

2018-2019 Annual Report



Report and Statement of Accounts

For the Financial Year Ended 31 March 2019



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The Eastern Caribbean Central Bank will launch a new \$50, the first in its family of EC Polymer Notes, during the first quarter of the 2019-2020 financial year. The back of the note will bear the image of former Governor of the ECCB, the late Honourable Sir K Dwight Venner in honour of his legacy and dedicated service to the Bank and the people of the Eastern Caribbean Currency Union (ECCU).



Eastern Caribbean Central Bank

12 June 2019

Sirs

In accordance with Article 48(1) of the Eastern Caribbean Central Bank Agreement 1983, I have the honour to transmit herewith the Bank's Annual Report and Statement of Accounts for the year ended 31 March 2019, duly certified by the External Auditors.

I am,
Your Obedient Servant

A handwritten signature in black ink, appearing to read 'Timothy N. J. Antoine'.

Timothy N. J. Antoine
GOVERNOR

The Honourable Victor F Banks
Premier
ANGUILLA

The Honourable Gaston Browne
Prime Minister
ANTIGUA AND BARBUDA

The Honourable Roosevelt Skerrit
Prime Minister
COMMONWEALTH OF DOMINICA

Dr The Right Honourable Keith Mitchell
Prime Minister
GRENADA

The Honourable Donaldson Romeo
Premier
MONTSERRAT

Dr The Honourable Timothy Harris
Prime Minister
ST KITTS AND NEVIS

The Honourable Allen Chastanet
Prime Minister
SAINT LUCIA

The Honourable Camillo Gonsalves
Minister for Finance
ST VINCENT AND THE GRENADINES

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SWIFT: ECCBKN

MISSION STATEMENT

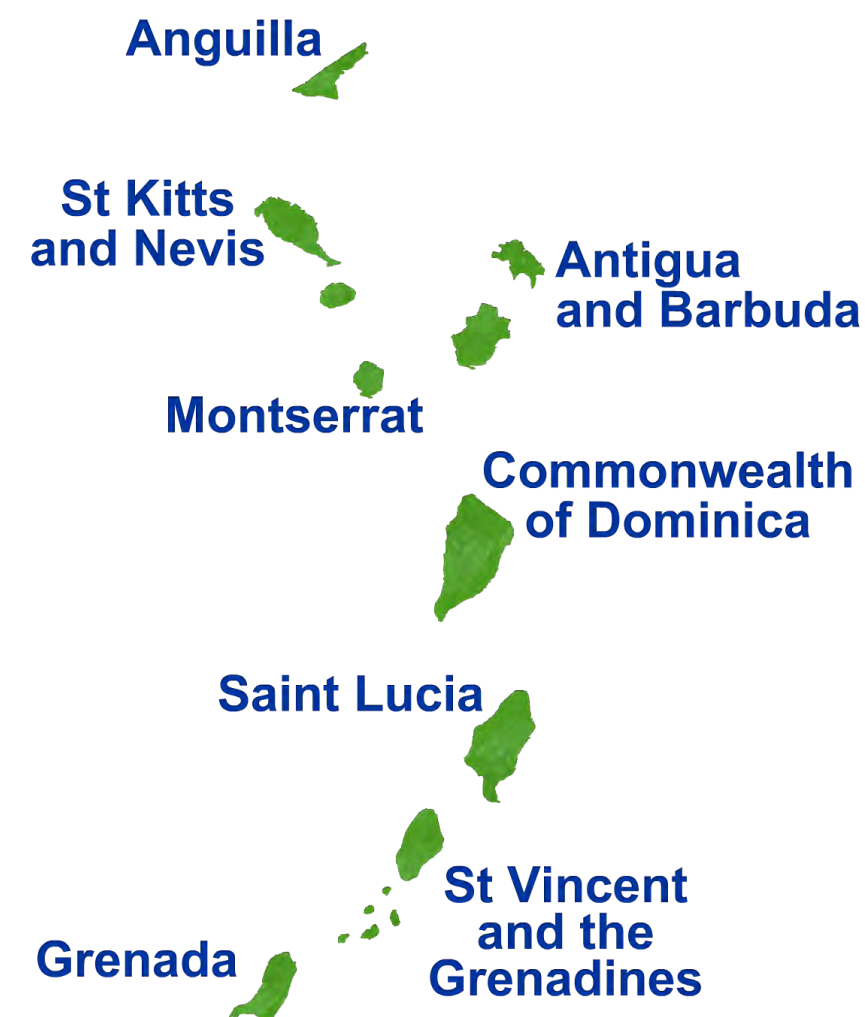
Advancing the good of the people of the currency union by maintaining monetary and financial stability and promoting growth and development.

VISION STATEMENT

To be a model institution delivering exceptional service and influential policy advice to support the development of a thriving currency union.

CORE VALUES

- Service Excellence
- Teamwork and Truth Telling
- Accountability
- Results





Dr The Right Hon Keith Mitchell
Grenada
CHAIRMAN



The Hon Victor Banks
Anguilla



The Hon Gaston Browne
Antigua and Barbuda



The Hon Roosevelt Skerrit
Commonwealth of Dominica

MONETARY COUNCIL

As at 31 March 2019



The Hon Donaldson Romeo
Montserrat



Dr The Hon Timothy Harris
St Kitts and Nevis



The Hon Allen Chastanet
Saint Lucia



The Hon Camillo Gonsalves
St Vincent and the Grenadines

BOARD OF DIRECTORS

As at 31 March 2019

Executive Directors



Timothy N. J. Antoine
Governor
CHAIRMAN



Trevor Brathwaite
Deputy Governor

Appointed Directors



Dr Aidan Harrigan
Anguilla



Whitfield Harris, Jr
Antigua and Barbuda



Rosamund Edwards
Commonwealth of
Dominica



Ophelia Wells-Cornwall
Grenada



John Skerritt
Montserrat



Hilary Hazel
St Kitts and Nevis



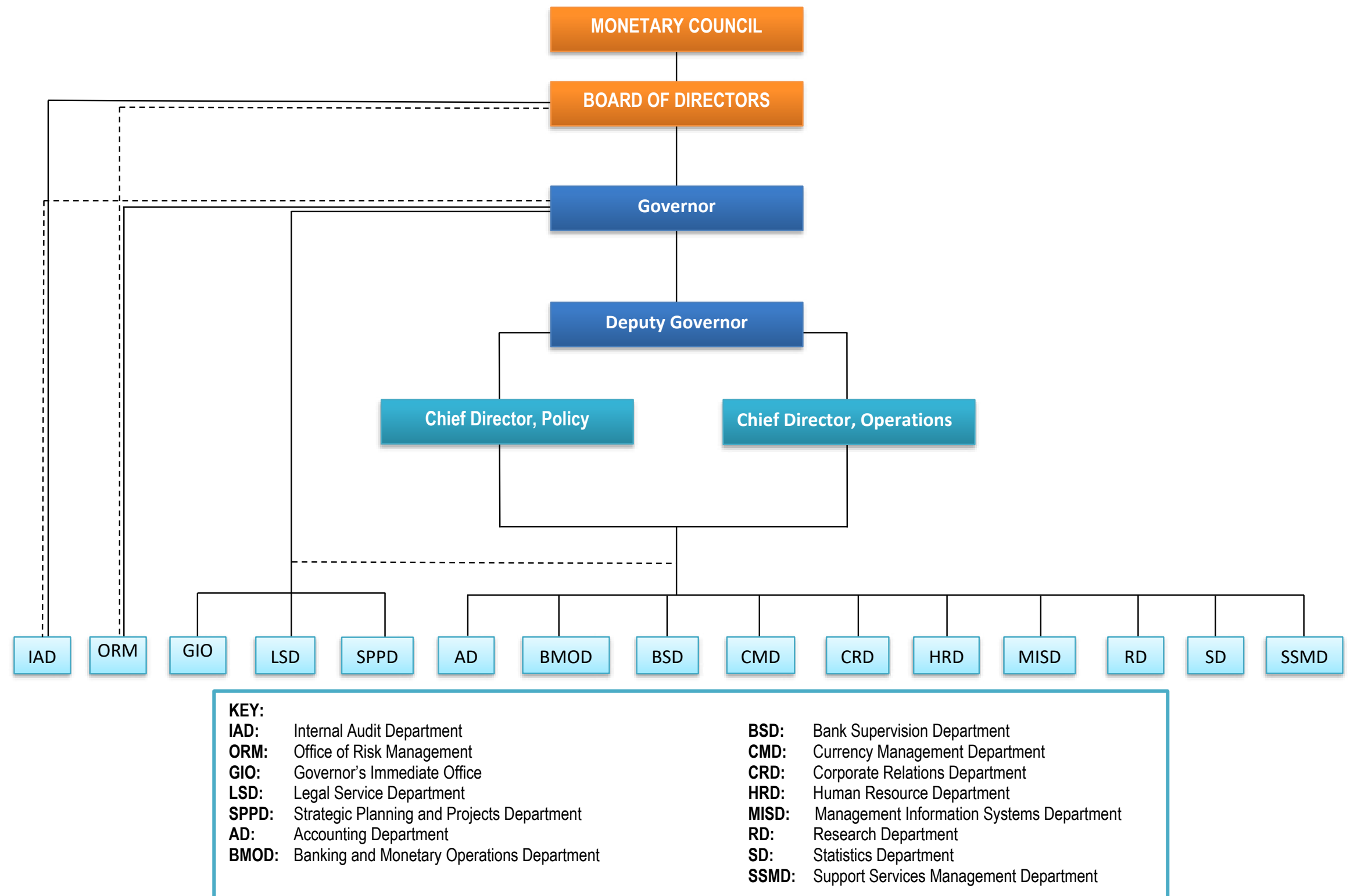
Cointha Thomas
Saint Lucia



Edmond Jackson
St Vincent and the
Grenadines

ORGANISATIONAL CHART

As at 31 March 2019



*Chief Director, Operations (Vacant)

MANAGEMENT STRUCTURE

As at 31 March 2019

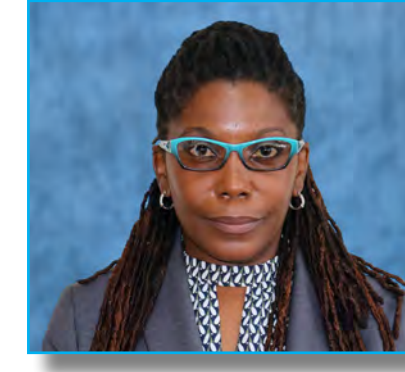
Executive Committee



Timothy N. J. Antoine
Governor



Trevor O B Brathwaite
Deputy Governor



D Tracy Polius
Chief Director (Policy)

Senior Management Team



Ingrid O'Loughlin
*Senior Director
Corporate Relations
Department*



Wayne Myers
*Senior Director
Support Services
Management Department*



Yvonne Jean-Smith
*Director
Internal Audit
Department*



Raquel Leonce
*Director
Banking and Monetary
Operations Department*



Christopher Louard
*Director
Bank Supervision
Department*



Merlese O'Loughlin
*Director
Legal Services
Department*



Cindy Parris-Gilbert
*Director
Management Information
Systems Department*



Sharmyn Powell
*Director/
Chief Risk Officer
Governor Immediate Office*



Senator Samuel
*Director
Accounting
Department*



Térésa Smith
*Director
Statistics
Department*



Karen Williams
*Director
Strategic Planning and
Projects Department*



Rosbert Humphrey
*Director (Ag)
Currency Management
Department*



Jolene Newton
*Director (Ag)
Human Resource
Department*



Patricia Welsh
*Director (Ag)
Research
Department*

MANAGEMENT STRUCTURE

As at 31 March 2019

Advisers and Deputy Directors

Accounting Department

Shanna Herbert – *Deputy Director*

Banking and Monetary Operations Department

Francis Fontenelle - *Adviser*

Allison Stephen - *Adviser*

Lynette Griffin – *Deputy Director*

Niall Pistana – *Deputy Director*

Bank Supervision Department

Humphrey Magloire - *Adviser*

Shawn Williams - *Adviser*

Allison Crossman – *Deputy Director*

Laurel Seraphin Bedford – *Deputy Director*

Angela Rouse – *Deputy Director*

Corporate Relations Department

Shermalon Kirby - *Adviser*

Currency Management Department

Norman Sabaroche – *Deputy Director*

Governor's Immediate Office

Norma Hanley-Pemberton - *Adviser*

Human Resource Department

Merva Mallalieu – *Deputy Director (Ag)*

Internal Audit Department

Maria Cumberbatch - *Adviser*

Legal Services Department

Gillian Skeritt – *Deputy Director*

Management Information Systems Department

Aldrin Phipps - *Adviser*

Lyle Mark – *Deputy Director*

Research Department

Rohan Stowe – *Deputy Director*

Sherannel Thompson – *Deputy Director (Ag)*

Statistics Department

John Venner - *Adviser*

Seana Benjamin-Mack – *Deputy Director*

Juletta Edinborough – *Deputy Director*

Leah Sahely – *Deputy Director*

Strategic Planning and Project Department

Kennedy Byron - *Adviser*

Sharon Welcome De Ramirez - *Adviser*

Sybil Welsh - *Adviser*

Daniel Arthurton - *Adviser*

Hamilton Stephen – *Adviser*

Support Services Management Department

Beverley Edwards-Gumbs – *Deputy Director*

Danny Caine – *Chief of Security*

AGENCY OFFICES

As at 31 March 2019

Resident Representatives/Country Managers

Shirmaine Lynch-Harrigan

ECCB Agency Office
P O Box 1385
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ANGUILLA
Telephone: 264 497 5050
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Facsimile: 767 448 8002
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Sheran Ferdinand

ECCB Agency Office
P O Box 295
Ground Floor
Financial Administrative Centre
Point Seraphine
Castries, LC04 101
SAINT LUCIA
Telephone: 758 452 7449
Facsimile: 758 453 6022
E-mail: eccbslu@eccb-centralbank.org

HIGHLIGHTS OF THE YEAR

- The Eastern Caribbean Payments Council was reconstituted in June 2018, with Deputy Governor of the Eastern Caribbean Central Bank, Trevor Brathwaite as Chairman.
- 1 October 2018 marked 35 years since the ECCB was established. The anniversary was commemorated under the theme: *Celebrating 35 Years of Existence, Service and Monetary Stability*.
- The Bank release the 100th episode of its weekly public education programme, **ECCB Connects**, on 24 October 2018. As part of the Bank's communication thrust, the programme seeks to provide insights to the public about the work of the ECCB and how it affects the lives of the people of the ECCU.
- GlobalMarkets named Governor, Timothy N. J. Antoine, Central Bank Governor of the Year for the Caribbean in October 2018. GlobalMarkets is the featured newspaper for the meetings of the International Monetary Fund (IMF)/The World Bank, European Bank for Reconstruction and Development, Asian Development Bank and Inter-American Development Bank. It recognises the accomplishments of the world's outstanding policymakers during its annual awards event.
- In November 2018, Governor Timothy N. J. Antoine assumed Chairmanship of the CARICOM Central Banks Governors.
- The first Chief Director (Policy), D Tracy Polius, was appointed on 7 January 2019.
- The ECCB launched its EC Digital Currency Pilot Project on 12 March 2019. The launch followed the ECCB's signing of a contract with Barbados-based FinTech company, Bitt Inc. on 21 February 2019 to conduct a blockchain-issued Central Bank Digital Currency (CBDC) pilot within the ECCU.



CEO of Bitt Inc, Rawdon Adams (left) and Governor of the ECCB, Timothy N. J. Antoine (right), at regional media conference on the conduct of a blockchain-issued Central Bank Digital Currency (CBDC) pilot within the Eastern Caribbean Currency Union



Governor of the ECCB, Timothy N. J. Antoine, holding GlobalMarkets Governor of the Year for the Caribbean Award at Annual Awards Reception in Bali, Indonesia

GOVERNOR'S FOREWORD

Laying the Foundation for Transformation



“However beautiful the strategy, you should occasionally look at the results.”
~Unknown

[Read full text of Governor Antoine's Foreword](#)

Review of Performance

The ECCB Strategic Plan 2017-2021, was published in October 2017 and the end of this financial year 2018/2019, marked a year and a half of implementation. The Plan, outlines the Bank's work of protecting our currency and developing the region and continues to be appropriate and valid for the times. There is still need to improve competitiveness, increase productivity and generate economic growth. Over the past year, economic recovery in the ECCU solidified with real Gross Domestic Product (GDP) growth recorded at 2.7 per cent at the end of 2018, almost doubled the 2017 rate after the devastation of two category five hurricanes. This stronger growth helped reduce risks by improving the position of the private sector. However, from the environmental context, risks and uncertainty still abound.

The Bank is clear on its mandate and over the past financial year, identified a number of strategic priorities that would contribute to the vision of a thriving currency union namely:

Review and Adopt a Revised Reserve Management Framework for the Maintenance of Monetary Stability

The preservation and maintenance of the strong EC dollar policy is an anchor to the economic out-turn. In this regard, the Bank continued work on revising its foreign reserve management framework to achieve the investment objectives of preserving capital and meeting liquidity needs.

Over the past year, the foreign reserve portfolio performed positively. At the end of March 2019, the Backing Ratio stood at 99.5 per cent, well above the benchmark set by the ECCB Agreement and agreed to by the Board of Directors and Monetary Council. Monetary and credit conditions remained relatively stable; however, there were concerns that credit growth is still lagging, a decade after the global financial and economic crisis. With Non-Performing Loans (NPLs) still high, commercial banks remained cautious about extending credit. Thus, the ECCB, in collaboration with The World Bank and member countries, pursued improvement in the financing of the private sector.

Actively Promote the Economic Development of the ECCU Member Countries

To increase citizens' access to credit, the Bank advanced its efforts to operationalise the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC), which will provide guarantees on loans to micro, small, and medium-sized enterprises, enabling them to overcome the perennial challenge of credit availability. At the same time, an operator was selected for the Eastern Caribbean Credit Bureau to commence operation in 2019, which will alleviate the challenge of information asymmetry.

The ECCB recognises the pivotal role of the private sector in the advancement of the Currency Union. Likewise, it is aware of the need for collaboration between the private and public sectors in driving economic growth and development. Thus, the third Growth and Resilience Dialogue With ECCU Social Partners was held in February 2019 under the theme: "Building Resilient Institutions and Infrastructure for

“The Bank advanced its efforts to operationalise the Eastern Caribbean Partial Credit Guarantee Corporation, which will provide guarantees on loans to micro, small, and medium-sized enterprises, enabling them to overcome the perennial challenge of credit availability.”

Sustainable Growth”. High on the agenda were two key regional issues: (i) improving the business climate in the region and (ii) the mode of connection/transportation among the ECCB member countries.

Ensure a Strong, Diversified and Resilient Financial Sector and Strengthen Market Development

The improving economy offered a window of opportunity to further strengthen the balance sheets of banks and non-banks. Banks accelerated their reduction of NPLs, which decreased from 12.1 per cent of total loans in 2017 to 11.4 per cent in of 2018. However, further efforts to reduce high NPL stocks remain necessary.

The ECCB therefore, continued to closely monitor financial stability risks in 2018 and implemented a number of initiatives to identify and mitigate the risks. The risk-based supervision approach is now being utilised to supervise licensed financial institutions. Revised and new prudential standards have been issued to strengthen the regulatory framework and increase the financial sector resilience. In 2016, the Monetary Council approved the transfer of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervision to the ECCB for financial institutions licensed under the 2015 Banking Act. Since then the ECCB has made significant progress in operationalising this mandate. An AML Supervisory Unit was established and a Multilateral Memorandum of Understanding was signed with the national competent authorities.

The 2018/19 financial year saw important developments in the payments architecture. The Eastern Caribbean Payments Council was reinstated to promote reliability in the payment systems. New standards were adopted for financial market infrastructures and the Electronic Funds Transfer (EFT) was introduced as a more cost effective payment option. Further, the Monetary Council approved the change in the EC notes substrate from paper to polymer, a move that will enhance the security and durability of the EC notes.

Improvement of Organisational Effectiveness

A consultancy firm was hired to develop a modern human resource strategy, review human resource policies, compensation and benefits, and provide training in performance management and job descriptions to staff. In addition, the Bank continued to pursue the delivery of a statistical enterprise solution to uplift capability in the management of data. This investment is underway and will benefit not just the ECCB, but the rest of the financial sector, as well as the National Statistical Offices.

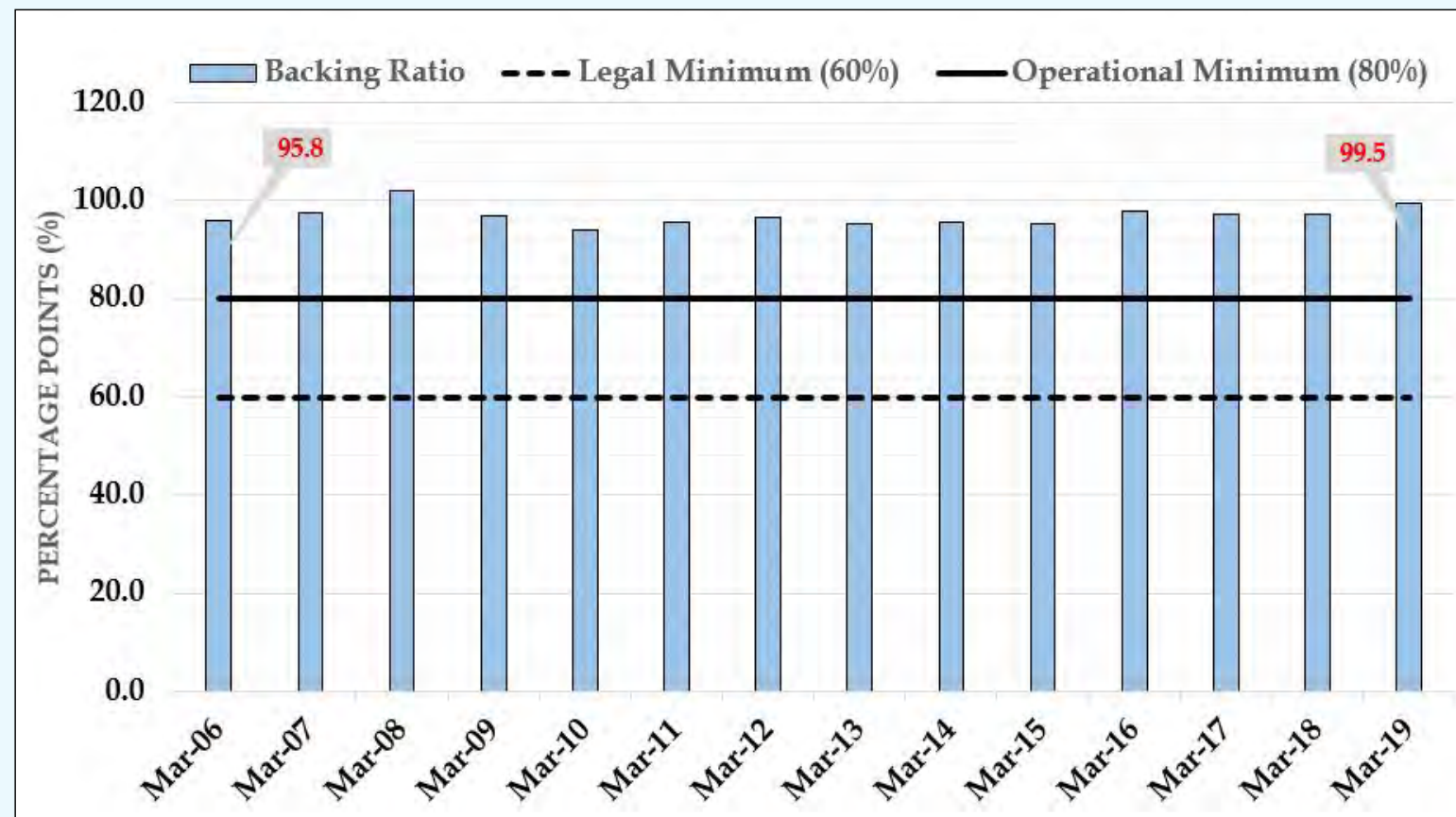
In creating greater awareness and enhanced stakeholder engagement, the Bank continued to produce and disseminate its weekly public education programme: **ECCB Connects**, reaching 100 episodes on 24 October 2018. The Bank also held a number of networking and consultative meetings with policy-makers including: the OECS Commission, Financial Secretaries, Comptrollers of Inland Revenue and Customs and Excise Departments, Accountants General and Budget Directors, Attorneys General, Heads of Social Security, National Statistical Offices and Policy Units.

“*The ECCB continued to closely monitor financial stability risks in 2018 and implemented a number of initiatives to identify and mitigate the risks.*”

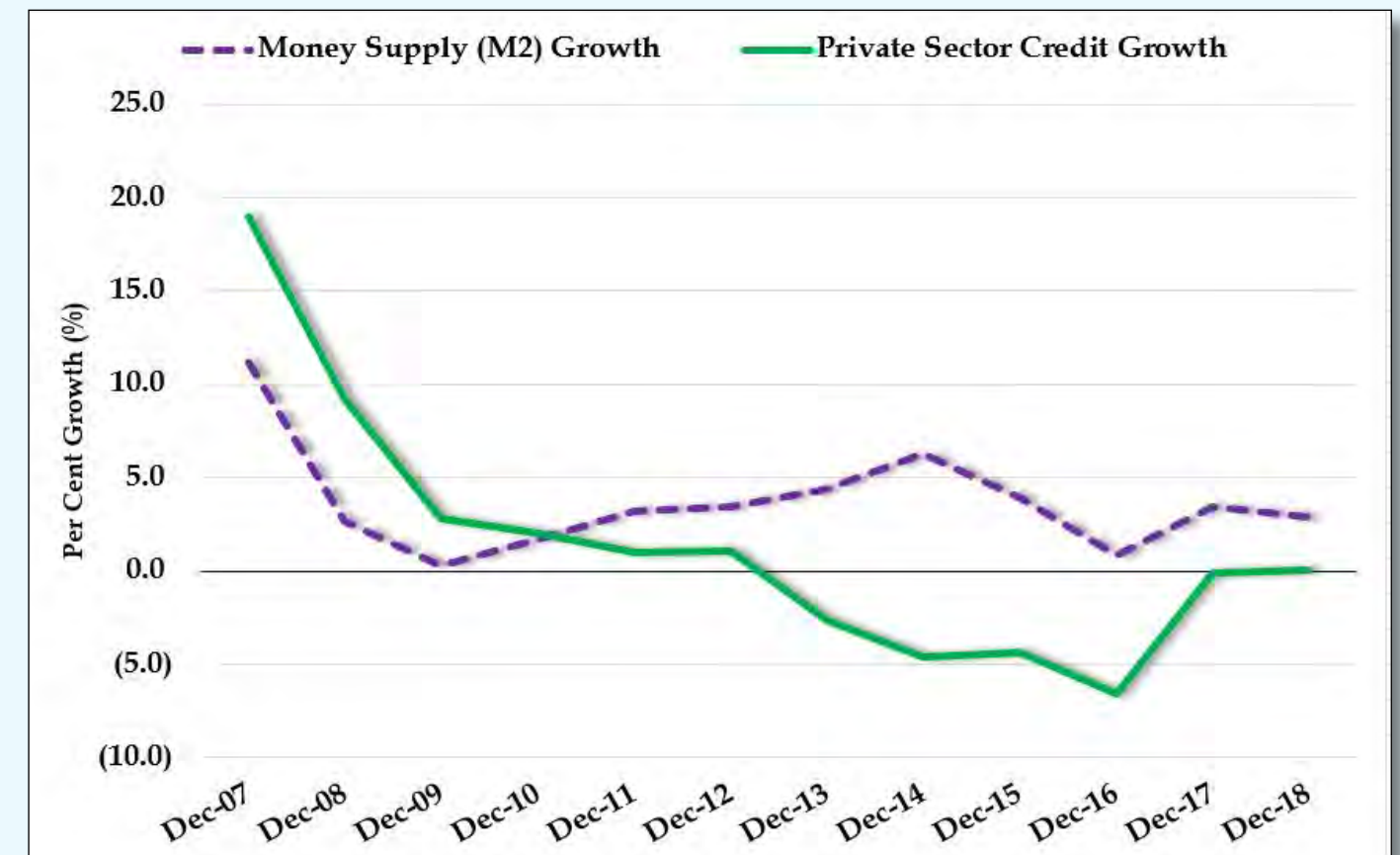
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Monetary Stability

Backing Ratio With Statutory and Operational Limits - 2006 to 2019



Growth Rate of Monetary Liabilities (M2) and Private Sector Credit



The backing ratio, which represents the amount of foreign assets held relative to the demand liabilities stood at 99.5 per cent as at 31 March 2019.

MONETARY STABILITY

MAINTAIN SUFFICIENT FOREIGN RESERVES TO SUPPORT THE EC DOLLAR

The exchange rate arrangement remained firmly anchored during the financial year and continued to contribute to economic stability and confidence of the region. The backing ratio, which represents the amount of foreign assets held relative to the demand liabilities stood at 99.5 per cent as at 31 March 2019, well above the statutory and operational limits of 60.0 and 80.0 per cent respectively. The strong backing ratio reflects a faster pace of growth of reserve assets when compared to the growth of the domestic money supply.

Buoyant foreign direct investment inflows and export earning inflows contributed to the growth in foreign reserves. Real economic growth for the ECCU was estimated at 3.3 per cent in 2018 compared with 1.4 per cent in 2017. Antigua and Barbuda, Grenada, and St Kitts and Nevis led the growth pace in the ECCU.

Growth in the ECCU is expected to strengthen further in 2019 to 3.9 per cent but still falls below the regional target of 5.0 per cent. Downside risk to the outlook is high given the slowdown in global economic growth and growing geopolitical tensions.

Reserve Management

The financial year saw rising yields on shorter-dated debt issued by the United States amid continued increases in the Federal Funds Target Rate. The Federal Reserve continued its campaign of normalising US monetary policy by raising the policy rate three times during the year. Notwithstanding the increase in interest rates, the ECCB continued to achieve its foreign reserve investment objectives of preservation of capital and meeting liquidity needs.

REVIEW AND ADOPTION OF A REVISED RESERVE MANAGEMENT FRAMEWORK

Following the development and approval of key policy and operational proposals regarding management of foreign reserves in the prior financial year, the Bank continued to improve the Reserve Management Framework via capacity building provided by The World Bank Treasury's Reserves Advisory and Management Programme (RAMP). Key achievements, which the ECCB attained during the financial year, included:

- Development and approval of a foreign reserve money manager framework;
- Successful renegotiation of external money manager and custodian fees; and
- Increased share of foreign currency reserves under internal management.

ADVISE MONETARY COUNCIL ON MONETARY AND CREDIT CONDITIONS CONSISTENT WITH THE ECCB AGREEMENT

A key responsibility of the ECCB is the production of the Monetary and Credit Conditions Report which serves to advise the Monetary Council on the status of, and developments in monetary and credit aggregates in the ECCU. As mandated by the ECCB Agreement, three reports were produced during the financial year. They indicated that growth in monetary liabilities moderated to 3.0 per cent in 2018 compared with 3.5 per cent in 2017. The slower pace in the money supply reflects a general easing in the pace of growth of the narrow

Chart 1 - Real GDP Growth ECCU 2006-2020

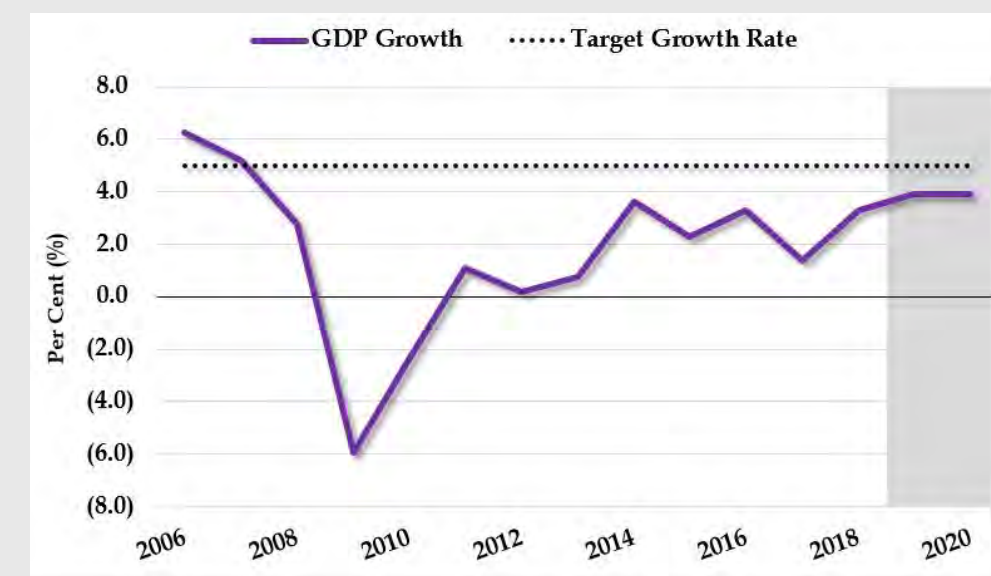
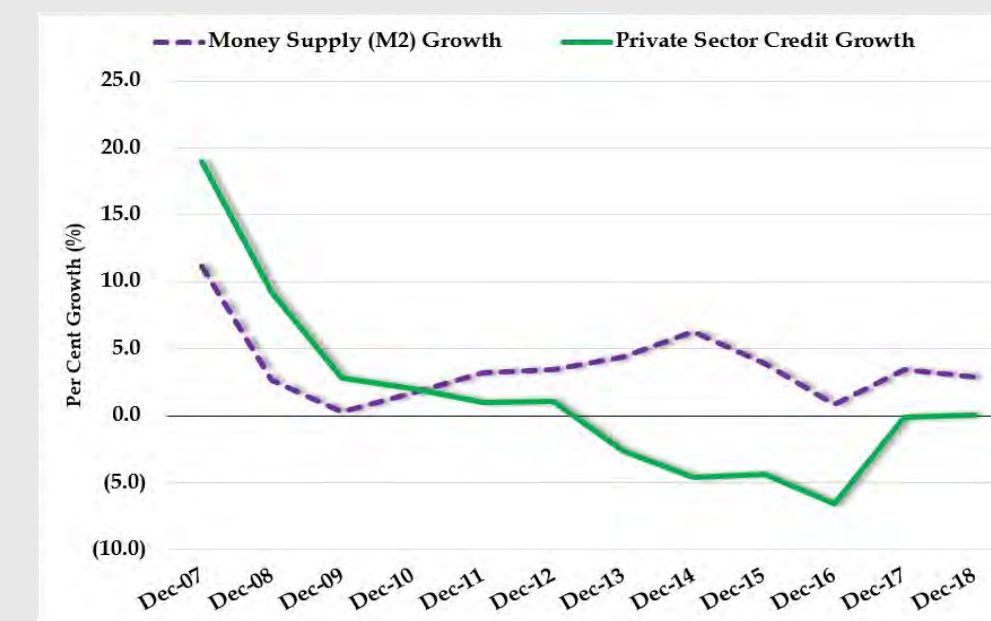


Chart 2 - Growth Rate of Monetary Liabilities (M2) and Private Sector Credit



MONETARY STABILITY

money supply which moderated to 6.8 per cent in 2018 from 10.7 per cent in 2017. Credit extension to the private sector was unchanged from 2017, but remained favourable given the falling lending rates and high levels of liquidity in the financial sector. Consequently, the Monetary Council decided to maintain the Minimum Savings Rate at 2.0 per cent and Discount Rate at 6.5 per cent to maintain the Exchange Rate Peg at EC\$2.7 to USD\$1.

PLAN TO MAINTAIN A STRONG AND STABLE EC DOLLAR

Strength and stability must be measured to determine progress. In this regard, the Bank continued to compile and release the External Sector Statistics (ESS) during the reporting period. Given the implementation of the IMF Balance of Payments Manual, Sixth Edition (BMP6), there were two releases of the ESS during the year. The statistics for 2016 were released in September 2018, while the data for 2017 were released at the end of March 2019. Both series were disseminated with forecasts up to 2019 and 2020 respectively.

The Bank also held discussions with the External Sector Statistics Adviser at the Caribbean Regional Technical Assistance Centre (CARTAC) on the possibility of back-casting the series to make information available for research and policy purposes. Currently data are available for the period 2014 to 2017, with projections for 2019 to 2020. Work on the development of the country-specific metadata to support the compilation of the External Sector Statistics in the ECCU is ongoing.

2

Financial Sector Stability



TECHNOLOGY RISK SUPERVISION WORKSHOP: Providing a comprehensive perspective on the origin and drivers of various information technology risks as well as the identification and assessment of these risks.

FINANCIAL SECTOR STABILITY

ENHANCE RISK-BASED SUPERVISORY AND MANAGEMENT FRAMEWORK

Enhancing the risk-based supervisory and management framework requires the ECCB to report on risks emanating within the financial sector at the macroeconomic level. A key reporting tool of central banks globally is the Financial Stability Report.

The Bank's Financial Stability Team is responsible for this report and produces it based on analysis of the commercial banking, credit union and insurance sectors in the ECCU. To facilitate the analysis of these risks, the financial stability team works with the Single Regulatory Units in each member country to collect and analyse the data in the credit union and insurance sectors. The ECCB analyses data on the commercial banking sector.

In fulfilling its mandate to maintain financial stability, the Bank continued to play a critical role in the regulation and supervision of institutions licensed under the Banking Act 2015. The Bank implemented various initiatives to assess emerging trends in the financial system and to identify risks that threatened financial stability. The following activities were undertaken during the year:

Enhanced Supervision of Licensed Financial Institutions (LFIs):

The ECCB conducted two pilot on-site examinations under the Risk-based Supervision (RBS) Framework, which were implemented in March 2018.

Oversight of the receiverships of the ABI Bank Ltd in Antigua and Barbuda, and National Bank of Anguilla Ltd and Caribbean Commercial Bank (Anguilla) Ltd in Anguilla continued, subsequent to their resolution on 27 November 2015 and 22 April 2016, respectively. As part of the resolution strategy for the banks, certain assets and liabilities of the banks were placed in receivership. The main purpose of the receiverships was to facilitate the liquidation of certain assets and subsequent repayment of liabilities not covered in the various purchase and assumption agreements set out in the resolution strategies. To date, the receiverships have collected in excess of \$90.0 million. This has facilitated the incremental repayment of claims to stakeholders. Efforts continue at the respective receiverships towards the further liquidation of assets and the repayment of claims.

ISSUANCE OF PRUDENTIAL STANDARDS

The ECCB continued to revise existing and draft new prudential standards to further strengthen its regulatory framework and increase financial sector resilience. In March 2019, three prudential standards, namely: Corporate Governance, Operational Risk and Outsourcing were introduced at the Joint Meeting With Banks and Non-Bank Financial Institutions licensed under the Banking Act 2015. The revised Fees and Charges Standards are being finalised for issuance and publication.

Prudential Standards for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) were also drafted, with input from the Office of Technical Assistance of the United States Department of the Treasury (OTA/USDOT). In relation to Basel II/III, a suite of six Prudential Standards has been drafted under a technical assistance programme facilitated by the CARTAC, along with the choice of national

“ Prudential Standards for Anti-Money Laundering/Combating the Financing of Terrorism were also drafted, with input from the Office of Technical Assistance of the United States Department of the Treasury. ”

FINANCIAL SECTOR STABILITY

discretion, the reporting template and standard instructions. These standards are needed to facilitate the successful implementation of Pillar I, which addresses minimum capital requirements. The standards are being finalised with comments solicited from the Basel Working Committee, all licensees and the Institute of Chartered Accountants of the Eastern Caribbean.

OPERATIONALISATION OF THE ECCB'S MANDATE FOR ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM SUPERVISION OF LFIS:

The ECCB has made significant progress towards the development and implementation of its AML/CFT Framework:

The ECCB established the AML Supervisory Unit within the Bank Supervision Department in April 2018, to focus primarily on the development and implementation of the AML/CFT Risk-based Supervision Framework for LFIs.

- The Bank executed a Multilateral Memorandum of Understanding (MMoU) with competent authorities on 8 August 2018. The MMoU provides a framework for the mutual cooperation in the supervision of compliance with the legal obligations for licensees to establish and implement an effective AML/CFT system.
- Subsequent to the naming of the ECCB as the AML/CFT supervisory authority in Antigua and Barbuda, the Office of National Drug and Money Laundering Control Policy (ONDCP) officially handed over responsibility to the ECCB in September 2018. An official hand over of responsibilities between the Grenada Financial Intelligence Unit (FIU) and the Bank's AML Supervisory Unit was conducted over the period 14-15 January 2019.
- The ECCB conducted five AML/CFT on site examinations in the three territories: St. Vincent and the Grenadines, Grenada and Antigua and Barbuda, where it has been named as the AML/CFT supervisory authority. Two joint on site examinations were conducted with the ONDCP.
- The Bank continued to encourage its other member governments to amend the necessary AML/CFT legislation to name the ECCB as the AML/CFT supervisory authority for its licensees.
- The development of the relevant tools and documents to support the AML/CFT supervision framework is at an advanced stage. The AML/CFT Supervision Manual is being finalised with assistance from the OTA/USDOT. A prudential return, with the associated manual of instructions, has also been drafted.
- As part of its continuing technical assistance programme, over the period 16-18 January 2019, the OTA/USDOT assisted with the conduct of a limited scope gap analysis of the Grenada AML/CFT legislation and its compliance with the Financial Action Task Force



Front Row - fourth from left: Governor Antoine with officers from the Antigua and Barbuda Office of National Drug and Money Laundering Control Policy and the ECCB Bank Supervision Department along with Adviser, Sybil Welsh of the Strategic Planning and Projects Department

Officers from the Financial Compliance Unit of the Office of National Drug and Money Laundering Control Policy (ONDCP), Antigua and Barbuda met with the ECCB on 24 September 2018 to hand over AML/CFT supervisory responsibilities for institutions licensed under the Banking Act in Antigua and Barbuda, to the Bank.

During the meeting, the ONDCP provided an overview of the AML/CFT compliance position of commercial banks in Antigua and Barbuda, and a summary of the AML/CFT vulnerabilities faced by the commercial banking sector, as found in the country's National AML/CFT Risk Assessment.

FINANCIAL SECTOR STABILITY

- At a special meeting of the Regulatory Oversight Committee held on 18 January 2019, the OTA/USDOT presented on the FATF mutual evaluation process and financial sector supervision. The presentation focused on the role of the ECCB in the process for the domestic banking sector and the oversight required by other supervisory and competent authorities given the multi-jurisdictional supervisory regime in the ECCU.
- At the request of Governments of Saint Lucia, Grenada, Montserrat and St Vincent and the Grenadines, the ECCB appointed representatives to these jurisdictions' National Risk Assessment Working Groups.
- The ECCB circulated, to all LFIs, request for information to facilitate the conduct of an AML/CFT risk assessment, in November 2018. On completion of the risk assessment, all LFIs will be assigned a composite AML/CFT risk rating. The assigned risk rating will determine the level of supervisory oversight and frequency of on site examinations.

Basel II/III Implementation

In February 2018, the ECCB established a Basel II/III Implementation Group to give focused attention for implementation by the proposed date of June 2020. In facilitating the roll-out of the implementation road map, the group developed supporting standards, implemented the quantitative impact studies, and sensitised licensees and other key stakeholders.

International Financial Reporting Standard (IFRS) 9 Implementation

The ECCB continued to monitor its LFIs' implementation of measures to ensure compliance with International Financial Reporting Standard (IFRS) 9.

DEVELOP A MACRO-PRUDENTIAL FRAMEWORK

The establishment of a macro-prudential framework is key to ensuring financial stability. In July 2018, the Monetary Council approved the governance framework for undertaking macro-prudential surveillance via the establishment of a Regional Financial Stability Committee and a Macro-prudential Policy Committee. Additionally, the Bank requested the Monetary Council to support efforts aimed at collecting data from Single Regulatory Units (SRUs). The data collection aspect of this objective is ongoing and the SRUs in member countries continue to lend support to the task.

PROMOTE THE DEVELOPMENT OF THE FINANCIAL SECTOR TO INCREASE CITIZEN ACCESS TO CREDIT AND OTHER FINANCIAL SERVICES

Carmen Gomez-Triggs was appointed as the Chief Executive Officer of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). Current efforts are focused on the recruitment of three other initial staff members, Chief Financial Officer, Senior Operations Officer and Administrative Assistant. The Bank continues to work with the ECPCGC's Board of Directors and The World Bank on the final steps for operationalisation of the Corporation by the end of June 2019.

ABOUT BASEL II

Basel II is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by operations. The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (BSBS).

ABOUT BASEL III

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks. Basel III standards are minimum requirements which apply to internationally active banks. Members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee.

Source: <https://www.bis.org/bcbs/basel3.htm>

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 9
International Financial Reporting Standard (IFRS) 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument.

Source: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/>

FINANCIAL SECTOR STABILITY

DELIVER NEW RISK MANAGEMENT INFRASTRUCTURE TO SUPPORT THE ECCU FINANCIAL SECTOR

ECCU Deposit Insurance Fund

The Bank finalised its policy paper on deposit insurance, which was presented to the Monetary Council for approval. Going forward, stakeholders would be engaged to achieve consensus on a deposit insurance policy framework for the ECCU. The finalised policy framework will form the basis for drafting of the deposit insurance legislation, which will inform the type and scale of the deposit insurance fund. The establishment of an ECCU Deposit Insurance Fund will enhance the risk management infrastructure of the financial sector, thus contributing to financial stability.

ECCU Credit Bureau


An international credit bureau was selected to apply for a licence to own and operate a credit bureau to serve the ECCU. The licensing process is expected to be completed within the first two months of the 2019/20 financial year. In the interim, the Bank advances with its efforts to establish a comprehensive credit reporting regulatory framework and to coordinate pre-development process activities. The Bank will also be coordinating the delivery of public awareness and education activities, during the 2019/20 financial year.

IMPROVE PAYMENTS INFRASTRUCTURE TO ADAPT TO EVOLVING MARKET EXPECTATIONS

The Eastern Caribbean Payments Council was reinstated in May 2018. The key objectives of the Payments Council is to promote operational efficiency, security and integrity of payment and settlement systems in the ECCU.

The National Automated Clearing House Association Pre-arranged Payment and Deposit (NACHA PPD) standard was introduced in the ECCU in May/June 2018 through an initiative undertaken to modernise the payment system by the Eastern Caribbean Automated Clearing House Services Incorporated. Under this initiative, citizens have the option to make Eastern Caribbean dollar payments to any recipient with an account held at any commercial bank across the ECCU. The Electronic Funds Transfer (EFT) product provides a safer, faster, more convenient and more cost-effective option for making payments.

The Committee on Payment and Settlement Systems and the International Organisation of Securities Commissions (CPSS-IOSCO) Principles for Financial Market Infrastructures (PFMI) was approved by the Monetary Council and has been adopted as the standard. Financial Market Infrastructures (FMIs) would be required to observe this standard within the ECCU.

 [Deputy Governor of the Eastern Caribbean Central Bank, Trevor Brathwaite and Chairman of the Eastern Caribbean Payments Council, explains how the council protects you, given the increase in the use of technology to make payments. Click to view.](#)

Eastern Caribbean Payments Council



The Eastern Caribbean Payments Council was first established in 2006 to provide advice on and oversight of the operations and developments of the payments system. It is responsible for facilitating the efficient and stable functioning of the payments system in the ECCU. The Payments Council is also charged with ensuring the security and integrity of payments and settlement systems in the ECCU; and promoting the innovative nature of payments, the safety of cashless payments and their accessibility to users.

Deputy Governor of the Eastern Caribbean Central Bank, Trevor Brathwaite is the Chairman of the Payments Council. Brathwaite says the reconstitution of the Payments Council is timely given the increase in the use of technology to conduct payments and the need to ensure that citizens of the region are not adversely affected by developments taking place in the payments and settlements system.



The programme was designed for middle-to-senior level supervisors engaged in the supervisory oversight of information technology and related operational risks

Regional Technology Risk Supervision Workshop

ECCB Bank Examiners along with officers from regulatory and supervisory agencies and the private sector who are responsible for the supervisory oversight of information technology and related operational risks, participated in the Regional Technology Risk Supervision Workshop at the ECCB Headquarters from 3 - 7 December 2018.

The workshop was designed to help regulators/supervisors better understand: (i) the origin and drivers of various information technology (IT) risks as well as the identification and assessment of these risks, (ii) industry practices on IT governance to manage the IT risks and challenges, and (iii) prudential regulatory and supervisory practices that are aligned with international standards. Real-life case studies on information security, cybercrime and cyber security, IT outsourcing, business continuity management practices etc., were used to provide the participants with a practical approach to enhancing supervisory capacity in the area of technology risk supervision.

The ECCB and the Toronto Centre funded the workshop. The facilitators were: Programme Leaders: Abhilash Bhachech and Narindar Bhavnani and Programme Director: Shelina Visram of the Toronto Centre. Two key areas covered were: Gender Equality/Financial Inclusion and Climate Change. With respect to the session on gender equality and financial inclusion, participants were of the view that, in recent years, advances have been made in the region on achieving gender equality. Work has been done to promote equitable access for and build capacity of women in information and communication technology (ICT) sector through education and training.

Recommendations for the way forward:

- To foster peer learning, open and candid discussion among regional regulators and supervisors and to allow sufficient time for group exercises, presentations and plenary discussions for future programmes; and
- To promote ongoing collaboration and engagement with the private sector, the ECCB can host separate outreach events.

The 65 participants were from: Anguilla, Antigua and Barbuda, Barbados, the Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, Trinidad and Tobago and the ECCB.



Participants of the workshop share their views on the key takeaways and how the information gained will be applied in their respective contexts. [Click to view.](#)



ECCB to Issue World's First Blockchain-Based Digital Currency

“The pilot is part of the ECCB’s Strategic Plan 2017-2021 which aims to help reduce cash usage within the ECCU by 50 per cent, promote greater financial sector stability, and expedite the growth and development of our member countries. It would be a game-changer for the way we do business”.

Governor of the ECCB, Timothy N. J. Antoine (left) and CEO of Bitt Inc, Rawdon Adams (right) following the signing of the contract to conduct a blockchain-issued Central Bank Digital Currency (CBDC) pilot within the ECCU

The ECCB Central Bank Digital Currency (CBDC) pilot will involve a securely minted and issued, digital version of the EC dollar (DXCD). This sovereign digital currency will be legal tender backed by the ECCB with the same parity as its physical XCD equivalent, DXCD \$2.7:USD1.0 and will be distinct from cryptocurrencies which are not backed by any sovereign/central bank and are not legal tender. The digital EC dollar will be distributed and used by licensed bank and non-bank financial institutions in the ECCU. It will be used for financial transactions between consumers and merchants, including peer-to-peer transactions, all using smart devices.

The Bank signed the contract, to conduct the pilot within the ECCU, with the Barbados-based financial technology company, Bitt Inc. (Bitt) on 21 February 2019 at the ECCB Headquarters in Basseterre, St Kitts and Nevis.

Why the EC Digital Currency Project?

This initiative is being pursued as the ECCB seeks solutions to several challenges and frictions encountered in the ECCU payments and financial intermediation architecture. The objective of the project is to assess the potential efficiency and welfare gains from improvement in financial services as a result of the application of a digital sovereign currency leveraging blockchain/distributed ledger technology. Parallel to this is the need to propel private sector development and growth through appropriate institutional infrastructure and instruments that facilitate an enabling business ecosystem.

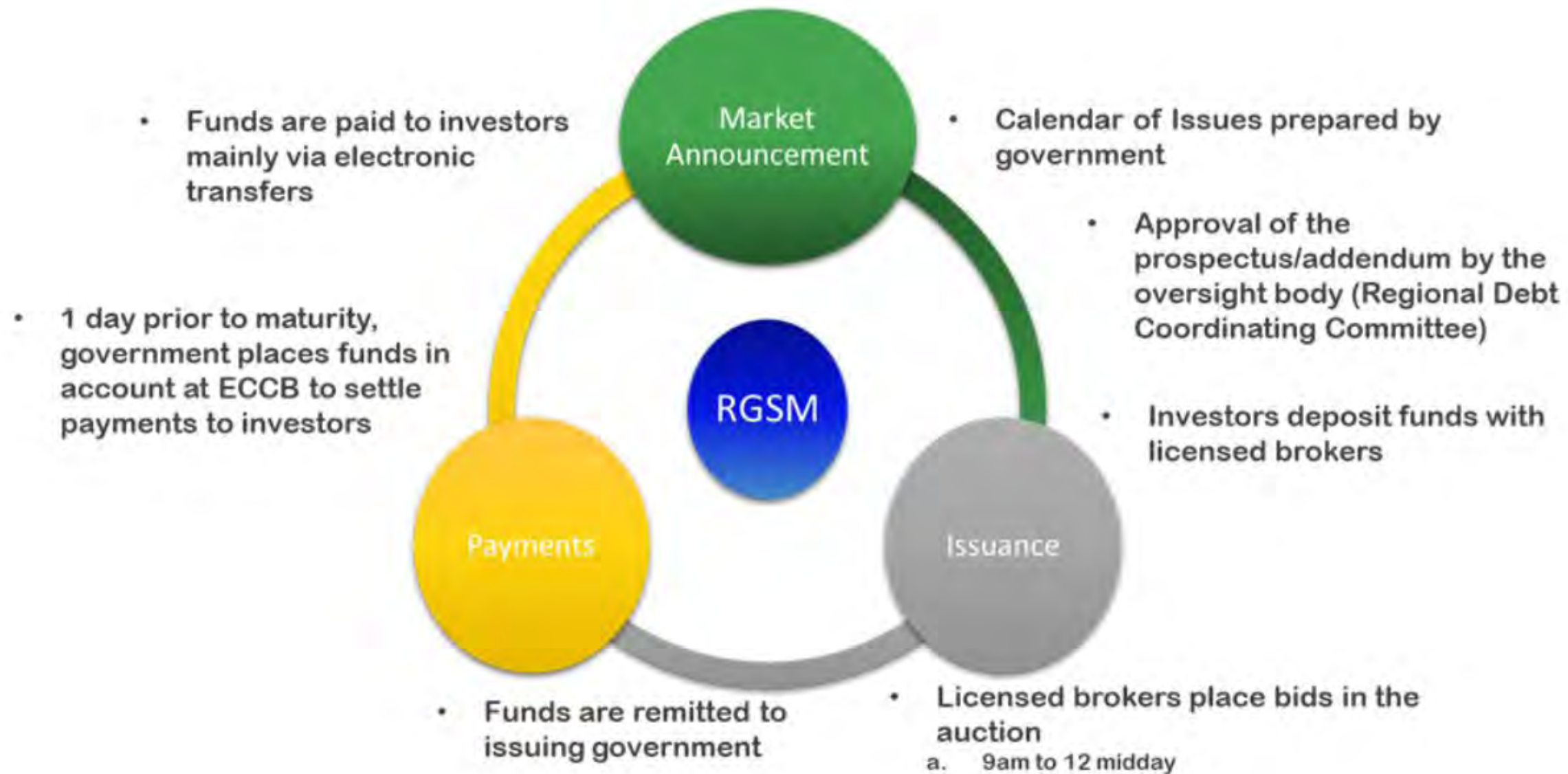
While one recognises the benefits of Distributed Ledger Technology, (shared ledger that allows records/blocks to be added and securely maintained in a way that prevents tampering), the ECCB acknowledges that network security is a must-have component for a central bank digital currency construct. In light of this, a private blockchain like IBM Hyperledger Fabric that affords the ability to control who can access the network and submit and read the ledger of verified transactions. IBM Hyperledger Fabric was selected as the blockchain protocol because of its strong security architecture and open source, which contribute to its security, flexibility and scalability among other desired attributes.

The Pilot

The pilot will be executed in two phases: development and testing for about 12 months, followed by roll-out and implementation in pilot countries for about six months, and education initiatives to facilitate active public engagement throughout all member countries. The pilot will be deployed in at least three ECCB member countries based on interest in participating in the pilot expressed by licensed financial institutions domiciled in the ECCB member countries, as well as other criteria, including institutional capacity, geographic representation and supporting technology infrastructure. It will be conducted under the supervision of the ECCB and controlled environments. It will also have the appropriate safeguards to ensure the stability of the financial and monetary systems.

Pinaka Consulting Ltd., the ECCB’s Blockchain Technical Adviser, is providing technical support for the project.

Regional Government Securities Market Life Cycle



FISCAL AND DEBT SUSTAINABILITY

PROVIDE POLICY ADVICE TO PARTICIPATING GOVERNMENTS AND FACILITATE CAPACITY BUILDING OF MEMBER COUNTRIES FOR EFFECTIVE DEBT MANAGEMENT

The Bank, under the Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-DMAS) Project, provided technical support to two of its member countries - Anguilla and Grenada - in the update of their Debt Sustainability Analysis (DSA) and Medium Term Debt Management Strategy (MTDS), important policy tools to guide both fiscal policy and debt management in these countries.

The CANEC-DMAS project, which was implemented to assist member countries to build capacity in debt management, ended in June 2018. The Bank and its member countries wish to express profound gratitude to the Government of Canada, through Global Affairs Canada, for its invaluable support to debt management in the region.

In collaboration with The World Bank, two Debt Management Performance Assessment (DeMPA) missions were undertaken in the Commonwealth of Dominica and Grenada.

In continuation of the efforts to build capacity to undertake the DSA, the Bank collaborated with the IMF and The World Bank to host a workshop on the revised DSA template for low income countries (LIC). The three ECCB member countries that are classified as LIC: the Commonwealth of Dominica, Grenada and St Vincent and the Grenadines, participated in the workshop along with other LICs – Guyana, Haiti, Honduras, Nicaragua - and staff from the ECCB.

Training in debt management was provided to the Auditor General's Office in Saint Lucia, to prepare the staff to undertake debt management performance audits. This was a follow-up to a Debt Management Performance Audit Training for Supreme Audit Institutions in the region hosted by the Bank in October 2017, with the support of the Government of Canada and the National Audit Office of the United Kingdom. The thrust is to facilitate capacity building in this area given that audit is a performance indicator under the DeMPA framework and is critical in strengthening accountability and transparency of debt management activities.

The Bank is partnering with the Commonwealth Secretariat to deploy its new web-based solution for debt management, Meridian. This solution will replace the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS). To this end, two ECCB member countries: St Kitts and Nevis and Saint Lucia, have been selected as pilot countries. Training on the functionalities of Meridian was provided to the staff in these two pilot countries and the ECCB. Pilot implementation has been ongoing to test the system.

ADVOCATE FOR A HIGH STANDARD OF FISCAL GOVERNANCE AND FUNCTIONAL COOPERATION

In an effort to ensure that government public accounts are in accordance with current international best practice, the Bank has been collaborating with the IMF for training and technical support in the application of the Government Finance Statistics Manual 2014 (GFS 2014). Most member countries are still using cash or modified cash basis accounting systems based on an old GFS 1986 methodology. To advance efforts for fiscal accounts to be compiled in accordance with GFS 2014, the IMF made a presentation to the Financial Secretaries from ECCB member countries, to sensitise them on the benefits of the new methodology.

ABOUT MERIDIAN

Meridian is a comprehensive solution that promotes effective and pro-active public debt management. It incorporates advanced and improved functionalities to better address emerging debt management requirements while also taking advantage of the latest state-of-the-art technologies.

Source: <http://thecommonwealth.org/about-meridian>

FISCAL AND DEBT SUSTAINABILITY

TRACK MEMBER COUNTRIES' PERFORMANCE RELATED TO FISCAL AND DEBT SUSTAINABILITY AND SHARE INFORMATION WITH MEMBER COUNTRIES AND OTHER STAKEHOLDERS

The monitoring framework for fiscal and debt sustainability is conducted through the Research Department and the Statistics Department. The Bank's economists use financial programming tools to analyse policy developments and produce the Economic and Financial Review (EFR). The EFR was produced in two separate issues: the Annual Economic and Financial Review (AEFR), for calendar year 2017, and a second issue which reported on the first half of 2018. The document is made available to the public via the Bank's website and electronic mail to key stakeholders. Additionally, the Bank plays an active role in providing advice to member countries through familiarisation missions and the IMF Article IV missions.

The newly designed ECCU Public Debt and Market Information web pages are intended to be used as the principal, one-stop delivery infrastructure for data dissemination and communication for the eight member states of the ECCB. It is the intention that all stakeholders, irrespective of geography, political suasion, affluence or influence, should receive information in a neutral and unbiased manner simultaneously. The guiding principles in the design and development of the web pages were to satisfy user informational requirements and be relevant, accessible, timely and reliable. The pages will be fully deployed for the next financial year where the intention is to build on content and be responsive to user needs.

IMPROVE THE FUNCTIONING OF THE REGIONAL GOVERNMENT SECURITIES MARKET (RGSM)

The Bank, in collaboration with the International Monetary Fund and the Government of Canada, conducted workshops on Investor Relations in five member countries: Grenada, St Vincent and the Grenadines, the Commonwealth of Dominica, Saint Lucia and Antigua and Barbuda. The objective of the workshop was to provide capacity building to staff of the Debt Management Units and other government units to design, implement and monitor investor relations programmes.

In an effort to advise member countries on the development of the domestic market and improving the function of the RGSM, a policy paper was prepared on the *Potential Impact of IFRS 9 on Debt Management Operations in the ECCU*. The paper was presented to the Regional Debt Coordinating Committee (RDCC) to apprise them of the possible spillover effects on government debt management activities as institutional investors implement this new accounting standard. The RDCC approved the recommendations regarding increasing coverage of public sector debt recording and reporting, provision of forward-looking information and regular publication of debt reports. It is anticipated that these measures will satisfy the information needs of participants of the RGSM in particular, and further mitigate against the effects of the implementation of IFRS 9.

The Bank has prepared a policy document on *The Viability of the RGSM as a Financing Option for the Government of Anguilla*, to help inform the Government of Anguilla's consideration of whether to enter the market.

ABOUT THE REGIONAL DEBT COORDINATING COMMITTEE

The Regional Debt Coordinating Committee (RDCC) currently has direct oversight for the RGSM. The RDCC was established by the Monetary Council to ensure that the market operates efficiently within the context of harmonised objectives, policies and procedures. The RDCC comprises Heads of the Ministries of Finance from each of the eight ECCB participating governments as well as the Governor of the ECCB.

The RGSM: A Viable Financing Option for Member Governments

ECCB member governments raised \$1.3 billion on the Regional Government Securities Market (RGSM) in 2018, representing a 4.4 per cent increase over 2017. The increase was due to the growing number of residents of ECCB member countries, who are investing on the RGSM as an option for increasing their interest income and diversifying their asset portfolios.

The value of securities raised on the RGSM during 2018/2019 amounted to \$1.3 billion, marginally above the \$1.2 billion in the preceding year as five of the member governments continued to utilise the market to meet their borrowing requirements. There was a decline in the number of auctions on the RGSM during the year, mainly due to the cancellation of a series of Treasury bills by the Government of Grenada given the improvement in its fiscal performance.

Yields on the RGSM continued to trend downwards especially on the short end of the market. The Weighted Average Interest Rate (WAIR) on securities of three-month duration fell below 3.0 per cent at 2.6 per cent in 2018/19. Rates on the long end of the market remained stable with the 10-year bond increasing by 6bps to 7.3 per cent. Notwithstanding the decline, rates on the RGSM remained very competitive for residents and non-residents compared with commercial bank deposits and securities from other countries.

Although trading on the secondary market for government securities remained thin, there was an increase of \$2.2 million (9.8 per cent) in trades amounting to \$25 million during the year.

Chart 3 - Activity on the RGSM 2011- 2018

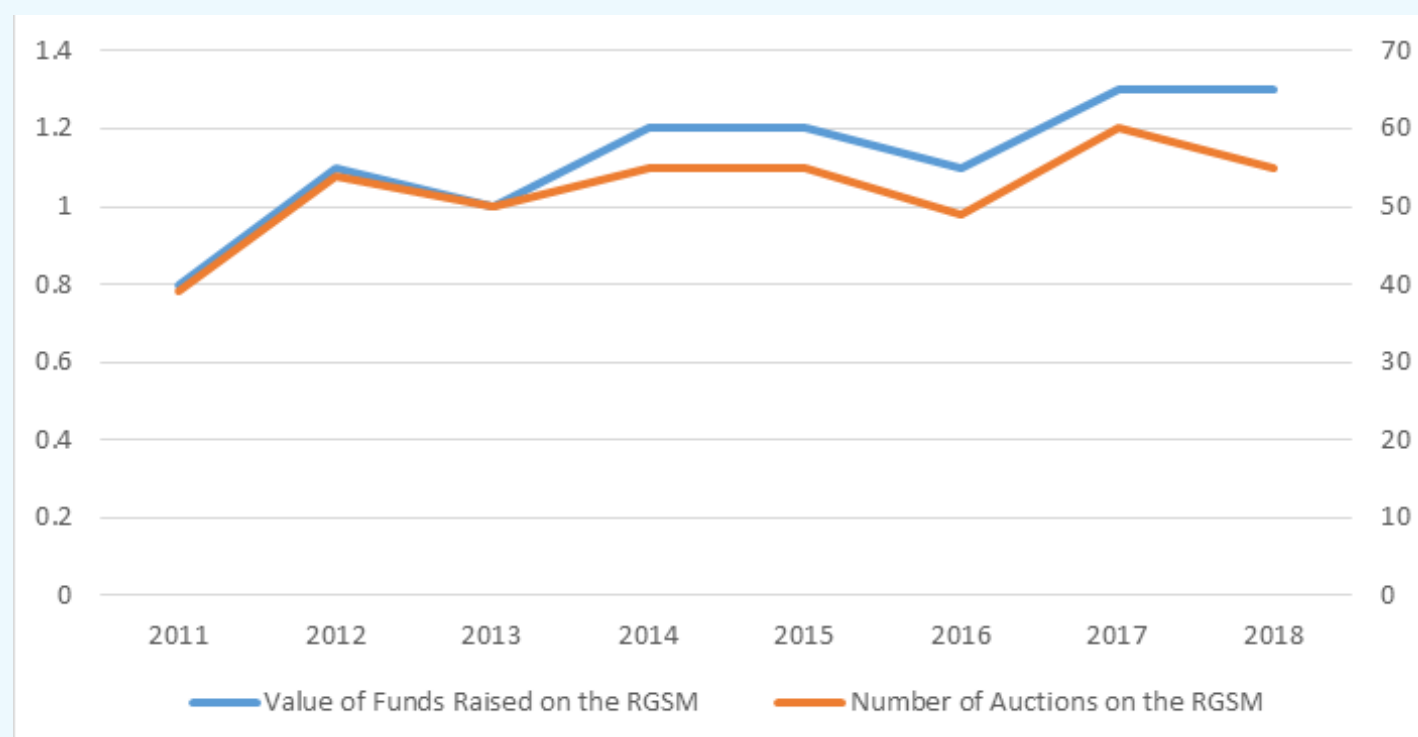
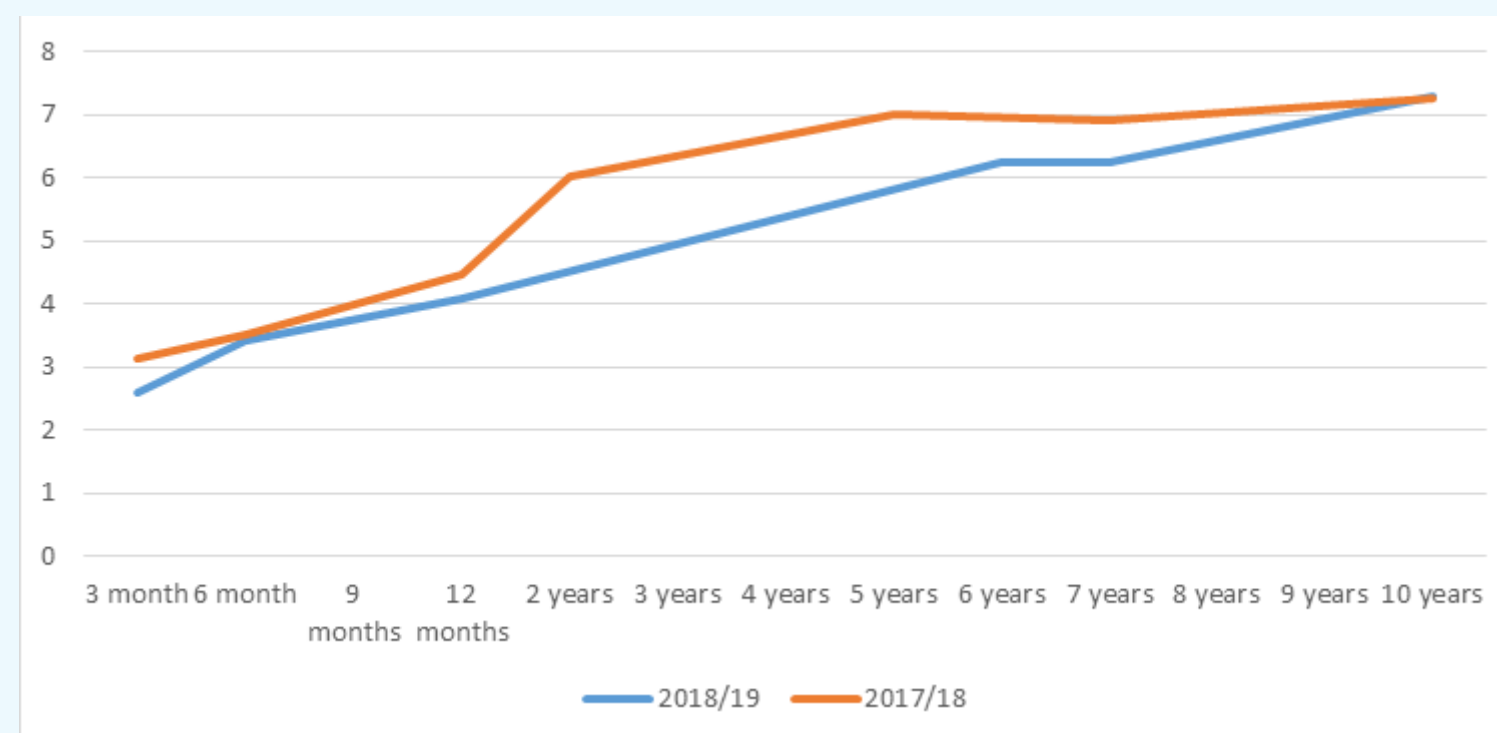


Chart 4 - Imputed Yield Curve on the RGSM



4

Growth, Competitiveness and Employment



3RD GROWTH AND RESILIENCE DIALOGUE WITH SOCIAL PARTNERS: "This Dialogue is premised on our firm conviction that effective and sustained progress is best fueled by a process of inclusive and sustained dialogue."

~ Governor, Timothy N. J. Antoine

GROWTH, COMPETITIVENESS AND EMPLOYMENT

3rd Growth and Resilience Dialogue With Social Partners

The Growth and Resilience Dialogue with Social Partners forms a critical part of the growth agenda of the ECCB and its strategic partners: the Caribbean Development Bank (CDB) and the OECS Commission. Social partners from across the Eastern Caribbean Currency Union met on 14 February 2019 at the ECCB Headquarters, St Kitts and Nevis for the 3rd Growth and Resilience Dialogue with Social Partners under the theme: *Building Resilient Institutions and Infrastructure for Sustainable Growth*.

The objectives of the session were to:

- focus with greater intensity on two thematic areas: Institutional Strengthening and Infrastructure;
- share effective best practices for growth and resilience from practitioners in other small states;
- encourage the exchange of ideas while providing clarity from present and past implementers of methodologies and technologies of productivity; and
- forge further consensus on the key elements of the Growth and Resilience Action Plan.

Five presenters shared their perspectives on three areas of focus:

1. Dr Jim Randall, Professor - University of Prince Edward Island explored institutional strengthening for governance in small states;
2. Ernesto Franco-Temple - The World Bank and Dr Kieron Swift - Compete Caribbean examined institutional building for 'Doing Business' to improve the global ranking of ECCU countries; and
3. Brian Samuel - CDB and Judith Green - International Finance Corporation focused on the role of a fit for purpose infrastructure to ensure trade facilitation, logistics and connectivity. The infrastructure is intended to guide the development of a long-term solution commencing with a viable regional fast ferry service.

Key Takeaways

- Most island states with the greatest opportunities for growth are not remote but are connected and are export-oriented. Oceans should be viewed as connectors rather than barriers. The "uniqueness" of islands allows entrepreneurs to provide creative solutions to many of the issues they face. Solutions utilised in larger, more advanced economies may not be suitable to these islands.
- The new paradigm for ensuring the *Doing Business* rankings are significantly improved are dependent on the potential for ECCU member states to learn from each other's best practices.
- A regional fast ferries system could best be realised if there is (i) joint strategy and a plan with full commitment by all member states; (ii) engagement of regional partners and stakeholders; (iii) implementation of the Damen Fast RoPax ferry model, which allows for the transportation of passengers, cargo and motor vehicles.



[Click here to access presentations from the Annual Growth and Resilience Dialogue](#)



Governor Antoine with the OECS Youth Ambassadors at 3rd Growth and Resilience Dialogue With Social Partners



Governor Antoine with members of the clergy at 3rd Growth and Resilience Dialogue With Social Partners

GROWTH, COMPETITIVENESS AND EMPLOYMENT

SUPPORT THE OECS COMMISSION IN THE CONTINUED REFINEMENT OF THE OGDS AND IMPLEMENTATION OF AN ECCU-WIDE ECONOMIC DEVELOPMENT PLAN (INCLUDING INITIATIVES, TARGETS AND ASSIGNED RESPONSIBILITIES)

The ECCB worked closely with the OECS Commission to refine and finalise the OECS Growth and Development Strategy (OGDS), which includes a foreword by the Governor. The Strategy was launched at the end of the financial year on 26 March.

National consultations on growth and resilience were held in the member countries with constituent groups to finalise the Action Plan from the 2nd Growth and Resilience Dialogue, to harmonise with national priorities, and to advocate for continuity in country. Those discussions guided the development of the concept note and plans for the 3rd Annual Growth and Resilience Dialogue.

PROVIDE TECHNICAL ASSISTANCE, POLICY ADVICE AND CONSULTATIONS TO ECCU MEMBER COUNTRIES ON HOW TO EXPAND EXISTING AND ATTRACT NEW SECTORS AND IMPROVE REGIONAL COMPETITIVENESS AND EASE OF DOING BUSINESS

Technical assistance was provided to the ECCB member countries in the compilation and/or review of the ECCU Gross Domestic Product (GDP) estimates. Two in-country compilation missions were conducted in the Commonwealth of Dominica and Montserrat respectively. Additionally, there was collaboration on the biannual revision of the annual GDP projections for the ECCB member countries. The Bank made significant progress in operationalising the interactive database for economic statistics on the ECCB website. Currently, monetary and financial, population and the real effective exchange rate statistics can be retrieved interactively on the ECCB website. To supplement macro-economic analysis, the Bank continued with the administration and conduct of the biannual Business Outlook Survey and the management of real sector and national accounts statistics.

Consistent with its strategic goal of actively promoting the economic development of its member countries, the Bank participated in the following training workshops:

- The System of National Accounts Methodology and Concepts at the ECCB Campus from 3 to 6 April 2018;
- The System of National Accounts Supply and Use Training in Montserrat from 9 to 13 April 2018;
- The CARTAC/Project for the Regional Advance of Statistics in the Caribbean (PRASC) Regional Planning Workshop on Real Sector Statistics in Saint Lucia from 1 to 4 October 2018; and
- The International Comparison Programme Technical Meeting for National Accounts in Trinidad and Tobago from 10 to 12 October 2018.

PROVIDE CAPACITY BUILDING TO PARTICIPATING GOVERNMENTS FOR EFFECTIVE CASH FLOW MANAGEMENT AND OPERATIONAL EFFICIENCIES

In continuing to ensure a safe environment for the transmission of financial messages, member governments were migrated from SWIFT Alliance Lite to SWIFT Alliance Lite2 and provided with training to ensure that they had the requisite capacity in preparation for go-live.

“ To supplement macro-economic analysis, the Bank continued with the administration and conduct of the biannual Business Outlook Survey and the management of real sector and national accounts statistics. ”

GROWTH, COMPETITIVENESS AND EMPLOYMENT

EXPAND ACCESS TO FINANCING FOR THE PRIVATE SECTOR WHERE POSSIBLE AND CONSISTENT WITH THE BANK'S SAFETY AND SOUNDNESS MANDATE

Micro-Business Simulation Workshops

Small business owners and aspiring entrepreneurs in Grenada and Antigua and Barbuda were the first to benefit from the ECCB-German Savings Bank Foundation for International Corporation Micro-Business Game Simulation Workshop held over the period 18 - 29 March 2018.

The German Savings Bank Foundation for International Corporation developed the Micro-Business Game as a tool to give entrepreneurs and business owners the experience of:

- managing and growing a small business;
- understanding basic business and accounting principles;
- developing an in-depth customer understanding and basic marketing knowledge; and
- understanding the interface between financial institutions and their clients as well as the respective implications.

The Do-Reflect-Apply-Implement approach is used to help participants understand these key concepts. Participants play the game in teams where they manage a fictitious juice store. Their operation includes: purchasing raw material, dealing with events and consequences, handling staffing matters, selecting options for improving their operations and preparing financial statements. Each of the four rounds of the game is followed by "Know How" sessions, which cover the key concepts from the respective rounds. These include: forecasting, supplier management, know your customers, technology, staffing/personnel, competition and financial consideration. A key component of the simulation is the preparation of financial statements: statement of financial position, profit and loss statement and statement of cash flows.

Each session ran for two days. The participants said it was time well-spent from their businesses and welcomed the hands-on approach to learning. They also said that playing the game helped them to understand and appreciate the importance of record keeping.

Feedback From Participants

1. The information was thought-provoking and helpful. The interactive and "fun" method of presentation made the two full days of learning both enjoyable and applicable.
2. Thank you for sharing and demonstrating the importance of planning and forecasting and also the fundamental steps of how we should carefully apply and manage funds to ensure profitability.
3. It was indeed very productive training session. The applied learning methodology I have found most effective.
4. I am now putting into practice what I have learnt.



Micro-Business Simulation Workshops in session in Antigua and Barbuda and Grenada

5

Organisational Effectiveness



ENTERPRISE RISK MANAGEMENT TRAINING: Building capacity in the risk management as the first line of defence.

ORGANISATIONAL EFFECTIVENESS

RETURN THE BANK TO PROFITABILITY THROUGH OPERATIONAL COST EFFICIENCIES

Indicative Rates Application

The ECCB developed an upgraded Indicative Rates Application which is expected to go live in the first quarter of the 2019/2020 financial year. The application will result in cost savings and improve efficiency as it facilitates the automatic distribution of the indicative rates to the Bank's clients.

IP Telephony Solution

Implementation of IP Telephony Phase II: The installation of SIP Trunks was completed in June 2018. The Bank is now realising a reduction in the cost for international calls.

Greening of the Campus Project

The Greening of the Campus inclusive of the Solar Canopy Project was conceptualised to serve as a cost effective measure for the Bank.

The pilot phase of the Solar Canopy component of the project commenced during the year. The design and engineering of the canopies were completed. The canopies are structured for parking beneath each one and will provide shade and light to the area and energy support to the Bank thereby positively contributing to the Banks organisational effectiveness mandate.

The selection process for the general contractor for the project has started and is expected to be completed by 30 April 2019. Phase I of the project is expected to be completed by September 2019. The Phase two preparation is concurrently being planned and that Phase is expected to be completed by the end of March 2020.

Change in Substrate of EC Banknotes

During the year, the Bank concentrated on the design phase for the implementation of the change in banknote substrate for the ECCB family of banknotes from paper to polymer as approved by the Monetary Council. The Bank, in collaboration with De La Rue International Ltd, completed the design and printing of the new family of polymer banknotes to start circulation in the first quarter of the 2019/20 financial year. In preparation for the launch of the New Family of ECCB Banknotes, the Bank executed a public education campaign throughout the ECCU on the use and features of the polymer banknotes. Through this initiative, it is expected that fewer banknotes would be issued, as the polymer banknotes would last longer in circulation.

Eliminate Loss-Making Coins

The Bank continued its thrust to eliminate loss-making coins and the withdrawal of the one and two-cent coins. This is projected to be completed in 2020.

ORGANISATIONAL EFFECTIVENESS

TRANSFORM CITIZEN ENGAGEMENT AND STAKEHOLDERS' RELATIONS MANAGEMENT BUILT ON TRANSPARENCY, ACCOUNTABILITY AND KNOWLEDGE SHARING

Financial Information Month (FIM) October 2018

“Conducting and Protecting Your Business in a Digital Environment” was the focus for Financial Information Month (FIM) 2018. The ECCB, in collaboration with 87 partners from the eight ECCB member countries hosted a range of activities geared toward fulfilling the FIM theme of **Financial Empowerment Through Education**.

The activities focused on the following areas:

- From standing in line to going online – information about online services offered by financial institutions;
- New Currency: Cryptocurrency, Bitcoins, Digital Wallets...Are We Ready for the Transformation?;
- Cyber security: use strong protection every time – how to protect oneself from identity theft, online fraud, hacking of accounts, guidelines for using ATM machines, credit cards and other online payment platforms; and
- Restructuring and transforming your business to take advantage of opportunities in the digital environment.

The activities which took place across the ECCU included: financial fairs, radio and television discussion programmes, children’s library hour and financial workshops, financial walkathon, visits to schools, small business workshops, charity initiatives and the annual FIM Symposium.

Financial Information Month is a regional financial, economic, business and entrepreneurial education campaign executed in the ECCU since 2002, through the collaborative efforts of the Eastern Caribbean Central Bank (ECCB), ECCU member governments, financial and academic institutions, the media, other private and public sector institutions and community-based groups. The month forms part of an ECCU financial and economic education programme, executed by the ECCB in collaboration with partners from the ECCB member countries. [Visit the FIM Facebook page](#)

Financial Information Month in Anguilla

FIM Partners in Anguilla, having bounced back from the impact of Hurricanes Irma and Maria in 2017, came together to host FIM 2018. The partners started the month of activities by worshipping together at the Church of God Holiness on Sunday 30 September 2018. The highlight of the month was the FIM Financial Fair on 19 October.



[Click here for a snapshot of FIM 2018 activities across the ECCU](#)



FIM 2018 Financial Fair - First from right: ECCB Monetary Council Member for Anguilla, the Hon Victor Banks; fourth from right - ECCB Board Member, Dr Aidan Harrigan

ORGANISATIONAL EFFECTIVENESS

Primary School Mentorship Programme

The ECCB Primary School Mentorship Programme continued successfully over the past year with the engagement of over 500 students from across the ECCB member countries. The programme was initiated in 2007 and involves one primary school from each ECCB member country. ECCB officers and networking partners visit the schools weekly to engage students of grades four, five and six on a range of financial, economic, cultural and information technology issues.

Savings and Investment Course

After a break of almost one year due to the impact of Hurricane Maria, the ECCB Savings and Investment Course was conducted in the Commonwealth of Dominica at the end of 2018. The course was offered in five other ECCB member countries during the year. The sessions provided participants with information to help them develop basic budgeting techniques, improve their money management skills and understand the basics of investing, with particular focus on the Eastern Caribbean Securities Exchange.

During the year, the ECCB and the University of the West Indies agreed to solidify their relationship with a Memorandum of Understanding (MoU), which is expected to be fully executed in the first quarter of the next financial year. Through the MoU, the ECCB will collaborate with the UWI to develop the Savings and Investment Course in keeping with the UWI's standards for continuing education.

The New ECCB Creative Youth Competition

The Bank, in collaboration with the Regional Security System Asset Recovery Unit (RSS ARU) , launched the ECCB Creative Youth Competition for secondary school and community college students aged 13-19 in the ECCB member territories in September 2018. This initiative, which is part of the Bank's Community Outreach Programme, replaces the ECCB-sponsored OECS Essay Competition and is designed to allow students to demonstrate their creativity and critical thinking skills through various genres including: essay writing, poetry, song writing and art. The 2018 competition focused on essay writing. The two topics were:

1. Towards a Cashless Society: challenges, opportunities and the realities for the Eastern Caribbean Currency Union.
2. For the Eastern Caribbean Currency Union to become economically viable, we must strive towards financial sustainability through technology. Discuss

ECCB Connects: Who we are, What we do, How we serve you!

The Bank celebrated the airing of the 100th episode of *ECCB Connects* in October 2018. As at 31 March 2019, 117 episodes had been released. The topics covered during the 2018-2019 financial year included:

- Importance of Insuring Your Property
- Understanding Loan Agreements
- Impact of Household Debt on Economy
- Cryptocurrency and Crypto Assets



Grade four students and teacher from the T N Kirnon Primary School with Senior Administrative Assistant of the ECCB Agency Office, Antigua and Barbuda during their visit to the office for a mentorship session



2nd Row: First from right: ECCB Resident Representative for the Commonwealth of Dominica, Sherma John with facilitators and graduates of the ECCB Savings and Investment Course



29th Annual Conference With Commercial Banks

The 29th Annual Conference With Commercial Banks was held over the period 8 to 9 November 2018 under the theme, *“Fit for the Times! Transforming the ECCU Financial System.”* The over 100 participants included, academicians and practitioners from across the ECCU and the international community. The Conference was divided into two sub-themes: (i) Financial Innovation and Inclusion in the ECCU and (ii) Protecting Our Financial System.

Financial Innovation and Inclusion in the ECCU

The three areas covered were: (1) The Cash-Less Transition, What’s Next? (2) Integrated Payments Infrastructure: Implications for Commercial Banks and (3) Near Bank Financial Institutions? Are the Rules of Engagement Still Appropriate? The discussions highlighted the developments in the financial systems towards a cash less society and focussed on the nature of the payments by individuals within and outside the ECCU including: mobile banking, mobile money, digital currency and digital fiat currencies. The participants also analysed integrated payments infrastructures and their implications for commercial banks. The panellists noted that an integrated payments infrastructure could lead to cost effective financial products while allowing for collaboration with partners in the industry and empowering the consumer. The discussions also highlighted that with data, firms are able to generate revenue, make policy decisions, and develop the most appropriate infrastructure for achieving strategic objectives. The panellists explored the regulatory stance regarding Near-Bank Financial Institutions (NBFIs). During the discussion, it was noted that NBFIs are important for enhancing financial inclusion. Although these institutions continue to evolve, there is a need to relook the regulatory and supervisory framework for all institutions, including the NBFIs within the financial system.

Protecting Our Financial System.

The topic discussed was: ECCU Household Debt: A Crisis in the Making? In examining the issues of household debt, the presenters put forward thought provoking perspectives and discussed key facets of the topic, including the level of deposits relative to household debt, the ECCU’s financial system in relation to other Latin American and Caribbean Countries and what steps can be taken, if any, to ensure that the financial system remains resilient.

The conference culminated with a closed business session with commercial banks and Non-Bank Financial Institutions, ECCU Ministries of Finance and the ECCB.

ORGANISATIONAL EFFECTIVENESS

23rd Sir Arthur Lewis Memorial Lecture and Book Award

Bevil Wooding, Strategic Advisor on Technology to the OECS Commission and one of the region's leading advocates for technology-enabled Caribbean Development, delivered the 23rd Sir Arthur Lewis Memorial Lecture. The Lecture titled: Leveraging ICT for Transformation in the Eastern Caribbean Currency Union, was presented on 7 November 2018 at the Sir Cecil Jacobs Auditorium.

In his lecture, Wooding emphasised that technology itself was never the reason things changed, but how people choose to apply technology was the real catalyst for development. He impressed on the audience that ICT efforts should not be withheld because they seemed different or unfamiliar from what we once knew.

Following the lecture Deputy Governor, Trevor Brathwaite presented the 10th Annual Sir Arthur Lewis Memorial Book Award to Hiram Forde, Principal, Antigua State College. The Book Award is presented annually in alphabetical order to a selected college in the respective ECCB member country.

REVAMP THE HUMAN RESOURCE STRATEGY TO SUPPORT TALENT DEVELOPMENT AND MANAGEMENT

The staff of the ECCB are its most important resource and their critical role in the Bank's quest towards the realisation of its strategic plans cannot be overemphasised, hence the need to develop and enhance skill sets of its staff. The Bank in its thrust to revamp its Human Resource Strategy to effectively support talent development and management, continued on its course to better align individual capabilities with suitable roles within the organisation, recruit best fit candidates and build capacity through various training initiatives. In addition, significant work was undertaken to modernise the Bank's HR strategy. Reformulation of the organisation's structure and operational framework was also conducted, with an aim to enhance organisational effectiveness and deliver service excellence.

Recruitment and Selection

The HRD's recruitment initiatives resulting in the hiring of 17 new staff. The external recruitment included the on-boarding of a Chief Director (Policy) as part of the Bank's Executive team, with a focus on policy development. Recruitment for this review period was deliberate, timely and targeted at filling key staffing gaps in 10 departments with best fit candidates to assist in the execution of the various departments' mandate. As at 31 March 2019, the ECCB's staff complement stood at 250.

Training and Development

In its pursuit to support talent and enhance capacity, the Bank provided training for its employees based on its priority areas identified in its strategic plan. The areas of training were wide-ranging and included training in Anti-Money Laundering/Combating Terrorist Financing, Human Resource Management, Public Finance Management Legislation, Domestic and External Debt Management, Strategic Planning and Management, Fintech and Payment Systems, Risk Management, Information and Communication Technology, Macroeconomics and Research, Accounting Standards and Internal Audit. Staff from various departments also represented the Bank at meetings and conferences locally, regionally and internationally. Participation in these trainings and meetings, while ensuring enhanced capacity and talent, provided new perspectives for staff in their respective areas and excellent opportunities for networking and building of important professional relationships. Additionally, the Bank conducted in-house training in performance management. The HR management also benefitted from networking opportunities, learning new skills and staying abreast of the latest HR strategies and opportunities beyond the regional scope, through attendance at international conferences.

ORGANISATIONAL EFFECTIVENESS

HR Consultancies

The Bank, determined to stay the course and work towards achieving its strategic objective of enhancing organisational effectiveness, undertook the task of developing a modern HR Strategy. Consultancy firm, VF Inc of the Commonwealth of Dominica led by principal consultant, Dr Valda Henry, partnered with the ECCB to this end. During the year, VF Inc continued to work with the Bank to review its HR policies, procedures, performance management, and its training, development and succession plans. A compensation survey and gap analysis were undertaken.

Policy Enhancement and Compliance

The HR consultant's review of HR policies and the recommendations from audit findings and general industry best practice alignment, resulted in the decision to formulate new policies and improve existing ones to better enhance the operational framework of the department.

Compensation and Benefits Management

The HR consultant reviewed the ECCB's compensation and benefits package to assess and determine whether the remunerations the Bank offered were in keeping with best practices. The HR consultant undertook surveys and research which ascertained that the Bank's remuneration packages were generally competitive.

The triennial practice of the review of compensation packages resulted in certain recommendations, which the Board of Director approved. The adjustments in compensation would be effective 1 April 2019.

UTILISE TECHNOLOGY TO INFORM DATA-DRIVEN DECISION MAKING

Meetings Management Solution

The Bank commenced implementing a paperless boardroom meetings management solution to facilitate the following objectives:

1. Provide a platform for a holistic approach for the coordination and management of the Bank's meetings; and
2. An enhanced protection protocol for the transmission of documents with minimized risk to the Bank, by ensuring the security of confidential documents.

The meetings management solution will be used to enhance the communication and information sharing for the Bank's statutory meetings. These stakeholders will be able to collaborate on papers and conduct meetings via a central platform with mobile access.

“ The Bank, determined to stay the course and work towards achieving its strategic objective of enhancing organisational effectiveness, undertook the task of developing a modern HR Strategy. ”

ORGANISATIONAL EFFECTIVENESS

DEVELOP A HOLISTIC INTERNAL RISK MANAGEMENT FRAMEWORK

Internal Management

The Internal Audit Department (IAD) is an independent appraisal function established within the Bank to examine and evaluate its activities as a service to the organisation. The department reports functionally to the Bank's Board Audit and Risk Committee and administratively to the Governor. The objectives of the department are 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 Bank outsourced and coordinated a comprehensive review of the its Management Information Systems Department. The review included an assessment of the core functions of the department including: Resourcing and Strategic alignment; Information Technology General Controls and Network Configuration; review of the security of the Bank's main Applications and Vulnerability and Penetration Testing.

Cyber Security

Recognising that cyber security is a strategic enterprise risk that can impact well beyond information technology operations, the ECCB undertook the following activities to independently assess its technology resilience and overall cyber security posture. These activities have assisted in prioritising the Bank's efforts to improve cyber resilience and provided a baseline for measuring progress.

- **Cyber Maturity Assessment (CMA)**
An independent service provider conducted a Cyber Maturity Assessment (CMA) of the Bank's technology environment. The objective was to assess the Bank's ability to protect and manage its sensitive information and assets, and to protect itself against cyber-attacks. The CMA included an assessment of the Bank's current and planned enterprise security policies, procedures, and capabilities in multiple technology and security-related domains.
- **SWIFT Customer Security Programme (CSP)**
In fulfillment of a mandate by SWIFT to mitigate against the growing threat of cyber-attacks by implementing mandatory security controls and new services to help prevent and detect fraudulent activity, the Bank complied and successfully attested to the SWIFT Customer Security Programme before the 31 December 2018 deadline.
- **Upgrade of Agency Office Network Infrastructure**
As part of an ongoing security initiative, the Bank commenced work on an improved internet plan incorporating a revised network configuration inclusive of security features at the Agency Offices. This enhancement will increase productivity as well as improve the security posture of the Agency Offices.

ORGANISATIONAL EFFECTIVENESS

CONTINUE TO TRANSFORM THE ECCB ALONG S.T.A.R VALUES

ECCB S.T.A.R Awards

The ECCB S.T.A.R Awards recognise and celebrate the individuals and the department which exemplify the Bank's mantra of: Service Excellence, Teamwork and Truth Telling, Accountability and Results. The Awards are presented in two categories: Individual and Department. Nineteen individual nominations and three department entries were submitted for consideration. The 2018 awards were presented at the Bank's Annual Banquet and Awards Ceremony held on 8 December.

Department S.T.A.R Award

The Banking and Monetary Operations Department (BMOD) received the 2018 Departmental STAR. The BMOD was instrumental in facilitating the overall implementation of Phase Two of the Eastern Caribbean Automated Clearing House, and the Electronic Funds Transfer System, thus making payment settlements in the ECCU faster and more secure. The department was also instrumental in revitalising the Eastern Caribbean Payments Council.

The BMOD also embraced the mandate of improving the Bank's profitability by undertaking several initiatives which will result in approximately 2.8 million dollars in cost savings annually. In addition, the department embarked on several initiatives to enhance team spirit, including: recognising staff members for Mother's Day and Father's Day; and engaging in activities outside work such as: Christmas party and movies nights.

Individual S.T.A.R Awardees

The six staff members rewarded for exemplifying the S.T.A.R mantra were:

1. Livia Bertin-Mark, Examiner - Bank Supervision Department
2. Acklyn Blaize, Corporate Relations Officer - Corporate Relations Department
3. Gwendy Francois-Anselm, Human Resource Officer, Human Resource Department
4. Exzaver Garvey, Office Attendant - Support Services Management Department
5. Paula Hazel, Security Officer - Support Services Management Department
6. Micah John, Assistant Facilities Engineering Technician in the Support Services Management Department



Governor Antoine presents the 2018 Department S.T.A.R Award to Director, Banking and Monetary Operations Department, Raquel Leonce



Banking and Monetary Operations Department Team

ORGANISATIONAL EFFECTIVENESS

STRENGTHEN THE FORWARD LOOKING AND ROBUST RESEARCH AGENDA

In support of more effective and efficient monitoring of the financial sector and financial sector stability, the Bank continued to refine revisions to prudential returns. The Bank convened video conferences and workshops with commercial banks and other ECCB licensed non-bank financial institutions to discuss the contents of the revised prudential returns and the changes required for upload of the data through a secure web-based server powered by SAS. Discussions were held with these institutions on the next steps and an implementation date was set following those discussions. Implementation is scheduled for 2020.

As part of its mandate, the ECCB conducts research on issues that affect its member governments. These issues are often the core of policy discussions within member countries and at the ECCB, and serve to elucidate and influence policy design in a thoughtful manner. To this end, the Bank produced several papers and policy briefs in the financial year, which are directly linked to its strategic goals.

Maintain a Strong and Stable EC Dollar

- The Optimal Level of Reserves for the ECCU

Ensure a Strong, Diversified and Resilient Financial Sector

- A Proposed Framework for Identifying Systemically Important Commercial Banks and Credit Unions in the ECCU
- Proposed Framework for Identifying Systemically Important Commercial Banks and Credit Unions in the ECCU – A Country Assessment

Be Advisor of Choice to our Participating Governments in Pursuit of Fiscal and Debt Sustainability

- An Evaluation of the Post Crisis Fiscal Performance of ECCU Member Countries
- The Economic Impact of Caribbean Premier League (CPL) on the ECCU Countries

Actively Promote the Economic Development of our Member Territories

- Failure to Launch: Unleashing the ECCU's Global Competitiveness Potential
- The Impact of Oil Price Fluctuations on Macroeconomic Variables in the ECCU
- Locked and Loaded: The US-China Trade War – Should the ECCU Worry?
- What is Driving Tourism Flows to the ECCU? Insights from a Gravity Model
- The Impact of the Closure of Petrotrin on ECCU Member States



Chief Director (Policy) Appointed

In keeping with the Bank's new organisational structure, D Tracy Polius, a national of Saint Lucia, assumed the position of Chief Director (Policy) on 7 January 2019.

The Chief Director (Policy) is responsible for providing the vision, leadership and management for the development

of a coherent and coordinated policy and research programme that supports the Bank's Strategic Plan and facilitates delivery on its mandate as outlined in Article 4 of the ECCB Agreement. The executive functions will include: serving as the management liaison to the Executive Committee on policy matters relating to the Bank's strategic goals and facilitating discussions pertaining to challenges (internal and external) in advancing policy initiatives and submission of findings to the Executive Committee.

Polius is an economist with a blend of experience in public policy, commercial banking and academia. She has worked with the Government of Saint Lucia in various capacities including: Deputy Director of Economic Affairs from 2002 to 2007 and Permanent Secretary, Planning and National Development from 2014 to 2017. Immediately prior to this appointment, she served as Permanent Secretary in the Departments of Housing and Physical Planning from 2017 to 2018. She also worked as a Research Fellow at the Caribbean Centre for Money and Finance, UWI, where she served as co-editor of the Journal of Business, Finance and Economics in Emerging Economies among other duties.



Building capacity in enhanced risk reporting framework and a greater appreciation for the Three Lines of Defence Model in risk management

Head of Departments, Deputy Directors, Risk Liaisons and Alternates participated in an Enterprise Risk Management Training on 13 – 14, November 2018. Bruce Scott, Partner, PwC Jamaica conducted the sessions

During the year, the Bank was heavily focused on further development of its risk culture and risk management practices, as critical components of the successful implementation of the Enterprise Risk Management (ERM) framework.

The key initiatives of the ORM during the year are summarised as follows:

- The development of an ERM Policy to guide the decision-making processes pertaining to the Bank's portfolio of risks. The document highlights the risk oversight structure, roles and responsibilities, risk assessment and evaluation criteria, risk treatment process and the monitoring and reporting requirements;
- Bank-wide risk management capacity building sessions, some of which were facilitated by an external consultant;
- Risk awareness training for the Board of Directors;
- The implementation of a revised Operational Risk Register and attendant process for the validation of risks across the Bank;
- The operationalisation of the Operational Policy Development Framework to govern the development and implementation of operational policies and related procedures for the Bank;
- The implementation of a risk monitoring framework for the Bank's Strategic Plan.

The thrust of the Bank's risk management programme continues to be influenced by the strategic objectives as outlined in the Strategic Plan as well as external developments impacting the Bank's operations. The overall objective is aimed at achieving the appropriate balance between maximising opportunities and minimising losses, in the realisation of the strategic goals. Specific emphasis has been placed on internal risk issues pertaining to health and safety, management of resources and business practices as well as those that may be more externally driven, such as financial stability and information technology risks.

ORGANISATIONAL EFFECTIVENESS

Legislative Agenda to Support Strategic Priorities

Banking Act 2015

The Bank, in consultation with the banking industry, undertook a review of the Banking Act 2015 with the view to propose amendments deemed necessary to address provisions in the Act that were either impractical or presented challenges to its effective operationalisation. In November 2018, the draft amendments were resubmitted to the Monetary Council, approved and dispatched to member countries for enactment. To date, the Bill has been enacted in Grenada. The Banking (Licences) Regulations 2018 were prepared by the Central Bank in consultation with the offices of the Attorneys General in the Eastern Caribbean Currency Union (ECCU). The intention of the regulations is to operationalise the general provisions under the Act which deal with the application for a licence to carry on banking business and the application for a licence for a financial holding company. The regulations were dispatched to member governments in May 2018.

Anti-Money Laundering/Counter Financing Of Terrorism Legislation

The Bank continues to encourage ECCU member Governments to pass amendments to existing Anti-Money laundering/Counter Financing of Terrorism legislation which shifts the supervisory and regulatory responsibility to the Bank. The amendments were dispatched to member governments and have been passed by two member countries.

Software Pilot Agreement

In February 2019 the Bank executed a Software Pilot Agreement with BITT Inc to design and construct a high security Digital XCD and a centralised private platform leveraging IBM Hyper ledger to create, issue, withdraw from circulation, verify, destroy, and re-issue Digital XCD. Participation in the pilot project is voluntary and within controlled parameters. The duration of the pilot project, development and deployment, is expected to be eighteen months.

Payment System (Eastern Caribbean Clearing House) Rules

The Bank in consultation with the ECCU Attorneys General finalised amendments to the Payment System (Eastern Caribbean Clearing House) Rules in 2018 to lend efficiencies and allow some flexibility in the processing of transactions by the Eastern Caribbean Automated Clearing House (ECACH) by removing the session times and the fees from the Rules. The amendments were dispatched to member countries in January 2019 for gazetting. To date the Rules have been published in one member territory.

Credit Reporting Bill And Regulations Legislation

The Bank remains committed to encourage member governments to bring the Credit Reporting Bill and Regulations legislation into force. To date, four member governments have passed the Credit Reporting Bill and the Credit Reporting Act and Regulations are in force in three member countries.

Harmonised Registered Land Bill

The legislative drafting phase of the ECCU Electronic Conveyancing System Project was completed in October 2018. The final deliverables of the Project, that is, the final report and a draft Harmonised Registered Land Bill have been published on the Bank's website as part of the initial sensitization process. The aim of this Project is to provide a framework for a modernised arrangement which will yield greater predictability and simplicity in the property transfer system in the sub-region. This initiative is expected to ultimately facilitate the enhancement of the region's competitiveness through an overhaul of the land registration systems of the ECCU.



ORGANISATIONAL EFFECTIVENESS

The Eastern Caribbean Partial Credit Guarantee Corporation Agreement

The Eastern Caribbean Partial Credit Guarantee Corporation Agreement was enacted into law by six (6) member governments. The Bank continues to work closely with the World Bank to facilitate the operationalisation and capitalisation of the Eastern Caribbean Partial Credit Guarantee Corporation.

Copyright Policy

In October 2018 the Bank approved a copyright policy to govern the basic rights, duties and obligations concerning ownership of copyright in works and use of protected works of the Bank.

6

Financial Performance

The Bank reported net profit was \$32.7 million for the year ended 31 March 2019, which exceeded the previous year's profit by \$21.9 million or 204.0 per cent.



FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019, the Bank's Total Assets stood at \$5,160.9 million, an increase of \$72.8 million (1.4 per cent) when compared to the position in the previous year.

The increase in Total Assets, was predominantly driven by an expansion in Foreign Assets of \$105.3 million (2.2 per cent). The increase in foreign assets was mainly due to the purchase of regional and foreign currency notes from commercial banks, the reinvestment of interest received on foreign assets and the appreciation in the market value of the Bank's foreign investment securities. The growth in foreign assets was partially offset by net sale of foreign currency balances to commercial banks in the Eastern Caribbean Currency Union.

Domestic Assets decreased by \$32.4 million (9.4 per cent), primarily attributable to reductions in Participating Government Securities, Property and Equipment, Pension Asset and Accounts Receivables and Prepaid Expenses. Participating Governments' Securities decreased by \$23.0 million (27.7 per cent) due to participating governments redemption of ECCB's holdings of Treasury Bills coupled with maturity and principal payments on debenture bonds. The decline of \$4.7 million (3.5 per cent) in Property and Equipment arose from the disposal of the property during the financial year. Accounts Receivable and Prepaid Expenses declined by \$3.3 million (13.3 per cent) largely due to a decrease in amounts due from ECCB Pension Fund and the write-off of accounts receivable, partially offset by an increase in prepaid expenses.

Total Liabilities contracted by \$2.3 million over the year. The most significant decreases in this category were in Commercial Banks' Reserve Balances \$58.7 million (2.0 per cent), Eastern Caribbean Securities Registry account, \$60.5 million (78.9 per cent) and Participating Government Debt Restructuring Escrow accounts, 59.3 million (99.5 per cent). These decreases were moderated by increases of \$81.0 million (100.0 per cent) in Participating Governments' Fixed Deposits, \$32.7 million (3.0 per cent) in Currency in Circulation and \$29.0 million (50.4 per cent) in Participating Governments' Operating accounts.

As at 31 March 2019, the value of currency in circulation was \$1,143.4 million. Banknotes accounted for \$1,031.6 million or 90.2 per cent, while coins in circulation amounted to \$111.8 million or 9.8 per cent. The aggregate currency in circulation at the end of the financial year reflected an increase of \$35.3 million (3.2 per cent) above the total in the previous financial year.

Total Equity increased by \$75.1 million (34.9 per cent), mainly attributable to a change in fair value of foreign investment securities, which moved from an unrealised holding loss of \$45.5 million as at 31 March 2018 to an unrealised holding gain of \$1.9 million as at 31 March 2019 due to the favourable performance of the US bond market over the financial year. Also bolstering equity was the current year's profit of \$32.7 million, which increased by \$21.9 million or 204.0 per cent when compared the previous financial year. Consequently, the General Reserves rose by \$35.5 million (29.45 per cent) largely due to the allocation from net profit in accordance with the ECCB Agreement Act 1983 – Article 6(3).

Chart 5 - Total Assets (EC\$'000)

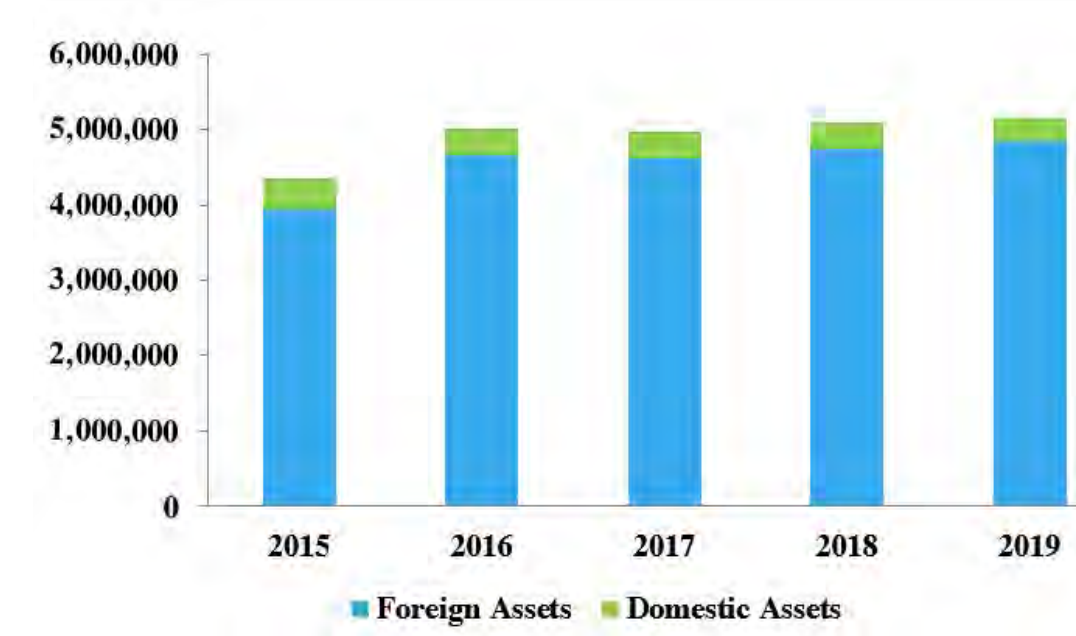


Chart 6 - Total Liabilities and Equity (EC\$'000)



FINANCIAL PERFORMANCE

STATEMENT OF PROFIT OR LOSS

The Bank delivered a strong financial performance for the year ended 31 March 2019 with continued growth in profit. The Bank reported net profit was \$32.7 million for the year ended 31 March 2019, which exceeded the previous year’s profit by \$21.9 million or 204.0 per cent.

The upturn in profit was primarily attributable to an increase in interest income on foreign reserve assets, which was positively impacted by the Federal Reserve hikes in interest rates during the financial year.

Net interest income grew by \$31.1 million or 44.0 per cent to \$101.8 million for the year ended 31 March 2019 when compared to the previous financial year. This upsurge was primarily attributable to growth in interest income on foreign reserve assets, as a result of higher average interest earned on foreign investment securities and the higher-yielding short-term money market instruments and money at call, when compared to the prior year. This upsurge was offset by an increase of \$3.1 million in interest expense on interest bearing demand liability accounts.

Chart 7 - Net Profit/(Loss) (EC\$'000)

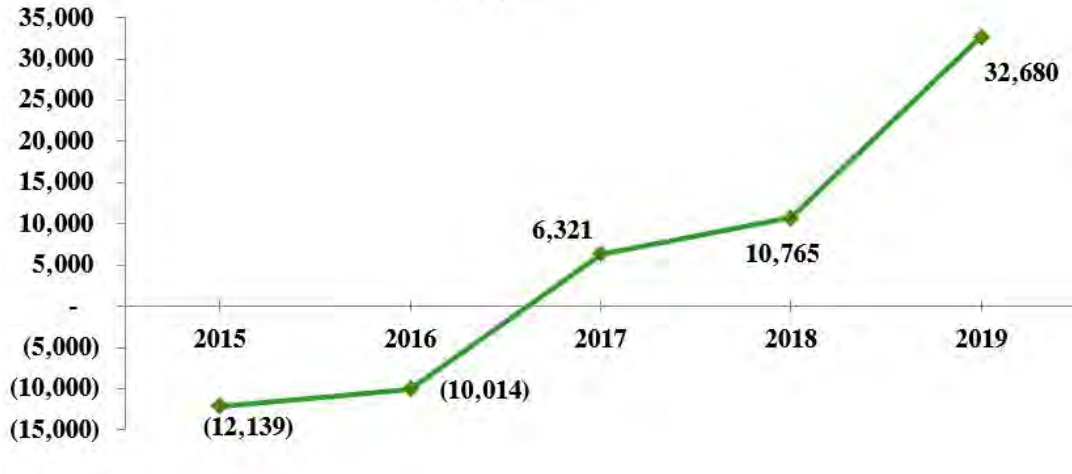


Chart 8 - Net Interest Income (EC\$'000)

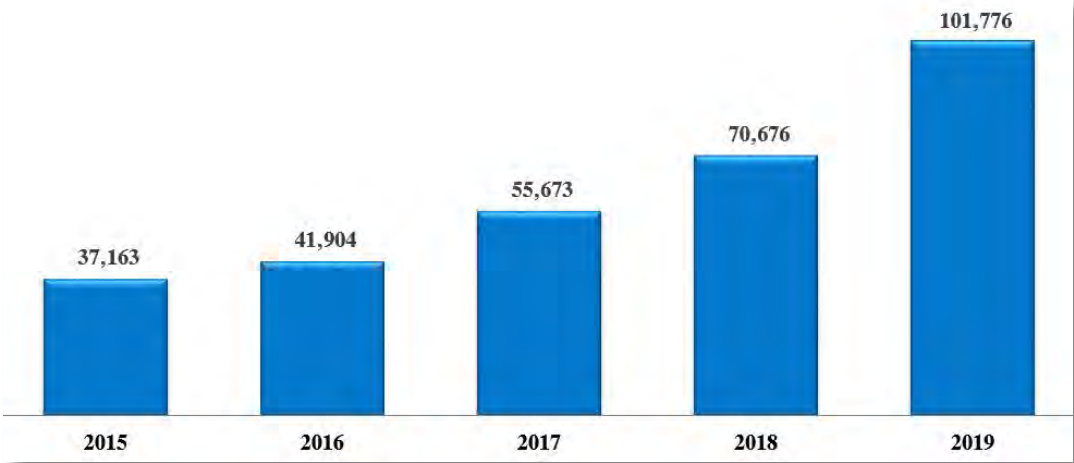


Chart 9 - Income Mix FY 2019

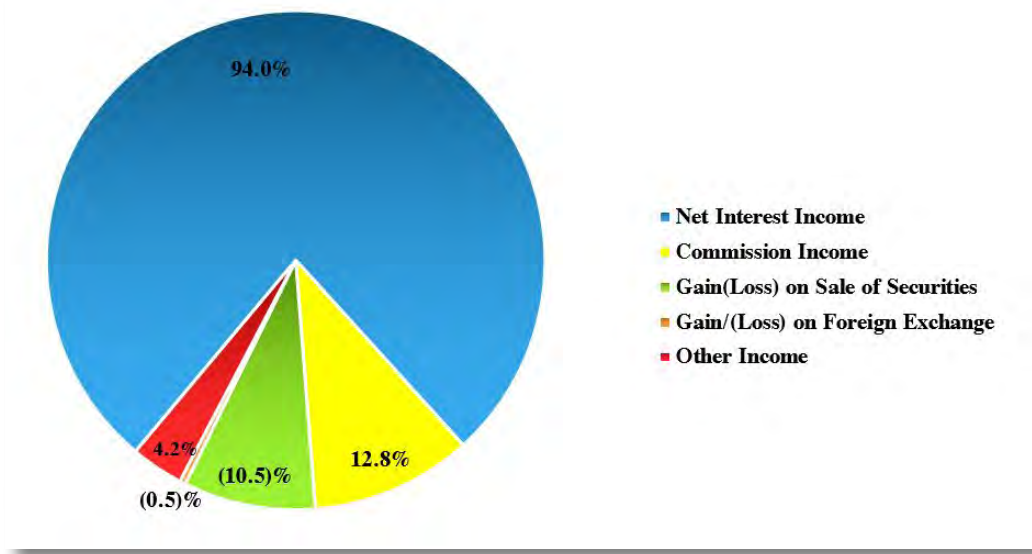
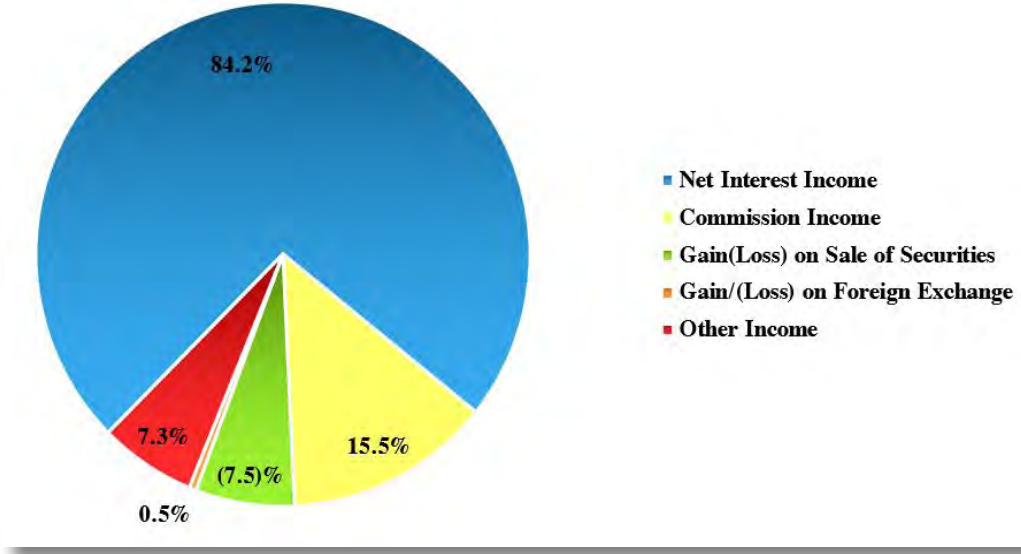


Chart 10 - Income Mix FY 2018



FINANCIAL PERFORMANCE

Operating income for the financial year ended 31 March 2019 rose by \$24.3 million (29.0 per cent) to \$108.3 million when compared to the previous financial year. The growth in operating income was largely driven by increases net interest income and commission income of \$31.1 million and \$0.8 million, respectively. The effects of these increases were partially offset by an increase of \$5.0 million or 81.0 per cent in realised losses on disposal of foreign securities. Also offsetting the decline in operating income was a decrease of \$1.6 million in other income, mainly due to the realisation of a loss on disposal of property and equipment for the year ended 31 March 2019 compared to previous financial year.

Operating expenses for the financial year ended 31 March 2019 of \$77.3 million grew by \$2.7 million or 3.6 per cent over the previous financial year. The increase was mainly due to an upsurge of \$2.6 million in salaries, pension and other staff benefits. Also contributing the increase was \$1.5 million in impairment losses on financial assets driven by the Bank's implementation of IFRS 9, effective 1 April 2018. These increases were partially offset by a reduction of \$1.7 million in administrative and general expenses, primarily attributable to cost saving measures implemented during the financial year.

Chart 11 - Operating Income (EC\$'000)

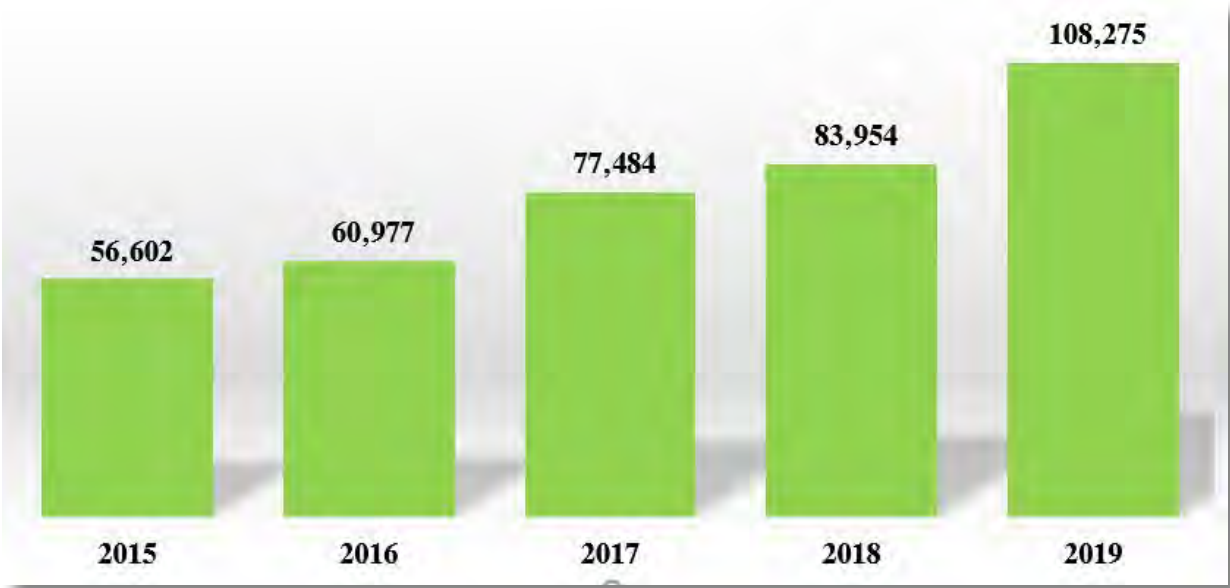
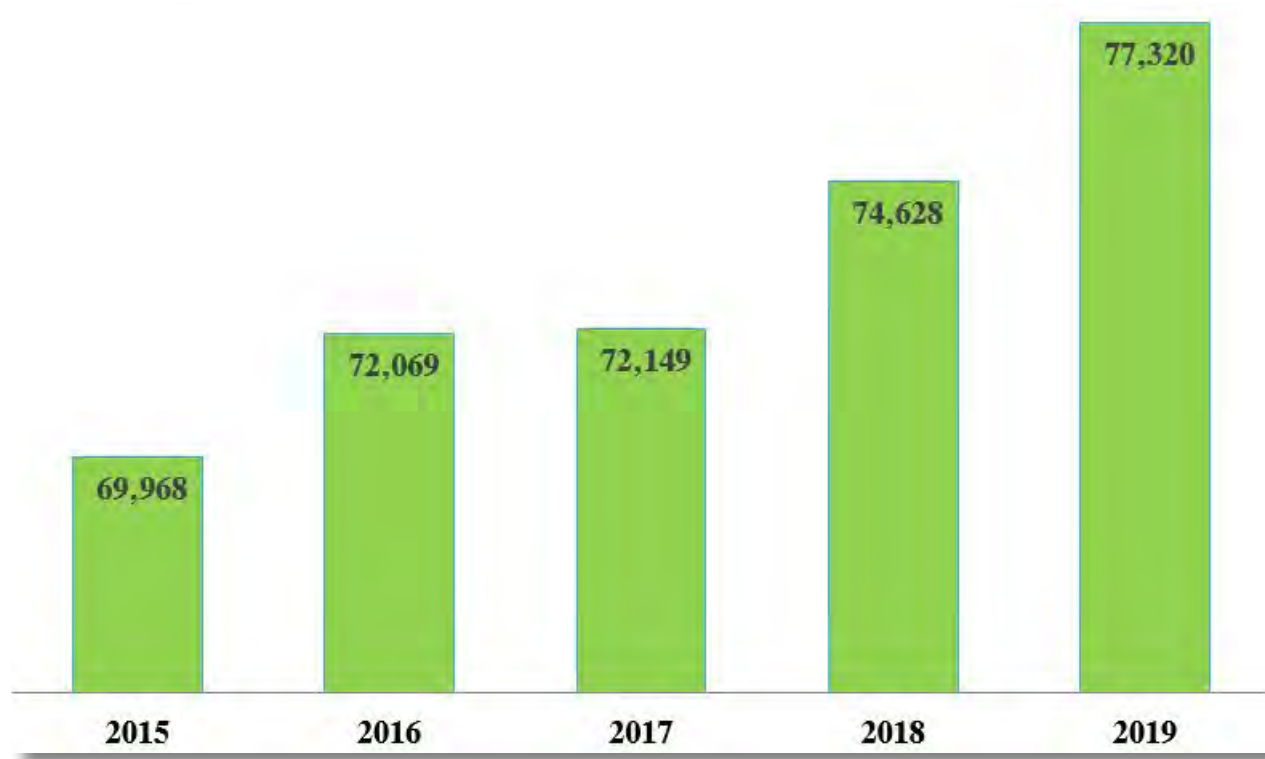


Chart 12 - Operating Expenses (EC\$'000)

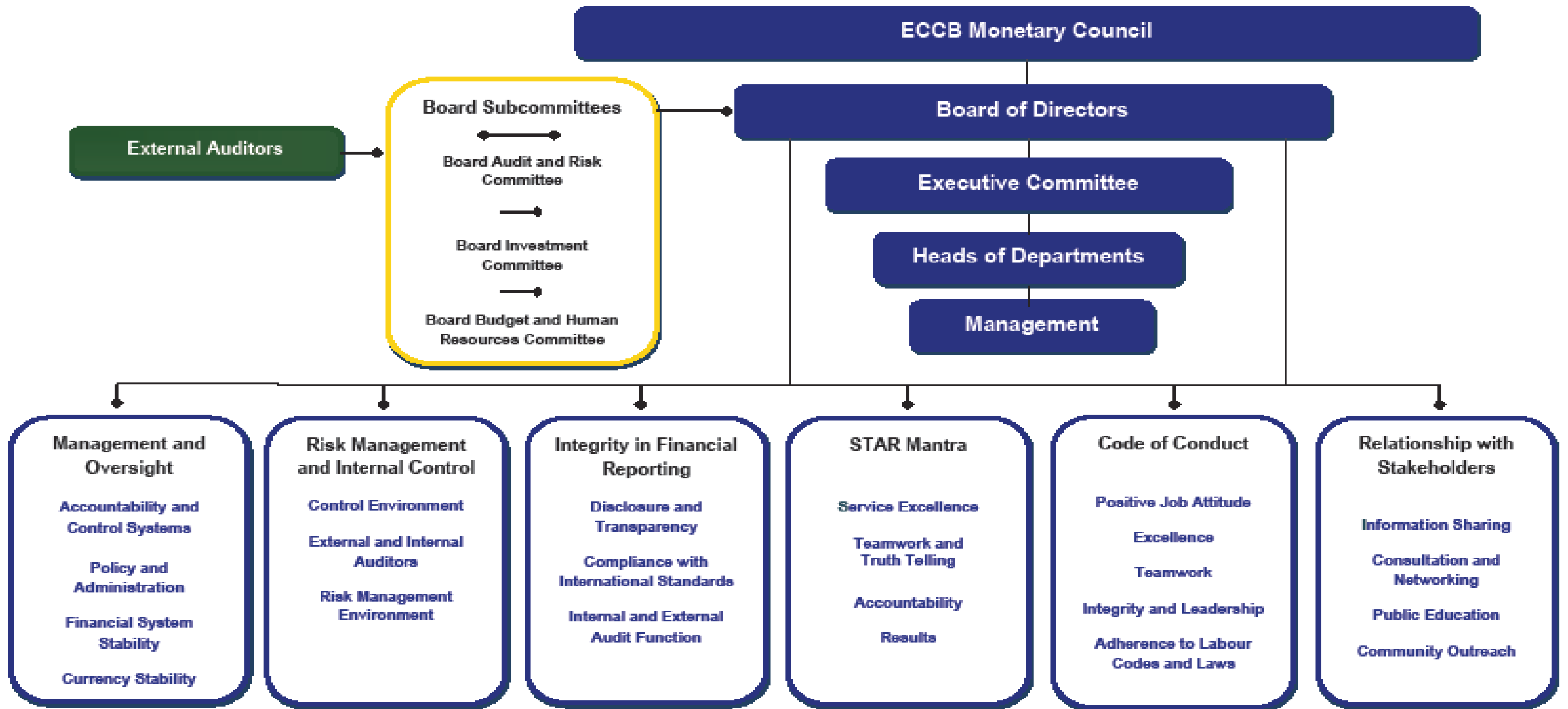


7

Corporate Governance Framework

“ “The framework seeks to promote accountability; ensure that appropriate control systems are developed and are operationalised to address associated risks; and to foster innovation through critical thinking and problem solving in pursuit of the Bank’s objectives. ” ”

ECCB Corporate Governance Framework



CORPORATE GOVERNANCE

The Eastern Caribbean Central Bank (ECCB) continues to recognise the importance of good corporate governance and is committed to ensuring that this attribute is preserved in its operations.

The Bank's Corporate Governance Framework is upheld by the following pillars:

1. Firm foundation for management and oversight;
2. Proactive and sound risk management and internal control;
3. Integrity in financial reporting;
4. Code of Conduct that endorses ethical values; and
5. Reciprocal relationship with stakeholders.

The Corporate Governance Framework is guided by the following:

1. The ECCB Agreement Act, 1983 (as amended) and the Banking Act, 2015;
2. The corporate governance principles for the Organisation of Eastern Caribbean States (OECS);
3. The legal and regulatory framework of the ECCU member countries; and
4. Best practices in the local and international arena.

The framework seeks to promote accountability; ensure that appropriate control systems are developed and are operationalised to address associated risks; and to foster innovation through critical thinking and problem solving in pursuit of the Bank's objectives.

Administration and Management

Monetary Council

The Monetary Council comprises the eight Ministers for Finance of the ECCB Participating Governments and is the highest decision-making organ of the Bank. Provision is made in the ECCB Agreement, Article 7 (1) for each Minister to designate an Alternate, who shall also be a minister of government, to serve on the Council in his/her absence.

Chairmanship of the Monetary Council

The tenure of the Chair of the Monetary Council is for a one-year duration and is rotated among member countries in alphabetical order. The current Chairman, Dr the Right Honourable Keith C. Mitchell, Council Member for Grenada, assumed the Chairmanship on 27 July 2018 following the Ceremony to Mark the Change in the Chairmanship of the Monetary Council in Grenada. Prime Minister Mitchell will hand over the Chairmanship of the Monetary Council to the Council Member for Montserrat on 26 July 2019.



ECCB Monetary Council and Governor of the ECCB (center, first row) at 91st Monetary Council Meeting and Handing-Over Ceremony, 27 July 2018, Grenada



Section of the audience at the Handing-Over Ceremony 27 July 2018, Grenada

CORPORATE GOVERNANCE

Meetings of the Monetary Council

Article 7 (2) of the ECCB Agreement states, “The Council shall meet not less than twice each [calendar] 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 to the Bank and for such other purposes as are prescribed under this Agreement.”

During the calendar year 2018, the Council convened its requisite three meetings:

1. 90th Meeting of the Monetary Council on 16 February 2018 in St Kitts and Nevis
2. 91st Meeting of the Monetary Council held on 27 July 2018 in Grenada
3. 92nd Meeting of the Monetary Council on 16 November 2018 via videoconference

The Board of Directors

The powers of the Bank are vested in the Board of Directors. The Board of Directors is responsible for the policy and general administration of the Bank. According to the ECCB Agreement Act Article 8 (2), “The Board shall have power to make, alter or revoke regulations, notices and orders for the purpose of giving effect to the provisions of this Agreement.” The Board of Directors is responsible for submitting recommendations to the Monetary Council on such matters 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. Appointed Directors are required to consider the interests of all the members of the ECCU in their decision-making process.

Composition of the Board of Directors

The Board consists of the Governor, Deputy Governor and one Director appointed by each participating government. The appointed directors are installed for terms not exceeding three years and are eligible for re-appointment. The Governor and the Deputy Governor are appointed by the Monetary Council for a period not exceeding five years and are eligible for re-appointment.

The Governor

The Governor serves as chairman of the Board of Directors. As Chief Executive Officer of the Bank, the Governor is responsible to the Board for the implementation of policies and the day to day management of the Bank. He is required to attend all meetings of the Monetary Council.

The Governor has the authority to act, contract and sign instruments and documents on behalf of the Bank, and may by resolution of, and to the extent deemed appropriate by the Board, delegate such authority to other officers.

The Deputy Governor

The Deputy Governor gives support to the Governor in his duties, and exercises the powers, duties and responsibilities of the office during the absence of the Governor.

Newly Appointed Director to the Board

The Bank welcomed Ophelia Wells-Cornwall from Grenada to the Board of Directors during the financial year. Wells-Cornwall was appointed effective 1 February 2019 and is expected to serve her term of office not exceeding three years.

CORPORATE GOVERNANCE

Meetings of the Board of Directors

The Board is required to meet as often as the business of the Bank may require; but not less than once every three (3) calendar months. During any given year, the Board convenes five meetings. Five Directors at any meeting constitutes a quorum.

In keeping with Article 13 (1) of the ECCB Agreement Act, the Board of Directors convened the following meetings during the calendar year 2018:

- 165th Meeting of the Board of Directors – 26 January 2018 via videoconference
- 166th Meeting of the Board of Directors – 27 March 2018 in St Kitts and Nevis
- 167th Meeting of the Board of Directors – 7 and 8 June 2018 in St Kitts and Nevis
- 168th Meeting of the Board of Directors – 28 September 2018 via videoconference
- 169th Meeting of the Board of Directors – 23 November 2018 via videoconference

Six subcommittees assist with the work of the Board. They are:

- Board Audit and Risk Committee
- Board Investment Committee
- Board Budget and Human Resources Committee
- Pension Fund Trustees Committee
- Pension Fund Investment Committee
- Joint Pension Fund and Investment Committee

Risk Management and Internal Control

The Board Audit and Risk Committee (BARC) continues to provide guidance to the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process; the system of internal control; risk management and monitoring compliance with laws and regulations and the code of conduct. Specific to the work of the Committee, consultations are conducted with the external auditors, Bank's directors and officers and with the Internal Audit Department as deemed necessary. The current Committee comprises:

- John Skerritt, Chairman
- Hilary Hazel, Deputy Chair
- Cointha Thomas
- Edmond Jackson

CORPORATE GOVERNANCE

External Auditors

An external auditor is appointed by the Board of Directors from a list of auditors approved by the Monetary Council. The selection is done through a process of tendering and due diligence exercises. The auditor serves for a period of three years.

The Monetary Council gave approval for the engagement of the KPMG auditing firm on 25 October 2017. The firm will serve the ECCB over the financial period 2017/2018 to 2019/2020.

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 further reports to the Board Audit and Risk Committee on its findings and recommendations.

Integrity and Financial Reporting

Disclosure and Transparency

In keeping with international best practices, and in accordance with statutory requirements, the Bank publishes its statement of assets and liabilities on a monthly basis and the audited annual financial statements by the end of June each year.

International Financial Reporting Standard (IFRS) 9 Implementation

The Bank adopted International Financial Reporting Standard (IFRS) 9, Financial Instruments, effective 1 April, 2018. This standard introduced changes to the classification and measurement of financial instruments and replaced the incurred loss provisioning methodology under IAS 39 where provisions were made at the time that the loss is actually incurred. IFRS 9 now requires provisions to be made using an expected credit loss (ECL) approach, which requires an estimation of impairment for future credit losses based on probabilities of default and assessment of loss given default.

Audit Committee Certification (ACC) Programme

Members of the Board Audit and Risk Committee and selected staff of the ECCB completed the Audit Committee Certification (ACC) Programme over the period 30 April to 1 May 2018 in St Kitts and Nevis. The certification programme was facilitated by The Caribbean Governance Training Institute.

The programme was geared specifically at equipping Audit Committee members, as well as professionals who work with the Audit Committee, with the tools to effectively execute the Committee's functions by addressing current issues and challenges facing audit committees, best practices for audit committees, appropriate structure, membership and functioning.

The ACC Programme also covered soft and technical skills; addressed the required qualifications of an effective audit committee chair; and how effective relationships among the Chair, committee members and management could be created and sustained.

Such training provided the BARC members and the participating ECCB officers with the capacity to augment the deliverables of the Committee and by extension raise the overall governance and financial reporting process of the Bank.

CORPORATE GOVERNANCE

Code of Conduct

The Bank's overriding code of conduct is encapsulated in its value statement as follows: "The Bank values a results-focused approach in delivering timely, relevant and high quality output for the benefit of the people of the ECCU." The behaviour of management and staff is governed by various policy documents including:

- The Eastern Caribbean Central Bank Corporate Governance Charter
- Flexi-time and Punctuality Policy
- Conflict of Interest Policy
- Media Relations Policy
- Information Systems and Security Policy
- Eastern Caribbean Central Bank 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
- Compensatory Leave Policy
- Financial Regulation
- Procurement Policy

Human Resource Management

The Bank is governed by the labour codes and laws of each of its participating member territories. The oversight of the Bank's human resources is delegated to the Human Resource Department. The management of human resources is informed by policies and guidelines which conform to international conventions and standards pertaining to human rights, equal employment opportunity and working conditions. The Internal Audit Department helps to maintain the integrity of the human resource management process by ensuring that the Bank complies with stipulated policies and procedures.

Relationship With Stakeholders

Stakeholder Involvement

The Bank continues to engage its stakeholders through a number of scheduled networking meetings and consultative fora which provide the avenue for productive engagement on an array of issues that are of interest to the currency union. The ECCB remained connected with its stakeholders through a variety of media over the year, in order to enhance the awareness and involvement of the people of the region in relevant economic and financial matters.

CORPORATE GOVERNANCE

Corporate Social Responsibility

The ECCB recognises its corporate social responsibility to the people of the region, a responsibility that is preserved in its mandate to promote a sound financial structure conducive to the balanced growth and development of its member states, Article 4 (3), ECCB Agreement, 1983. The Bank's execution of, and continued efforts to expand its public relations and Community Outreach programmes, embody this corporate social responsibility.

During the financial year, the Bank continued to exhibit its corporate social responsibility through the following programmes:

- OECS/ECCB Under-23 Netball Tournament
- ECCU Bright Sparks Programme
- Student Programme for Innovation in Science and Engineering (SPISE)

OECS/ECCB Under-23 Netball Tournament

As part of its Community Outreach thrust, the ECCB remained committed to supporting the growth and development of the region's youth through sports. In 2018, the Bank sponsored the OECS/ECCB Under-23 Netball Tournament which was hosted by the St Kitts Netball Association in Basseterre, St Kitts and Nevis. Six teams vied for the championship from 7 to 12 July at the Pam Tyson Netball Stadium. Team Saint Lucia emerged as the winner of the tournament.

In addition, the young netballers were accorded the opportunity to participate in the development session which has been a staple of the tournament's programme since 1999. The session was held under the theme: *Youth Employment: Create or Await* and was facilitated by Kimarah T Isaac, Special Project Coordinator to the President at Monroe College.

ECCU Bright Sparks Programme

The ECCB welcomed its second intern to participate in the ECCB Bright Sparks Programme as part of its continued involvement in positive community development. Lindon Jackasal, holder of an Associate's Degree in Information Technology from the TA Marryshow Community College in Grenada, began his internship at the Bank in October 2018. Lindon is attached to the Management Information Systems Department.

The ECCB Bright Sparks Programme, which was launched in January 2018, provides an opportunity for promising students from ECCB member countries desirous of furthering their studies in the area of Information Technology or a related field to apply their theoretical knowledge in a real working environment. Through the internship, the ECCB is able to benefit from the new and innovative ideas that the intern brings to the fore while in return the intern receives on-the-job training and is able to draw from the experiences of local as well as regional experts in the IT field.

[More about the ECCB Bright Sparks Programme](#)



Team Saint Lucia, winners of 2018 OECS/ECCB Under-23 Netball Tournament, with Trevor Brathwaite, Deputy Governor, ECCB at tournament's Closing Ceremony, Pam Tyson Netball Complex, St Kitts and Nevis



Lindon Jackasal (right), ECCB Bright Sparks participant, with Earl St Ange, ECCB Brights Sparks mentor

CORPORATE GOVERNANCE

Student Programme for Innovation in Science and Engineering (SPISE)

The ECCB continued to support the SPISE programme through the sponsorship of two participants. The programme, which is designed for secondary school students within the region, aims to help increase the low numbers of Caribbean students pursuing advanced degrees in Science and Engineering. Past students of the programme have gone on to enroll at some of the world's top science and engineering universities.

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Areas of Focus: 2019 - 2020

“ The Bank will issue its new family of EC banknotes made from polymer, commencing in June 2019 with the \$50. The polymer \$100, \$20 and \$10 are forecast to be issued in September 2019. Based on the existing stock of the paper \$5 note, the polymer \$5 will be issued in September 2020. ”



AREAS OF FOCUS 2019 - 2020

Monetary Stability

MAINTAIN A STRONG AND STABLE EC DOLLAR

Review and Adopt Revised Reserved Management Framework

The Bank will continue the implementation of the revised foreign reserve management framework as articulated in its Foreign Reserve Management Investment Policy. The following deliverables are anticipated to be completed in the financial year 2019/2020:

- Implementation of a third foreign reserve tranche for seeking relatively higher investment returns; and
- Execution of the approved foreign reserve money manager framework.

Advise Monetary Council on Monetary and Credit Conditions Consistent with The ECCB Agreement

The Bank will not only continue to contribute to monetary stability through the established reporting mechanism, but also through the development of an integrated framework with analytical robustness. This latter framework is intended to incorporate the various facets of macroeconomic analysis with a view to ensuring that the analysis, inclusive of forecasts, is robust.

With regards to currency management, the Bank will:

- Issue of a new family of EC banknotes made from polymer, commencing in June 2019 with the \$50. The polymer \$100, \$20 and \$10 is forecasted to be issued in September 2019. Based on the existing stock of paper \$5, the polymer \$5 will be issued in September 2020;
- Conduct a vigorous coins drive to increase redemption of coins throughout the member states of the Eastern Caribbean Currency Union, commencing with St Kitts and Nevis as a pilot in August 2019;
- Seek to improve in the processes and operations in the Currency Management Department with a new processing/sorting machine and upgraded Currency Management Software;
- Introduce the use of a scientific method of currency forecasting in collaboration with De La Rue, the authorised printers of the EC banknotes;
- Train and certify law enforcement officers to differentiate genuine and counterfeit EC banknotes, notably polymer; and
- Continue training in 'Know Your Money' for cash handlers in the Eastern Caribbean Currency Union on the features of the EC polymer banknotes.

Financial Stability

ENSURE A STRONG, DIVERSIFIED AND RESILIENT FINANCIAL SECTOR

During the 2019/2020 financial year, the Bank will execute the following:

- Complete the full implementation of the Risk-based Supervision (RBS) Framework, including for Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT);
- Conduct AML/CFT and safety and soundness examinations at relevant licenced financial institutions using the implemented RBS Framework;
- Continue to facilitate member territories' preparation for the upcoming mutual evaluations;
- Continue activities relating to Basel II/III implementation towards the target date of June 2020;
- Engage in market sensitisation and training regarding AML/CFT and Basel II/III implementation;
- Issue appropriate prudential standards aimed at minimising or eliminating regulatory risks; and
- Finalise and issue the revised prudential returns and manual of instructions to all licensees.

AREAS OF FOCUS 2019 - 2020

The Bank will also:

- Continue to work with member Governments to secure promulgation of the amendments to the Banking Act 2015; Banking (Licences) Regulations; and amendments to the AML/CFT legislation;
- Facilitate wide spread consultations on the Harmonised Registered Land Bill across the eight (8) member countries in 2019;
- Continue to pursue its initiative for the establishment of a deposit insurance corporation which is an important component of a new risk management framework for the ECCU financial sector. The project is in the initial stage and the legislative drafting component is scheduled to commence in the second quarter 2019;
- Continue the development of a macro prudential policy framework which is key to ensuring a strong, diversified and resilient financial system. The Bank will draft the required legislation to vest the authority for financial stability in the ECCB and define the macro prudential institutional framework;
- Study the utility of a harmonised regulatory framework for Crypto-assets which balances innovation and economic development. The project is in an exploratory phase and the research findings will inform the Bank's policy position and the development of the necessary regulatory framework;
- Review its payment system oversight policy consistent with international standards and is developing a framework to supervise Financial Market Infrastructures (FMIs). The Bank will require FMIs to comply with broad risk-based guidelines, commensurate with their operations and conduct a review of the payment system regulatory framework to ensure that the legislation is sufficiently robust, and where necessary, amendments will be proposed;
- Review Terms of Reference of Eastern Caribbean Payments Council and make the Payments Council more representative of all stakeholder groups engaging in payment activities in the ECCU;
- Establish rules for the Real Time Gross Settlement (RTGS) system that are consistent with the Payment System Act;
- Develop appropriate means for data collection that would allow for the regular and thorough analysis of the payment and settlement system activities; and
- Commence the oversight of systematically important payment systems.

Promote the Development of the Financial Sector to Increase Citizen Access to Credit and Other Financial Services

- The Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) will commence operation in 2019/20 and will underwrite partial guarantee for productive proposes to eligible financial institutions. Technical assistance will also be provided to financial institutions and MSMEs to improve lending practices, preparation of business plans and to strengthen the enabling environment for MSMEs.
- The Bank will continue to work with member governments for the passing of the Credit Reporting Bill and Regulations for the establishment of the ECCU Credit Bureau.

Develop Macro Prudential Framework

- The Bank will continue to improve the existing analytical framework for financial stability by incorporating macro-stress tests into the reporting function. Work will continue on the establishment of the Regional Financial Stability Committee and Macro prudential Policy Committee and the continued development of the Financial Stability Report.

AREAS OF FOCUS 2019 - 2020

Fiscal and Debt Sustainability

BE ADVISOR OF CHOICE TO OUR PARTICIPATING GOVERNMENTS IN PURSUIT OF FISCAL AND DEBT SUSTAINABILITY

Improve the functioning of the market for Government Securities

- The Bank intends to collaborate with the member governments in expanding the investor base through the implementation of initiatives from the investor relations plans. This would include outreach programmes within the currency union and other CARICOM countries. This would involve partnering with the licensed brokers and the Eastern Caribbean Securities Exchange.

Provide Policy Advice to Participating Governments and Facilitate Capacity Building Of Member Countries for Effective Debt Management.

- The Bank will continue its efforts to provide technical support to countries with the update of the Medium Term Debt Management Strategies. It is expected that approved debt strategies will be published on the ECCU Debt Portal to improve access to information across the countries.
- In its thrust to track member countries performance related to fiscal and debt sustainability, the Bank plans to provide technical support to member countries in the identification and monitoring of interim targets set for 2020 and 2025; reporting on the targets would be done to the Monetary Council annually.
- The Bank intends to continue its collaboration with external partners to provide support with the transition of government's fiscal accounts in accordance with the IMF's 2014 Government Finance Statistics manual and to deploy the Commonwealth Secretariat's web-based Meridian debt management solution.
- The Bank will also continue its development of financial programming tools, as a means of providing robust analysis on member countries to their respective governments. Further, work will continue apace on Debt Sustainability Analysis as well as on participation in the missions of the International Monetary Fund, The World Bank and the ECCB's own country assessment missions.

Growth, Competitiveness and Employment

ACTIVELY PROMOTE THE ECONOMIC DEVELOPMENT OF OUR MEMBER TERRITORIES

The Bank will:

- Continue to work closely with the World Bank to facilitate the operationalisation and capitalisation of the Eastern Caribbean Partial Credit Guarantee Corporation and will commence the drafting of regulations to support its operationalisation;
- Host the 4th Growth and Resilience Dialogue on 13 February 2020;
- Continue to collaborate with development partners in the area of statistics. The Project for the Advancement of Statistics in the Caribbean (PRASC) programme is expected to intensify over the period 2019 to 2021;
- Focus on national accounts areas such as: the import and export price indices, household budget and expenditures surveys, rebasing of the Gross Domestic Product (GDP), quarterly GDP, Supply and Use Tables and Tourism Satellite Accounts. It is expected that the ECCB will be heavily involved in these development exercises so that capacity can be built and harmonisation maintained among the ECCB member countries in the compilation of the regional statistics. Routine assignments will include data management and dissemination including completion of the interactive website for economic statistics, conduct of the Business Outlook surveys and compilation of national accounts and external sector statistics; and
- Focus on the development of the country-specific metadata to support the compilation of the statistics and commencement of the back-casting exercises with respect to the External Sector Statistics.

AREAS OF FOCUS 2019 - 2020

Enhancing Organisational Effectiveness

ENHANCE ORGANISATIONAL EFFECTIVENESS TO ENSURE RESPONSIVENESS AND SERVICE EXCELLENCE

Return the Bank to Profitability Through Operational Cost Efficiencies

The Bank will:

- Monitor financial performance and place emphasis on expenditure controls to contain total expenditure in line with income from foreign reserve assets;
- Improve the Bank's accounting framework by implementation of new standards;
- Conduct on-going assessment and compliance with issued standards, thereby ensuring financial results are reported fairly in accordance with International Financial Reporting Standards;
- Collaborate with all departments in the planning and budgeting process considering the strategic priorities to achieve the goals set out in the five-year Strategic Plan 2017-2021;
- Issue a new family of EC banknotes made from polymer, commencing in June 2019 with the \$50. The polymer \$100, \$20 and \$10 are forecast to be issued in September 2019. Based on the existing stock of the paper \$5 note, the polymer \$5 will be issued in September 2020;
- Conduct a vigorous coin drive to increase redemption of coins throughout the member states of the Eastern Caribbean Currency Union, commencing with St Kitts and Nevis as a pilot in August 2019; and
- Introduce the use of a scientific method of currency forecasting in collaboration with De La Rue, the authorised printers of the EC banknotes.

Transform Citizen Engagement and Stakeholders' Relations Management Built on Transparency, Accountability and Knowledge Sharing

The Bank remains committed to strengthening its engagement with key stakeholders through various avenues and will continue its advocacy efforts on behalf of the citizens of the Eastern Caribbean Currency Union (ECCU). In this regard, the Bank will focus on the following initiatives for the financial year 2019/2020:

- Convene the ECCU Attorneys General and Chief Parliamentary Counsel meeting, scheduled for 26 April 2019 by videoconference. The meeting will consider the legislative agenda of the ECCB for 2019-2020;
- Upgrade the annual netball tournament to an international level. The new OECS/ECCB International Netball Series will now accord teams of the ECCB member countries the opportunity to compete on a platform which will result in the attainment of international rankings for the member countries;
- Monitor and assess for future enhancements, the new ECCB Creative Youth Competition for secondary schools and community colleges;
- Launch the ECCU Bank of the Year Awards for commercial banks operating within ECCB member countries. The Awards, which replace the Best Corporate Citizen and Good Corporate Citizen Awards, will recognise banks that have demonstrated excellence in developing new products and services to enhance the customer experience, employ new technology to continuously improve their operations, demonstrate best practices in corporate governance and risk management and highlight company values through community outreach programmes;
- Train and certify law enforcement officers to differentiate genuine and counterfeit EC banknotes, notably polymer; and
- Continue training in 'Know Your Money' for cash handlers in the Eastern Caribbean Currency Union on the features of the EC polymer banknotes.

Revamp the Human Resource Strategy to Support Talent Development and Management

The recently concluded consultancy provides new focus and strategy that will assist the Bank with improving its Human Resource function. Focus will be placed on various areas in the coming year including:

- Revamping of job descriptions;
- Enhancement of Performance Management System;
- Training in Performance Management ;
- Supporting ongoing training for technical areas;

AREAS OF FOCUS 2019 - 2020

- Reinstatement of increments across the Bank;
- Continued monitoring of the Bank's compensation and benefits package to ensure competitiveness in attracting best talent;
- Development of an Emerging Leaders Programme for leadership development and succession planning.
- HR personnel training in strategic workforce planning, leadership development and coaching.
- Develop key policies to guide the critical operations of the department and to improve the overall HR function within the Bank. Policies in line for formulation include inter alia Performance Management Policy, Promotions Policy, On Boarding Policy and Dignity in the Workplace Policy.

Utilise Technology to Inform Data-Driven Decision Making

- The ECCB will continue to provide support and guidance to the licensed financial institutions as they prepare their systems for the revised prudential returns. Implementation is expected in January 2020.
- Phase II of the statistical enterprise solution (SES) is expected to be completed in the first quarter of the new financial year.
- The Bank will seek to improve in the processes and operations in the Currency Management Department with a new processing/sorting machine and upgraded Currency Management Software.

Develop a Holistic Internal Risk Management Framework

In the upcoming period, through the Office of Risk Management, the Bank will engage in the following activities:

- Full implementation of the Bank's ERM Policy;
- Full implementation of the Bank's Business Continuity Strategy to include the establishment of at least one (1) Disaster Recovery and Business Continuity Recovery Site; and
- Risk oversight for the Bank's Fintech Pilot Project.

The Bank will also focus on the following audits:

- Physical access and security of the Bank;
- Efficacy of the Bank Supervision Department in effecting its financial institutions examination, policy and licensing mandates;
- Effectiveness of the Bank's corporate governance system;
- The Bank's culture and ethics;
- Implementation of the Bank's Strategic Plan for the period 2017 to 2021;
- Effectiveness of the Human Resource Department in delivering its mandate of staffing and recruitment and staff benefits; and
- Analysis of the effectiveness of the Strategic Planning and Projects Department in supporting the policy mandate of the Bank.

Strengthen the Forward Looking and Robust Research Agenda

- The ECCB will publish a handbook, "Promoting Growth, Stability and Sustainability in the ECCU" which will be a compilation of analytical pieces on policy issues that affect the ECCU. It will be an accompanying document to the ECCB Strategic Plan 2017-2021, speaking definitively and expansively about the strategic vision for the ECCU. Ongoing and planned initiatives to facilitate attainment of that vision would be outlined and elaborated on as necessary.

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Independent Auditors' Report and Financial Statements

The financial statements of the Eastern Caribbean Central Bank, which comprise the statement of financial position as at 31 March 2019, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, were audited by KPMG, a Barbados and Eastern Caribbean partnership, registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

[Click here for Independent Auditors' Report and Financial Statements](#)