appointment of ECCB Governor as Alternate Governor to the IMF

The Monetary Council approved the Appointment of the Governor of the Eastern Caribbean Central Bank to serve as Alternate Governor for the Commonwealth of Dominica to the International Monetary Fund (IMF). The appointment is for the period 1 September 2022 to 31 August 2023.

Context: At its 11th Meeting held on 10 August 1990, the Monetary Council agreed to appoint the Governor of the ECCB as Alternate Governor to the IMF on an annual rotational basis for the Bank's participating governments (excluding Anguilla and Montserrat).

10.0 Appointment and Re-appointment of ECCB Board Members

Council approved the re-appointment and appointment to the Board of Directors of the Eastern Caribbean Central Bank:

(1) ***Re-appointment of John R. S. Skerritt, Consultant*** as Appointed Director for Montserrat for the period 10 August 2022 to 9 August 2025. Mr Skerritt's current tenure naturally ends on 9 August 2022.

(2) ***Appointment of Mike Sylvester, Permanent Secretary Ministry of Finance***, as the newly Appointed Director for Grenada to serve the unexpired term of the former Director: 25 June 2022 to 31 January 2025.

11.0 Schedule for Upcoming Monetary Council Policy Sessions

Council approved the topics of Credit Risk and Food and Nutrition Security, Part 2 for its remaining Policy Sessions for 2022.

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12.0 Date and Venue of the 103rd Meeting of the Monetary Council

Council agreed to the convening, virtually, of the 103rd Meeting of the Monetary Council on Friday, 21 October 2022.

13.0 Participation

Council Members attending the meeting were:

1. The Honourable Philip J Pierre, Prime Minister and Minister for Finance, Saint Lucia (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 Dickon Mitchell, Prime Minister and Minister for Finance, Grenada
5. The Honourable Joseph Easton Farrell, Premier and Minister for Finance, Montserrat
6. The Honourable Camillo Gonsalves, Minister for Finance, Saint Vincent and the Grenadines