Eastern Caribbean Central Bank

Corporate Governance Charter

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Introduction

Overview

The Eastern Caribbean Central Bank (the Bank) is one of four multi-state central banks in the world and serves eight countries in the Eastern Caribbean Currency Union (ECCU). The Bank recognises that corporate governance is critical to achieving its mandate, and maintaining its credibility and image as a model regional and international institution. This Charter summarises the corporate governance policies and practices of the Bank. The Bank’s corporate governance framework reflects current best practices, and incorporates the requirements of the Eastern Caribbean Central Bank Agreement Act, 1983 (the Agreement) and takes cognizance of the Corporate Governance Principles for the Organisation of Eastern Caribbean States (OECS) see appendix I. It takes into account the legal and regulatory framework of the ECCU member countries and is updated to keep abreast of changes in local and international practices.

“Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.” It may be viewed as the set of processes, customs, policies and institutions affecting the way an organisation is directed, administered and controlled.

The Corporate Governance Structure at the Bank

Corporate governance at the Bank is aimed at encouraging innovation through critical thinking and development through problem solving, in order to meet the Bank’s objectives and to provide accountability and control systems commensurate with the risks involved. The Bank’s corporate governance framework is set by the Agreement, which provides for a Monetary Council (the highest decision-making body) and a Board of Directors (the Board). Also

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1 The participating countries are, Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts/Nevis, St Lucia and St Vincent and the Grenadines.

2 ASX Corporate Governance Council, Principles of Good Corporate Governance and Best Practice Recommendations.
incorporated in this framework are three management committees created by the Governor: Executive Committee; Heads of Department Committee; Management Committee (see Figure 1). These committees are essential for the implementation of policies of the Board, and the conveyance and exemplification of its core values.

**Corporate Governance Structure**

![Corporate Governance Structure Diagram](image)

**Monetary Council**

The Monetary Council, which comprises of one “Minister appointed by each Participating Government”, is the highest governing body of the Bank. It has the legislated responsibility to make monetary and policy decisions which, when communicated to the Bank, become binding while they remain in effect (Article 7 (6)). The enacting of legislation to give effect to the Agreement, and the appointment of the Board (Article 9 (1)), are also the sole responsibility of the Monetary Council.

**Board of Directors (Board)**

As prescribed in Article 8 (1) of the Agreement, the responsibility for the policy and general administration of the Bank is vested in the Board of Directors. Therefore, serving as the focal
point of the corporate governance system and an exemplar for management excellence, the Board has embraced the tenets contained in the Corporate Governance Principles for the OECS (Appendix I) in determining the corporate governance framework of the Bank. Its major responsibility is to make certain that the corporate governance framework ensures the strategic guidance of the Bank, the effective monitoring of management, and accountability to the Monetary Council and other stakeholders.

In addition, the Board has to ensure that the Bank’s corporate governance framework has “its basis in the rule of law and ethical business practices”. One of the ways in which the Board performs this responsibility is by establishing Board Committees such as the Board Audit Committee, to assist in exercising its governance function.

The Board is also responsible for monitoring the effectiveness of the Bank’s governance practices and making changes as needed (Principle VI (g)). The Internal Audit Department through the Board Audit Committee provides the Board with updates on risk management, internal controls, and compliance with applicable standards, policies, procedures and laws. Principle VI (g) indicates further, that it is the Board’s responsibility to monitor and manage potential conflicts of interest by management, including the misuse of Bank assets (see Appendix I for further details).

In keeping with Appendix I, key functions which the Board should fulfil in order to satisfy its governance responsibility are as follows:

- Reviewing and guiding Bank strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and Bank performance; developing and approving management policies and overseeing major capital expenditures, acquisitions and divestitures;

- Selecting, developing, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning;

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3 The Board Audit Committee; Board Investment Committee; Board Budget and Operations Committee.
Aligning key executive and Board remuneration with the longer-term interests of the Bank and its stakeholders;

Ensuring the integrity of the Bank’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;

Overseeing the process of disclosure and communications.

The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Bank and its stakeholders;

The Board should seek to codify ethical conduct, which should at a minimum, seek to set clear limits on the pursuit of private interests, and define conflicts of interest and independence. It should also factor in consideration of the interests of stakeholders;

The Board should be able to exercise objective independent judgment on Bank affairs.

Board members should have access to accurate, relevant and timely information.

**Executive Committee**

The responsibility for governance of the Bank legislatively rests with the Board of Directors; however, the Executive Committee which comprises the Governor, Deputy Governor and the Managing Director, was established by the Governor to assist the Board in fulfilling its administrative mandate under the Agreement. It has been mandated to assume the following roles:

To constantly review and manage the Bank’s risk and ensure that they are appropriately managed.

To approve the annual work programme and budget.

To constantly monitor the execution of the work programme and performance standards.

To sign off on policy and administrative arrangements and issues for meetings of the Monetary Council and the Board of Directors.

Any other matters which affect the performance of the Bank.

The Executive Committee is chaired by the Governor who is accountable to the Board of Directors for the achievement of the Bank’s objectives.
1 Solid Foundation for Management and Oversight

Composition and Purpose of the Monetary Council

The Monetary Council was established under Article 7 of the Agreement. According to Article 7 (1) of the Agreement, the Monetary Council comprises eight ministers of government, one appointed by each participating government⁴ in such manner as it may determine. The Agreement also provides for each minister to appoint an alternate to serve in the absence of the substantive person. Chairmanship of the Monetary Council is rotated annually during the month of July among the participating territories. This is done alphabetically by country.

The Monetary Council meets three times annually, in accordance with Article 7 (2) of the Agreement, which states that “the Monetary Council shall meet not less than twice each year to receive from the Governor, the Bank’s report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy for such other purposes as are prescribed under the Agreement”. Additional meetings are held at the request of at least two of members of the Monetary Council in accordance with Article 7 (4) of the Agreement.

The Monetary Council is responsible for the appointment and removal of the Governor and Deputy Governor as stated in Article 9 (3) of the Agreement.

Composition and Purpose of the Board of Directors

In accordance with Article 8 and subject to Article 7 of the Agreement, the powers of the Bank are vested in the Board, which is responsible for the policy and general administration of the Bank. The Board consists of ten directors eight of whom, are appointed by the Monetary Council upon the recommendation of the respective participating governments. The

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⁴ Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts/Nevis, St Lucia and St Vincent and the Grenadines.
Governor, who is the Chairman and the Deputy Governor are executive directors of the Board.

The appointed directors, in accordance with Article 9 (1) of the Agreement, are persons of recognised standing and experience in one or more of the following areas:

- Fiscal and Monetary Policy;
- Finance and Accounting;
- Banking;
- Economics;
- Law; or
- Other related fields.

Directors are appointed for terms not exceeding three years and are eligible for re-appointment in accordance with Article 9 (2) of the Agreement. The Governor and the Deputy Governor, according to Article 9 (3) of the Agreement, are appointed for a period not exceeding five years and shall also be eligible for re-appointment.

The Board is empowered by Articles 19 (2) and 40 of the Agreement to make recommendations to the Monetary Council on matters such as:

- the external value of the EC dollar;
- the denomination, composition, form and design of the currency to be issued;
- the terms and conditions for temporary advances to participating governments; and
- interest rates.

Directors are required to consider the interests of all the territories in the decision-making process subject to Article 9 (1) of the Agreement.

Under current policy formulation the Board meets six times per year in keeping with Article 13 (1) of the Agreement which states that “the Board shall meet as often as the business of the Bank may require but not less than once every three calendar months”. Board meetings are convened at the Bank’s headquarters or via videoconferencing to deliberate on matters requiring its attention and to ensure that the institution is meeting its objectives.
Responsibilities of the Board of Directors

The Board has the power to make, alter or revoke regulations, notices and orders for the purpose of giving effect to Article 8 of the Agreement.

The Board is responsible for:

- oversight of the Bank, including its control and accountability systems;
- ratifying the appointment and, where appropriate, the removal of senior officers of the Bank;
- input into and final approval of management’s development of the Bank’s corporate strategy and performance objectives;
- reviewing and ratifying decisions of its sub-committees;
- making recommendations to the Monetary Council;
- monitoring senior management’s performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring financial and other reports; and
- communicating with the Monetary Council on matters that may affect the Bank’s ability to achieve its objectives or financial targets in accordance with Article 37 (3).

Board Sub-committees

Three sub-committees have been established to facilitate the work of the Board as follows:

- The Board Audit Committee;
- The Board Investment Committee;
- The Board Budget and Operations Committee;

The purpose of the Board Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank’s process for monitoring compliance with laws and regulations and the Board’s audit charter. (See appendix II for further details)
The Board Investment Committee assists the Board in its oversight responsibility for reviewing, approving and overseeing the implementation of recommendations on the management of the Bank’s foreign reserve assets.

The Board Budget and Operations Committee reviews recommendations from management, on policies of a financial and operational nature prior to their submission to the Board for approval. The committee also examines the Bank’s budget and variance reports and makes recommendations to the Board.

Other committees

- The Pension Fund Investment Committee; and
- The Pension Fund Trustees Committee.

The Pension Fund Investment Committee is a technical committee responsible for reviewing benefits payable and being paid. It provides technical information and/or research as required by the Bank or Trustees and gives direction as to how the pension contributions may be invested.

The Pension Fund Trustee Committee is responsible for ratifying the decisions of the Pension Fund Investment Committee, administering the provisions of the Trust Deed and Rules of the pension scheme, and considering recommendations from the actuaries.

Role of the Chairman of the Board

The Board’s chairman, the Governor, is responsible for the efficient organisation and conduct of the Board’s function. The chairman facilitates the effective contribution of all directors and promotes constructive relations between Board members and between the Board and management.
Commitment and Independence

The Governor and the Deputy Governor shall devote the whole of their professional time to the service of the Bank and while holding office shall not without the prior approval of the Board engage in any business, profession or employment, whether remunerated or not. They may however act as members of any Board or commission appointed by the Council or become governors, alternate governors, directors or members of any organ, of any international financial institution, established under any agreement or convention to which one or more of the Participating Governments shall have adhered or given support or approval. They may also become members of the Board of any corporation organised by one or more of the Participating Governments for the purpose of insuring deposits in financial institutions as stated in Article 10 (2) of the Agreement.

Board members, other than the Governor and Deputy Governor, are independent of management.

Every director, in keeping with Article 15 (2) of the Agreement, shall fully disclose to the Board any private interest, industrial or other, which he may directly or indirectly hold or be connected with and which becomes the subject of Board action, and shall refrain from voting on any matter relating thereto provided that such an interest, if so disclosed shall not disqualify the interested party for the purpose of constituting a quorum.

In keeping with Article 15 (3) of the Agreement no director, officer or employee of the Bank in his official capacity shall accept any gift or advantage for himself or for any person with whom he may have family, business or financial connections.

Responsibilities of Management

The Governor attends all meetings of the Monetary Council, presides as chairman at the meetings of the Board, serves as the chief executive of the Bank and is in charge of and responsible to the Board for the implementation of policy and the day to day management of the Bank in accordance with Article 9 (4) of the Agreement. The Governor has the power to
act, contract and sign instruments and documents on behalf of the Bank and pursuant to resolutions of and to the extent deemed appropriate by the Board, he may delegate such powers to other officers in accordance with Article 9 (5) of the Agreement.

At the apex of management is the Executive Committee. It comprises the Governor, the Deputy Governor, and the Managing Director. The Executive Committee meets weekly to deliberate on matters requiring decisions at the highest level of management; evaluates and manages institutional risk and receives reports from the Internal Audit Department. This committee is chaired by the Governor.

There is a clear division of responsibilities between the Governor, the Deputy Governor, and the Managing Director. The Deputy Governor and the Managing Director are each responsible for a division, see appendix III for more details, and each sits as chairperson on various committees across the Bank.

The Bank is divided into two divisions, namely the Monetary Policy and Operations Division and the Systems and Administration Division. The Monetary Policy and Operations Division reports directly to the Deputy Governor and is comprised of the Bank Supervision, Research, Statistics, Banking and Monetary Operations, and Currency Management Departments. The Systems and Administration Division reports directly to the Managing Director and is comprised of the Accounting, Corporate Relations, Human Resource, Legal Services, Support Services Management, and the Management Information Systems Departments. The Internal Audit Department, which forms part of the Governance framework, reports functionally to the Board Audit Committee and administratively to the Governor. The Governor’s Immediate Office (GIO) performs an advisory and administrative function to the Governor.

The management team of each department meets weekly to discuss their respective work programmes. Departmental meetings are held at least monthly. Divisional meetings are held weekly and a report from each division is presented to the Heads of Department who meet weekly.
Management Team and Meetings

Article 14 (1) of the Agreement prescribes that all appointments of officers and employees of the Bank be on the terms and conditions set out by the Board. The management team is encouraged to become knowledgeable about all areas of the Bank and on occasion, managers are given the opportunity to learn and develop in other areas across the Bank by job rotation.

Management Committees

Committees have been established and meet on a regular basis to discuss pertinent issues as follows:

Heads of Department Committee receives weekly reports from divisions and departments on all critical aspects of the operations of the Bank; receives recommendations from the technical committees; and approves all matters to be brought before the Board and the Monetary Council. The committee is chaired by the Governor.

Management Committee receives monthly reports from divisions and departments on all critical aspects of the operations of the Bank. The Governor chairs this committee.

Technical Committees

Reserve Management Committee is responsible for giving guidance and making recommendations to the Board of Directors through the Executive Management on fundamental and technical issues arising from the management of the Bank’s foreign reserves; and provides a forum for discussion of economic and financial developments. The committee is chaired by the Managing Director.

Economic and Monetary Policy Committee keeps management informed of the money and credit conditions in the region and beyond, as well as economic situations and prospects affecting the ECCU member countries. It also assists with the formulation of policy recommendations in relation to money and credit, fiscal and structural policies. The Deputy Governor chairs this committee.
**Financial Stability Committee** is charged with the responsibility to advise and make recommendations to management on the financial stability of the currency union and to establish benchmarks for risks to the financial system at the currency union level, the country level and the institution level. The committee reviews compliance issues, contingency arrangements, the payments system and procedures for collaboration and exchange of information with other regulators. It also makes recommendations regarding the issuing of banking business licences by the participating governments; discusses proposed areas for strengthening the regulatory and supervisory regime, and receives reports on local, regional and international financial developments. *This committee is chaired by the Deputy Governor.*

**Specialised Committees**

*The Financial Books Committee*\(^5\) meets weekly to discuss issues relating to the analysis of the Bank’s balance sheet, income statement, and the foreign and domestic liquidity of the Bank. It also provides an avenue for the weekly monitoring and expeditious resolution of issues relating to the financial statements that may arise. *This committee is chaired by the Governor.*

*Policy Advisory Committee*\(^6\) acts as a clearing house for all matters to be presented to the Board and Monetary Council. It approves all agendas, outlines and papers, discusses major policy issues as identified by the Bank and coordinates the workflow and processing of policy issues with the Bank, through the consultative and networking process. *This committee is chaired by the Governor.*

*Other Committees meet regularly to address issues relating to Business Continuity, Security and Training.*

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\(^5\) The members of the committee include the Governor, the Deputy Governor, the Managing Director and the Directors of the Internal Audit, Accounting, Banking and Monetary Operations and the Currency Management Departments.

\(^6\) The following are members of this committee: Monetary Policy and Operations Department (MPOD) Heads, Advisors MPOD and Governor’s Immediate Office, Executive Committee, Director, Legal Services, Senior Director Corporate Relations, and Director, Internal Audit Department.
2 Risk Management and Internal Control

Control Environment

The system of internal control at the Bank encompasses the Monetary Council, the Board, the Bank’s management and related committees, and the departmental structures. Processes and procedures are in place to facilitate the management of risk and compliance, consistent with the Bank’s policies and relevant legislation. The Executive Committee has ultimate responsibility for risk management.

The Bank’s internal control environment is characterised by:

- the appropriate segregation of functions and duties;
- documented policies and procedures that guide processes;
- effective monitoring and reporting mechanisms;
- physical and procedural restrictions; and
- backup procedures and contingency plans.

The Bank’s management teams operate in their respective functional areas to identify and manage key risks on an on-going basis. The Internal Audit Department plays a major role in the identification of risks as it continuously monitors the operations of high-risk areas. The Head of the Internal Audit Department is required to report to the Board Audit Committee on control deficiencies and to make recommendations to the Bank’s management. All department heads are required to complete a risk questionnaire which is administered quarterly to ensure continuous monitoring and control of the risks in their respective departments. This all-encompassing approach provides reasonable assurance that the Bank’s resources and reputation are protected.

Board Audit Committee

The Board Audit Committee plays a major role in the management of risk and internal controls. It oversees:
• the work of any registered public accounting firm employed by the Bank as external auditors
• the appointment and compensation of the external auditors;
• the resolution of any disagreements between management and the external auditor regarding financial reporting;
• all auditing and non-audit services; and
• the retention of independent counsel, accountants, or others to advise the committee in the conduct of an investigation.

The Board Audit Committee seeks information that it requires from employees, who are directed to cooperate with the committee's requests; or external parties. It meets with the Bank’s officers, external auditors, or outside counsel, as necessary.

**External Auditors**

Representatives of the external audit firm are invited to attend meetings of the Board Audit Committee to review their audit plan and assess their proposed audit scope and approach. Information from these meetings is used to continually improve and update internal risk management and compliance and control systems. Decisions of the Board Audit Committee are included on subsequent agendas of the Board.

**Internal Auditors**

The objective of the Internal Audit Department is to ensure the achievement of organisational objectives, the integrity and reliability of information, compliance with established policies, procedures, laws and regulations and the economical, efficient and effective use of resources.

The Internal Audit Department assists management in the effective discharge of its responsibilities by providing assurance on the adequacy, application and effectiveness of the system of internal control. The department also alerts management to any weaknesses which may exist that could result in error, loss, fraud or other undesired effect and offers advice on how to minimise risk and improve performance.
The Internal Audit Department maintains independence in all of its activities. It is the responsibility of management at every level of the organisation to establish and maintain appropriate control systems. The Internal Audit Department examines, evaluates and reports on the control systems. It is the responsibility of management to implement audit recommendations and provide feedback to the Internal Audit Department.

**Risk Management Environment**

The Bank monitors its activities and implements controls to mitigate risks and the Internal Audit Department provides reasonable assurance that the Bank is achieving its objectives in an effective manner. The ultimate reporting on risk is to the Board of Directors through the Board Audit Committee. The risk management function is implemented through the activities of department heads, internal auditors, investment managers and the Reserve Management Committee.

**Credit Risk Management**

The Bank, through the Reserve Management Committee (RMC), has oversight responsibility for credit risk as it relates to the management of its foreign reserves. The Bank subscribes to Moody’s Investors Service which provides issuer ratings on international banks, and other financial institutions. These issuer ratings reflect the ability of the financial institutions to meet their financial obligations, a major concern for the Bank in managing its foreign reserves. In addition, the investment managers, the Investment Unit of the Banking and Monetary Operations Department, and the Internal Audit Department, carry out extensive research on any new financial institution or financial instrument that is being added to the reserve portfolio. The Internal Audit function adds integrity to the process by monitoring changes in issuer ratings, and ensuring compliance with the approved ECCB Investment Guidelines.

**Market Risk Management**

To facilitate effective market risk management, the Bank, through the Investment Unit, Reserve Management Committee and the Board’s Investment Sub-committee, defined and implemented the ECCB Investment Guidelines with which all investment managers are
required to comply. In addition, the Bank has developed a customised benchmark to encapsulate its policies on risk, returns and constraints. The customised benchmark reflects the risk tolerance level of the Bank’s Board of Directors, and is used as a measurement tool to assess the performance of all investment managers.

*Operational Risk Management*

The awareness of operational risks extends from the Board to departments in the Bank. The Bank has adopted the Business Risk Management approach to the Internal Audit function by focusing on, and providing continuous surveillance of the Bank’s high risk areas of operation. Department Heads identify areas of operational risk exposure inherent to their departments and are responsible for ensuring that the appropriate systems are in place and functioning adequately, to manage the respective risks. Clear channels of communication and reporting are instituted to facilitate operational risk management along with appropriate segregation of duties.

*Reputational Risk Management*

The reputation of the ECCB as perceived locally, regionally and internationally has significant impact on the Bank and whether it achieves its mandate. To that end, the Bank strives to ensure that it maintains its credibility and image as a model regional and international institution. Consequently, as part of its corporate governance structure, the Corporate Relations Department (CRD) is charged with maintaining the integrity of the administration and communication systems in relation to the Monetary Council, the Board of Directors and Management through networking and consultative processes. Management also contributes to this process by providing oversight and implementing policies to govern the transparency, protection and integrity of information communicated to all stakeholders. The CRD also manages the Bank’s relationships with clients and the wider public through communiqués, the maintenance of a Bank website, and public education initiatives.
3 Integrity in Financial Reporting

Disclosure and Transparency

In keeping with internationally recognised standards, the Bank publishes its statement of assets and liabilities monthly and the audited annual financial statements by the end of June in accordance with its statutory requirements. The Monetary Council has responsibility for approving a list of auditors from which the Board appoints an external auditor. Auditors are selected through a process of tendering and due diligence review. The external auditor conducts an annual audit to provide the assurance that the financial statements fairly represent the Bank’s financial position. The external auditor reports to the Board Audit Committee on its findings and recommendations.

Compliance with International Financial Standards

The Bank is in compliance with the International Financial Reporting Standards ("IFRS") and has been since the financial year beginning on 1 April 2004. These standards are issued by the International Accounting Standards Board (IASB) and are authoritative pronouncements on how transactions and events should be reflected in financial statements.

The IFRS is the single most important initiative in the financial reporting world and the impact of IFRS reporting stretches far beyond accounting to affect every key financial decision made and how it is reported. The goal of the IFRS is to make international comparisons as easy as possible. The Bank’s adherence to such standards is indicative of its commitment to ensuring that it complies with its transparency thrust.

The Bank, in an effort to ensure continued compliance, commits to the continuing professional development of the preparers of the financial statements through the provision of training.

Review Process

The Board recognises that any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss. It also has a process for review and authorisation to ensure the true and fair representation of the Bank’s financial position. This process includes:
• external audit;
• internal audit; and
• the Board Audit Committee.

Statement from Bank Executives
As part of the annual external audit, the Governor and the Head of the Accounting Department prepare a Representation Letter addressed to the audit firm stating that the Bank’s annual financial reports present a true and fair view, in all material respects, of the Bank’s financial condition and operational results, and are in accordance with relevant accounting standards.

External Audit Function
The objective of the Bank’s external audit function is to provide the Board and management with the following:

• Reasonable assurance of the effectiveness of internal controls over financial reporting;
• Accuracy and timeliness in recording transactions, and the accuracy and completeness of financial reports;
• An independent and objective view of the Bank’s activities, including processes relative to financial reporting; and
• Information useful to management in maintaining the Bank’s risk management processes.

As part of the annual audit of the Bank’s financial statements, the following parties are required by the external auditors to complete a fraud risk questionnaire:

• Board Audit Committee;
• Management of the Bank;
• Internal Audit Department; and
• Management Information Systems Department.
The fraud risk questionnaire is a declaration of the following by the above parties to the external auditors:

- Views on fraud risk at the Bank;
- Specific procedures to identify or detect fraud;
- Knowledge of any fraud or suspected fraud; and
- The parties’ role in identifying, responding to and mitigating fraud risk.

Such declarations affirm the Bank’s transparency thrust.

**Communication between the Bank and the External Auditor**

In addition to the audit report, the Bank’s external auditors issue or communicate other information to the Bank’s audit committee. The extent of communication varies depending on audit findings. Some or all of the following information may be communicated, which may be issued in a number of separate documents or together in a single “management letter”.

*Communication of internal control-related matters noted in the audit* - If, during an audit, the auditor notes reportable conditions identified as material weaknesses in financial reporting internal control, the auditor may make suggestions for improving the Bank’s internal control structure. The auditor is required to communicate such matters, in writing, to the audit committee.

*Communication with audit committee* - The external auditor is required to communicate certain information regarding the scope and results of the audit to the audit committee. This communication is required in writing and must address the following:

- the auditor’s responsibilities, the significant accounting policies;
- management judgments and accounting estimates;
- audit adjustments and a summary of unadjusted audit differences;
- auditor judgments about the quality of the Bank’s accounting principles;
- other information in documents containing audited financial statements;
- disagreements with management; and
- difficulties encountered in performing the audit.
**Confirmation of audit independence** - The auditor is required to disclose, in writing, all relationships with the Bank and its related entities that could affect the auditor’s objectivity. The auditor must also confirm that it is independent and discuss its independence with the Bank’s audit committee.

**Internal Audit Function**

The Internal Audit Department provides reasonable assurance about internal control. The Head of the Department provides this assurance to the Executive Committee and the Board Audit Committee.

At the commencement of each financial year the Internal Audit Department prepares an annual audit plan which contains the activities that would be its main focus for that period. A risk based approach coupled with guidance from the audit committee, is taken in formulating the plan. Every area of the institution may not be covered each year however the organization’s major risks are always the primary focus of internal audit activities.

The Internal Audit Department contributes to effective governance by the identification of risk factors, the analysis of the consequences, as well as assisting management in the prioritisation of risk management and control systems. The Internal Audit Department gives assurance that the risk management processes are functioning as intended. In addition the internal audit function assists management and the Board by improving risk management and control processes.

**Board Audit Committee**

The Board Audit Committee consists of at least three members of the Board who must all be non-executive directors. The Board or its nomination committee will appoint committee members and the committee chair.

The Board Audit Committee meets at least twice each year and invites members of management, external auditors or other relevant personnel to attend meetings to provide
pertinent information, as necessary. Meeting agendas are prepared and provided in advance to members, along with appropriate briefing materials. The Board Audit Committee has no executive powers; therefore, all matters for decision are submitted to the next scheduled Board meeting.

The responsibilities of the Audit Committee are documented in the Board Audit Committee’s Charter, as shown in Appendix II.
4 Code of Ethics

1. Overview

The Eastern Caribbean Central Bank (ECCB) is an institution driven by a culture of integrity and honesty, excellence, accountability, transparency, sound judgment, dedication and loyalty. In addition, this culture is firmly supported by effective teamwork and leadership. These fundamental tenets may be found in the Bank’s Values Statement (Appendix IV). They form the core values and are the guiding principles that underlie the Bank’s approach to achieving its overall objectives as stated in its Mission and Vision Statements as follows:-

Mission

“To maintain the stability of the EC Dollar and the integrity of the banking system in order to facilitate the balanced growth and development of member states. ”

Vision “To be:

a) the leading institution for economic policy advice;
b) a model for management in the ECCU; and
c) an advocate for ECCU’s regionalisation initiatives.”

The Bank promotes exemplary business practices within the institution as well as within the banking and financial system that it supervises and regulates. The Bank therefore conforms to the Corporate Governance Principles espoused by the internationally recognized Organisation for Economic Co-operation and Development (OECD), while taking into consideration the unique economic, social, legal and cultural circumstances of the Organisation of Eastern Caribbean States (OECS)7.

The Bank’s Code of Ethics governs the relationship structure, role, and responsibilities of all the major stakeholders: Monetary Council, Board of Directors, Management and staff of the

7 At the 63rd meeting of the Monetary Council held on 24 October 2008 in Basseterre, St Kitts and Nevis, approval was given for the adoption of the Corporate Governance Principles for the OECS; an adaptation of the OECD Corporate Governance Principles.
Bank. Strict adherence to ethical principles is paramount to the Bank’s advancement and image as a regional institution in the OECS.

In support of good governance, the Bank takes a leading role in the continued promotion of a sound financial system within the ECCU by spearheading the development of prudential guidelines and ethical business practices implemented through the enactment of uniform financial legislation in the form of the Banking Act and the publication of other approved policy documents such as: the “Handbook for Bank Directors (February 2007)”, and the “Code of Best Practice for Financial Institutions Licensed under the Banking Act” (September 2007). The Bank also observes the recommendations, relevant best practices, and ethical standards emanating from internationally accredited professional bodies.

Responsibility for the ECCB Code of Ethics

As prescribed in Article 8 (1) of the Agreement, the powers of the Bank are vested in a Board of Directors, who is responsible for the policy and general administration of the Bank. The Board of Directors is therefore responsible for the observance of this Code of Ethics as well as related Bank practices.

2. General Principles for the Bank

The Bank, as a legislated “body corporate” with perpetual succession and a common seal⁸, can exercise all of the powers granted under the Agreement to achieve its purpose. The Bank is also guided by ethical principles when transacting business in accordance with the Agreement. Important among these principles are the following:

Impartiality

In keeping with Article 43 (1) of the Agreement, the Bank shall not “… engage in trade or participate directly or indirectly in the ownership of any financial, agricultural, commercial, industrial or other enterprises, except to the extent provided in Article 42(2 and 4a)”. Article

⁸ Article 3 (2)
44 (1) further states that in carrying out its functions, the Bank must be guided “solely by technical criteria and considerations and shall not discriminate in any aspect of its operations on political or other non-economic grounds”.

**Transparency**

Although the Bank is an autonomous organisation that has been granted “immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract” as prescribed in Article 50, it must demonstrate transparency and accountability in transacting business to effect the Agreement. Therefore, the Bank, in keeping with Article 45 (2) and 47, must publish in the official Gazette of each member state, all regulations made and notify the public in such a manner as it decides. In addition, the accounts of all its transactions must be audited by an auditor appointed from a list approved by the Monetary Council.

**Accountability**

The Bank, through the Board of Directors, is accountable to the Monetary Council (the highest decision-making body of the Bank) and the people of the ECCU, for its actions and performance. It is responsible for ensuring that within three months of the close of each financial year, it transmits to each participating government a copy of its audited financial statements and a report on its operations. These reports are also to be published by the Bank as soon as it is expedient. In addition, the Bank is mandated to prepare and publish “the return of its assets and liabilities as at the close of business on the last business day of each month.” This monthly return must also include “the proportion which the value of the reserve of external assets bears to notes and coins in circulation and other demand liabilities”, as prescribed in Article 48.

In keeping with Article 7 (2) of the ECCB Agreement, the Governor, on behalf of the Bank, also presents to the Monetary Council “not less than twice a year”, “the Bank’s report on monetary and credit conditions”.
3. Ethical Principles for the Board of Directors

The Board consists of the Governor, the Deputy Governor and one Director appointed by each Participating Government. The Bank’s guidelines on what constitutes ethical misconduct and the ensuing consequences for the Board are espoused in the Agreement as follows:

Article 11 (1): No person shall be appointed or shall remain Governor, Deputy Governor or appointed Director of the Bank who is or becomes -

(a) Director, officer or employee of any financial institution within or without the territories of Participating Governments: Provided that Directors of wholly-owned Government Institutions may serve as Directors;

(b) member of the legislature (by whatsoever name called) of a Participating Government.

(3): The Governor, the Deputy Governor or any appointed Director shall be removed from his office by the Council upon -

(a) a finding by two-thirds of all of the members of the Board of permanent incapacity or serious neglect of, or misconduct in office; or

(b) on conviction for an offence involving dishonesty or fraud or that is punishable with imprisonment for twelve months or more or a conviction for an offence contrary to Article 15 or 16 of this Agreement; or

(c) his becoming bankrupt or compounding with or suspending payment to his creditors.

The Agreement goes further to articulate the Bank’s code of ethics for the Board under the broad areas as categorised below:

Conflict of Interest

Article 15 of the Agreement, summarises the issues constituting conflict of interest, in order to guide the behaviour of its Directors. Paragraphs 1-3 state the following:

(1) The Governor, the Deputy Governor and each appointed Director shall not act as a representative of any commercial, financial, agricultural, industrial or other (private) interest; and neither they nor any other officer or employee of the Bank shall receive or accept directions from any such interest in respect of duties to be performed under this Agreement.

(2) Every Director shall fully disclose to the Board any (private) interest, industrial or other, which he may directly or indirectly hold or be connected with and which becomes the subject of Board action, and shall refrain from voting on any matter relating thereto: Provided
that such an interest, if so disclosed shall not disqualify the interested party for the purpose of constituting a quorum.

(3) No Director, officer or employee of the Bank in his official capacity shall accept any gift or advantage for himself or for any person with whom he may have family, business or financial connections.

Confidentiality

Confidentiality of the Board as it pertains to matters of the Bank is delineated in Article 16 (1) of the Agreement. Due to the confidential nature of the Bank’s business, it is a requirement that the Governor, Deputy Governor, every appointed Director, and every officer and employee of the Bank, “take an oath of secrecy in the form prescribed by the Board.”

Misuse of Information

No director, officer, or employee of the Bank shall disclose to any other person, except, for the purpose of exercising one’s functions, “any material information acquired while performing one’s duties pertaining to the affairs of the Bank, any financial institution, person, firm, company or organisation” (Article 16 (2)).

Independence

As it relates to independence, the Agreement calls for the Board to execute its duties impartially and in a manner which is not influenced by any outside party. To ensure that this principle is respected and exemplified in appropriate behaviour by the Board and in keeping with Article 15 (1) of the Agreement, no Board member can “… act as a representative of any commercial, financial, agricultural, industrial or other (private) interest; and neither they nor any other officer or employee of the Bank can receive or accept directions from any such interest in respect of duties to be performed under the Agreement.”
4. Code of Ethics for Staff of the Bank

The Code of Ethics governing the behaviour of staff reflects the same general ethical principles applied to the Board and other stakeholders of the Bank. Ethical values pertaining to the staff of the Bank are denoted in the Eastern Caribbean Central Bank - Staff Regulations as well as in other Bank approved policy documents and regulations\(^9\).


In performing its regulatory oversight of the financial system in the Currency Union, the Bank seeks to ensure integrity, transparency, and the use of recognised best business practices in the system through the uniform Banking Act (the Act). Section 26 of the Act delineates ethical guidelines for directors of all financial institutions covered under the Act. Other supplementary\(^{10}\) documentation, though not legal documents, provide guidelines on ethical conduct for the financial system.

Further, in order to ensure and maintain integrity and confidence in the currency of the ECCU and by extension the financial system, the Bank, is empowered by Article 18 (1) of the Agreement to retain “… the sole right to issue currency notes and coins in the territories of the participating governments…”. In addition, Section 7 (2) of the Agreement Act makes it an offence punishable by law for any party to contravene the Bank’s right as sole issuer of currency. This legislation further protects the Bank’s credibility and reputation as the legitimate banker to the commercial banks and the participating governments. Most importantly, it serves as a strong deterrent to counterfeiting of the Eastern Caribbean currency thus preserving its value and its regional and international integrity.

\(^{9}\) Information Systems Security Policy; the ECCB’s Guide – Protocol, Diplomacy and Etiquette; Media Relations Policy; Eastern Caribbean Central Bank – Values Statement;
6. Reporting of Unethical Behaviour

The Board, management and every employee of the Bank who is aware of any violation of this Code of Ethics or unethical business conduct by officers or directors have an obligation to inform the Bank’s management. However, depending on the severity of the violation, it may be dealt with by a supervisor, Head of department/section/unit. A report on the infraction may also be required for placement on the employee’s file subsequent to the necessary review by management (Staff Regulations 81).

7. Amendment and Modification of the Code of Ethics

This Code of Ethics (excluding elements which are legislatively mandated) may be amended or modified by the Board of Directors of the Bank as it deems necessary. The Board has the sole and absolute discretionary authority to approve any deviation or waiver from this Code of Ethics.

8. Administration of the Code of Ethics

Every member of the Board and officer of the Bank has a responsibility to abide by this Code of Ethics.
5 Code of Conduct

The code of conduct prescribed for the Governor, Deputy Governor and the Board of Directors may be found in the Agreement. In addition, codes of conduct applicable to all employees of the Bank are enshrined in various policy documents some of which include:

- Media Relations Policy
- Information Systems Security Policy
- Eastern Caribbean Staff Regulations
- Training and Staff Development policy
- The ECCB’s Guide – Protocol, Diplomacy and Etiquette
- The ECCB’s Guide - Effective Communication
- The ECCB’s Guide - Successful Meetings and Events Management
- Energy Management Policy

The Governor, Deputy Governor, directors of the Board, management and staff of the Bank are also required to take and sign an oath of secrecy in the form prescribed by the Board as required by Article 16 (1) of the Agreement.

Human Resource Issues

Given that the Bank serves eight individual islands, it is subject to the labour codes/laws of each member country. In addition, staff is guided by the Staff Regulations which affords the Governor the responsibility for all staff appointments following selection procedures approved by the Board. The Governor informs the Board of appointments and seeks ratification for appointments above a defined grade threshold. Oversight of human resource issues is the key responsibility of the Board, Governor, and Human Resource Department. The Internal Audit Department adds integrity to the human resource management process by ensuring compliance with stipulated policies and procedures. Also guiding the management of human resources are other policies such as the Training and Staff Development Policy, a Performance Appraisal System, a Pension Scheme Trust Deed and Rules, and a recruitment policy. These policies and
guidelines conform to international conventions and standards pertaining to human rights, equal employment opportunity, and working conditions.
6 Relationship with Stakeholders

Communication with stakeholders

The general public is provided with sufficient and timely information concerning the date, location and agenda of meetings, as well as timely information regarding the issues to be decided at the meeting. The Monetary Council has the responsibility of keeping the people of the region informed about important decisions on grounds of public interest. The Monetary Council informs the public of its decisions through the issuance of a Communiqué following each meeting. The Council also holds media briefings immediately following its meetings facilitated by the Bank. During these briefings Monetary Council members explain monetary policy decisions and respond to questions posed by the local media. The proceedings are subsequently aired by the electronic media in all member countries and the communiqué from the meeting printed in the regional newspapers and posted on the Bank’s website.

According to Article 37(2), the Monetary Council, as well as any participating Government, may request the Bank to supply advice and to furnish reports on matters relating to the purposes of the Bank as set forth in Article 4\textsuperscript{11} of the Agreement. This is done through reports, meetings and other direct communication.

In accordance with Article 37(3) the Bank has a duty to inform and advise the Monetary Council and any participating Government in respect of any matter that in the opinion of the Bank is likely to affect the achievement of the Bank’s purposes.

\textsuperscript{11} The purposes of the Bank are -

(1) to regulate the availability of money and credit;
(2) to promote and maintain monetary stability;
(3) to promote credit and exchange conditions and a sound financial structure conducive to the balanced growth and development of the economies of the territories of the Participating Governments;
(4) to actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments.
Stakeholder Involvement

The Bank exchanges quality information and opinions with its stakeholders through a wide network of meetings across a spectrum of interests in the currency union during the year. These meetings are critical to the successful execution of the Bank’s mandate as the information emanating from the discussions is used to inform the Bank’s monetary policy stance.

Article 2(e) of the Agreement states that the Bank shall have the power to “regulate banking business on behalf of and in collaboration with Participating Governments.” In this regard, the Bank uses a series of consultations to interact with the various Ministries of Finance and commercial banks in the Eastern Caribbean Currency Union (ECCU). Given the multinational nature of the Bank’s structure, these interactions establish a framework for ensuring that there is effective coordination of the Bank’s activities. To facilitate a consultative approach, the following committees have been established to ensure that the Ministries of Finance and commercial banks are fully involved: Financial Secretaries, Regional Debt Coordinating Committee (RDCC), Banking Committee, Financial Sector Regulators, Heads of ECCU Policy Units and Attorneys General. These committees essentially coordinate, discuss, and provide feedback on operational, financial and legislative issues in the Currency Union.

Meetings are held with various networking groups. Regular scheduled meetings are held with the Directors of Budget; Comptrollers of Inland Revenue; Comptrollers of Customs; Directors of Statistics; Directors of Social Security Systems; Accountants General and Directors of Audit. The Bank also meets as needed on specific matters with Chambers of Commerce; the Organisation of Eastern Caribbean States (OECS) Secretariat; the Cabinet Committees; Tripartite Committees; Caribbean Development Bank (CDB); Caribbean Community (CARICOM); University of the West Indies (UWI); International Monetary Fund (IMF); World Bank and Donor Community/Aid Coordination.
Corporate Social Responsibility

The Bank, as a regional corporate citizen, recognises its responsibility to the people of the region. This responsibility is enshrined in the Bank’s mandate to promote a sound financial structure conducive to the balanced growth and development of its member states as stated in Article 4(3) of the Agreement. The Bank’s public relations and community outreach programmes embody this corporate social responsibility.

Public relations programmes include:

- The ECCU Annual Economic Review;
- Governor’s Presentation of the Annual Report;
- Monetary Council Press Briefings;
- Promotion of the Junior Achievement Programme;
- Financial Literacy Month activities;
  - Schools Quiz
  - Panel Discussions/Interviews
  - Financial Tips
- Savings and Investment Courses in the eight member territories; and
- School visits promoting the work of the ECCB and other school initiatives spearheaded by the Bank.

The community outreach programmes include:

- OECS Essay Competition;
- ECCB/OECS Under 23 Netball Championship;
- Sir Arthur Lewis Memorial Lecture; and
- ECCU Best Corporate Citizen Awards among Commercial Banks.
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CORPORATE GOVERNANCE PRINCIPLES
FOR THE
ORGANISATION OF EASTERN CARIBBEAN STATES (OECS)

September 2008

EASTERN CARIBBEAN CENTRAL BANK
ST KITTS
STATEMENTS OF PRINCIPLES

Principle I
The corporate governance framework within the Caribbean should encourage the development of transparent and efficient markets, have its basis in the rule of law and ethical standards to foster the division of responsibilities among supervisory, regulatory, and enforcement bodies.

Principle II
The Corporate Governance framework should protect and facilitate the exercise of shareholders rights.

Principle III
The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

Principle IV
The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between entities, including family owned businesses and state-owned/controlled enterprises, and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

Principle V
The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters relating to the entity, including its financial situation, performance, ownership, and governance.
**Principle VI**
The corporate governance framework should ensure the strategic guidance of the entity, the effective monitoring of management by the Board, and the Board’s accountability to the entity and to stakeholders.

**PRINCIPLES**

**Principle I – Overall Objective**

The corporate governance framework within the Caribbean should encourage the development of transparent and efficient markets, have its basis in the rule of law and ethical business practices and foster the division of responsibilities among supervisory, regulatory, and enforcement bodies.

A. The corporate governance framework should be cognizant of the economic peculiarities of the countries of the region, promote market integrity and growth, and underscore market transparency and efficiency and serve the public interest.

B. Corporate governance practices should be embedded in the legal and regulatory systems and based on the rule of law.

C. Responsibilities among legal, regulatory and supervisory authorities should be clearly delineated.

D. Professionalism and objectivity should be the cornerstone of the decision-making processes and other activities of supervisory, regulatory and enforcement bodies, including professional and industry associations. Such bodies should have the requisite authority and resources to fulfil their mandates. Decisions should be timely, transparent and just.
**Principle II – Shareholder Rights**

The Corporate Governance framework should protect and facilitate the exercise of shareholder rights.

A. Basic shareholder rights should include the right to:
   1. Secure methods of ownership registration;
   2. Freely convey or transfer shares subject to applicable law;
   3. Obtain relevant and material information on the company on a timely and regular basis, subject to any laws or principles of confidentiality;
   4. Participate and vote in general meetings of shareholders;
   5. Elect and remove members of the Board; and
   6. Share in the profits of the company.

B. Shareholders should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental/material corporate changes such as:
   1. Amendments to the statutes and/or articles of incorporation or other governing documents of the company;
   2. The authorisation of additional shares; and
   3. Extraordinary transactions, including the transfer of all or substantially all assets that in effect results in the sale of the company.

C. All shareholders should have the opportunity to participate effectively and vote in meetings of shareholders and should be informed of the rules, including voting procedures that govern shareholder meetings. Shareholders should be able to make their views known on the remuneration policy for Board members and key executives and the equity component of compensation schemes for Board members and employees should be subject to shareholder approval.

D. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.
E. Markets for corporate control should be allowed to function in an efficient and transparent manner. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and are provided recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

F. The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated and institutional investors should be encouraged to participate actively in the governance of the company.

**Principle III – Equal Treatment of Shareholders**

The Corporate Governance framework should ensure the equitable treatment of all shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

A. All shareholders of the same series of a class should be treated equally.
   1. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares prior to purchase. Any changes in voting rights should be subject to approval by those classes of shares, which are negatively affected;

   2. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress;

   3. Minority shareholders should be encouraged to seek professional advice
before participating in key decisions with respect to corporate governance, corporate restructuring, capital restructuring or asset transfers;

4. The forms of redress available should be made known to all shareholders.

5. Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares;

6. Cross-border voting should be facilitated;

7. Processes and procedures for shareholder meetings should allow for equitable treatment of all shareholders. Procedures should not make it difficult or expensive to cast votes.

B. Insider trading and abusive self-dealing should be prohibited.

C. Members of the Board and key executives should be required to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

D. Procedures for dealing with conflicts should be established.

**Principle IV – Rights of other Stakeholders**

The Corporate Governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between entities, including family owned businesses and state-owned/controlled enterprises, and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
A. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

B. Performance-enhancing policies for employee participation including employee share ownership and option plans, pension funds and other profit sharing mechanisms should be permitted to develop.

C. Stakeholders should have access to relevant, sufficient and reliable information on a timely and regular basis.

D. Procedures and safe-harbours should be established for complaints by employees, either personally or through their representative bodies, and others outside the entity, concerning illegal and/or unethical behavior should be established.

E. The corporate governance framework should be complemented by an effective and efficient insolvency framework and by effective enforcement of creditor rights;

F. Principles for public sector accountability and governance should be recognised and implemented;

G. Public Accounts Committees should play an active role in the governance of state owned/controlled enterprises;

H. An effective system for monitoring and reporting poor governance practices should be instituted within the public and private sectors;

I. The development of capacity within stakeholder groups should be facilitated. The development of business associations, shareholder advocacy groups and organised lobbying efforts should be encouraged.
**Principle V – Disclosure and Transparency**

The Corporate Governance framework should ensure that timely and accurate disclosure is made on all material matters relating to the company, including its financial situation, performance, ownership, and governance.

A. All material information in relation to the company should be disclosed subject to considerations of confidentiality;

Disclosure should include but not be limited to the following:

1. The financial and operating results of the company;

2. Company objectives;

3. Major share ownership and voting rights;

4. Remuneration policy for members of the Board and key executives;

5. Information about members of the Board and the company secretary, including biographical data, qualifications, shareholding in the company, other company directorships and whether they are regarded as independent by the Board;

6. Related party transactions;

7. Existing and foreseeable risk factors; and

8. Issues regarding employees and other stakeholders likely to materially affect the performance of the company.

B. The Board of Directors should prominently and clearly disclose its approach to
corporate governance, including analysing the company’s governance issues. The Board should also disclose the processes it employs to ensure an effective system of corporate governance.

C. Information should be prepared and disclosed in accordance with legal and regulatory requirements for accounting, financial and non-financial disclosure. Such disclosures should seek to meet international standards where applicable.

1. Accounting and auditing professions as well as supervisory and regulatory bodies should work to close the gap between accepted international standards and actual practices;

2. The development and implementation of both accounting and auditing standards should be overseen by effective bodies acting in the public’s interest;

3. The relevant accounting standards used to prepare the financial statements and reports should be disclosed;

4. The annual reports of companies should contain a Corporate Governance Statement detailing the company’s governance structures and/or policies;

5. The Board should ensure that adequate risk management and internal control procedures/processes are in place.

D. An annual audit should be conducted by an independent, competent and qualified auditor, appointed by the shareholders, in order to provide an external and objective assurance to the Board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.
E. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit. External auditors should be independent in fact and appearance.

F. Auditors should not provide non-audit services to the company unless expressly approved by the Board. Where auditors provide non-audit services, the audit committee should maintain full records of such services in an effort to maintain auditor objectivity and independence.

G. Channels for disseminating information should provide for equal, timely and cost efficient access to relevant information by users.

H. The Corporate Governance framework should be complemented by the provision of analysis or advice by analysts, brokers, rating agencies and others, that is relevant to investors and free from material conflicts of interest that might compromise the integrity of such analysis or advice.

**Principle VI – Board Responsibilities**

The Corporate Governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the Board, and the Board’s accountability to the company and to stakeholders.

A. Every company should be headed by an effective Board whose principal focus should be on optimising shareholder value. The Board should be the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of the company;

B. The Board of Directors of every company should meet regularly;
C. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the stakeholders.

D. Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.

E. The Board should seek to codify ethical conduct. At a minimum, the ethical code should seek to set clear limits on the pursuit of private interests, including dealings in the shares of the company and define conflicts of interest and independence. An overall framework for ethical behavior goes beyond compliance with the law, which should always be a fundamental requirement, and includes consideration of the interests of stakeholders.

F. Board training and certification should be encouraged;

G. The Board should fulfil certain key functions, including:
   1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; developing and approving management policies and overseeing major capital expenditures, acquisitions and divestitures;

   2. Monitoring the effectiveness of the company’s governance practices and making changes as needed;

   3. Selecting, developing, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning;

   4. Aligning key executive and Board remuneration with the longer-term interests of the company and its shareholders;
5. Ensuring a formal and transparent Board nomination and election process;

6. Monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in related party transactions;

7. Ensuring the integrity of the company’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;

8. Overseeing the process of disclosure and communications;

**H.** The Board should be able to exercise objective independent judgment on corporate affairs.

1. Boards should consider assigning a sufficient number of non-executive Board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of Board members and key executives, and Board remuneration;

2. The establishment of Board committees should be encouraged; in particular, the use of audit committees should be mandated. The committees’ mandate, composition and working procedures should be well defined and disclosed by the Board;

3. Board members should be able to commit themselves effectively to their responsibilities by being familiar with the industry or industries in which the company operates.
I. In order to fulfill their responsibilities, Board members should have access to accurate, relevant and timely information.

J. The Board should institute mechanisms for direct interface with regulators on a regular basis.

K. Board appointments should be made through a well managed and efficient process that provides for a mix of proficient directors, each of whom is able to add value and to bring independent judgment to bear on the decision making process.

L. Performance evaluation and peer reviews of Board members should be instituted.

M. The Board should maintain a system of internal controls to safeguard shareholders’ investment and the corporation’s assets. The Board should also seek to publicly disclose assessments of the effectiveness of internal controls within the company.

N. Members of the Board and key executives should be required to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.
APPENDIX II

Board Audit Committee Charter

PREAMBLE
Pursuant to Article 8 (1) of the Eastern Caribbean Central Bank (ECCB) Agreement 1983 which states “The powers of the Bank shall be vested in a Board of Directors, which subject to Article 7, shall be responsible for the policy and general administration of the Bank”, the Board of Directors meeting number 54, dated 12 December 1995, Paper Number BD 84-95, approved the formation of the Audit Committee.

PURPOSE
To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank’s process for monitoring compliance with laws and regulations and the code of conduct.

AUTHORITY
The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate and oversee the work of any registered public accounting firm employed by the Eastern Caribbean Central Bank (ECCB).
- Appoint, compensate and oversee the work of any external independent reviewers of the internal audit function employed by the ECCB.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees—all of whom are directed to cooperate with the committee’s requests—or external parties.
- Meet with the Bank’s officers, external auditors, or outside counsel, as necessary.

COMPOSITION
The audit committee will consist of at least three members of the Board of Directors. The Board or its nominating committee will appoint committee members and the committee chair.

MEETINGS
The committee will meet at least twice a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES
The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
• Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
• Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
• Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
• Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
• Review interim financial reports with management and the external auditors and consider whether they are complete and consistent with the information known to committee members.

**Internal Control**

- Consider the effectiveness of the ECCB’s internal control system, including information technology security and control.
- Understand the scope of internal and external auditors’ review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

**Internal Audit**

- Recommend the list of external independent reviewers of the internal audit function to be approved by the Board of Directors.
- Review with the external independent reviewers, management and Head of the Internal Audit Department the results of the independent external review of the internal audit function.
- Review with management and Head of the Internal Audit Department, the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of Head of the Internal Audit.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with Head of Internal Audit Department to discuss any matters that the committee or internal audit believes should be discussed privately.

**External Audit**

- Recommend the list of External Auditors to be approved by the Council (pursuant to Article 47 of the ECCB Agreement Act 1983).
- Review the external auditors’ proposed audit scope and approach, and oversee the coordination of internal and external auditing work to ensure adequate audit coverage and to minimize duplicate efforts.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Bank, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

**Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to the Bank’s personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and the Bank’s legal adviser regarding compliance matters.
Reporting Responsibilities

- Regularly report to the Board of Directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.
APPENDIX III

ORGANISATIONAL CHART

KEY:
BSD  Bank Supervision Department
BMOD  Banking and Monetary Operations Department
CMD  Currency Management Department
GIO  Governor’s Immediate Office
RD  Research Department
SD  Statistics Department

KEY:
AD  Accounting Department
CRD  Corporate Relations Department
HRD  Human Resource Department
IAD  Internal Audit Department
LSvD  Legal Services Department
MISD  Management Information Systems Department
SSMD  Support Services Management Department

GOVERNOR

GIO

DEPUTY GOVERNOR

MANAGING DIRECTOR

MONETARY POLICY AND OPERATIONS DIVISION

BSD  BMOD  CMD  RD  SD

SYSTEMS AND ADMINISTRATION DIVISION

AD  CRD  HRD  LSvD  MISD  SSMD
VALUES STATEMENT

At the ECCB we value …

A results focused approach in delivering timely, relevant and high quality output, the benefit of the people of the ECCU;

with emphasis on:

- **A positive job attitude** by showing respect for each other, accountability, a willingness to learn and to embrace new challenges;

- **Excellence** through continuous improvement and initiative and by stretching our capabilities to achieve superior outcomes;

- **Teamwork** by striving to build effective and harmonious teams through open and participatory involvement of members;

- **Integrity** by being fair, consistent, trustworthy and honest, upholding high ethical standards;

- **Leadership by example** through commitment, coaching and mentoring;

- **Effective listening** by being attentive, empathic, non-interrupting, and other-centered.