



87th Meeting of ECCB Monetary Council - 2 March 2017

The Eighty-Seventh Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held under the chairmanship of the Honourable Gaston Browne on 2 March 2017, at the ECCB Headquarters, Basseterre, St Kitts and Nevis.

1.0 Monetary Stability

Council received the Governor's Report on Monetary and Credit Conditions in the Eastern Caribbean Currency Union (ECCU). The report assessed developments in monetary and credit conditions over the period January to September 2016, relative to the same period in 2015. The report indicated that:

- a. Economic activity in the ECCU is estimated to have improved in the first nine months of 2016, compared to the first nine months of 2015. The improvement was mainly due to an increase in tourist arrivals and travel receipts, as well as an expansion in construction activity.
- b. Monetary conditions also improved during the review period mainly due to increased financial flows from abroad. This improvement had a positive effect on economic conditions in general.
- c. Credit conditions remained relatively tight with minimal changes in interest rates and a continued decline in banking sector credit to the private sector, including businesses and households.

Having considered the monetary and credit conditions in the ECCU, the Monetary Council agreed to maintain the minimum savings deposit rate at 2.0 per cent; and maintain the Central Bank's discount rate at 6.5 per cent. The Minimum Savings Rate is the lowest rate commercial banks can offer on savings deposits. The Central Bank's Discount Rate is the rate at which the ECCB lends to commercial banks.



2.0 Financial Stability

As at the end of September 2016, financial conditions in the Eastern Caribbean Currency Union had remained stable and resilient amid slow macroeconomic growth, uncertainty and a low global interest rate environment.

Financial performance in the banking sector improved during the review period, mainly on account of the resolution of three commercial banks: The ABI Bank in Antigua and Barbuda and the National Bank of Anguilla and the Caribbean Commercial Bank (Anguilla) Ltd. Profits and capital increased from one year ago, the ratio of non-performing loans fell and liquidity remained at levels higher than the current minimum regulatory requirement of 6.0 per cent.

Looking forward, the financial sector is expected to remain stable and resilient heading into 2017. However, challenges such as the loss of correspondent banking relationships between some commercial banks operating in the ECCU and their international counterparts persist.

3.0 Fiscal and Debt Sustainability

The recent improvements in fiscal performance are encouraging. However, it is necessary for those gains to be protected. Frameworks for doing so include the establishment of fiscal targets in relation to the ultimate 60.0 per cent Debt to GDP ratio by 2030.

In keeping with this, Council agreed to recommend that member governments submit fiscal targets for the approval of the Monetary Council at its July 2017 Meeting. Council also agreed that the ECCB would provide support to the member countries in the preparation of these fiscal targets.



4.0 Growth and Competitiveness

Given the importance of private sector development to growth and competitiveness, the Council approved and signed the Agreement for the Establishment of the Eastern Caribbean Partial Credit Guarantee Corporation to facilitate the private sector access to financing.

The Eastern Caribbean Partial Credit Guarantee Corporation is designed to encourage financial institutions in the Eastern Caribbean Currency Union (ECCU) to increase their lending to micro, small and medium-sized enterprises through the provision of partial credit guarantees to facilitate access to financing by the private sector.

Council agreed that commercial banks should be encouraged to increase lending to the private sector as a means of spurring growth.

Council noted the challenges being experienced in payments for traders who trade agricultural produce and other products in Trinidad and Tobago, including under the agro-shipping initiative of the OECS and mandated the ECCB to enter into discussions with commercial banks and the Central Bank of Trinidad and Tobago towards a successful resolution.

5.0 Legislative Issues

Proposed Amendments to the Banking Act

Following the passage of the Banking Act in 2015, the Central Bank, in consultation with the banking industry, identified several areas in the Act as either impractical or a challenge to the effective and efficient operationalisation.

The proposed areas for amendment have been divided into three main categories:

1. Drafting Clarifications;
2. Definitions and
3. Policy Issues.



At its 86th Meeting held on 21 October 2016, the Monetary Council approved the establishment of a Ministerial Subcommittee of the Council to lead discussions with stakeholders on the proposed amendments to the Act and to facilitate the process through to its enactment. The Council appointed Dr the Honourable Ralph E Gonsalves, Council Member for St Vincent and the Grenadines as Chairman of the Subcommittee. The other members are the Honourable Dr Timothy Harris, Council member for St Kitts and Nevis and the Honourable Gaston Browne, Council Member for Antigua and Barbuda.

Council agreed that the amendments to the Banking Act would be submitted for approval at its meeting scheduled for July 2017. Council also agreed to recommend to member governments that they lend support to, and participate in the consultative and legislative drafting workshop scheduled for April 2017. The purpose of this workshop is to finalise the draft amendments to the Act in preparation for passage by December 2017.

Harmonised Credit Reporting Bill and Regulations

The ECCB, in collaboration with the International Finance Corporation (IFC), a member of the World Bank Group, is in the process of developing a credit reporting system for the ECCU. A credit reporting system in the ECCU will improve citizens' access to loans from financial institutions and is expected to assist in the reduction in lending rates.

Credit reporting legislation is necessary to promote the growth and development of the ECCU Credit Reporting System and the development and operationalisation of a credit bureau within the single financial and economic space.

The ECCB has engaged relevant stakeholders across the ECCU including: the Chambers of Commerce, Attorneys General, Ministries of Finance, financial sector regulators and potential participants in the credit bureau including banks, nonbank financial institutions, telecommunication companies, utilities companies and hire purchase retailers, to craft the Harmonised Credit Reporting Bill and Regulations.



The Council approved the proposed Credit Reporting Bill and Regulations and agreed to urge member governments to ensure the Credit Reporting Bill and Regulations are in force by September 2017.

6.0 Report from the Insurance Core Committee

The Monetary Council noted that the Plan of Arrangement (BAICO and CLICO) Act has been passed in all ECCU territories and was presented to The Bahamas Parliament for a first reading on 15 February 2017. Once the Act is passed, the process of engaging the ECCU courts will commence.

Regarding CLICO, the Core Committee on Insurance continues to advocate on behalf of ECCU policy holders for fair and equitable treatment by the Judicial Manager. All options are now being considered as Council presses to ensure that the rights of the ECCU policy holders are observed and enforced.

7.0 Date and Venue of Next Meeting of the Monetary Council

Council agreed that the 88th Meeting of the Monetary Council would be held in the Commonwealth of Dominica on 21 July 2017.



8.0 Attendance

Council Members attending the meeting were:

1. Hon Gaston Browne, Prime Minister and Minister for Finance, Antigua and Barbuda (Chairman)
2. Hon Victor F Banks, Chief Minister and Minister for Finance, Anguilla
3. Hon Roosevelt Skerritt, Prime Minister and Minister for Finance, Commonwealth of Dominica
4. Dr the Right Hon Keith Mitchell, Prime Minister and Minister for Finance, Grenada
5. Hon Donaldson Romeo, Premier and Minister for Finance, Montserrat
6. Dr the Hon Timothy Harris, Prime Minister and Minister for Finance, St Kitts and Nevis
7. Hon Allen Chastanet, Prime Minister and Minister for Finance for Saint Lucia
8. Dr the Hon Ralph E Gonsalves, Prime Minister and Minister for Finance, St Vincent and the Grenadines

2 March 2017

