



2022-2023 Annual Report



The background of the cover page is a faded, high-angle photograph of the Eastern Caribbean Central Bank building. The building is a large, modern structure with multiple stories, featuring a series of vertical columns and a flat roof. In the foreground, there is a paved area with a metal railing, and some tropical landscaping including palm trees and a small garden bed. The overall tone is professional and institutional.

Report and Statement of Accounts for the Financial Year ended 31 March 2023



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Eastern Caribbean Central Bank

30 June 2023

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 2023, 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 Dr Ellis Lorenzo Webster
Premier
ANGUILLA

The Honourable Joseph E. Farrell
Premier
MONTSERRAT

The Honourable Gaston Browne
Prime Minister
ANTIGUA AND BARBUDA

The Honourable Dr Terrence Drew
Prime Minister
SAINT CHRISTOPHER (ST KITTS) AND NEVIS

Dr the Honourable Irving McIntyre
Minister for Finance
COMMONWEALTH OF DOMINICA

The Honourable Philip J Pierre
Prime Minister
SAINT LUCIA

The Honourable Dickon Mitchell
Prime Minister
GRENADA

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

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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
- Team Work and Truth Telling
- Accountability
- Results



DECLARATIONS

- Competent yet Caring
- Prudent but Proactive
- Imaginative and Industrious

Monetary Council

As at 31 March 2023



Hon Dr Ellis L Webster
Anguilla



Hon Gaston Browne
Antigua and Barbuda



Hon Dr Irving McIntyre
Commonwealth of Dominica



Hon Philip J Pierre
Chairman
Saint Lucia



Hon Dickon Mitchell
Grenada



Hon Joseph Easton Farrell
Montserrat



Hon Dr Terrance M Drew
Saint Christopher (St Kitts) and Nevis



Hon Camillo Gonsalves
Saint Vincent and the Grenadines

Board of Directors

As at 31 March 2023

Executive Directors



Timothy N.J. Antoine
Chairman
Governor



Dr Valda F. Henry
Deputy Governor

Appointed Directors



Kathleen Rogers
Anguilla



Whitfield Harris Jr
Antigua and Barbuda



Denise Edwards
Commonwealth of Dominica



Mike Sylvester
Grenada



John Skerritt
Montserrat



Hilary Hazel
Saint Christopher (St Kitts) and Nevis



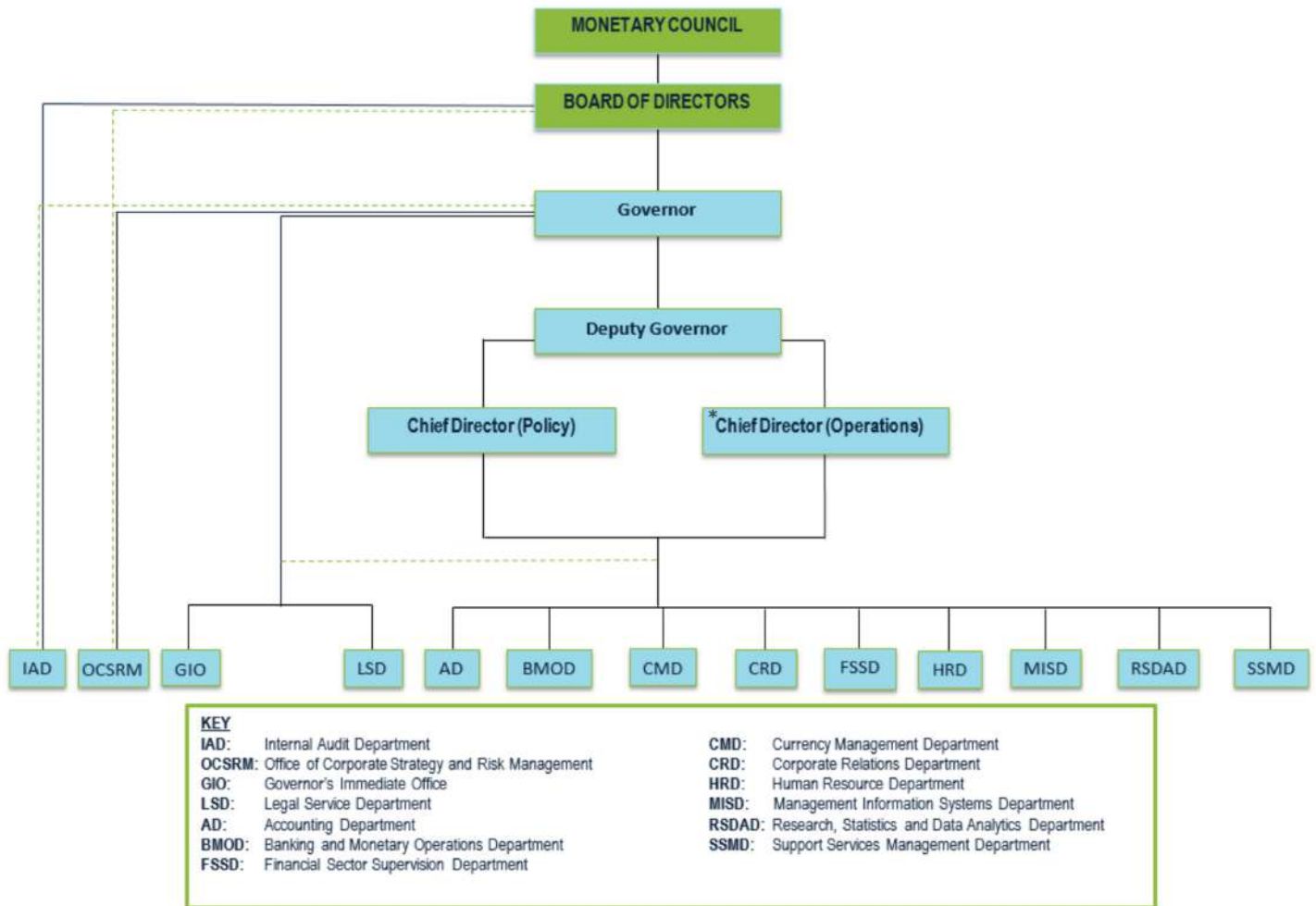
Francis Fontenelle
Saint Lucia



Edmond Jackson
Saint Vincent and the Grenadines

Organisational Chart

As at 31 March 2023



*Vacant - Chief Director (Operations)

Management Structure

As at 31 March 2023

Executive Committee



Timothy N.J. Antoine
Governor



Dr Valda F. Henry
Deputy Governor



D. Tracy Polius
Chief Director (Policy)

Senior Management



Senator Samuel
Director
Accounting Department



Raquel Leonce
Director
Banking and Monetary Operations Department



Rosbert Humphrey
Director
Currency Management Department



Yvonne Jean-Smith
Director
Internal Audit Department



Merlese O'Loughlin
Director
Legal Services Department



Cindy Parris-Gilbert
Director
Management Information Systems Department



Sharmyn Powell
Director/Chief Risk Officer
Office of Corporate Strategy and Risk Management



Teresa Smith
Director
Research, Statistics and Data Analytics Department



Karen Williams
Senior Project Specialist/Head
Project and Technical Assistance Governor's Office



Dr Emefa Sewordor
Senior Policy Specialist/Head
Advisory Services Governor's Office



Shermalon Kirby
Director (Ag)
Corporate Relations Department



Schwabach Caines
Director (Ag)
Financial Sector Supervision Department



Merva Mallalieu
Director (Ag)
Human Resource Department



Norman Sabaroche
Director (Ag)
Support Services Management Department

Management Team

As at 31 March 2023

Accounting Department

Nazinga Modeste - Deputy Director (Ag)

Human Resource Department

Gwendy Francois - Deputy Director (Ag)

Banking and Monetary Operations Department

Lynette Griffin - Deputy Director
Niall Pistana - Deputy Director

Internal Audit Department

Alamina Trotman - Deputy Director

Corporate Relations Department

Beverley Edwards-Gumbs - Deputy Director

Legal Services Department

Maria Barthelmy - Senior Legal Specialist

Currency Management Department

Shanna Herbert - Deputy Director

Management Information Systems Department

Lyle Mark - Deputy Director
Aldrin Phipps - Information Systems Specialist

Financial Sector Supervision Department

Humphrey Magloire - Senior Information Systems Specialist
Shawn Williams - Senior Bank Supervision Specialist
Allison Crossman - Deputy Director
Laurel Seraphin-Bedford - Deputy Director
Gillian Skerrett - Deputy Director

Research, Statistics and Data Analytics Department

Juletta Edinborough - Fiscal and Debt Specialist
Leah Sahely - Data Specialist
Seana Benjamin-Mack - Deputy Director
Allister Hodge - Deputy Director (Ag)
Martina Regis - Deputy Director (Ag)
Shermel Thompson - Deputy Director (Ag)

Governor's Office

Kennedy Byron - Senior Project Specialist
Sybil Welsh - Senior Project Specialist
Patricia Welsh - Policy Specialist

Support Services Management Department

Adaeze Matthew-Hanley - Deputy Director
Danny Caine - Chief of Security

Country Managers

As at 31 March 2023

Shirmaine Lynch-Harrigan

Agency Office
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Everton Sealy

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Kozel Fraser

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P O Box 839
Frenches House
Frenches
Kingstown
SAINT VINCENT AND THE GRENADINES
Telephone: 784 456 1413
Email: eccbsvd@eccb-centralbank.org

Highlights of the Year

ECCB Receives Central Banking Green Initiative Award

The ECCB received the 2022 Central Banking Green Initiative Award for its solar canopy project, which significantly reduced its carbon footprint and operating expenses related to power consumption.

ECCB Launches DCash in Anguilla

The ECCB launched its digital currency (DCash) Pilot project in Anguilla in 2022. With the launch in Anguilla, DCash is now available in all eight ECCB member countries.

DCash is the digital version of the EC currency and is legal tender in all eight ECCB member countries. The DCash Pilot is the ECCB's initiative that affords citizens and residents of the ECCU the opportunity to digitally send and receive EC funds in a matter of seconds, with no transaction fees, using a smart device. The Pilot seeks to advance the ECCB's vision of increasing payment system efficiency, improving financial inclusion, and heightening economic competitiveness and resilience.



ECCB Celebrates 46 Years of the EC Dollar Peg

July 2022 marked 46 years of the EC Dollar being pegged to the US Dollar at a fixed rate of EC\$2.70 to US\$1.00.

ECCB Launches 40th Anniversary Celebrations

The ECCB launched its year-long 40th Anniversary



Celebrations at a ceremony at the Sir Cecil Jacobs Auditorium, ECCB Headquarters, on 19 January 2023. The celebrations will be held under the theme - *ECCB at 40: A Year of Reflection, Celebration and Implementation*. The key activities include: ECCB at 40 Lecture Series, Plant A Tree Initiative with Primary Schools, Creative Arts Festival and Island Night and the ECCB at 40 Global Conference.

ECCB's Public Education Programme - ECCB Connects - Wins 2023 Central Banking Communication Initiative Award

In March 2023, the ECCB captured the award for Best Communications Initiative in the 2023 Central Banking Awards, for the production of its weekly public education programme, *ECCB Connects*.

ECCB Connects was first aired on 6 April 2016. It is an outreach initiative created by the ECCB aimed to engage the people of the ECCU on economic, financial, and social issues that affect them. The programme also creates the platform through which ECCB staff members participate in discussions that demystify and simplify the functions and work of the Bank.



Governor's Foreword

A Big Push

"Big results require big ambitions."
~ Heraclitus

The 2022-2023 financial year has been a period of recovery for the Eastern Caribbean Currency Union (ECCU). After two years of telecommuting for most staff of the Eastern Caribbean Central Bank (ECCB), ECCB staff returned to Campus, on a hybrid basis in April 2022. The Bank remains ever more committed to advancing its strategic goals in support of member countries, which continued to face a very challenging economic and policy environment.

During the year, the world marked the one-year anniversary of the war in Ukraine – a conflict for which there appears to be no end in sight. Like many of the recent shocks on the region, this is another external event whose impacts are being felt on our shores, inclusive of higher food and fertilizer prices. Despite

these headwinds, our region remains resilient and focused on elevating its growth and development trajectory.

As the COVID-19 pandemic continues to fade into the background, the ECCU economic recovery strengthened. Real GDP growth for 2022 is estimated to be 8.9 per cent. This performance was, no doubt, aided by the performance of the region's critical Tourism sector, which rebounded strongly despite facing severe regional air connectivity constraints. In comparison, according to the [April 2023 edition of the World Economic Outlook](#) by the International Monetary Fund (IMF), the global economy grew by 3.4 per cent in 2022. The IMF anticipates "A Rocky Recovery" in light of the 'polycrisis' gripping the global

economy and forecasts a global growth rate of 2.8 per cent for 2023. The ECCU economy is projected to grow at a decelerated rate of 5.0 per cent in 2023.

One of the most challenging aspects of the current crisis environment has been persistently high inflation across the globe. The inflation situation has been created by a confluence of factors, including demand and supply conditions as economies emerged from the pandemic and the impact of the war in Ukraine on some commodity prices. High inflation has been pernicious, eroding households' purchasing power and placing the most vulnerable at further risk.

According to the [Food and](#)

[Agriculture Organization's](#)

[Food Price Index](#), food

prices skyrocketed in

2022. While those prices

have since receded from

their highs, they remain

elevated by historical

standards. The index fell to 121.6 at the end of March 2023, from 156.3 a year earlier. ECCU member governments' support to residents in this environment has been vital for cushioning the worst impacts of the cost-of-living crisis.

The daunting task of subduing inflation - which had climbed to a 40-year high of 9.1 per cent in the United States in June 2022 - kept the major central banks occupied over the past year. The US Federal Reserve Bank's aggressive tightening cycle came swiftly upon the realization that inflation had become entrenched and was not, in fact, transitory as had been previously diagnosed. During the course of the ECCB's 2022-2023 financial year, the Fed implemented eight consecutive interest rate hikes, including an unprecedented four successive hikes of 75 basis points each - a sure sign of the fraught times for monetary policy.

Adding to the complexity of the policy environment was the spillover of Fed policy into banking sector

stability. The bank failures in the US regional banking sector sparked widespread concerns leading to unprecedented guarantees by the depositor insurer to preserve confidence and financial stability. Separately, cracks emerged in some parts of the financial sector with the "crypto winter" in late 2022 seeing a downturn and collapses in the crypto space.

Against the backdrop of these external developments and pressures, the Central Bank reports that the EC dollar remains strong and stable with a backing ratio around 92.0 per cent, well above the legal requirement of 60.0 per cent.

The Big Push is a call to implement innovative and transformative policies and initiatives to double the size of the ECCU economy for the benefit of the people of the region.

The Bank recorded a second consecutive year of loss, to the tune of EC\$55 million, because of the impact of aggressive rate hikes by the US Federal

Reserve. That said, the ECCB will return to strong profitability in 2023/2024 on account of the slowdown or cessation of rate hikes by the US Fed and elevated interest rates during the financial year.

In this, our 40th year, the Central Bank has launched a year-long calendar of activities under the theme: ***ECCB @ 40: A Year of Reflection, Celebration and Implementation***. The Bank reflects on its achievements over the past four decades and celebrates all those who have contributed to its work – past and current. Even so, we are mindful not to rest on our laurels, for the needs of the region remain great. At the heart of these celebrations is a campaign for ***A Big Push*** in the region. The Big Push is a call to implement innovative and transformative policies and initiatives to double the size of the ECCU economy for the benefit of the people of the region. The Bank's role in the Push agenda encompasses ***advocacy, advice and action***, guided by the focus areas of the ***2022 - 2026 Strategic Plan***.

Throughout the 2022-2023 financial year, the Bank acted on several fronts to maintain **financial stability**. While the economic environment has been challenging for the ECCU banking sector, the sector remained resilient and stable. The ECCB maintained vigilance in its surveillance and supervision of the banking sector by conducting a number of examinations. Simultaneously, the Bank developed and issued a slate of key new prudential standards. In parallel, the Bank advanced work to develop an Optimal Regulatory Framework, inclusive of preliminary work to inform the establishment of an Office of Financial Conduct. The ECCB also developed the first draft of a deposit insurance bill for comments. With the ever-present climate threat looming over the region, multiple streams of work are ongoing at the Bank to ensure a climate-resilient financial sector. The urgency of this work has not waned. In fact, with the May 2023 World Meteorological Organization [Global Annual to Decadal Climate Update](#) warning of the growing likelihood that the 1.5 degrees Celsius threshold could be breached within half a decade, resilience-building efforts must be intensified.

With respect to developing the financial sector, work progressed on building a modern credit ecosystem with the credit bureau now close to launch. Additionally, the Bank marked a momentous milestone with the 20th anniversary of the Regional Government Securities Market (RGSM) in November 2022. The RGSM has been a stable and valuable source of financing for participating Member Governments in its 20-year history. Through the RGSM, member governments have raised about \$18 billion. Efforts are underway to address existing barriers to access, as this is essential to the Bank's goal of supporting wealth creation for the citizens and residents of the ECCU.

During the financial year, the work on **payments modernisation and financial inclusion** included a Payment System Vision and Strategy for the ECCU, which was developed in partnership with the World

Bank. Another significant development under this strategic theme focused on inclusion of credit unions. Given the growing importance of the credit union sector within the ECCU financial space, the Bank set the framework to guide credit unions' access to the Eastern Caribbean Automated Clearing House (ECACH).

The Bank's **environmental, social and corporate governance** strategic thrust brought us recognition this year in the form of two Central Banking awards. The first was the Green Initiative Award for the Bank's Greening of the ECCB Campus Project. That project came to fruition in March 2023 when installation of battery storage was completed, meaning that the Bank is now virtually energy self-sufficient. The second award was for Communication Initiative, which recognised the Bank's ECCB Connects podcast for its innovative programming.

Recent leaps in Artificial Intelligence (AI) have been making waves and portending seismic shifts in the labour market, the broader economy and society as a whole. The Bank sees opportunities to leverage such innovations to propel the region forward. Under the **data and digital transformation** theme, the Bank launched an AI Climate Resilience Data Challenge as part of the 6th Growth and Resilience Dialogue with Social Partners held in April 2022. The Data Challenge was a project under the new ECCB Knowledge and Innovation Hub. As part of the efforts to support the development of 21st century skills, particularly among the youth, the Hub commenced preparations to sponsor STEAM (Science, Technology, Engineering, Arts and Mathematics) youth summer camps in 2023.

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With the ever-present climate threat looming over the region, multiple streams of work are ongoing at the Bank to ensure a climate-resilient financial sector.

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Notwithstanding the Bank's emphasis on innovation and leveraging technology, our staff remain our most important resource. The Bank has placed increased priority on staff wellness, including mental health. To that end, under the **organisational effectiveness and development** goal, the Bank secured the services of a second counsellor, offered two health screenings and facilitated better work-life balance with a hybrid work modality. Staff availed themselves of internal and external training opportunities, including a refresher course for the Bank's flagship leadership training programme. Looking out, the Bank resumed its in-country Outreach missions after a two-year hiatus. The Outreach mission is a tool of accountability for the Bank. During those missions, we report on the Bank's work for the region and, in turn, are rewarded with rich and valuable insights from the people whom we serve.

Looking ahead to the 2023-2024 financial year, the Bank seeks to deliver on its anniversary commitment to focus on implementation. The Bank will innovate and collaborate with partners on a number of strategic initiatives, including the following:

Financial Stability

1. Fully operationalise the Credit Bureau;
2. Advance work towards establishing a deposit insurance system; and
3. Advance work on the Renewable Energy Infrastructure Investment Facility.

Payments Modernisation and Financial Inclusion

1. Finalise and implement the Payment System Oversight Policy.
2. Launch of Results of Financial Literacy and Inclusion Survey and design of a Financial Inclusion Strategy

Environmental, Social and Corporate Governance

1. Explore a water management system for the ECCB Campus.

Data and Digital Transformation

1. Build internal capacity in data analytics.
2. Launch a new ECCB website.
3. Sponsor STEAM camps for youth in the ECCU.

Organisational Effectiveness and Development

1. Commence use of a new Enterprise Risk Management System.
2. Complete the 2022-2023 round of Country Outreach Missions.
3. Convene the 7th Growth and Resilience Dialogue with Social Partners, in a hybrid format, under the theme "An Appropriate and Sustainable Model for Health Care in the ECCU/OECS: Agile Infrastructure, Traditional Medicine and Medicinal Cannabis."

The challenge to double ECCU GDP is our moonshot goal. Daunting as it may seem, this is not impossible to accomplish. Consider that the original moonshot – to put a man on the moon – seemed impossible at the time. Yet, that historic feat was accomplished with the onboard **Apollo Guidance Computer** – a computer with less computing power than today's ubiquitous smartphones!

I am grateful to the Monetary Council for its resolute leadership and support of the Bank throughout this period of global turmoil. The members of the Board of Directors have supported us to ensure that the Bank is run soundly and delivers on its mandate. My colleagues on the Executive Committee - Deputy Governor,

Dr Valda Henry, and Chief Director (Policy), Tracy Polius – have helped shoulder the responsibilities of leading the Bank into our 40th year.

As always, the ECCB family put their hands to the plough to produce another year of results for the people of the ECCU.

I conclude with a call to service: ***“From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked.”*** (Luke 12:48, NIV).



Financial Stability

A regulatory architecture that delivers complete and effective oversight of the financial system; reduces systemic risk; and enhances resilience of financial institutions, markets and infrastructure



- Despite the global economic challenges, the regional economy
- continued to recover and the ECCU's financial system remained
- resilient and stable on account of high levels of liquidity and adequate
- levels of capital.

During the year, the ECCU's financial system was impacted by global macro-financial conditions, which manifested in the form of high levels of inflation and lower overall global economic activity. High levels of inflation were traced to the commodity price shocks due to the War in Ukraine and a slowdown in the Chinese economy. Additionally, monetary policy in advanced economies continued to tighten, to manage the overall increase in prices.

Despite the global economic challenges, the regional economy continued to recover and the ECCU's financial system remained resilient and stable on account of high levels of liquidity and adequate levels of capital. Credit risk, however, was elevated as inflation eroded disposable income. The high concentration of household debt on the balance sheets of financial institutions remains a threat to financial stability.

The ECCB continued its work to mitigate risks to the financial sector and ensure its overall stability. The initiatives included:

- Macro-prudential Policy Framework including Financial Stability Legislation;
- Macro-prudential Policy Instruments/Tools;
- A Crisis Resolution and Deposit Insurance Framework; and
- A Regional Standard Setting Body/Office of Financial Conduct.

These reforms aim to strengthen the framework for micro and macro prudential supervision of the financial sector. This should also facilitate improved operation

of financial institutions in the single economic and financial space.

Further, during the year, the ECCB continued its ongoing macro-prudential surveillance collaborating with the Single Regulatory Units (SRUs)/National Regulators. These key partners in the financial stability thrust have allowed for a more comprehensive assessment of key sectors including credit unions and insurance companies. They also provided insight and guidance on other critical areas such as the increased access and use of cryptocurrencies, by citizens and residents of ECCB member countries.

ECCU CREDIT BUREAU

During the financial year, the Bank authorised the establishment of a licensed credit bureau, Creditinfo ECCU Limited, headquartered in Antigua and Barbuda. Creditinfo ECCU is currently rebranding and the ECCB granted permission for the proposed name change to Everydata ECCU Limited.

The Bank liaised and collaborated with the credit bureau and engaged key credit information providers through:

- ✓ Introductory meetings and presentations of credit bureau solutions to licensed financial institutions and credit unions;
- ✓ Technical data engagements; and
- ✓ Discussions on subscriber agreements.

The Credit Bureau is currently at the soft launch phase, during which credit information providers are



ECCB GREEN FINANCE INITIATIVE INITIAL STAKEHOLDER CONVENING

GREENING THE ECCU FINANCIAL SYSTEM

SUPPORTING A CLIMATE-ALIGNED PATHWAY FOR GREEN
AND INCLUSIVE GROWTH

NDC
PARTNERSHIP

THE WORLD BANK

28
SEPT
22

8:00 AM AST



able to access credit reports free of cost. The ECCB's supervision will take effect once the Bureau is fully operational, tentatively by December 2023.

RENEWABLE ENERGY AND GREEN FINANCE

The Bank advanced work to reduce the risks and impact of climate change on the region. The promotion of the transition to clean and renewable energy is evidenced by the ECCB's solar car park which was completed during the financial year.

With support of The World Bank and the Nationally Determined Contributors (NDC) Partnership, in 2022, the ECCB intensified its work on the development of a Renewable Energy Infrastructure Investment Facility. A market barriers diagnostic was undertaken; it identified a need to build capacity and update related regulations and procedures as well as increase the availability of financial instruments. In 2023, focus will be placed on the design of the facility.

Work is ongoing on the development of a green finance strategy. In September 2022, the Bank hosted a green finance stakeholder forum. The forum featured presentations from the ECCB, World Bank, NDCP, Sustainable Banking and Finance Network (SBNF) and Network for Greening the Financial System (NFGS). Noteworthy were the experiences of Republic Financial Holdings, Reserve Bank of Fiji and Bank of Ghana. A supply-side survey was undertaken and revealed low familiarity with green finance and limited

financial instruments targeting climate change impacts and transition to clean energy.

In 2023 a demand side survey will be undertaken.

Additionally, the Bank is working on a 'greening the financial system' initiative, which is geared towards training the financial institutions and regulators to integrate climate risks into their assessments and supervisory frameworks. The Agence Française Développement is supporting this work in the non-bank financial sector.

Awareness through stakeholders' consultations continue. In 2023, the consultants, A2F, will intensify their work and undertake training for all stakeholders.



[Click for more information on the ECCU Credit Bureau](#)

RISK-BASED SUPERVISORY AND MANAGEMENT FRAMEWORK

Anti-Money Laundering, Combating the Financing of Terrorism and Combating Proliferation Financing (AML/CFT/CPF) Supervision

The ECCB continued to monitor and assess the level of money laundering, terrorist financing and proliferation financing (ML/TF/PF) risks of Licensed Financial Institutions (LFIs). To that end, over the financial year, the ECCB conducted nine (9) examinations, and eight (8) thematic reviews of LFIs.

The ECCB conducted sectorial risk assessments of the banking sector in Saint Christopher (St Kitts) and Nevis, the Commonwealth of Dominica, and Saint Vincent and the Grenadines, to supplement their National Risk Assessments (NRAs). The objectives of the sectorial risk assessments were to:

- provide an overview of the banking sector of member countries;
- apprise of the inherent ML/TF/PF risks to the banking sector;
- provide an assessment of LFIs' mitigating measures and controls; and
- determine the overall ML/TF/PF risk rating of the banking sector.

Enhanced Prudential Supervision of Licensed Financial Institutions (LFIs)

Despite the relaxation in COVID-19 travel restrictions in the ECCU, the ECCB continued a hybrid approach to the conduct of examinations and conducted eight prudential examinations and three information technology examinations during the year.

There were additional changes to the structure of the banking sector in the ECCU, with the acquisition of RBTT Caribbean Limited in Saint Vincent and the Grenadines by 1st National Bank St Lucia Limited; the closure of FirstCaribbean International Bank (FCIB) branch in the

Commonwealth of Dominica; the transfer from BON Bank Limited (formerly RBTT Bank (SKN) Limited) to a branch of The Bank of Nevis Limited; and the sale of the FCIB branch in Saint Vincent and the Grenadines to the Bank of Saint Vincent and the Grenadines Limited.

In light of the volatility of the US market and the exposure of LFIs to that market, the Bank increased off-site monitoring of LFIs' capital adequacy, large credit exposures, liquidity positions, risk management and mitigating strategies for market, credit, and liquidity risks. Furthermore, the ECCB provided guidance on cyber security/information technology risk, given the growing concerns in this area.

Other Supervisory Activities

The ECCB continued to provide oversight of the Receiverships of National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited in Anguilla, and ABI Bank Limited in Antigua and Barbuda.

Loan Moratoria and Restructuring Programme

The ECCB's regulatory support for the moratoria and restructuring programme ended on 31 March 2022. Notwithstanding, a few LFIs continued the moratoria programme from 1 April 2022, and as at 31 March 2023, only one LFI offered the programme. Since the expiration of the regulatory support for the moratoria programme, there has been no evidence of significant deterioration in the credit portfolios of LFIs. The ECCB continues to closely monitor developments in this area.

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The ECCB continued to monitor and assess the level of money laundering, terrorist financing and proliferation financing (ML/TF/PF) risks of Licensed Financial Institutions.

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Regulation and Standards

Development and Issuance of Prudential Standards

The ECCB updated its suite of prudential standards, to build financial sector resilience and maintain the financial safety and soundness of LFIs. The Bank issued the following prudential standards with the stated effective dates:

- Consolidated Supervision - 1 April 2022;
- Related Party Transactions - 1 November 2022;
- Internal Capital Adequacy Assessment Process (ICAAP) - 1 January 2023;
- Information Technology Risk Management - 3 January 2023; and
- Electronic Banking - 1 February 2023

The ECCB finalised the Capital Measurement Standard as part of its Basel II/III implementation framework for issuance to the industry. Following industry consultation, the ECCB continues to finalise the Stress Testing and Market Risk Management prudential standards.

The ECCB took further steps toward the development of prudential standards in the areas of Climate-related Financial and Environmental Risk, Interest Rate Risk in the Banking Book (IRRBB), and Liquidity Risk Management. The issuance of the Fit and Proper Standard, and the Prudential Standard on Corporate Governance remains contingent on the passage of the Banking Act amendments in all member countries.

Technical Assistance

The ECCB continued to benefit from the Caribbean Regional Technical Assistance Centre's (CARTAC's) technical assistance programme, for the implementation of Basel II/III. Over the period 10 to 14 October 2022, CARTAC provided training to build

supervisory capacity related to Pillar 2, specifically stress testing with scenarios and IRRBB. CARTAC also continued its technical assistance with the development of prudential standards.

Integrating Climate-Related Financial Risks in the Eastern Caribbean

In keeping with its thrust to address climate-related financial and environmental risks in the ECCU and building resilience in both systems and operations in the region, the ECCB has integrated climate-related financial risks into its Risk-Based Supervision Framework.

Phase One of the Adapt'Action Facility for Integrating Climate-Related Financial Risks in the Eastern Caribbean was completed successfully. The project was aimed at building capacity among national regulators and Non-bank Financial Institutions (NBFIs) on:

- ✓ The importance and impact of potential climate-related financial risks;
- ✓ Methods for monitoring and supervising the identified risks; and
- ✓ Inclusion of climate-related financial risks issues in strategic plans.

The second phase was developed from workshops conducted with the ECCB, the national regulators and development banks. The procurement of a consultant to assist the national regulators with assessing climate-related risks among their licensees, was critical to the execution of that phase.

Additionally, the ECCB collaborated with the Nationally Determined Condition (NDC) Partnership to host capacity building and institutional strengthening sessions with LFIs, for a period of two years. Those

In keeping with its thrust to address climate-related financial and environmental risks in the ECCU and building resilience in both systems and operations in the region, the ECCB has integrated climate-related financial risks into its Risk-Based Supervision Framework.

sessions covers areas such as building a strategic roadmap, stress testing, and disclosure and reporting.

In the first quarter of 2022, the Bank administered a climate risk survey to LFIs. The results highlighted the need for capacity building among LFIs in

integrating climate-related financial risks into their risk management frameworks. In April 2022, a Climate Risk Specialist was assigned to the ECCB and has responsibility for developing a reporting template to be used by LFIs, for physical and transition risk assessments.

Implementation of Basel II/III

Having adopted a phased approach to implement its Basel II/III capital framework (Basel II/III), the ECCB attained the critical milestones listed below. Phase I of the implementation roadmap corresponds with Pillar 1 of Basel II/III- Minimum Capital Requirements, while Phase II corresponds with Pillar 2- Supervisory Review Process and Phase III corresponds with Pillar 3 - Market Discipline.

Phase I Pillar 1

The ECCB intensified its efforts to finalise and integrate the new Basel II/III prudential return 16 (PR16) into the existing prudential reporting framework. A pilot was conducted to test PR16 with selected banks. The way forward includes the go-live reporting in the third quarter of 2023-2024, to signal the full implementation of Phase I.

Phase II Pillar 2

The Bank issued the Internal Capital Adequacy Assessment Process (ICAAP) Prudential Standard in April 2022 and LFIs will submit their first ICAAP reports in the third quarter of the 2023-2024 financial year. Additionally, the ECCB is developing supporting prudential standards and the framework for its Supervisory Review and Evaluation Process for Pillar 2 activities. The ECCB expects to fully implement Phase II of its roadmap by the end of June 2024. The ECCB will continue to conduct assessments and engage in industry consultation on the implementation of additional capital and liquidity measures, including the capital buffers, Liquidity Coverage Ratio and in 2024, the Net Stable Funding Ratio.

Phase III Pillar 3

The ECCB will commence the research and development of a framework for Phase III (market discipline) of the Basel II/III implementation roadmap. Phase III of the Bank's Basel II/III implementation programme is expected to be fully implemented by December 2024.

Basel II - This Revised Capital Adequacy Framework was designed to improve the way regulatory capital requirements reflect underlying risks and to better address the financial innovation that had occurred in recent years. The changes aimed at rewarding and encouraging continued improvements in risk measurement and control. The **Basel III** measures were developed in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks.


Source: Bank for International Settlement (BIS)



Participants of the ECCB/World Bank Principles for Financial Market Infrastructures Workshop held at ECCB Headquarters - 23 January 2023

ECCU Payment System Oversight and Cooperation

The Bank continued to monitor and assist Financial Markets Infrastructures (FMIs) with observance of the Principles for Financial Market Infrastructures (PFMIs). The initial first-level review of the PFMI Self-Assessments for the designated FMIs, including the Real-time Gross Settlement (RTGS) system, the Eastern Caribbean Automated Clearing Hours (ECACH) and Caribbean Credit Card Corporation (4Cs), was completed. The monitoring of FMIs' activities through the use of the Bank's reporting framework is ongoing.

In January 2023, the ECCB collaborated with The World Bank to facilitate a five-day, in-person workshop on the PFMIs, at the Bank's headquarters. The workshop focused on strengthening the capacity within FMIs, the ECCB and the Eastern Caribbean Securities Regulatory Commission (ECSRC) on the PFMIs. Following the workshop, the Bank conducted its self-assessment against the responsibilities of central banks, market regulators and other relevant authorities for financial market infrastructures of the PFMIs, and opened dialogue with domestic and regional authorities in respect of the observance of the principles.  [View highlights from the workshop](#)

The Eastern Caribbean Payments Council (ECPC) continued to serve as an advisory body to the ECCB on payment system related matters, providing a dedicated forum for the sharing of information, cooperation and consultation. Cognisant of the strategic importance of the implementation of the payment system vision and modernisation plan, the 2022 meetings of the ECPC were predominantly focused on consultation on the Payment System Strategy for the ECCU.

AML/CFT/CPF Related Activities

The ECCB issued the 8th edition of its AML/CFT newsletter in January 2023. The newsletter, which was launched in March 2021, aims to provide an informative platform for technical discussions and raise awareness on emerging money laundering, terrorist financing and proliferation financing risks. Some topical areas covered in past issues included: regulatory and legislative updates; money laundering typologies; targeted financial sanctions; risk assessments; and AML/CFT/CPF governance structures.

In the past year, the Bank provided scholarships to its member countries to encourage the relevant regulators to become Certified AML specialists (CAMS). At the end of the financial year 28 people were successful in the exam and are now considered CAMS.

World Bank Risk-Based Approach Toolkit

The ECCB continued its partnership with The World Bank to facilitate training for national regulators, as part of an initiative, which was launched in April 2020. National regulators continued to strengthen their capacity in AML/CFT/CPF risk-based supervision, towards the maintenance of an enhanced regulatory environment.

The programme included seven modules which focused on the following:

1. Basic AML/CFT concepts and risk-based design - *Modules 1 and 2;*
2. Legislative review of member countries - *Module 3;*
3. Risk-based on-site and off-site supervision processes and procedures - *Module 4;*
4. A collaborative workshop with supervisors and reporting institutions, to better understand the needs and challenges of the industry and establish regulatory expectations - *Module 5;*
5. Development of risk-based supervision manuals - *Module 6;* and
6. Data and technology, which included training on

the Risk-based Approach (RBA) risk assessment tool - *Module 7*

The training culminated in a closing workshop held in Miami over the period 12-14 December 2022. Twenty-five regulators and supervisors from the six ECCB independent member countries attended the workshop. Participants committed to utilising the additional knowledge, tools and resources received throughout the training series to strengthen the overall AML/CFT/CPF supervisory framework.

Capacity Building/Industry Consultation

The ECCB provided technical support to internal and external stakeholders including training sessions for ECCB staff on the IRRBB and Market Risk Prudential Standards. Externally, bilateral engagements were held with several LFIs on Basel-related issues. Industry sensitisation and training were also held during the meeting of the Basel Working Group. This group comprises the ECCB staff and representatives from the LFIs, to which Basel II/III applies.

CDB Mentorship Programme

The ECCB, in collaboration with the Caribbean Development Bank, implemented a technical assistance project towards “Improving the Integrity and Financial Transparency of the Eastern Caribbean Currency Union”. A fundamental component of this project was ensuring that member countries were supported in the application of their risk-based AML/CFT/CPF supervision programme. Under this project, the ECCB initiated its AML/CFT/CPF Supervisory Mentorship Programme, which sought to build on The World Bank Risk-Based Toolkit training, through the practical application of the risk-based toolkit. The mentorship programme included: pre-on-site assessment and scope memorandum planning; conduct of the AML/CFT/CPF on-site examination; preparation of the on-site examination report; the drafting of remedial action documents (where applicable); and post examination assessment reviews. All eight member countries opted

to participate in the mentorship programme, with five countries benefitting from the training in practical on-site examinations during the year.

Mutual Evaluation Assessments

The ECCB played an integral role in assisting member countries with their 4th Round Mutual Evaluation process. The Caribbean Financial Action Task Force (CFATF) commenced its 4th Round Mutual Evaluations (MEVAL) for the Commonwealth of Dominica and Saint Vincent and the Grenadines during the financial year. The ECCB was instrumental in the completion of the relevant technical compliance and effectiveness questionnaires, and participated in interviews with the CFATF.

Fostering collaboration and cooperation amongst the various member countries remains a critical area of focus for the ECCB, as it aims to strengthen the overall AML/CFT/CPF

supervisory regime. Accordingly, the ECCB contributed to the good work of the various National Anti-Money Laundering Oversight Committees on which it serves. Two member

countries have taken the proactive approach in updating their National Risk Assessments (NRAs) and the ECCB conducted an ML/TF/PF risk assessment for the relevant banking sectors, towards the NRA. The conduct of NRAs remains fundamental to the application of a risk-based programme, through the identification of national risks, threats and vulnerabilities. The assessment seeks to ensure that adequate resources, as well as mitigating controls are directed to the areas that pose a heightened risk level.

Training at LFIs

The ECCB delivered specific training to senior

management of LFIs in the Commonwealth of Dominica and Saint Vincent and the Grenadines, in keeping with its AML/CFT/CPF supervisory remit. The aim of the training was to generate an understanding of the NRA process, and how to utilise the inherent risk, threats and vulnerabilities from the NRA to guide institutional ML/TF/PF risk assessments. The training also focused on AML/CFT/CPF governance and the compliance framework at the participating institutions.

RESPONDING TO THE NEEDS OF ECCU CITIZENS

External Sector Statistics Developments

During the financial year, the Bank focused on the compilation of the External Sector Statistics (ESS) for the period 2021 with projections for 2022 and 2023. As part of this exercise, the Bank administered surveys to regional and international organisations on behalf

of the ECCU member countries. In addition, the Bank resumed in-country compilation missions during the period July to October 2022, the first time since the COVID-19 pandemic.

The Bank released

For the first time, the Bank released country-specific metadata documents on its website and the ICS to guide data users of the Balance of Payments and International Investment Position Statistics estimates.

the estimates via the ECCB's website and the IMF's Integrated Collection System (ICS) on 31 December 2022. For the first time, the Bank released country-specific metadata documents on its website and the ICS to guide data users of the Balance of Payments and International Investment Position Statistics estimates. To meet the needs of external data users, the Bank also commenced the dissemination of quarterly external sector indicators and an Advance Release Calendar (ARC) for the ESS.

During the financial year, the CARTAC supported the Bank through missions aimed at enhancing the ESS. Training of compilers within the ECCU and stakeholder

engagements to discuss and address existing data gaps and coverage issues were conducted. In April 2022, the Bank coordinated a regional workshop on the compilation of the ESS with the objective of providing guidance to the ECCU compilers on the review and validation of the ESS survey data. The Bank provided guidance on estimation techniques given the low response rates to surveys, which have deteriorated since the COVID-19 pandemic.

Development work on the back casting of the ESS for the period 2000-2013 commenced during the latter part of the financial year 2022/2023 with an expected dissemination timeline of August 2023. The Bank disseminated revised Balance of Payments, International Investment Position Statistics and Trade in Services Statistics, with projections up to 2024, in March 2023.

National Accounts Developments

During the year, the Bank focused on the revision of the Gross Domestic Product (GDP) forecasts for 2022 to 2024. The Bank collaborated with staff in the ECCU member countries to host consultative discussions on the GDP forecasts in September 2022 (Montserrat and Saint Lucia) and January 2023 (all member countries). The discussions aimed at improving the overall quality of the forecasts. Work began with IMF and CARTAC Advisers to implement a Now-Casting framework in the ECCU. This development work will produce a robust and effective system for the estimation and forecast of the GDP.

During the consultative meetings with the ECCU Directors of Statistics in May and October 2022, member countries were encouraged to release their re-referenced GDP Series with base year 2018 on completion of the same.

To supplement macro-economic analysis, the Bank conducted the bi-annual Business Outlook Survey

(BOS) in July 2022 and February 2023. The Bank disseminated the BOS infographic via social media and emailed it to major stakeholders. The Bank also prepared country-specific versions of the BOS results that compared the member countries' results to the ECCU results. This information was widely used in the Bank's Country Outreach Missions to the member countries in 2022-2023.

One of the Bank's major accomplishments for 2022 was the completion of the project to transfer the economic statistics to the ECCB SAS database from its legacy system AREMOS. The data used for the Economic and Financial Reviews for June 2022 and for the year 2022, were completed using the data retrieved from the SAS software.

As part of its data dissemination and awareness campaign, the Bank also released its monthly infographic on comparative fuel prices in the ECCU.

The ECCB collaborated with regional partners, particularly the OECS Commission, CARTAC and Statistics Canada through the Project for the Regional Advancement of Statistics in the Caribbean (PRASC) on various statistics-related initiatives and meetings during the financial year. Consequently, staff participated in a number of virtual capacity building sessions during the year.

Capital Market Development

In November 2022, the Regional Government Securities Market (RGSM) attained a milestone - the attainment and celebration of its 20th anniversary. The highlight of the anniversary was a panel discussion held under the theme: *Grow Your Wealth, Protect Your Financial Health Through Government Securities on the RGSM*. The panel discussion featured stakeholders from all spectrums of the market including a broker, debt manager, institutional and retail investor, a representative from the Eastern Caribbean Securities

Market (ECSM) and the chairperson of the Regional Debt Coordinating Committee (RDCC). Wendell Lawrence, the first chairperson of the RDCC, chaired the session.

 [View the RGSM 20th anniversary virtual panel discussion](#)

At the end of the year, member governments had raised almost EC\$18.0 billion through the RGSM. The market remains a viable option for financing. Despite the success of the market since its inception, participation by retail investors has been low, accounting for only 1.5 per cent of total investments on the RGSM. The Bank is exploring initiatives to encourage participation of retail investors on the market.

Country Surveillance

During the year, the ECCB remained dedicated to promoting balanced growth, economic stability and development in all member countries, and for the citizens and residents of the ECCU. Therefore, the Bank continued to monitor and analyse local, regional and international economic developments to design meaningful policy for member countries. The surveillance output contributed to policy discussions and decisions within the Bank and with member country authorities. Those insights included: contributing to internal discussions on reserve management and collaborating with country counterparts in the Policy Units and revenue agencies as well as with other regional counterparts.

As part of its surveillance function, the ECCB provided technical support to member countries during the International Monetary Fund's Article IV missions and Staff Visits. Given the uncertainty in the global environment from continued geopolitical tensions and volatile commodity prices, the surveillance function became particularly critical to help the Bank assess the emerging risks and to facilitate coordinated policy action.

Publications and Information Dissemination

The Bank continued to provide the public with access to timely and objective information to assist in economic decision-making through economic reports. Consequently, during the year, the Bank prepared and published its bi-annual Economic and Financial Reports (EFRs). As in previous years, the reports sought to present a concise, pertinent and objective account of macroeconomic developments in all eight member countries, and aided citizens and businesses in making informed and strategic economic decisions. The Bank sought to enhance the reports by presenting them in a more concise and reader-friendly web-based format.

Policy Papers and Presentations

During the year, higher energy prices and consequently higher inflation affected member countries. As a result, during the year, the Bank focused on analysing the effects of the price of crude oil on the regional economic outlook and dissecting policy responses on inflation. The Bank prepared a Policy Note for discussion with key policy-makers to explore various policy options related to fiscal and renewable energy emanating from these developments.

An episode of the Bank's award-winning public education programme, *ECCB Connects*, focused on explaining the fuel price build-up in the member countries.

Another areas of policy focus during the year was cryptocurrency. With the implosion of the centralised platform to store and trade cryptocurrencies, FTX, in November 2022, the Bank proactively responded by preparing a discussion note on the impact of crypto on macroeconomic stability. The paper sought to highlight some of the potential risks that this new form of decentralised finance could have on financial stability, if not properly managed and regulated.



Payments Modernisation and Financial Inclusion

A modern, safe and efficient payments system which increases access to affordable financial services thereby promoting inclusive socio-economic development

- In the spirit of fair and open access to Financial Market
- Infrastructures (FMIs), the Bank engaged the credit union sector
- on access to the Eastern Caribbean Automated Clearing House
- (ECACH), through the office of the Caribbean Confederation of Credit Unions, and in collaboration with the ECACH.

WHOLESALE FINANCIAL MARKET INFRASTRUCTURES AND INTERBANK MARKETS

Modernisation of the payment and settlements system in the ECCU will necessitate enhancements to the technological infrastructure, instruments, rules and procedures, through a deliberate and collaborative approach amongst key stakeholders. The Bank, under the Caribbean Digital Transformation Project (CARDTP), commenced the recruitment of a consultant to deliver a proposal for the modernisation of the payment and settlement infrastructure in the ECCU. To this end, the consultant will deliver a report on the review of the Real Time Gross Settlement (RTGS) system and the Eastern Caribbean Automated Clearing House (ECACH), the proposed upgrades to the payments system infrastructure, and a technical blueprint for an instant payment system in the ECCU.

A comprehensive Payment System Oversight Policy was developed under the CARDTP. The policy was designed, taking into consideration compliance with international standards, and best practices to support the overarching objectives of a safe, efficient, and inclusive payments and settlement system; and to provide the framework within which these objectives would be realised. The policy will be finalised and implemented over the short term.

The Monetary Council approved the draft Payment System and Services Bill in July 2022, following extensive stakeholder engagements. The Bill, which was which was developed under the CARDTP, sets out

the licensing framework for payment service providers and operators and grants the ECCB licensing authority.

Over the period January to March 2023, in-country bilateral engagements were conducted with ECCU Attorneys General and Parliamentary Counsel to finalise the drafting and enhance learning, in anticipation of enactment. During those engagements, the draft Electronic Retail Payments Regulations, which will be issued under the principle Bill, was reviewed also.

In order to build on the existing oversight framework and further strengthen the oversight function, a roadmap for the implementation of the oversight function was developed and will guide the development of the components for the overarching oversight framework. The roadmap outlines key elements of the framework which are: a diagnostic study of the existing oversight function; procedures for collecting and processing data, manuals for risk assessments; and manuals for implementing on-site and off-site oversight.

In the spirit of fair and open access to Financial Market Infrastructures (FMIs), the Bank engaged the credit union sector on access to the ECACH, through the office of the Caribbean Confederation of Credit Unions (CCCU), and in collaboration with the ECACH. During the engagement, the Bank set expectations around ECACH access and clarified the application process and ECACH operating requirements. This approach afforded credit unions the requisite information to undertake the necessary assessments, ahead of their eligibility for ECACH membership.

The Bank also developed guidelines on operations for on-boarding and monitoring of credit unions on the ECACH, which will complement the assessment for the sector. On-boarding of the Eastern Caribbean Central Securities Depository and a licensed non-bank financial institution (NBFi), is in progress.

ASSESSMENT OF FINANCIAL MARKET INFRASTRUCTURES

Payment System Strategy for the ECCU

The Bank, in collaboration with a World Bank payment system expert, developed a Payment System Vision and Strategy for the ECCU. The Strategy was developed around five strategic pillars: (i) strengthening of the legal and regulatory framework; (ii) wholesale financial market infrastructures and interbank markets; (iii) retail payment systems and services; (iv) cross border payments and international remittances; (v) and ECCU payment system oversight and cooperation. The strategy envisages short, medium and long term plans and objectives.

The Strategy was presented to ECCU stakeholders in a roadshow in the last quarter of 2022, where a series of in-person multilateral stakeholder meetings was held in each ECCB member country. Stakeholders gained a shared understanding of the roadmap for the payment system, by exploring detailed actions to be implemented under each strategic pillar. The ECCB clarified the respective stakeholder roles set expectations for the implementation of the strategy, and forged partnerships with stakeholders for collaborative implementation of the strategy.

The Bank, in collaboration with a World Bank payment system expert, developed a Payment System Vision and Strategy for the ECCU.

Financial Literacy and Financial Inclusion Survey

The Central Bank launched a Financial Literacy and Financial Inclusion survey in its eight-member countries in June 2022. The survey results will provide a benchmark of the extent to which the public is aware of, and has access to, and use, financial products and services.

The objective of this initial survey was to establish a baseline, relevant to the ECCU, which is internationally comparable, and will:

- ✓ capture information about financial behaviour, attitudes and knowledge on individuals in the ECCU;
- ✓ ascertain financial awareness and access to financial services and products; and
- ✓ help define targets that are realistic and can be monitored to measure progress over time.

The survey represents adults aged 18 and is based on a three-stage stratified random sample of clusters of dwelling units systematically selected in three stages from a Sample Frame developed from the Population and Housing Census data and updated using more recent sample surveys completed by the Statistics Divisions in the member countries.

The joint survey was executed with the financial support of The World Bank funded Caribbean Digital Transformation Project, which is coordinated by the OECS Commission. The firm Data Point Solutions Inc. was contracted to execute the Financial Literacy and Financial Inclusion survey in the ECCU member countries.

The Survey has been executed in all of the ECCB member countries. The findings for one of the countries are outstanding. The results of the Survey will be released by the end of June 2023.

Ecosystem Growth

The DCash ecosystem expansion has continued as the pilot project endeavoured to increase the user network. The pilot presently consists of 21 participating financial institutions, 10 agencies and close to 400 merchants within all eight ECCB member countries.

The DCash digital wallet, developed in collaboration with the Bank's technology service provider, has experienced growing acceptance and usage. The most active countries by total retail transactions (i.e. involving at least a register-based wallet or value-based wallet or merchant wallet as one participating party) for the year under review are Saint Vincent and the Grenadines, followed by Grenada, Saint Christopher (St Kitts) and Nevis and Anguilla and Saint Lucia. It is expected that platform activity for Montserrat and the Commonwealth Dominica, which were the final ECCU countries in which the pilot project was rolled out, will continue to build over time.

Merchant Integration

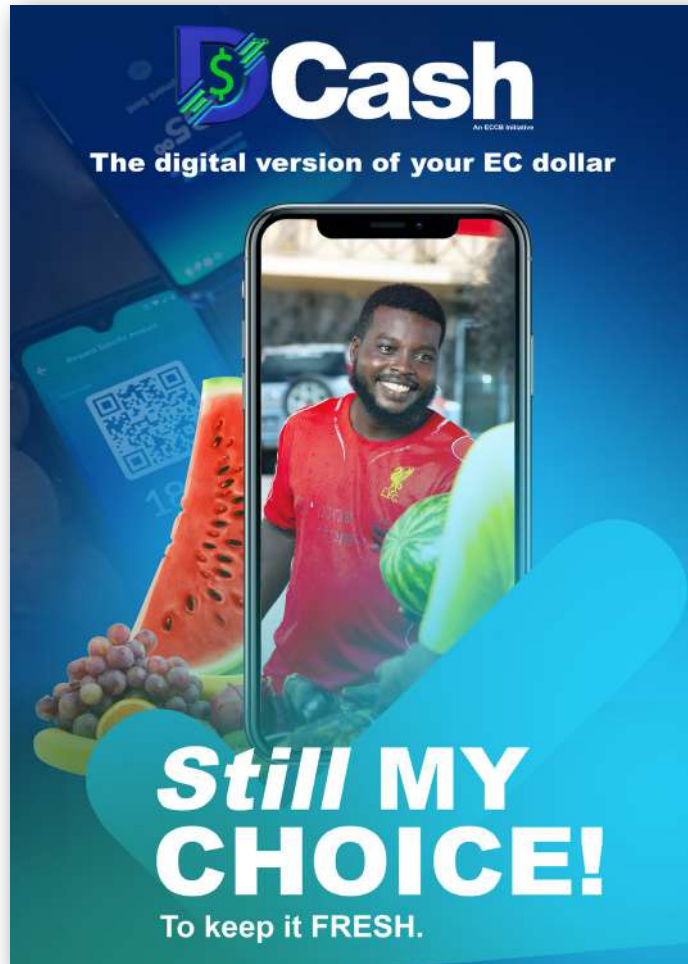
The integration of DCash into merchant payment systems has been a focal point of the pilot project. Through the business support personnel in all participating countries, efforts have been made to onboard a diverse range of merchants, including MSMEs, vendors, and service providers. This integration has measurably expanded the acceptance network, enabling consumers to make digital payments using DCash at a growing number of establishments.

Data Security and Privacy

The ECCB recognises the paramount importance of data security and privacy in the digital age. The pilot project implemented a number of security upgrades to better safeguard personal and financial information within the DCash system. Stringent compliance with existing data protection regulations and best practices continued in order to engender the trust and confidence of users in the system.

Monitoring and Evaluation

An ongoing process of monitoring and evaluation was implemented to assess the performance and impact of the DCash Pilot Project. That included analysing transaction volumes, payment settling times, stakeholder and user feedback, system and network reliability, and economic indicators. The insights gained from that monitoring and evaluation process will inform future enhancements and ensure the long-term success of DCash.



Public Awareness and Education

To drive the successful adoption of DCash, wider public awareness campaigns and educational initiatives were initiated in the past year. In-country user acquisition activities commenced in October 2022 and have continued in several of the ECCB countries. Trained user acquisition agents have facilitated in-person demonstrations of how the DCash digital wallet and platform work, and have also provided guided onboarding support. Those direct engagements have been

successful in equipping individuals with the necessary knowledge and skills to leverage DCash. Participant feedback indicated that the said engagements were effective in improving the public's understanding of digital payments and dispelling misconceptions about the ECCB's digital currency.

In February 2023, The Marketing Machine, a dynamic and experienced Antigua and Barbuda-based marketing firm was contracted to lead marketing and educational

activities for DCash throughout the ECCU.

Looking ahead, the ECCB remains committed to scaling the DCash pilot across the ECCU, based on the valuable lessons learnt during this financial year and the pilot overall. The positive outcomes observed thus far underscore the transformative potential of the ECCB's digital currency and its ability to foster financial inclusion, economic growth, and resilience within the region.

The advertisement features a dark blue background with a subtle pattern of diamond shapes. At the top left, a smartphone screen displays a DCash transaction with a '600.00' amount and a 'Payment Received' status. The DCash logo, a stylized 'D' with a green dollar sign, is prominently displayed next to the word 'Cash' in a large, white, sans-serif font. Below the logo, the text 'An ECCB Initiative' is visible. The central focus is four smartphones arranged horizontally, each showing a different person using the app: a man in a white t-shirt, a woman in a red and white striped dress, a man in a colorful floral shirt, and a woman in a blue denim shirt. Below the smartphones, the text 'The digital version of your EC dollar' is written in a white, sans-serif font. At the bottom, the phrase 'Do It with DCASH' is written in a large, bold, white, sans-serif font. Below this, a row of eight circular icons represents various Caribbean countries and territories. In the bottom right corner, there is a QR code with the text 'SCAN ME' below it. At the very bottom, there are two logos: 'Available on the App Store' and 'GET IT ON Google Play'. The website 'dcashec.com' is written in a white, sans-serif font at the bottom right.

DCash
An ECCB Initiative

The digital version of your EC dollar

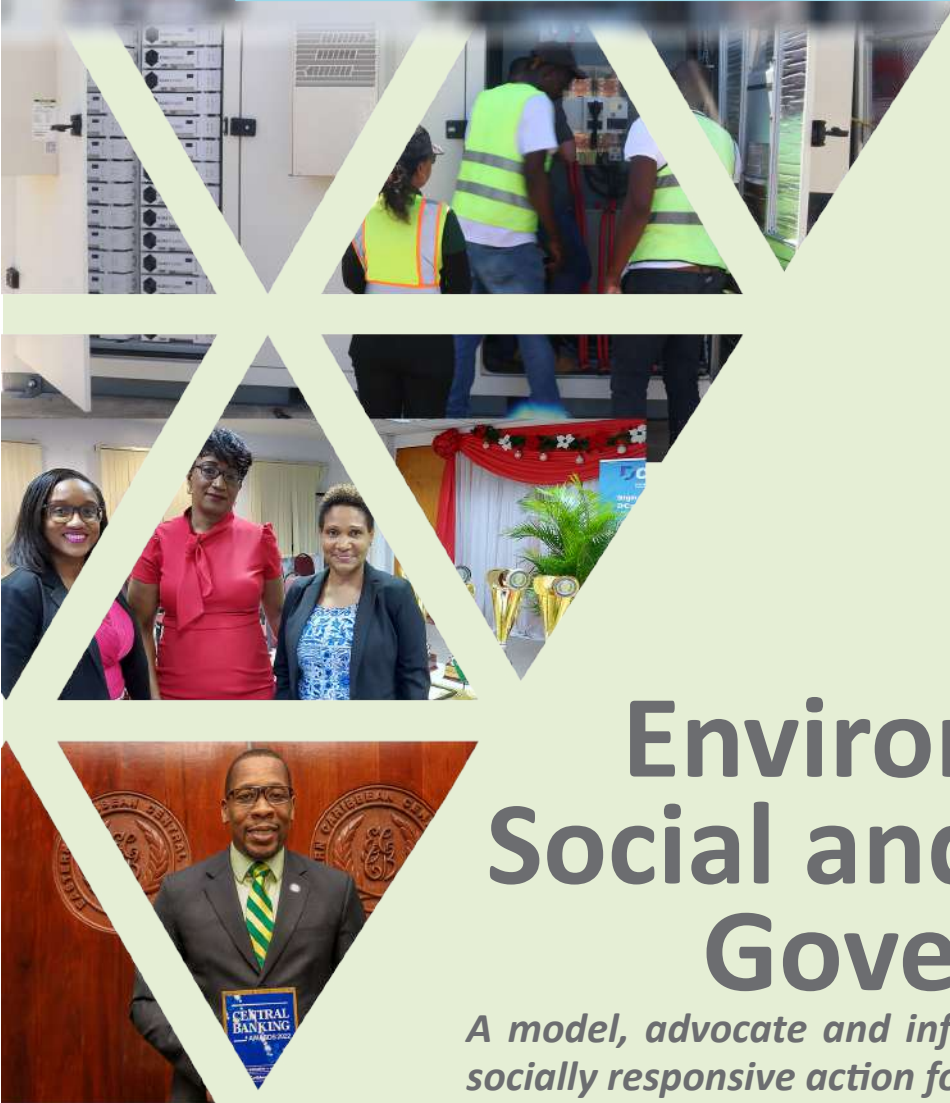
Do It with DCASH

Available on the App Store

GET IT ON Google Play

SCAN ME

dcashec.com



Environmental, Social and Corporate Governance

A model, advocate and influencer for environmentally and socially responsive action for sustainable development



Greening of the ECCB Campus

In March 2023, the Bank completed the integration of two battery plants in its Solar Canopy farm in order to facilitate the storage of excess solar renewable energy. With the commissioning of the storage battery plants, the Bank will now realise an increase from 60.0 per cent to 80.0 per cent reduction in electrical costs for the from 970 kW AC of electricity produced from the solar farm. In terms of and estimated reduction of 3,440,000 lbs of Carbon Dioxide (CO₂) emissions is estimated per year, and a projected reduction of 51,316 tonnes of CO₂ emissions over the 30 year photovoltaic (PV) System lifetime.

ECCB Wins 2022 Central Banking Green Initiative Award



The ECCB received the 2022 Central Banking Green Initiative Award for its Solar Canopy Project also called the Greening of the ECCB Campus Project.

The project's design involved solar panels installed in a series of canopies over the Bank's parking lot at its Headquarters in Basseterre, Saint Christopher (St Kitts) and Nevis, and is the biggest solar-power generator on the island. It is also considered the largest solar-power system in the Eastern Caribbean operated by any entity other than a power company.

The objectives of the projects are to: lower carbon emissions; create a demonstration project that other ECCB member countries can emulate towards a faster transition to renewable energy; advocate for the region, particularly in the case of large emitters, encouraging them to do more to reduce carbon emissions; and to reduce ECCB's operating expenses related to power consumption.

The FIM Festival Partners coordinated and successfully executed activities for the 2022 FIM Festival, engaging residents and citizens of the ECCU on the broad area of focus: Wealth Creation.

1. *Plan to Un-Plan:* it is important to plan but because no one is in total control of what is happening socially, financially or economically, it is important that plans are flexible.
2. *Working for You Means Working for all: Benefits of Entrepreneurship:* The benefits of entrepreneurship extend beyond the owners and the businesses they establish.
3. *Grow Your Wealth! Protect Your Financial Health: Talking About Investments in Securities:* Investing in securities can provide another source of income, fund retirement, or even get people out of a financial emergency.
4. *Financial Awareness: Minding Your Social Media Business:* In today's commercial environment, social media can cut both ways in the success of a business.
5. *Finding the Balance: A Healthier Wealthier YOU Depends upon YOU:* One of the most valuable life goals is to achieve the right balance of a

6. *We Grow Together: Building Bridges to Financial Success:* The total growth of a business, leading to its success, is the sum of many parts. These parts are connected on various levels, from foundation to the pinnacle of financial success.

Two students from the Commonwealth of Dominica captured the top spots in the 2022 ECCB and the Regional Security System – Asset Recovery Unit (RSS-ARU) Creative Youth Competition, which focused on poetry.

The 2023 competition was launched in September 2022 with a focus on Song Writing. Eligible secondary schools and community college students in the ECCU were invited to submit their entries and a video performance of their song on one of the following topics:

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ECCB Connects: Who we are. What we do. How we serve you

In March 2023, the ECCB captured the 2023 Central Banking Award for Communication Initiative of the Year, for its public education outreach programme, *ECCB Connects*.

The Bank received commendation for its innovation in information sharing, particularly during the COVID-19 pandemic, the wide variety of topics, the diversity of the guests, and the inclusion of citizens from across the ECCU in the programmes.

During the year, 38 new episodes were released in three seasons. That brought the total number of *ECCB Connects* episodes to 281 in 21 seasons. The programme was first aired in 2016.

Some of the topics covered during the year included:

1. Office of Financial Market Conduct
2. What Influences the Price of Fuel in the ECCU?
3. Greening of the ECCU Financial System
4. Identifying Investment Scams
5. How International Events Affect the ECCB's Financing
6. The ECCU Credit Bureau

New episodes of *ECCB Connects* are released on Wednesdays via the ECCB's website, social media platforms, and on television stations in some member countries.

2022 Annual General Meeting of Americas Netball and World Netball Cup 2023 Americas Qualifier

Through its sponsorship of EC\$120,000, the ECCB facilitated the participation of four teams from its member countries in the World Netball Cup 2023 Americas Qualifier. The event was held from 15-22 October 2022 in Kingston, Jamaica. The following teams participated:

- Antigua and Barbuda Netball Association;
- Grenada Netball Association;
- Saint Lucia National Netball Association; and
- Saint Vincent and the Grenadines Netball Association

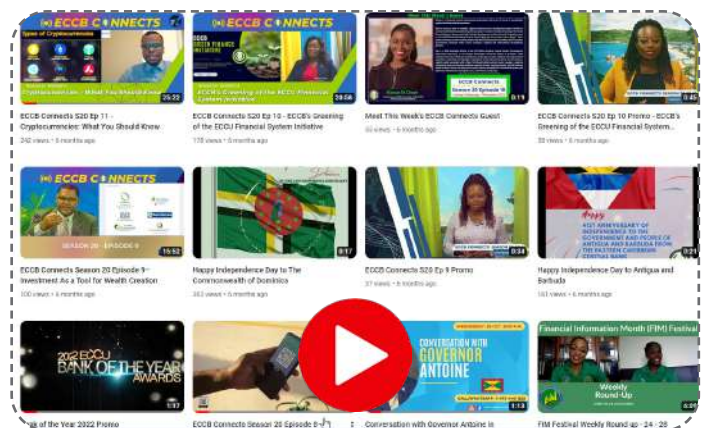
While none of the teams qualified to participate in the next round of the competition, the event provided another avenue for growth for the teams and officials.

The ECCB sponsorship also facilitated the participation of officials from the Commonwealth of Dominica and Saint Christopher (St Kitts) and Nevis Netball Associations in the Americas Netball 2022 Annual General meeting.

3rd OECS/ECCB International Netball Series

The Antigua and Barbuda Netball Association, in partnership with the Caribbean Netball Association is advancing plans to host the 3rd OECS/ECCB International Netball Series from 29 September to 8 October 2023 in St John's, Antigua.

Teams from all of the ECCB member countries, including the reigning champion team, Saint Vincent and the Grenadines, will vie for the Gloria Ballantyne Championship Trophy. Teams from Barbados and the Cayman Islands will also participate in the tournament to help boost the rankings of the ECCB member country teams.



[View ECCB Connects Programmes: April 2022 - March 2023](#)

National Bank of Dominica Ltd Sweeps 2022 ECCU Bank of the Year Awards



(Left photo) Appointed Board Member for the Commonwealth of Dominica presents Bank of the Year Award to Marketing Manager, National Bank of Dominica, Susan Piper

ECCU Bank of the Year Awards

The ECCU Bank of the Year Awards recognise commercial banks in the ECCU for their outstanding contributions to the overall development of the people they serve through everyday business practices.

The National Bank of Dominica was announced the overall 2022 Bank of the Year, capturing the awards in all five judging categories during a virtual ceremony held on 15 December 2022.

Eight banks submitted entries. Submissions were assessed in the following categories:

1. Corporate Social Responsibility;
2. Customer Service;
3. Financial Education and Empowerment;
4. Support to Micro, Small and Medium Enterprises (MSMEs); and
5. Technological Innovation.

Members of the public also had the opportunity to weigh in on the decision via online voting, selecting the bank they felt worthiest to receive the award in the different categories.

ECCB Children's Connection Radio Programme

The Bank continued on its quest to advance the understanding of youth in the ECCU on everyday financial and economic matters through the ECCB Children's Connection Radio Programme.

The initiative was launched in September 2021 throughout the eight ECCB member countries and targets children aged 5 - 12. It was aired monthly on 10 radio stations throughout the Currency Union.

The host, along with a youthful co-host, takes listeners through the 30-minute live programme which comprises a main lesson, a value lesson component, and a learning and retention segment during which the children are allowed to call in and answer questions based on the main lesson.

Twelve topics were covered during the financial year including: Taxes, Supply and Demand, Unemployment, Bartering, Producers and Consumers, Production, Economic Systems, and Entrepreneurship.

 [View 2022 Bank of the Year Awards Ceremony](#)

Student Programme for Innovation in Science and Engineering (SPISE)

The ECCB facilitated the participation of three young scholars in the Student Programme for Innovation in Science and Engineering (SPISE) during the financial year:

- ✓ Malik Anthony attends the Dominica State College, Commonwealth of Dominica and is working toward a career in civil engineering;
- ✓ Sumirah Charles, a student of the St Joseph's Convent Secondary School - Saint Lucia, hopes to work in the field of mechanical engineering; and
- ✓ Janice Corbette, an aspiring biochemical engineer, is a student of the Dominica State College

The goal of SPISE is to increase the number of Caribbean students pursuing advanced degrees in science and engineering. The ECCB has sponsored 13 students since 2016.

ECCB Bright Sparks Internship Programme

For the 2022 cohort, four students, pursuing information technology programmes at regional tertiary institutions, were recruited to participate in the programme: Rishon Daniel from the Sir Arthur Lewis Community College in Saint Lucia, and Johann Boston, Aeja Clarke, and Zahara James from the Clarence Fitzroy Bryant College, Saint Christopher (St Kitts) and Nevis.

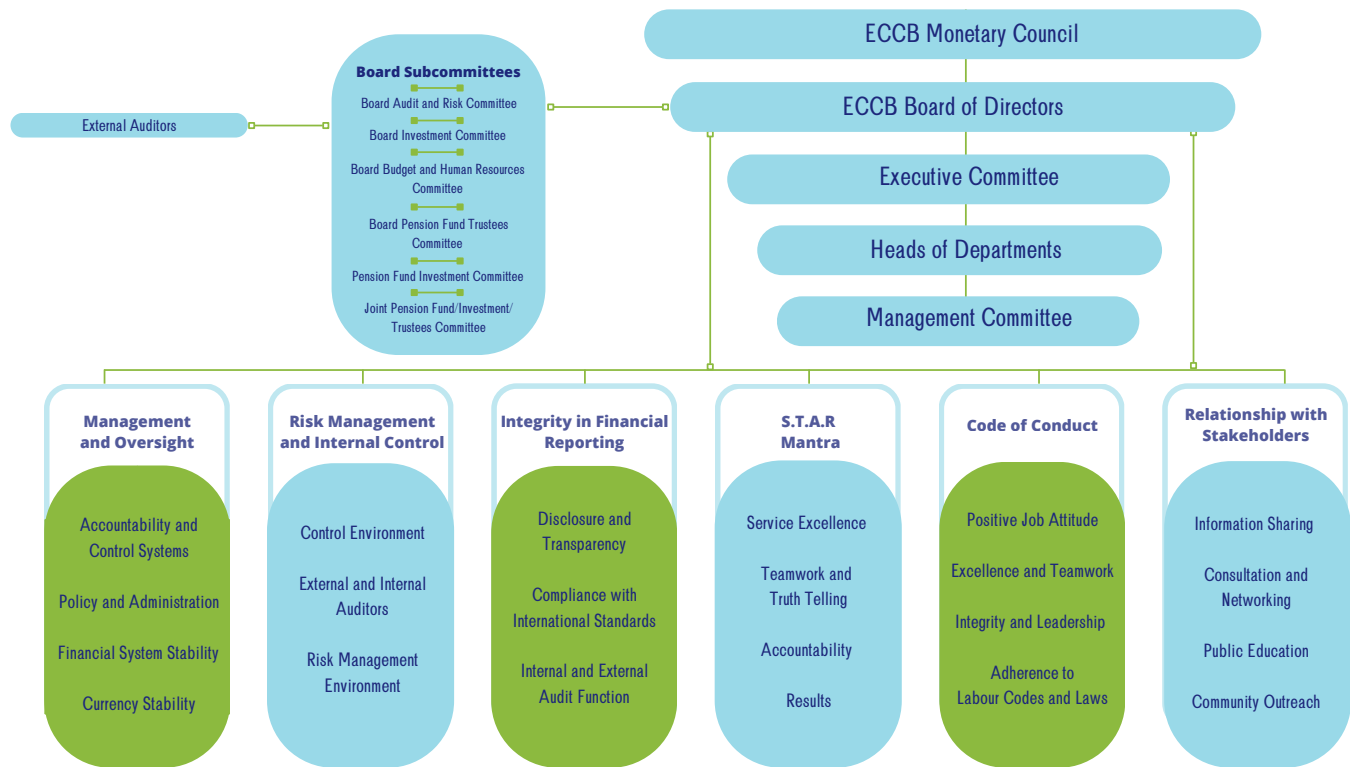
The interns all have plans to pursue careers in Information Technology. Their internship with the Management Information Systems Department at the ECCB provided the opportunity for them to work with professionals in the field and acquire hands-on experience. The ECCB, conversely, benefitted from the new and innovative ideas that the interns brought to the table.

A recruitment brochure has been produced for relevant stakeholders.



View interview with Aeja, Johann and Zahara on their ECCB internship experience

Corporate Governance Framework



2022 - 2026 STRATEGIC PLAN

The Bank's 2022 - 2026 Strategic Plan was completed and implemented under the theme: ***Transforming the ECCU Through Innovation and Collective Action***. The Plan was developed in accordance with the Balanced Scorecard Framework and took effect from 1 April 2022. The Plan outlines the five-year strategic objectives and initiatives, along with key performance indicators to measure the success of these objectives. The Balanced Scorecard Framework incorporates a tiered approach to achieving objectives from the corporate level (Tier 1) to departmental level (Tier 2), then finally to the employee level (Tier 3). This framework allows for all employees to be involved in achieving these objectives.



Good corporate governance is one of the pillars that sits at the helm of the ECCB's operations. As such, the Bank is committed to ensuring that this attribute is preserved in its procedures and processes.

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

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:

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 ECCB member countries; and
4. Best practices in the local and international arena.

The framework promotes accountability; ensures that appropriate control systems are developed and are operationalised to address associated risks; and fosters 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 body of the Bank.

Provision is made in the ECCB Agreement, Article 7 (1) for each Minister to designate an Alternate, who must also be a minister of government, to serve on the



Chairman, ECCB Monetary Council - Member for Saint Lucia, the Honourable Prime Minister and Minister for Finance, Philip J Pierre

Council in his/her absence.

Chairmanship of the Monetary Council

The tenure of the Chairmanship of the Monetary Council is one year and it is rotated among member countries in alphabetical order.

The current Chairman is the Member for Saint Lucia, the Honourable Prime Minister and Minister for Finance, Philip J Pierre. Prime Minister Pierre assumed the Chairmanship on 22 July 2022.

The Ceremony to Mark the Change in Chairmanship was held at the Harbor Club, Rodney Bay, Saint Lucia. The Honourable Prime Minister and Monetary Council Member for Saint Lucia will hand-over the Chairmanship to the Council Member for Saint Vincent and the Grenadines in July 2023.

New Monetary Council Members

In 2022, the ECCB Monetary Council welcomed three new members:

- Honourable Prime Minister and Minister for Finance - Grenada, Dickon Mitchell, was appointed effective June 2022;
- Honourable Prime Minister and Minister for Finance – Saint Christopher (St Kitts) and Nevis, Dr Terrance M Drew, was appointed effective

August 2022; and

- In December 2022, the Honourable Minister for Finance – Commonwealth of Dominica, Dr Irving McIntyre, replaced the Honourable Prime Minister, Roosevelt Skerritt.

By virtue of holding the portfolio of the Minister with responsibility for Finance in their respective member countries; and in keeping with the Articles of the ECCB Agreement Act, the Honourable Dr Drew and the Honourable Dr McIntyre were duly appointed as the Monetary Council Members.

MEETINGS OF THE MONETARY COUNCIL

Statutory Meeting Dates

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.”

The ECCB Monetary Council Rules further clarify the location for meetings:

- ✓ **February:** At the principal office of the Eastern Caribbean Central Bank, Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis;
- ✓ **July:** In the country of the Participating Government whose representative is due to assume chairmanship of the Council; and
- ✓ **October:** Via videoconference or other approved medium from the Bank’s Headquarters in Saint Christopher (St Kitts) and Nevis to the offices of the respective Council members or Alternate members.

Monetary Council Meetings convened during the 2022 calendar year:

- 101st Meeting - 25 February 2022 (Virtual)
- 102nd Meeting - 22 July 2022 (Face-to-face)

Saint Lucia

- 103rd Meeting - 25 November 2022 (Virtual)

Special Meeting of the Monetary Council

The ECCB Monetary Council Rules also make provision for Special Meetings of the Council: “...such other meetings shall be held as the Chairman may determine or upon receipt by the Chairman of a written request signed by not less than two (2) members and expressly stating the reason for the request.”

A Special of the Monetary Council was held on 8 April 2022 to receive and approve recommendations on addressing the CLICO International Life (CIL) Resolutions and allowed for the Council to further discuss and reach consensus on the way forward to address the challenges of payments to Eastern Caribbean policy holders.

Ministerial Subcommittee on Insurance Meetings

The Ministerial Subcommittee on Insurance, under the Chairmanship of the Honourable Prime Minister and Minister for Finance, Antigua and Barbuda, Gaston Browne, supports the Monetary Council. The Committee’s mandate is to engage the ECCU insurance regulators on policy matters affecting the insurance sector; and to oversee the implementation of the decisions taken by the Monetary Council pertinent to the regulation, supervision and rationalisation of the insurance sector.

The other members of the Subcommittee are: Honourable Minister for Finance, Commonwealth of Dominica, Dr Irving McIntyre, and Honourable Minister for Finance, Saint Vincent and the Grenadines, Camillo Gonsalves.

Ministerial Subcommittee on Insurance Meetings held during the calendar year 2022:

- 1 April 2022

- 26 August 2022
- 18 November 2022

Monetary Council Policy Sessions

To further inform and provide context to the work of the Monetary Council and given the significant challenges facing the ECCU region, the Council continued its series of Monthly Monetary Council Policy Sessions in 2022.

The following were the areas of focus for the Policy sessions convened in 2022:

- ☑ Feasibility of Deploying of an Economic Growth Lending Instrument in the ECCB - 21 January 2022
- ☑ Financial Stability - 29 April 2022
- ☑ Credit Risk Management - Resolving High NPLs in the ECCU - 2 September 2022

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

In accordance with the ECCB Agreement, “During the absence or disability of the Governor or during any vacancy in the office of the Governor, the Deputy Governor shall exercise the powers and duties of that office. The Board shall make provision for the simultaneous absence or disability of the Governor and the Deputy Governor.” Like the Governor, the Deputy Governor is to devote the whole of his/her professional time to the service of the Bank while holding office.

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 four (4) meetings. Five Directors at any meeting constitutes a quorum.

Within the governance framework, six subcommittees assist with the execution of the mandate of the Board:

1. Board Audit and Risk Committee

2. Board Investment Committee
3. Board Budget and Human Resources Committee
4. Pension Fund Trustees Committee
5. Pension Fund Investment Committee
6. Joint Pension Fund and Investment Committee

In accordance with Article 13 (1) of the ECCB Agreement Act, the Board of Directors convened the statutory number of meetings during the calendar year 2022. All meetings were convened virtually using web-based conferencing facilities.

Special Meetings of the Board of Directors

Provision is also made for the Board of Directors to convene special meetings to address the matters of the Bank. On 15 February 2022, a Special Meeting of the Board Audit and Risk Committee was convened to receive updates on the implementation of the Bank's digital currency - DCash.

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; and to provide a system of internal control, risk management, and compliance monitoring with laws and regulations, and the code of conduct. Specific to the work of the Committee, consultations are conducted as deemed necessary with external auditors, Heads of Departments and officers, and the Internal Audit Department.

The BARC comprises the following appointed Directors:

1. John Skerritt, Chairman - Appointed Director for Montserrat
2. Hilary Hazel, Deputy Chair - Appointed Director for Saint Christopher (St Kitts) and Nevis
3. Francis Fontenelle - Appointed Director for Saint Lucia
4. Edmond Jackson - Appointed Director for Saint Vincent and the Grenadines

External Auditors

PricewaterhouseCoopers (PwC) was contracted to serve the ECCB as the Bank's External Auditors for the period 2023 - 2026. PwC will provide audit services for the financial periods: 2022-2023; 2023-2024 and 2024-2025.

The function of the external auditor is to conduct an annual audit of the Bank 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.

Compliance with International Financial Reporting (IFR) Standards

Effective 1 April 2018, the Bank became IFRS 9 compliant and continues to stay abreast with changes in these standards.

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:

1. The Eastern Caribbean Central Bank Corporate Governance Charter
2. Conflict of Interest Policy
3. Media Relations Policy
4. Information Systems and Security Policy
5. Eastern Caribbean Central Bank Staff Regulations

6. The ECCB's Guide – Protocol, Diplomacy and Etiquette
7. Energy Management Policy
8. Financial Regulation

to enhance the awareness and involvement of the people of the region in relevant economic and financial matters.

Human Resource Management

The Bank is governed by the labour codes and laws of each of its participating member countries. 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 continued to engage its stakeholders virtually as the region began its emergence from the COVID-19 pandemic. Networking and consultative meetings were convened as scheduled. Based on the terms of reference, networking and consultative meetings are either held biannually while others are held on an annual basis. The virtual fora allowed for continued productive stakeholder engagement; facilitating an increase in the wider cross section of participants from institutions. The meetings further presented the opportunity for stakeholders to share their work programme and activities post COVID-19. The networking and consultative meetings were convened at an individual institution/group level allowing for institution-based lessons learnt to be shared and for responses to be used at the national and regional levels.

The ECCB remained connected with its stakeholders through a variety of media over the year, in order

Meetings Convened in 2022

Consultative Meetings

1. Meeting of the Regulatory Oversight Committee
2. Meeting with ECCU Financial Secretaries
3. Meeting with Licensed Financial Institutions
4. Joint Meeting with Attorneys General and Chief Parliamentary Counsels
5. Meeting with ECCU Development Banks

Networking Meetings

1. Joint Meeting with Comptrollers of Inland Revenue and Customs
2. Meeting with ECCU Directors of Social Security Systems
3. Joint Meeting with Accountants General, Directors of Audit and Directors of Budget
4. Meeting with ECCU Directors of Statistics
5. Meeting of the Regional Debt Coordinating Committee
6. Annual Meeting with ECCU Chiefs/Commissioners of Police
7. Meeting with ECCU Heads of Policy and Economic Units

Corporate Social Responsibility

The ECCB continues to recognise its corporate social responsibility to the people of the region. This responsibility 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 activities executed during the year included: the annual Bank of the Year Awards, sponsorship of regional netball initiatives, sponsorship for the SPISE Programme, ECCB Bright Sparks Internship Programme and the ECCB/RSS-ARU Creative Youth Competition.



Digital Transformation

A model central bank optimising digital technologies to enhance resilience and responsiveness and supporting the build out of a digital economy in the ECCU



THE DEVELOPMENT OF THE KNOWLEDGE AND INNOVATION HUB

The ECCB Hub (Knowledge and Innovation Hub) is a collaborative dynamic, virtual forum and resource centre that brings together persons of diverse experiences and expertise to discuss and ideate real functioning solution-oriented perspectives, as well as produce and share research outputs that address real world problems relevant to the growth and resilience of the ECCU/OECS.

The AI Climate Resilience Data Challenge was the first project launched by the Hub in 2021 and culminated with four awardees in 2022. The Challenge provided an ideal opportunity for students and practitioners to showcase a wide variety of data-driven AI applications; the potential of AI as a service to reveal deep insights from data sets and inform policy and decision making. Throughout their development journey, participants were coached and mentored by AI scientists from the Region and North America. The Hub, in collaboration with Caribbean Institute for Meteorology and Hydrology (CIMH) and other stakeholder organisations, is currently working with the AI Data Challenge teams to advance work on two AI prototype projects emanating from the Climate Challenge, and one research project: (i) Natural Disaster Risk Smart Classifier (NDRSC), (ii) Sargassum Beaching, and (iii) Socioeconomic Impacts of Public Respiratory Health Shocks on the Caribbean Region.

Technological Innovation and Collaboration Take Centre Stage

Beyond those projects, Hub activities also focused on development of tech entrepreneurs and building capacity in Science, Technology, Engineering Arts Mathematics (STEAM) among the region's youth.

AI Climate Resilience Data Challenge Winners

A team from the UWI Five Islands and The UWI St. Augustine Campuses captured the first place in the AI Data Challenge with its AI Disaster Risk Smart Classifier (DRSmc). The team comprised undergraduate and post graduate students and lecturers.

A team representing the University of the West Indies Five Islands Campus and the University of Maryland, Baltimore County, USA captured the second place. The application assessed tourism sustainability in the Eastern Caribbean from Polar Region Ice Melting to Sea Level Change to Rainfall.

The third place winner was Odion Hillocks, a Teacher from Saint Vincent and the Grenadines pursuing a Master of Science degree and a Data Science student at the University of the West Indies St. Augustine Campus. His model sought to predict the monthly maximum temperature within an OECS territory.

The two-member team of Odessa Eli, a Data Science Consultant and Khern Toussaint, software engineer, was adjudged as the fourth place winner. They are nationals of the Commonwealth of Dominica residing in the USA. The two-member team pitched their Caribbean Climate App which sought to demonstrate the relationship between climate related variables in the Caribbean.



ECCU Technology Entrepreneurs: Recipients of the scholarships to the Tech Beach Retreat Summit held in Montego Bay, Jamaica, 8 - 10 December 2022

SUPPORTING ECCU TECHNOLOGY ENTREPRENEURS

In support of Digital Transformation via capacity building of tech entrepreneurs, the ECCB Hub, in 2022, provided scholarships to 10 ECCU Technology Entrepreneurs to attend Tech Beach Retreat Summit in Montego Bay, Jamaica. The Summit provided valuable capacity building and networking opportunities for start-up entrepreneurs. In the first quarter of 2023, ECCB continued to work towards supporting the ECCU technology entrepreneurial community to build capacity, expand technical competencies, and grow networks in collaboration with other stakeholders.

The Hub has been supporting the ECCU Technology entrepreneurs group in its attempts to form an association. Accordingly, the group has been making modest strides in this direction and is in the process of drafting a strategic framework to focus and guide its activities. The Hub, with respect to the ECCU Technology entrepreneurs group, would serve as an advocate, mentor, promoter, collaborator, supporter and advisor based on the identified needs and direction

of the group. It would also leverage its network of collaborators to assist the membership in accessing training, internship and investment opportunities for projects that benefit both the group and the region's technology ecosystem.

SCIENCE TECHNOLOGY ENGINEERING ART AND MATH (STEAM) YOUTH CAMPS

During the year, the ECCB Hub prepared the foundation work to facilitate the sponsorship of STEAM summer camps accessible to youths throughout the eight member countries of the ECCU starting in 2023. The camps will leverage the resources and expertise of several current service providers associated with STEM and STEAM camps in the region. The vision is for ECCU/OECS youth participants to be exposed to robotics, coding and designing, creating games, websites, and applications framed around topics that have thematic importance and value for the region's development agenda.

In 2023, the sponsorship of several STEAM camps targeting ECCU Youth will be facilitated.

CENTRALISED DATA WAREHOUSE

The Bank also continued to collaborate with the Commonwealth Secretariat to roll out the Commonwealth Meridian in its member countries. The Commonwealth Meridian is a web based debt management tool that incorporates advanced and improved functionalities to address emerging debt management requirements and allows for greater automation in a number of processes.

During the year, two countries – the Commonwealth of Dominica and Grenada implemented the new debt system. To date, five member countries have implemented the Commonwealth Meridian and are benefitting from the improved functionalities, resulting in more timely information on the debt positions. One of the new features of Commonwealth Meridian is the ability to deploy the system in a centralised environment. To this end, the ECCB has offered, as a service to its member countries, to host the Meridian system at the Bank, with secured remote access to countries. This service allows member countries to benefit from ECCB IT support services and capacity development in new technologies, and maintain a secured system offsite, thereby reducing localised risks.

The ECCB completed development work, including economic data, in its statistical enterprise solution, which uses the SAS software, thus ensuring a centralised data warehouse. SAS was updated to accommodate mergers and acquisitions of banks.

ENTERPRISE RESOURCE PLANNING (ERP) REPLACEMENT PROJECT

The implementation of the ERP Replacement Project commenced in the financial year. The project was renamed Project Building on Opportunities for Sustained Transformation (BOOST), to better reflect the objective of the project.

The objectives of this project are to illuminate a path to greater operational efficiency and effectiveness and improve transparency, accountability, and data-driven decision-making. As part of this project the banking, financial, procurement and human resource systems will be replaced. Included in some of the new functionalities to be introduced by Project BOOST, is an enhancement of the service offerings to our clients. The implementation is ongoing and Phase I is expected to be completed during the 2023/2024 financial year.

SWIFT CUSTOMER SECURITY PROGRAMME

The Bank successfully implemented the mandatory requirements identified in the Society for Worldwide Interbank Financial Telecommunications (SWIFT) Customer Security Programme (CSP) and attested before the 31 December 2022 deadline.

STRATEGIC MANAGEMENT AND PERFORMANCE SOLUTION

The ClearPoint Strategic Plan Monitoring Software was implemented on the 18 July 2022. The software is required to monitor the implementation of the Bank's strategic plan; facilitate strategic risk assessment of all strategic initiatives; and provide the relevant data for reporting to the Executive Committee and Board of Directors on the Bank's Strategic Plan.

ClearPoint employs the Balanced Scorecard Framework to monitor and evaluate the Bank's strategic plan.

To date, five member countries have implemented the Commonwealth Meridian and are benefitting from the improved functionalities, resulting in more timely information on the debt positions.



Organisational Effectiveness and Development

- *A highly skilled, competent, caring and engaged staff focused on service excellence; teamwork, accountability and results*
- *An operating environment that supports staff wellbeing, development, creativity and innovation.*
- *A responsive central bank that meets the needs of the people of the ECCU with speed.*

ECCB@40: A Year of Reflection, Celebration and Implementation



The Eastern Caribbean Central Bank launched its year-long 40th Anniversary celebrations at a ceremony at the Sir Cecil Jacobs Auditorium, ECCB Headquarters, on 19 January with transmission to the ECCB Agency Offices.

The Honourable Prime Minister of Saint Lucia and Chairman of the ECCB Monetary Council, Philip J Pierre, delivered the Keynote Address and Declaration. In his address, Prime Minister Pierre lauded the ECCB's achievements in its efforts to serve the people of the ECU. "Over the past 40 years, the ECCB has continually adapted to the changing needs of its member countries and its external environment," said Prime Minister Pierre. He also congratulated the Bank on turning 40 and stated that the people of the region will continue to rely on the ECCB as they navigate the ever-changing landscape of financial and economic development.

In his remarks, Governor of the ECCB, Timothy N.J. Antoine, issued a clarion call for a strong decade of

resilience and transformation which he referred to as 'a big push' in the areas of wealth creation; food and nutrition security; energy security; and digital transformation.

Governor advised that, "As a region, we cannot change our history, we cannot change our geography but collectively we can elevate our development trajectory through innovation and collective action."

The event's programme included the recognition of various individuals. The Honourable Prime Minister and ECCB Monetary Council Member for Saint Christopher (St Kitts) and Nevis, Dr Terrance M Drew, made a special presentation to the Right Excellent and Right Honourable Dr Sir Kennedy A Simmonds, KCMG, the only living signatory to the ECCB Agreement 1983.

The winners of the ECCB 40th Anniversary logo, theme and stamp competitions were also recognised for their achievements.

ECCB 40th Anniversary Stamp Competition Winners

CATEGORY: 5-11 YEARS



Vedant Shetty
Age: 6 years
Saint Vincent and the Grenadines

CATEGORY: 12-17 YEARS



Mea Emmanuel
Age: 12 years
Saint Lucia

CATEGORY: 18 AND OVER



Maxanne Rock
Age: 22
Saint Vincent and the Grenadines



ECCB@40: A Year of Reflection, Celebration & Implementation

JANUARY

19th Launch of the 40th Anniversary Celebrations

FEBRUARY

1st ECCB Connects Feature on the ECCB@40 Anniversary Launch

15th ECCB@40 ECCU Media Briefing

28th ECCB@40 Lecture Series (Anguilla)

Theme: Food Security - Blue and Green Economies

MARCH

ECCB@40 "Did You Know?" Series*

23rd ECCB@40 Lecture Series (Antigua and Barbuda)

Theme: Transforming Health and Wellness: Use of Traditional Medicines - Silver Economy

APRIL

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

14th ECCB@40 Launch of Special Anniversary Song By Colton T

20th ECCB@40 Lecture Series (Saint Lucia)

Theme: Powering a Modern Saint Lucia - Green and Purple Economies

MAY

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

31st ECCB@40 Lecture Series (Grenada)

Theme: Medical Tourism: Prerequisites and Prospects - Blue, Orange and Green Economies

JUNE

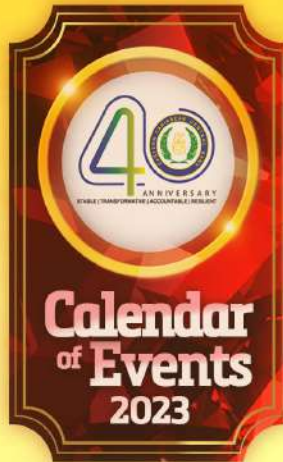
ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

22nd ECCB@40 Lecture Series (Montserrat)

Theme: The Promise of Information and Communication Technology - Yellow Economy

ECCB@40 Plant a Tree Initiative - ECCB Mentorship Schools



JULY

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

5th ECCB@40 Virtual Museum Launch

21st ECCB@40 Lecture Series (St Vincent and the Grenadines)

Theme: Education and Training: Skills for the 21st Century - Yellow and Green Economies

ECCB@40 Reflections and Conversations

AUGUST

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

ECCB@40 Virtual Museum Promotion

ECCB@40 Reflections and Conversations

SEPTEMBER

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

21st ECCB@40 Lecture Series (Commonwealth of Dominica)

Theme: Leveraging the Nature Isle - Orange Economy

28th ECCB@40 ECCU School Quiz

ECCB@40 Virtual Museum Promotion

ECCB@40 Reflections and Conversations

OCTOBER

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

ECCB@40 Virtual Museum Promotion

ECCB@40 Reflections and Conversations

1st ECCB@40 Church Service

1st ECCB@40 Family Fun Day

5-6th ECCB@40 Regional Youth Parliament

21st ECCB@40 Creative Arts Festival and Island Night

NOVEMBER

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

ECCB@40 Virtual Museum Promotion

ECCB@40 Reflections and Conversations

8-10th ECCB@40 Global Conference - St Kitts and Nevis

8th Sir Arthur Lewis Memorial Lecture & Cocktail (6:30p.m.)

9th ECCB@40 Global Conference and Launch of the ECCB Policy Handbook

10th ECCB@40 Excursions on St Kitts and Nevis

DECEMBER

ECCB@40 Spotlight on ECCB Children's Connection Radio Programme

ECCB@40 "Did You Know?" Series*

9th ECCB@40 Gala and Awards

15th ECCB@40 Thank You Fete

**ECCB@40 "Did You Know?" Series will air every Monday during morning and evening news on ECCU national radio stations through December.*



WWW.ECCB-CENTRALBANK.ORG

- As part of its targeted people management strategy, the ECCB
- maintained a strong emphasis on leadership growth and
- development, focusing on building talent, a robust succession
- pipeline, good governance, employee health and wellness, and
- relevance.

SUPPORT FOR STAFF WELLBEING, DEVELOPMENT, CREATIVITY AND INNOVATION

In its quest for best fit employees to advance the Bank's strategic goals, ten (10) new staff members were carefully selected to join the ECCB team following selective recruitment and selection processes to onboard best fit candidates. Additionally ten (10) citizens from ECCB member countries accepted and participated in targeted internships in five(5) departments, contributing meaningfully and positively to the work of the ECCB and the wider ECCU, whilst building their own knowledge base and experience.

Strategic staffing actions included opportunities for upward mobility through promotion for approximately 8.0 per cent of staff. The ECCB's turnover ratio for the year 2023 was 5.0 per cent. This ratio doubled the recorded ratio from the previous year. The Bank recognised, there would be waves in the movement of staff given various influences including tenure, global dynamics and attrition.

Retention of key talent remained a priority for the Bank with continued focus on promoting and providing flexible work hours and options. There was also continued focus on providing and maintaining a robust suite of policies that offer mutual benefit to staff and the organisation. Commitment to the ongoing development of the workforce was also undertaken through continued assessment and alignment of staff for sustained optimal organisational effectiveness. In addition, the Bank also commenced its *Coffee*

and Conversations, an engagement initiative where staff had the opportunity to share their employee experience with the Human Resource Department in an intimate and informal setting.

Compensation and Benefits Management

Compensation and benefits are key drivers in recruiting, attracting and retaining employees. The Bank, being cognisant of this, continued to ensure that its compensation and benefits package remained attractive to new talent and its current employees.

The Bank engaged and partnered with Korn Ferry, a global HR consulting organisation, in 2021 to review roles (via job evaluation) and conduct a competitive compensation and benefits study against a select peer group. Additionally, the Bank undertook a salaries and allowance review for triennium 2022 – 2025. Based on the recommendations, approval was granted for a 2.0 per cent salary adjustment to cushion inflation for the years 2023 – 2024 and 2024 – 2025.

Acknowledging the rising healthcare costs and its possible financial burden, an increase was recommended and approved for the maximum medical loan amount to be increased from \$27,000.00 to \$120,000.00 or the equivalent of the staff member's annual gross salary, whichever is less. The maximum unsecured loan amount was also increased to \$54,000.00. These changes are meant to augment staff members' financial access to quality healthcare and widen options available to them.

Health and Wellness

The COVID-19 pandemic set the stage for a bigger and better focus on health and wellness in the workplace. This post pandemic era demands greater innovation, flexibility and increased agility to create and maintain a healthy, high-performing work culture. The Bank demonstrated its commitment to supporting this higher call for greater focus on health and wellness by using a hybrid approach in the workplace with two days remote and three days in office. This model allowed employees to work in a less crowded work environment while also allowing the flexibility to work from home in support of work/life balance.

Mental health continued to be high on the Bank's agenda, by ensuring that employees have the opportunity to access mental health services in a comfortable and confidential manner. In support of this thrust, the Bank introduced a second counsellor to its pool of service providers.

The Bank also participated in a Healthy Business Challenge, an annual initiative of the St Kitts Ministry of Health aimed at supporting workplaces with their implementation of a health and wellness programme. The ECCB emerged the winner for the second time consecutively. The Healthy Business Challenge is designed as an annual programme divided into three-four month sections. Businesses are given a challenge and judged in the categories of healthy eating, physical activity, and overall health and wellness.

As part of the Challenge, two major health screening initiatives were organised over the last year led by the Healthy Business Challenge Committee in July and November 2022. The health screening in November 2022 also included breast cancer screening made possible through another initiative jointly organised by the St Kitts and Nevis Ministry of Health, Wellpoint Medical & Oncology, and the St Kitts and Nevis Cancer Society.

Training and Capacity Building

Over the past year, the Bank provided learning and growth development opportunities to staff through in-house and external training sessions that focused on upskilling staff's the technical and soft skills. The Bank's leadership development programme, Emerging Leaders Programme 2.0, took the form of a refresher in targeted areas for the participants of the past three cohorts. Additionally, the Bank was pleased to offer continued support to applicable and approved staff, in their personal development, by providing financial reimbursement of the cost of tuition on successful completion of degree programmes.

In addition, the Bank participated in an internship facilitated by The World Bank as part of the Reserves Advisory Management Partnership (RAMP) for the members of the Risk and Analytics Unit (RAU). The RAU is responsible for compliance monitoring and performance reporting on the Bank's foreign reserve fixed income portfolios. The internship was pivotal to the ongoing development of the Middle Office function within the Bank's foreign currency reserve management infrastructure.

IMPLEMENTATION OF BUSINESS CONTINUITY MANAGEMENT SYSTEM

The Bank advanced the implementation of its Business Continuity Management System (BCMS) and is in the process of implementing the IT Recovery Strategy, which is required for testing and exercising of the Scenario Plans for departments. During the upcoming year, the BCMS policy will be reviewed and updated to incorporate the requirements from the latest standard for BCMS ISO 22301:2019.

Effective risk management continued to be a priority area; hence, during the upcoming year, the Bank will prioritise the implementation of the Key Risk Indicator (KRI) Framework to provide greater clarity to the risk management process. The aim of the KRI framework is

to foster the development and implementation of key risk indicators across the Bank, based on international standards and best practice, which would in turn improve risk oversight, and strengthen the Bank's risk management practices.

INTERNAL AUDIT FUNCTION

During the financial year, the Bank undertook two major audits geared at increasing its operating effectiveness and development.

The Disaster Recovery Business Continuity (DRBC) is critical to ensuring that the Bank builds into its processes, the ability to quickly restore its operations in the event of a disaster or service interruption. The audit focused on an assessment of the supporting processes underpinning the DRBC framework. The specific objectives were:

- Determine whether a DRBC project plan was developed to adequately meet the Bank's needs and milestones for implementation;
- Assess the Bank's current level of preparedness for disruptive events and continuity of critical business functions;
- Determine whether current Business Continuity Management Plans conform to recommended/industry best practices; and
- Determine whether the draft Business Continuity Plan is aligned with the Bank's 2022-2026 strategic objectives.

This is a critical area for the organisation as it serves eight member countries and a disaster impacting any of the countries should not have an adverse impact on the stakeholders in the other countries as the Bank would still be required to continue its operations.

Underpinning everything that the Bank does is its staff, whether examining technology driven processes, or human enabled operations. Consequently, the Bank must ensure not only that it has the right staff in the right positions, but also that its staff are adequately

trained to keep pace with the advancement in best practices across the industries of its core businesses.

The Training and Staff Development and Performance Management review focused on assessing the Human Resource Department's alignment with the Bank's strategic and business objectives. The specific objectives were as follows:

- ✓ Evaluate whether the department's training and staff development policies and processes were effective and aligned with the Bank's strategic objectives and direction;
- ✓ Determine whether the Bank had adopted best practices in relation to training and staff development; and
- ✓ Determine the effectiveness of the performance management programme and system.

CURRENCY MANAGEMENT

As at 31 March 2023, the value of currency in circulation continued to trend upwards, increasing to \$1,491.60 million. Banknotes accounted for \$1,360.92 million or 91.24 per cent, coins in circulation amounted to \$128.23 million or 8.60 per cent and digital currency (DXCD) in circulation amounted to \$2.45 million or 0.16 per cent. The aggregate currency in circulation at the end of the financial year reflected an increase of \$84.46 million (6.00 per cent) above the total in the previous financial year.

During the period, the Bank continued its focus on the management and issuance of all polymer banknotes denominations. The robust polymer substrate continues to improve the average lifespans and improve the durability of the issued banknotes. The effectiveness of various anti-counterfeit features is evidenced by the very low rates of counterfeit notes detected. Despite the low incidence of counterfeiting, the Bank has continued to be pro-active in its approach to mitigate the threat of counterfeiting. The Bank's long-running *Know Your Money* training programme

for the public was, for a second year, hampered by the COVID-19 pandemic and the prevalence of remote working.

The ECCB continued its participation in commemorative

coin programmes with its international partners which realised significant receipts in royalties during the financial year. The Bank's royalty programme continued to perform well, and during the year, royalties from the minting and sale of numismatic coins increased.

Chart I - Total Currency in Circulation as at 31 March 2023

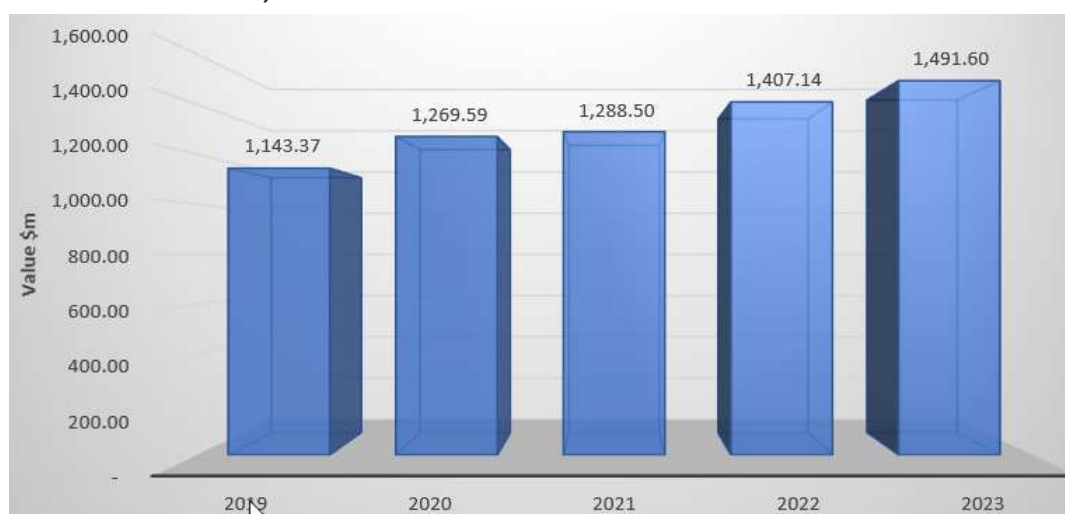


Chart II - Total Currency in Circulation: Notes, Coins, Digital as at 31 March 2023



CONSULTATIVE MEETINGS WITH ECCU DEVELOPMENT BANKS AND FINANCIAL SECRETARIES

During the course of the financial year, the Bank engaged key stakeholder groups: the Development Banks and the Financial Secretaries.

While the Development Banks are not regulated by the ECCB, they inhabit an important place within the wider ECCU financial space, playing a critical role in the development of the member countries. The Bank held two consultative meetings with the Development Banks: the first meeting in July 2022 focused on the theme, “Fostering Resilience and Innovation in Development Banking in the Eastern Caribbean Currency Union”, while the second meeting in January 2023 was held under the theme: *Building Resilient Development Banks to Support the Transformation of the Eastern Caribbean Currency Union*.

In a similar vein, the Bank met twice with the Financial Secretaries who are at the forefront of policy development and implementation in their countries. The July 2022 meeting explored the theme: *The Fiscal Dilemma: Building Fiscal Resilience while Supporting Economic Recovery and Growth*; which highlighted the complexity of the current policy environment and the difficult policy choices confronting the member countries. The October 2022 meeting reflected on the theme: *Distilling Lessons, Leveraging Fiscal Solutions, and Calibrating Fiscal Management Post-COVID-19*.

INTERNATIONAL MONETARY FUND 2022 ECCU COMMON POLICIES CONSULTATION

The 2022 International Monetary Fund (IMF) Annual Common Policies Consultation with the ECCB took place virtually for a second consecutive year due to concerns at the time about the ongoing pandemic.

The Consultation took place in May 2022. This annual engagement is a key event in the Bank’s calendar as it

affords the Bank an opportunity for peer exchange with the IMF staff, and provides support for the policies of the member countries, since the IMF is a major source of support to the Region.

The IMF mission team engaged the Executive, management and staff of the Bank on the policy priorities for the Region, including the need to address pandemic “scars” and to bolster the region’s recovery. The mission also provided a forum for a joint research seminar for the ECCB to make a seminal presentation on the topic: *National Fiscal Rules and the COVID-19 Pandemic: The Case of Grenada*. The presentation delved into Grenada’s fiscal rules as a model for fiscal governance for small developing countries. The IMF Staff Report on the 2022 Consultation can be accessed on the [IMF website](#).

NEW WEBSITE

The ECCB made great progress on the re-design of its website. The new, state-of-the-art website will create an interactive and more user-friendly experience for users as they navigate the site. Users will also be afforded the opportunity to interact with a new statistical module where they will be able to manipulate the data to create various charts, graphs and tables from various datasets from the eight ECCB Member Countries.

Work toward finalising the project continued with an expected completion date of 30 June 2023.

COUNTRY OUTREACH MISSIONS



After a two-year pause due to the pandemic, the Bank resumed its Country Outreach Programme in May 2022. The Programme is an important feature in the Bank's public engagement strategy. The first visit in the renewed series of engagements was to Anguilla. That was followed by missions to Montserrat in June 2022, Saint Lucia in July 2022, Saint Vincent and the Grenadines in September 2022, Grenada in October 2022 and Saint Christopher (St Kitts) and Nevis in February – March 2023.

The engagements centred on a presentation styled: "ECCU Performance and Prospects". The presentation provided an overview of recent economic performance and outlook for the economy of the ECCU and the respective member country, in light of the recent and current economic shocks from COVID-19, the war in Ukraine and commodities. The presentation also highlighted progress made to date on the Bank's strategic priorities.

The Governor and team held sessions with various stakeholder groups, which provided an opportunity to advocate for the passage of critical pieces of legislation required to support the reform initiatives in the region. During the missions, stakeholders availed themselves of the opportunity to share candidly, the policy issues that were top of mind for them. The cross-cutting issues included the rising cost of living, banking and financial inclusion, renewable energy, financial sector stability, and regional transportation.



6th Growth & Resilience Dialogue

GRD 2022

| Climate Resilience: Securing the Future of Small Island Developing States

6-7 April 2022

“Insightful, informative, educational and innovative” were among the positive descriptions participants used to describe their two-day experience at the 6th Growth and Resilience Dialogue held virtually on 6-7 April 2022 under the theme, ‘Climate Resilience: Securing The Future of Small Island Developing States’.

This annual capacity building forum, held in partnership with the OECS Commission, The World Bank and the University of the West Indies (UWI), has been successful at providing a platform for sharing challenges, analyses, experiences, lessons learned, and innovative solutions based on domestic and global trends, to address fragility and build lasting resilience in the OECS region. The Forum forms a critical part of the growth agenda of the ECCU, and attracts broad-based global participation from technocrats, industry and thought leaders in the public and private sectors, academia, social partners, and the wider public.

Guided by the theme, the Dialogue issued a clarion call to all constituents to get more involved and act immediately to address climate change and build resilience.

Dialogue presenters highlighted the need for stakeholders to:

1. collectively construct and invest in regional alliances and networks to build a regional energy green infrastructure;
2. foster cutting edge solutions and scale up

beyond the pilot phase;

3. implement strong integrated systems to tackle climate change;
4. pay attention to climate risk and devise a climate action plan that goes beyond the hurricane season;
5. educate the population about climate change and health and nutrition to positively influence health decisions;
6. recognise and reflect on constituents’ actions the understanding that climate change and health care are inextricably linked; and
7. embed data science as one of the key underpinnings of the region’s decision making and policy architecture.

During the year, significant work was undertaken to plan and prepare for the hybrid 7th Growth and Resilience Dialogue, which would be hosted during the first quarter of the 2023-2024 financial year.



[View presentations from 6th Growth and Resilience Dialogue](#)

SAVE THE DATE

25-26 APRIL 2023

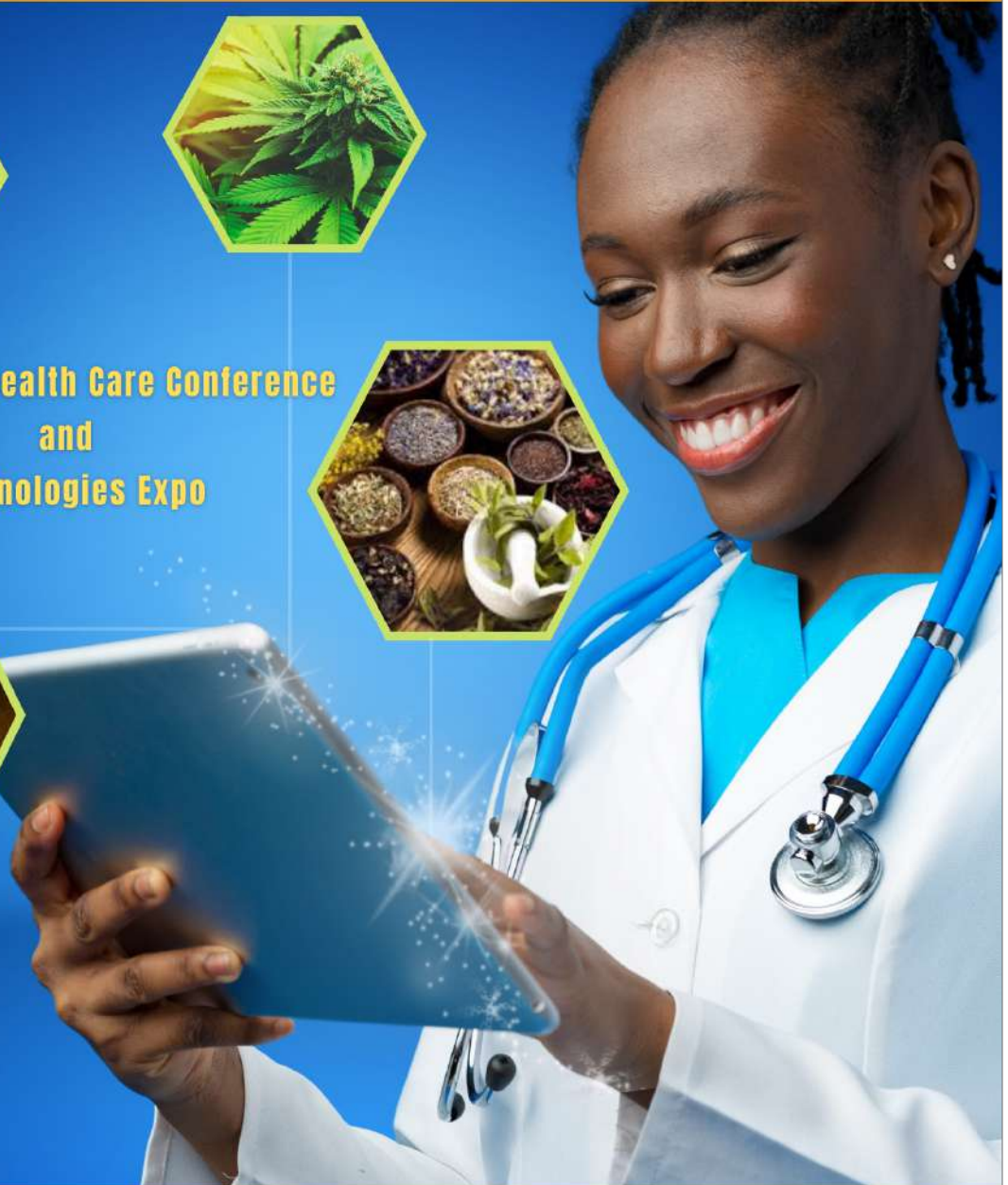
8:30 am - 1:00 pm (AST)

7th GROWTH AND RESILIENCE Dialogue

An Appropriate and Sustainable Model for Health Care in The ECCU/OECS
Agile Infrastructure Traditional Medicine Medicinal Cannabis



Free Virtual Health Care Conference
and
Technologies Expo



grd@eccb-centralbank.org

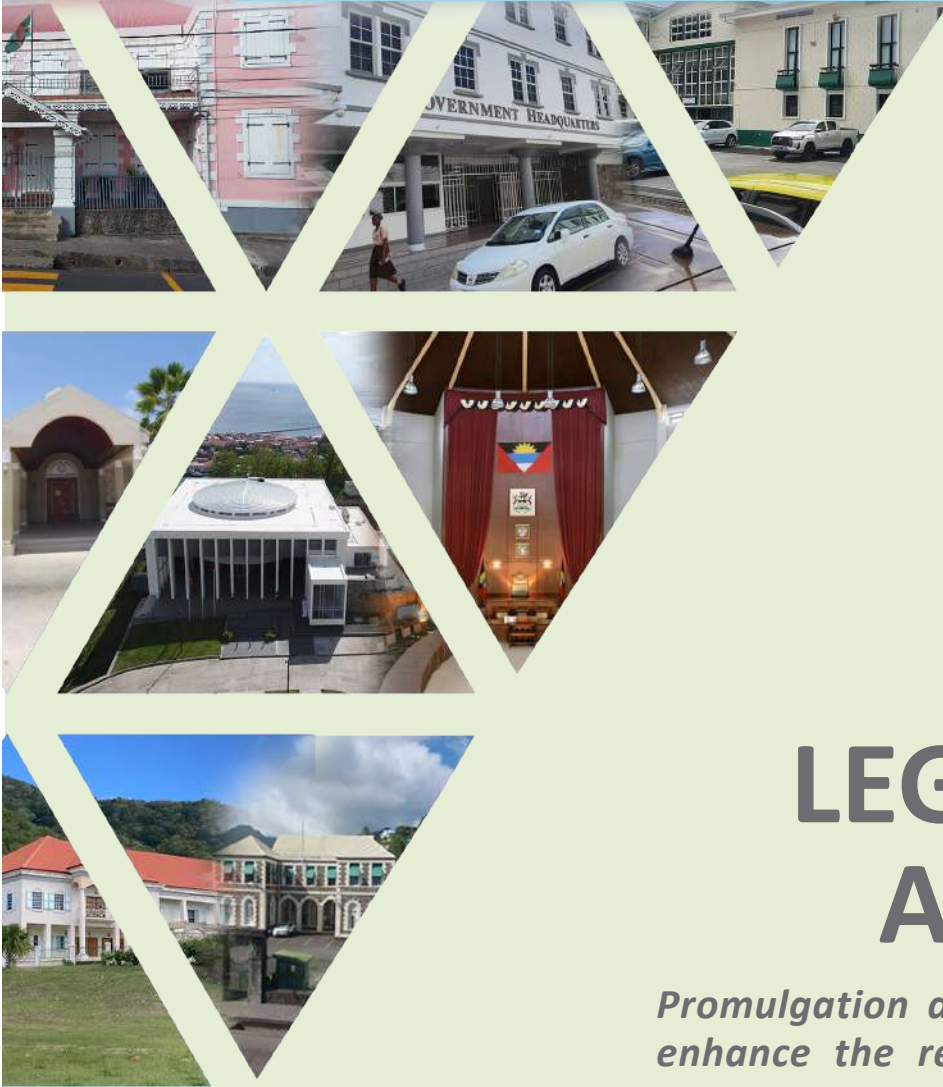


OECS
Organisation of Eastern Caribbean States
One Community - Growing Together



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP





LEGISLATIVE AGENDA

*Promulgation and enactment of legislation to
enhance the resilience of the ECCU financial
sector*

- The Bank made significant progress in its efforts to complete the implementation of the Legislative Reform Programme aimed at enhancing the resilience of the ECCU financial sector.
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During the year, the Bank made significant progress in its efforts to complete the implementation of the Legislative Reform Programme aimed at enhancing the resilience of the ECCU financial sector. As a result of its continued engagements with the respective member governments to secure promulgation of outstanding legislation, the enactment of legislation proposed by the Bank is approximately 75.0 per cent complete in member countries.

The Bank places on record its appreciation to the member countries for their efforts in ensuring the passage of these pieces of legislation and will continue to work with the remaining member countries to ensure the completion of the legislative regime in the Currency Union.

BANKING (AMENDMENT) ACT

During the year, the Bank continued to consult with member governments towards facilitating the enactment of the Banking (Amendment) Bill in all ECCU member countries.

To date, the Bill has been enacted by six member countries.

AMENDMENTS TO AML/CFT LEGISLATION

The Bank continued to support member governments in enacting amendments to the existing Anti-Money Laundering/Counter Financing of Terrorism legislation which facilitates a shift in the supervisory and regulatory responsibility to the Bank, for anti-

money laundering and counter financing of terrorism for financial institutions licensed under the Banking Act. To date, four member countries have passed the amendments conferring that authority on the Bank.

Saint Vincent and the Grenadines under its Anti Money Laundering and Terrorism Financing Regulations issued under the Proceeds of Crimes Act 2013, had already named the ECCB as the AML/CFT supervisory authority.

BANKING (LICENCES) REGULATIONS

The Bank continued to follow up with member governments on the Banking (Licences) Regulations intended to operationalise the general provisions under the Act which deal with the application for a license to carry on banking business and the application for a license for a financial holding company. To date, the Regulations have been issued by six (6) member countries.

BANKING (ABANDONED PROPERTY) REGULATIONS

The Bank has revised the captioned Regulations for consistency with the rules governing the processing of abandoned property under the Banking Act, 2015. The Regulations are intended to replace the current Regulations dealing with abandoned property. Importantly, in relation to the administration of abandoned property in safe deposit boxes, the contents are to be handled by the Ministry of Finance.

The draft Regulations were submitted to Member

Governments in April 2020 for issuance. To date, the Regulations have been issued by seven member countries.

DEPOSIT INSURANCE

The Bank continued its efforts towards the development of a deposit insurance system to protect depositors of licensed financial institutions from the loss of their deposits, in full or in part.

During the year, the Bank completed the first draft of an Eastern Caribbean Deposit Insurance Corporation Agreement and Bill. The Agreement and Bill, together with the policy framework, were submitted to key stakeholders, including, the Financial Secretaries, Attorneys General, commercial banks, credit unions, and single regulatory units/Financial Services Regulatory Commissions (FSRCs) for comments.

The Bank continues to receive comments from stakeholders which are expected to inform the final draft of the Agreement and Bill.

The deposit insurance system would form part of a broader and multi-faceted financial safety net programme in the ECCU. Coverage and funding are key factors in operationalising a deposit insurance system and are provided for, in the legislation.

CREDIT REPORTING BILL

The Bank continued to encourage member governments to bring the Credit Reporting Bill and Regulations into force. The development of a credit reporting infrastructure would allow for the local credit markets to function more efficiently by providing financial institutions and other lending institutions with an additional mechanism to evaluate the creditworthiness of their customers and monitor their credit circumstances. To date (6) member countries have passed the Bill and the Regulations have been issued in four countries.

HARMONISED INSOLVENCY AND BANKRUPTCY LEGISLATION

During the year, the Bank continued to partner with the World Bank Group (WBG) to identify a roadmap of activities that would facilitate the development of a modern insolvency/bankruptcy framework in the ECCU.

VIRTUAL ASSET BUSINESS BILL

During the year, the Bank continued to follow up with member governments on the enactment of the Virtual Asset Business Bill which was submitted to the member states in November 2020 for enactment. The Bill has been passed in six (6) member countries.

Completion of Virtual Asset Business Legislative Regime

Recognising the importance of completing the legislative framework for virtual asset business in the ECCU, the Bank has secured technical assistance through the Caribbean Digital Transformation Project (CARDTP) to engage a Consultant to assist in completing the legislative regime for the regulation and supervision of virtual asset business in the ECCU. Specifically, the technical assistance is aimed at reviewing the Virtual Assets Business legislation and engaging with national regulators on regulatory and supervisory issues affecting the sector, which would inform draft regulations for virtual assets business and guidelines for licensees. Draft Virtual Assets Business Regulations have been developed for discussion with member countries.

It is expected that the legislative framework for virtual asset business in the ECCU will contribute to maintaining the integrity and stability of the ECCU financial sector, promote a sound enabling environment for provision of virtual assets services and facilitate innovation in the sector.

ENHANCING CAPACITY IN THE ECCU

To support policymakers in building capacity in the area of licensing and supervision of E-Money and virtual assets, the Bank in collaboration with the UN Capital Development Fund (UNCDF) under the Caribbean Digital Transformation Project (CARDTP), secured a number of training and certification courses aimed at enhancing capacity in respect of virtual asset business. The courses are being provided at no cost to participants.

The Bank, through the CARDTP and UNCDF, has also secured technical assistance towards the development of a supervisory framework for virtual asset business in the ECCU. This is being coordinated through a technical working group of the Regulatory Oversight Committee.

AMENDMENTS TO PAYMENT SYSTEM (EASTERN CARIBBEAN AUTOMATED CLEARING HOUSE SYSTEM) RULES, 2021

The Amendments to Payment System (Eastern Caribbean Automated Clearing House System) Rules, 2021 seek to broaden the Central Bank's power in relation to the classes of financial institutions it may admit as direct participants in the ECACH, thereby opening access to the ECACH and facilitating the participation of other financial institutions such as credit unions. The rules have been published in six member countries.

REGISTRATION OF DXCD TRADEMARKS

In preparation for the full implementation of the Bank's digital cash project, the Bank made significant progress in the registration and protection of the DXCD trademarks in all the ECCU member countries. To date, the marks have been registered in seven member countries.

Financial Results

- *The ECCB's asset base increased by \$103.6 million*
- *Foreign Assets grew by \$31.6 million*
- *Domestic Assets rose by \$72.0 million*
- *The Bank recorded a net loss of \$54.5 million*

STATEMENT OF FINANCIAL POSITION

The ECCB's asset base increased by \$103.6 million (1.8 per cent) to \$5,937.5 million as of 31 March 2023. The growth in total assets was driven by increases in Foreign Reserves and Domestic Assets.

Foreign Assets grew by \$31.6 million (0.6 per cent), primarily due to inflows of loans to Participating/ Member Governments from international institutions and the purchase of foreign and regional currency notes from commercial banks. The growth in Foreign Assets was mitigated by a depreciation in the market value of Foreign Investment Debt Securities and U.S. Agency Mortgage-Backed Securities and the net sale of foreign balances to commercial banks.

Domestic Assets rose by \$72.0 million (12.1 per cent), attributable to increases in Participating Governments' Advances, Participating Governments' Securities, Property and Equipment and Intangible Assets moderated by the reduction in Pension Asset. Participating Governments' Advances and Participating Governments Securities increased by \$61.2 million and \$8.8 million, respectively, due to the extension of credit to Member Governments. Property and Equipment and Intangible Assets increased due to the acquisition of fixed assets and computer software. Pension Asset fell by \$3.2 million, owing to reduced returns on investments in the Bank's defined benefit pension plan.

Chart III - Total Assets (\$ Millions)

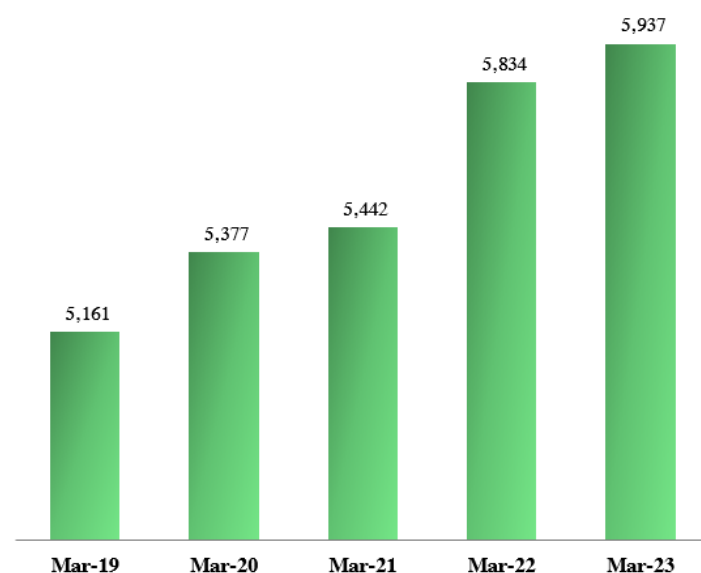
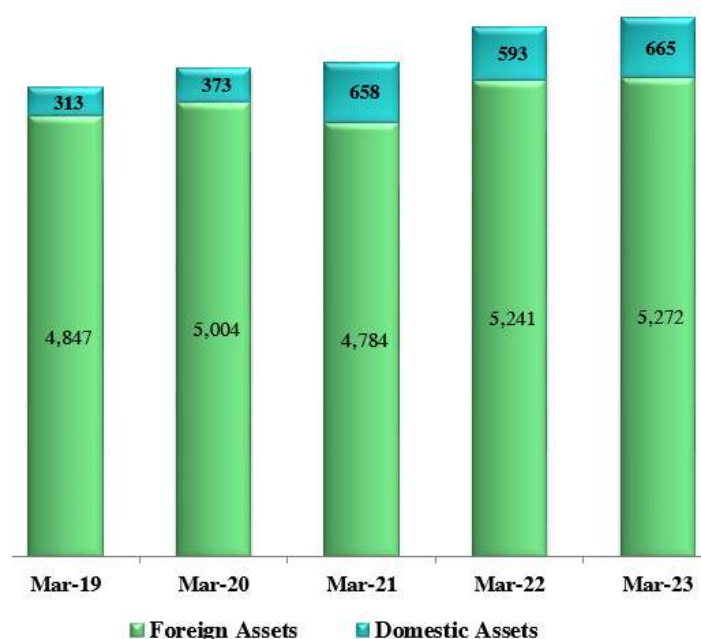


Chart IV - Composition of Assets (\$ Millions)



Total Liabilities increased by \$174.9 million (3.1 per cent) to \$5,757.3 million year-over-year, principally due to increases of \$108.1 million in Commercial Banks' Reserve balances and \$84.3 million in Currency in Circulation. The aforementioned increases were offset by decreases of \$32.8 million in Participating Governments' Call accounts and \$28.6 million in Participating Governments' Operating accounts.

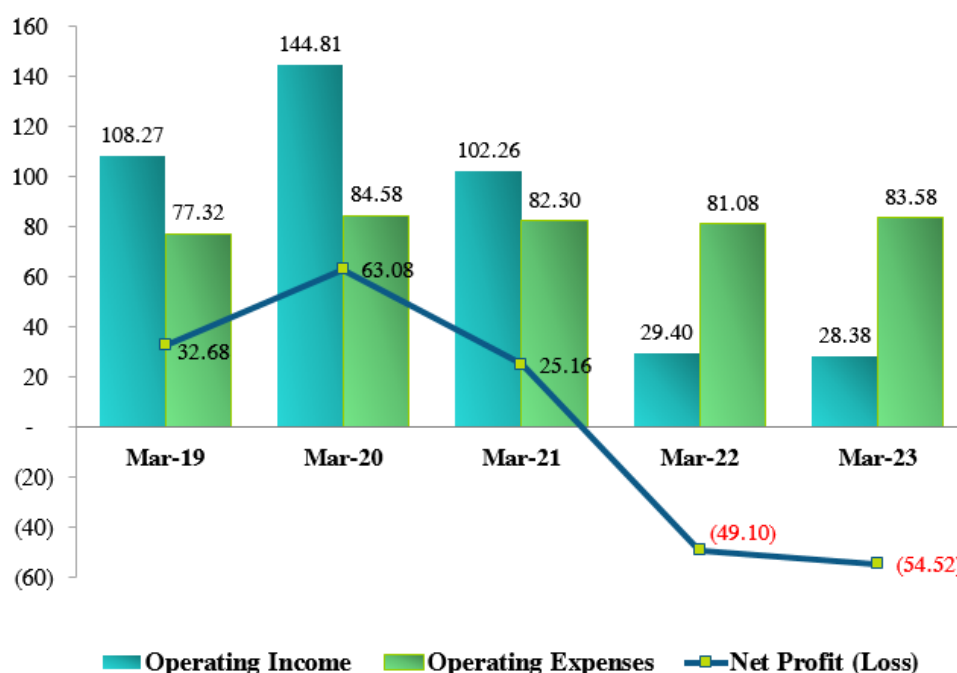
Total Equity decreased by \$71.2 million (28.3 per cent) to \$180.2 million. The decline was principally due to a

reduction of \$55.7 million in General Reserve due to the utilisation of the fund to cover the Bank's net loss for the year ended 31 March 2023 and the transfer of \$1.1 million to the Pension Reserve. The fall-off in Total Equity was also attributable to a decrease of \$12.3 million in Revaluation Reserve on Foreign Investment Securities due to unrealised valuation losses on these instruments over the year. Additionally, Pension Reserve decreased by \$3.2 million due to the recording of actuarial losses on the Bank's defined benefit pension plan.

STATEMENT OF PROFIT OR LOSS

The Bank recorded a net loss of \$54.5 million for the year ended 31 March 2023, an increase of \$5.4 million compared to a net loss of \$49.1 million in the previous financial year. The deteriorated performance was largely driven by significant losses on the sale of foreign investment securities and U.S. Agency Mortgage-Backed Securities, as the Bank repositioned its foreign reserves portfolio, considering global interest rates rose rapidly over the financial year. These losses were offset by increases in interest income earned on foreign investment securities and money market instruments due to the higher interest rates resulting from the Federal Reserve Bank's aggressive monetary policy in response to high inflation in the United States of America.

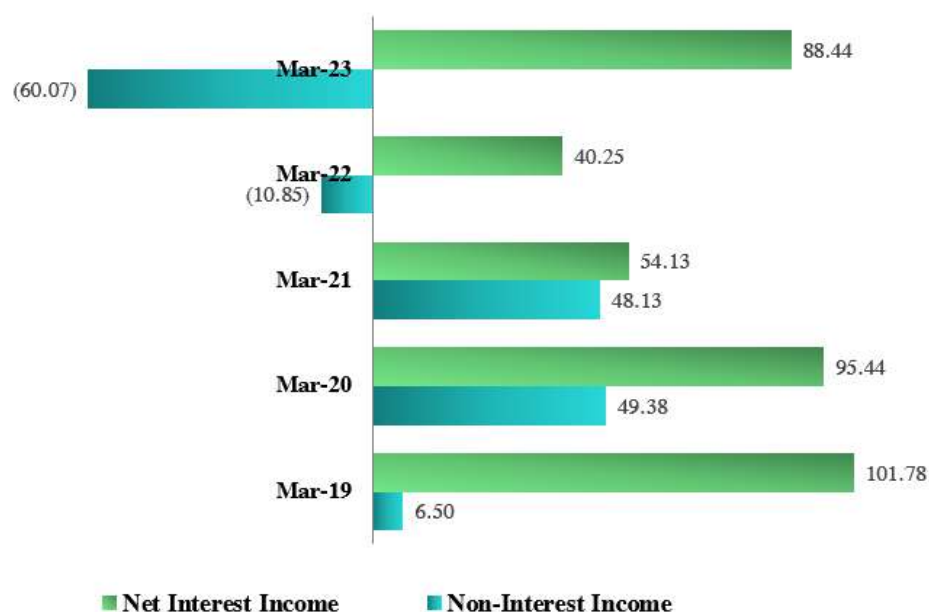
Chart V - Operating Results (\$ Millions)



Operating Income for the year ended 31 March 2023 fell by \$1.02 million (3.5 per cent) to \$28.4 million year-over-year. The decrease in Operating Income was caused by increases of \$32.2 million in realised losses on the sale of foreign investment securities and \$18.6 million in net losses on U.S. Agency Mortgage-Backed Securities and To-be-announced Securities. The rise in realised losses on the sale of foreign investment securities was due to the disposal of foreign debt

securities as the Asset Managers repositioned the Bank's portfolio amid the rising interest rates environment. Losses on U.S. Agency Mortgage-Backed Securities increased after the Bank liquidated its MBS holdings due to volatility in the market value of these interest-sensitive instruments. The reductions in the sources of revenue mentioned above were partially moderated by an upsurge of \$48.2 million in net interest income and \$4.0 million in Commission Income.

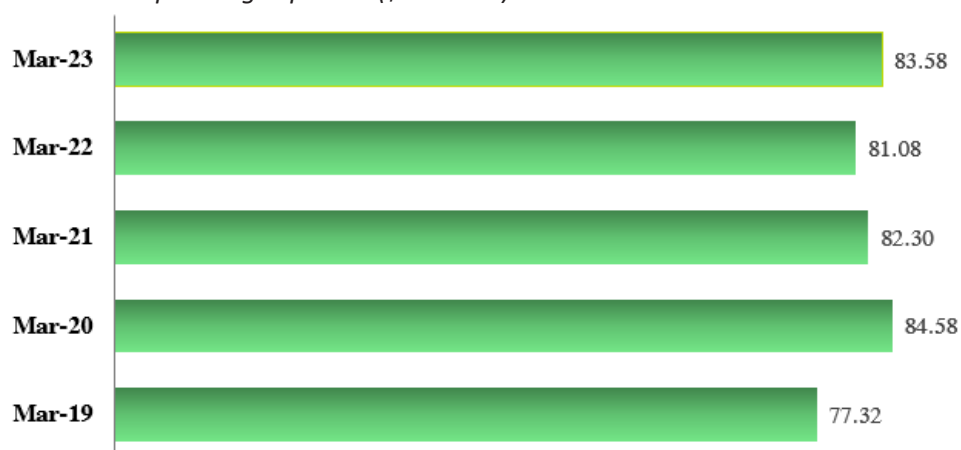
Chart VI - Operating Revenue (\$ Millions)



Net Interest income increased to \$88.4 million for the year ended 31 March 2023 compared to the previous financial year, mainly on account of higher interest earned on the foreign reserve assets. Interest income on foreign investment securities, money market instruments and money at call and U.S. Agency Mortgage-Backed Securities grew by \$56.3 million, attributable to the growth in interest rates over the reporting period. The overall growth in net interest income was tempered by the decrease of \$6.8 million in interest income on Participating Governments' Securities and an increase of \$1.4 million in interest expense.

Operating Expenses for the year ended 31 March 2023 totalled \$83.6 million, an increase of \$2.5 million (3.1 per cent) from \$81.1 million in the previous year. The increase in Operating Expenses was primarily due to increases of \$7.6 million in Administration and General Expenses and \$1.0 million in Depreciation Expense offset by a decrease of \$5.3 million in Impairment Losses on Financial Assets. The increase in Administrative and General Expenses was mainly attributable to a rise in General Supplies and Services Expenses, Professional Fees and Travel Expenses. Moreover, the reduction in Impairment losses on financial assets was due to the decline in the loss allowance on Accounts Receivables.

Chart VII - Operating Expenses (\$ Millions)



FINANCIAL STABILITY



PAYMENT MODERNISATION
AND FINANCIAL INCLUSION



ENVIRONMENTAL, SOCIAL AND
CORPORATE GOVERNANCE



DIGITAL TRANSFORMATION



ORGANISATIONAL EFFECTIVENESS
AND DEVELOPMENT



Areas of Focus 2023 - 2024

Departments across the Bank will undertake various strategic initiatives which together will facilitate the achievement of the strategic objectives as set out in the 2022-2026 Strategic Plan.

FINANCIAL STABILITY

As a part of its internal audit assurance work programme for the financial year, the Bank will conduct an audit of the Regional Governments Securities Market (RGSM). This review will examine the developmental work that the Bank has pursued in that space. This audit is timely, as stakeholders across the currency union seek reputable investment options.

The ECCB will continue efforts towards its readiness for full implementation of the new International Organisation for Standardisation (ISO) standard that should be adopted in November 2025.

The ISO has developed a new standard (ISO20022) for payment messaging which will provide enhancements and improved efficiencies in the processing of financial transactions. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) is facilitating the adoption of the ISO20022 Programme that will establish this new messaging service. Following four years of coexistence, the corresponding legacy SWIFT MT messages will be decommissioned on the SWIFT platform.

In regard to financial system supervision, during the financial year 2023-2024, the Bank will focus on:

1. Strengthening the regulation of Licensed Financial Institutions (LFIs) through the implementation of applicable prudential standards, and aligning the Banking Act, 2015 to best regulatory practices;
2. Enhancing the supervisory framework through the operationalisation of the Basel II/III capital adequacy framework, including implementation of Pillar 1 and Pillar 2 to bolster the capital position and risk management function of LFIs. The way forward includes the issuance of the Pillar 1 Capital Standard, completing the testing phase of the Quarterly Statement of Capital, Income and Expenditure form (PR16), conducting two parallel runs in the second and third quarters of 2023, and go live reporting in quarter four of 2023, to signal the full implementation of Phase I;
3. Enhancing the supervisory framework through the implementation of prudential standards and reporting guidelines for climate-related financial risk; and
4. Drafting new data protection and privacy legislation for the ECCU, under the Caribbean Digital Transformation Project (CARDTP). This legislation is considered integral to a digital payment system and will be informed by the Data Protection and Privacy Policy that was developed with the assistance of The World Bank.

Furthermore, the following work will be advanced:

1. Drafting the Financial Stability Legislation.
2. The development of macro-prudential instruments for the ECCU;
3. Full integration of environmental risks into the analytical frameworks for financial stability including stress testing;
4. Continued macro-prudential surveillance and monitoring of the ECCU's financial sector and Systemically Important Financial Institutions;
5. Production and publication of key research papers and policy notes on financial stability;
6. Publication of the Annual Financial Stability Report;
7. Continued engagement with the Directors of Social Security Systems in the ECCU;
8. Adopting IMF Financial Soundness Indicator (FSI) 2019 Guide as the new compilation framework for compilation of FSIs;
9. Launching the new PR16 reporting form to collect information based on BASEL II/III; and
10. Design of institutional approaches for Financial Market conduct and improve micro-prudential regulation of the financial sector.

PAYMENTS MODERNISATION AND FINANCIAL INCLUSION

A payments system audit is planned for the 2023-2024 Financial Year. This will evaluate the payment system structure within the ECCU as well as the development and enhancement initiatives being undertaken in that area.

The Bank anticipates improvements to the Payment Systems to include:

1. Enhancing oversight of the Payments and Settlement System. In addition to ongoing off-site monitoring of FMIs, on-site inspections will be conducted to assess the extent to which the CPSS-IOSCO PFMI is being observed. The intention is to continuously assess, with a view to strengthening the operations of FMIs in order to mitigate systemic risk.
2. Continuing engagements with ECCU Attorneys General and Parliamentary Counsels on the Payment System and Services Bill and Electronic Retail Payments Regulations, will culminate in an in-person multi-lateral meeting, in the first quarter of 2023, for the finalisation of the draft Payment System and Services Bill and submission to respective Cabinets. The Electronic Retail Payments Regulations will also be finalised and submitted to the ECCB Board and Monetary Council for approval.
3. Finalising the Data Protection and Privacy Policy, which will inform the terms of reference for the consultancy on data protection and privacy legislative drafting for the ECCU.
4. Upgrading of the Payment System Infrastructure. The Bank will focus on the recruitment of a consultant who will evaluate the infrastructure for the RTGS System and the ECACH, and develop a blue print for an instant payment system.
5. Continuing to collaborate with strategic partners (the ECACH and CCCU) to on-board the credit union sector in a safe, efficient and cost-effective manner, in furtherance of the Bank's

open access policy to the ECACH.

6. Promoting data collection of payments systems data by launching the Incident Reporting (PS02) in order to better monitor financial market infrastructures

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Bank will launch its 2022 – 2026 Strategic Plan which focuses on “Transforming the ECCU through Innovation and Collective Action”. Departments across the Bank will undertake various strategic initiatives which together will facilitate the achievement of the strategic objectives. A monitoring software has been procured and will be implemented to assist with the monitoring of and reporting on the delivery of the Plan.

In regard to public education and community outreach thrusts, the Bank will apply a grassroots-based approach to the Financial Information Month (FIM) Festival initiative and expand the scope of the Children's Connection Programme in the coming year.

DIGITAL TRANSFORMATION

The Bank's Internal Audit function intends to pursue the development of its data analytics strategy which will broadly provide a roadmap for the full implementation of data analytics across all segments of the audit process. The strategy will examine the systems required, as well as the required competencies for the programme. It is envisaged that with the adoption of the data analytics programme, there will be gains made in efficiencies and effectiveness of the audit function.

Work on the modernising of appraisal standards in the ECCU, in conjunction with the Royal Institution of Chartered Surveyors (RICS), will conclude early in Financial Year 2023-2024 and will include the implementation of the recommendations from RICS regarding the existing structure of the valuation/appraisal industry in the ECCB member countries and its limitations. The final project report is expected to review the existing legal framework that guides

the work of valuers in the ECCU, and any needed amendments.

The ECCB will continue to coordinate with the International Financial Corporation (IFC) and facilitate the ECCU Secured Transaction and Collateral Registry initiative. The focus will be on assisting the next pilot country, Antigua and Barbuda, to develop the legislative framework into an accommodating Secured Transaction Bill with an enabling collateral registry. Thereafter, the focus will be to assist the Commonwealth of Dominica and Grenada towards their adoption and adaptation of the Bill.

The Security Interest in Movable Assets Bill was enacted in Saint Lucia following a series of meetings and consultations. Awareness sessions were also held with national focal points from the other ECCB member countries to familiarise them with the initiative, its purpose, and benefits.

The debt systems for the remaining ECCB member countries will be migrated to Commonwealth Meridian as a support service for the old debt system, Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), which is expected to end in June 2023.

The integration of technology, through data analytics and visualisation will continue to be a critical area of focus for the Bank. In the area of statistical development, the Bank will implement a Now-Casting Framework for the ECCU member countries using EViews. This development work will yield a more dynamic and efficient framework for the update of the GDP estimates and forecasts for the ECCU member countries.

ORGANISATIONAL EFFECTIVENESS AND DEVELOPMENT

Internal Audit

One of the major Key Performance Indicators (KPIs) under the Bank's current strategic plan is the

improvement of stakeholder satisfaction. The Bank intends to conduct stakeholder analyses to determine areas for further development with its delivery, in pursuit of its mandate.

Foreign Reserves Management

The Bank will seek to strengthen the management of Foreign Reserves by:

1. Relooking the risk appetite of the Bank while keeping in mind the backing ratio;
2. Giving consideration to the Bank's sensitivity to accounting losses and to enhancing the decision making process regarding foreign reserve management; and
3. Further operationalising the Risk and Analytics Unit.

ECCB Blog

The Bank will leverage additional functionalities on its new website to enhance the Blog product for the benefit of readers. Besides the enhancements in the user experience with the Blog platform, the Bank will focus on delivering insightful and impactful blog pieces, informed by the most salient policy issues for the ECCU public.

ECCB Digital Dialogues

After the hiatus from its virtual public engagement initiative during the 2022-2023 financial year, the Bank will seek to revive the Digital Dialogues. It will bring a fresh lineup of expert panels for conversations on topical issues and engage the ECCU public in the discourse.

Monetary Council Policy Sessions

The Bank will continue to use its convening power to bring together its various partners and stakeholder groups around the Region's resilience and transformation agenda. The Bank will engage the Monetary Council in Policy Sessions, organise Consultative Meetings with Development Banks and

Financial Secretaries, as well as host the IMF mission for the 2023 Common Policies Consultation.

Capacity Building

Efforts will continue in developing subject matter experts in the areas of information technology, cyber security, climate-related financial and environmental risk, and data analytics and visualisation. Additionally, the Bank will seek to build capacity in the area of payment system oversight, and initiatives will also be extended to the designated FMIs in order to strengthen their operations.

Key Risk Indicator Framework (KRI)

The Bank will prioritise the implementation of the Key Risk Indicator (KRI) Framework to aid greater clarity in the risk management process during the upcoming financial year in order to further enhance the risk management function across the institution. The Bank will also implement the IT Recovery Strategy as part of its Business Continuity Management System (BCMS) Policy implementation, to facilitate the testing and exercising of the Scenario Plans for departments and subsequently finalise the attendant business continuity plans. In addition, the BCMS policy will be reviewed and updated to incorporate the requirements from the latest standard for BCMS ISO 22301:2019.

Compliance

The Bank will implement its compliance function during the upcoming year to ensure that departments adhere to both internal policies and procedures and the Bank adheres to regulatory requirements.

Technical Support

The ECCB will collaborate with The World Bank to develop a strategy for retail investors to improve the diversification of government funding sources and expand the investor base. The technical support from The WB will focus on four broad areas:

1. Supply side of the market, the minimum investment amount and the distribution channels;
2. Market infrastructure;
3. Costs/fees involved in distribution channels; and
4. Communication channels and an educational programme.

Surveys

The Bank will conduct customer satisfaction and staff engagement surveys, and prepare reports with the findings. It will also introduce new datasets on the Statistics Page of the Bank's new website.

Human Resources

The ECCB's people initiatives will again highlight best fit recruitment and selection. Development of succession planning for a stronger internal pipeline and bench strength will also be given priority. Enhanced retention strategies including stay interviews and the continuation of its Coffee and Conversations engagement initiative will also feature.

Additionally, a revamped and operational Human Capital Management and Payroll system as part of a Bank-wide Enterprise Resource Planning (ERP) is expected to bring greater and tangible efficiencies.

Currency Management

The Bank will:

1. Continue management and issuance of the polymer banknotes in co-circulation with paper banknotes.
2. Formalise arrangements with a recycling company/agency for the disposal of shredded polymer banknote wastes.
3. Develop the technical capacity in the use of scientific method of currency forecasting, including data analytics tools and methodology, in collaboration with the Research, Statistics and Data Analytics Department and De La Rue, our

authorised printers of the EC banknotes.

4. Continue training in 'Know Your Money' for cash handlers throughout the Eastern Caribbean Currency Union on the features of the EC polymer banknotes.
5. Initiate public campaigns on the replacement of the Queen Elizabeth II on the bank notes and coins.
6. Conduct Expert Witness training in matters relating to ECCB Banknotes for police and other law enforcement officers in the ECCU.
7. Participate in additional commemorative coin programmes with international partners/agencies and Bank's own commemorative programme.
8. Continue operational involvement in the Digital EC Currency pilot project.

LEGISLATIVE AGENDA

Revisions to the ECCB Agreement

The Bank will seek the approval of the Monetary Council on the proposed amendments to the Eastern Caribbean Central Bank Agreement to enhance the legal framework for accountability and transparency in the Bank's decision making structures for autonomy, accountability and transparency in an effort to strengthen the Bank's governance framework. Once approved, an amendment Bill will be drafted for submission to member countries.

Deposit Insurance Legislation

The Bank will accelerate its efforts towards the creation of a deposit insurance system in the ECCU. Following the finalisation of the Agreement and Bill, consultations will be held with stakeholders across the ECCU region. This consultative process will culminate in the submission of deposit insurance legislation to member countries for enactment.

The legislation will herald the establishment of a deposit insurance system in the ECCU which will be a

critical element in the risk management infrastructure supporting the ECCU financial sector. It will also be aligned with the prudential supervision of licensees which would result in a robust modern institutional framework that will mitigate the risk levels within the sector.

Legal and Regulatory Infrastructure - Macro Prudential Risk-Based Policy Framework in the ECCU

The Bank will advance efforts in developing the legal and regulatory infrastructure to support the establishment of a macro prudential risk based policy framework in the ECCU inclusive of Financial Stability Legislation.

This legislation will confer the statutory mandate for financial stability in the ECCB, as the macro-prudential regulator, and will include a framework to facilitate coordination and cooperation among the respective financial supervisory authorities to address issues of systemic risk and crisis response coordination. Following completion of the policy documents, the legislation will be drafted for submission to member countries.

Establishment of a Modern Insolvency/Bankruptcy Framework in the ECCU

The Bank, in collaboration with member governments and regional and international stakeholders, will support initiatives to bring the region closer to developing a modern insolvency and bankruptcy framework in the ECCU. This will be achieved through the establishment of modern legislation and by strengthening capacity among key stakeholders.

Virtual Assets Business Legislation

During the 2023-2024 Financial Year the Bank will continue to support member countries in completing the legislative framework for virtual assets regulation and supervision in the ECCU.

Specifically, the Bank will be exploring options for continued technical assistance to:

1. Review the existing legislative framework for virtual asset business in the ECCU;
2. Draft amendments to existing legislation;
3. Engage with national supervisors and prepare guidance manuals, policies and procedures on the operationalisation of the virtual asset business legislation in the ECCU;
4. Draft regulations and guidelines for licensees;
5. Prepare templates for periodic reporting;
6. Provide advice on model structures and an optimal institutional framework for the regulation and supervision of virtual assets business in the ECCU; and
7. Support the continued training initiatives for supervisors on the regulation and supervision of virtual assets business.

Following completion of the policy documents, the legislation will be drafted for submission to member countries.

List of Clearing Banks Maintaining Accounts with the ECCB

As at 31 March 2023

Anguilla

- National Commercial Bank of Anguilla Ltd
- Republic Bank (Anguilla) Limited

Montserrat

- Bank of Montserrat Ltd

Antigua and Barbuda

- Antigua Commercial Bank
- Caribbean Union Bank Ltd
- Eastern Caribbean Amalgamated Bank
- FirstCaribbean International Bank (Barbados) Ltd

Saint Christopher (St Kitts) and Nevis

- Bank of Nevis Ltd
- St Kitts-Nevis-Anguilla National Bank Ltd
- Republic Bank (EC) Limited
- FirstCaribbean International Bank (Barbados) Ltd

Commonwealth of Dominica

- National Bank of Dominica Ltd
- Republic Bank (EC) Limited

Saint Lucia

- Bank of Saint Lucia Ltd
- Republic Bank (EC) Limited
- 1st National Bank of St Lucia Ltd
- FirstCaribbean International Bank (Barbados) Ltd

Grenada

- Grenada Co-operative Bank Ltd
- Republic Bank (Grenada) Ltd
- ACB Grenada Bank Ltd
- FirstCaribbean International Bank (Barbados) Ltd

Saint Vincent and the Grenadines

- Antigua Commercial Bank
- Caribbean Union Bank Ltd
- Eastern Caribbean Amalgamated Bank
- FirstCaribbean International Bank (Barbados) Ltd

Independent Auditors' Report and Financial Statements

The financial statements of the Eastern Caribbean Central Bank comprise the statement of financial position as at March 31, 2023, 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.

The financial statements were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (ISAs).



Independent auditors' report

To the Participating Governments of Eastern Caribbean Central Bank

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Caribbean Central Bank (the Bank) as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss for the year then ended;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers East Caribbean, P.O. Box 535, Ram's Complex, Bird Rock, St. Kitts
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A full listing of the partners of PricewaterhouseCoopers East Caribbean is available upon request.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Chartered Accountants
29 June 2023



Eastern Caribbean Central Bank

Financial Statements

31 March 2023

(Expressed in Eastern Caribbean dollars)

Eastern Caribbean Central Bank

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Eastern Caribbean Central Bank

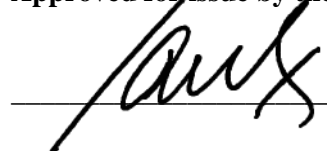
Statement of Financial Position

As of 31 March 2023

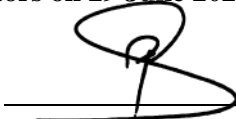
(Expressed in Eastern Caribbean dollars)

	Notes	31 March 2023 \$	31 March 2022 \$
Assets			
Foreign assets			
Regional and foreign currencies		137,783,494	155,391,151
Balances with other central banks	5	17,814,003	13,482,886
Balances with foreign banks	5	1,020,689	692,982
Money market instruments and money at call	6	1,125,192,909	780,769,312
Derivative financial instruments	7	-	60,473
Foreign investment securities	9	3,990,588,778	4,290,360,787
		<u>5,272,399,873</u>	<u>5,240,757,591</u>
Domestic assets			
Cash and balances with local banks		1,150,207	600,759
Domestic investment securities	9	624,186	624,186
Participating governments' securities	10	225,602,673	216,834,892
Participating governments' advances	11	152,201,810	91,017,282
Accounts receivable, prepaid expenses and other assets	12	30,401,927	30,928,080
Investments in associated undertakings using the equity method	13	26,764,949	26,692,155
Intangible assets	14	7,963,998	5,991,182
Property and equipment	15	186,706,837	183,990,157
Right-of-use assets	16	2,684,546	2,209,083
Pension asset	22	30,976,000	34,197,000
		<u>665,077,133</u>	<u>593,084,776</u>
Total Assets		<u>5,937,477,006</u>	<u>5,833,842,367</u>
Liabilities			
Demand and deposit liabilities - domestic	17	5,680,620,668	5,521,949,281
Demand and deposit liabilities - foreign	18	72,055,416	55,169,474
IMF government general resource accounts	19	1,176,612	1,256,870
Derivative financial instruments	20	485,367	1,595,349
Lease liabilities	16	2,918,573	2,414,020
		<u>5,757,256,636</u>	<u>5,582,384,994</u>
Total Liabilities		<u>5,757,256,636</u>	<u>5,582,384,994</u>
Equity			
General reserve		134,889,895	190,598,694
Other reserves	21	45,330,475	60,858,679
		<u>180,220,370</u>	<u>251,457,373</u>
Total Equity		<u>180,220,370</u>	<u>251,457,373</u>
Total Liabilities and Equity		<u>5,937,477,006</u>	<u>5,833,842,367</u>

Approved for issue by the Board of Directors on 29 June 2023 and signed on its behalf by:



Governor



Director, Accounting Department

The notes on pages 8 to 119 are an integral part of these financial statements.

Eastern Caribbean Central Bank

Statement of Profit or Loss

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Interest income	26	90,053,738	40,417,716
Interest expense	26	(1,610,296)	(164,949)
Net interest income		88,443,442	40,252,767
Commission income – foreign transactions		9,414,149	6,662,083
Commission income – other transactions		5,316,992	4,026,103
Net losses on sale of foreign investment securities at fair value through other comprehensive income (FVOCI)	9	(35,247,720)	(3,063,789)
Net losses on foreign investment securities at fair value through profit or loss (FVTPL)	27	(44,115,415)	(25,532,215)
Other income	28	4,566,773	7,055,015
Operating income		28,378,221	29,399,964
Salaries, pensions and other staff benefits	29	39,024,868	39,363,057
Currency expenses		3,472,368	4,086,625
Amortisation	14	957,798	900,176
Depreciation	15, 16	7,097,894	6,064,033
Administrative and general expenses	31	31,836,379	24,189,271
Net impairment losses on financial assets	30	1,194,873	6,475,644
Operating expenses		83,584,180	81,078,806
Operating loss for the year		(55,205,959)	(51,678,842)
Share of net profit of associates	13	685,160	2,579,828
Net loss for the year		(54,520,799)	(49,099,014)

The notes on pages 8 to 119 are an integral part of these financial statements.

Eastern Caribbean Central Bank

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Net loss for the year		(54,520,799)	(49,099,014)
Other comprehensive loss:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement loss on defined benefit pension plan	22	(4,409,000)	(7,565,000)
<i>Items that are or may be subsequently reclassified to profit or loss</i>			
Net losses from changes in the fair value of foreign debt investment securities at FVOCI	21	(47,368,141)	(140,325,169)
Losses on sale of foreign debt investment securities at FVOCI recycled to profit or loss	9	35,247,720	3,063,789
Expected credit losses (reversals) on foreign debt investment securities at FVOCI	21	<u>(186,783)</u>	<u>190,097</u>
Total other comprehensive loss for the year		<u>(16,716,204)</u>	<u>(144,636,283)</u>
Total comprehensive loss for the year		<u>(71,237,003)</u>	<u>(193,735,297)</u>

The notes on pages 8 to 119 are an integral part of these financial statements.

Eastern Caribbean Central Bank

Statement of Changes in Equity

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Retained Earnings \$	General Reserve \$	Capital Reserve \$	Revaluation Reserve: Property and Equipment \$	Revaluation Reserve: Investment Securities \$	Export Credit Guarantee Fund \$	Self- Insurance Reserve Fund \$	Pension Reserve \$	Total \$
Balance, 31 March 2022	-	190,598,694	6,537,928	118,910,732	(115,084,402)	1,808,877	14,488,544	34,197,000	251,457,373
Net loss for the year	(54,520,799)	-	-	-	-	-	-	-	(54,520,799)
Remeasurement loss on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(4,409,000)	(4,409,000)
Net change in fair value of investment securities at FVOCI	-	-	-	-	(12,307,204)	-	-	-	(12,307,204)
Total comprehensive loss	(54,520,799)	-	-	-	(12,307,204)	-	-	(4,409,000)	(71,237,003)
Allocation from general reserve	55,708,799	(55,708,799)	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(1,188,000)	-	-	-	-	-	-	1,188,000	-
Balance, 31 March 2023	-	134,889,895	6,537,928	118,910,732	(127,391,606)	1,808,877	14,488,544	30,976,000	180,220,370

The notes on pages 8 to 119 are an integral part of these financial statements.

Eastern Caribbean Central Bank

Statement of Changes in Equity (*continued*)

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Retained Earnings \$	General Reserve \$	Capital Reserve \$	Revaluation Reserve: Property and Equipment \$	Revaluation Reserve: Investment Securities \$	Export Credit Guarantee Fund \$	Self- Insurance Reserve Fund \$	Pension Reserve \$	Total \$
Balance, 31 March 2021	-	241,335,708	6,537,928	118,910,732	21,986,881	1,808,877	14,488,544	40,124,000	445,192,670
Net loss for the year	(49,099,014)	-	-	-	-	-	-	-	(49,099,014)
Remeasurement loss on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(7,565,000)	(7,565,000)
Net change in fair value of investment securities at FVOCI	-	-	-	-	(137,071,283)	-	-	-	(137,071,283)
Total comprehensive loss	(49,099,014)	-	-	-	(137,071,283)	-	-	(7,565,000)	(193,735,297)
Allocation from general reserve	50,737,014	(50,737,014)	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(1,638,000)	-	-	-	-	-	-	1,638,000	-
Balance, 31 March 2022	-	190,598,694	6,537,928	118,910,732	(115,084,402)	1,808,877	14,488,544	34,197,000	251,457,373

The notes on pages 8 to 119 are an integral part of these financial statements.

Eastern Caribbean Central Bank

Statement of Cash Flows

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Net loss for the year		(54,520,799)	(49,099,014)
Adjustments for:			
Depreciation of property and equipment	15	6,309,524	5,336,227
Depreciation of right-of-use assets	16	788,370	727,806
Amortisation of intangible assets	14	957,798	900,176
Net loss (gain) on sale of foreign investment securities at FVOCI	9	35,247,720	3,063,789
Share of profit of associates	13	(685,160)	(2,579,828)
Net pension cost during the year	29	1,701,000	1,177,000
Gain on sale of property and equipment	28	(8,631)	725
Net losses on foreign investment securities at FVTPL	27	46,937,350	23,432,278
Net impairment losses on financial assets	30	1,194,873	6,475,644
Interest income	26	(90,053,738)	(40,417,716)
Interest expense – demand and deposit liabilities	26	1,457,982	-
Interest expense on lease liabilities	26	152,314	164,949
Cash flows used in operations before changes in operating assets and liabilities		(50,521,397)	(50,817,964)
Changes in operating assets and liabilities			
Term deposits		-	1,124,419
Money market instruments	6	167,985,238	(15,786,877)
Participating governments' securities	10	(8,645,491)	(6,313,095)
Participating governments' advances	11	(60,759,671)	66,612,126
Accounts receivable and prepaid expenses	12	(886,343)	(2,056,482)
Derivative financial asset	7	60,473	26,920
Derivative financial liabilities	20	(1,109,982)	937,833
Demand and deposit liabilities - domestic and foreign	17, 18	175,557,329	585,009,383
IMF government general resource accounts	19	(80,258)	60,910
Cash from operations before interest and pension contributions		221,599,898	578,797,173
Interest received		87,459,663	47,870,038
Interest paid		(1,610,296)	(164,949)
Pension contributions paid		(2,889,000)	(2,815,000)
Net cash generated from operating activities		304,560,265	623,687,262
Cash flows from investing activities			
Purchase of property and equipment	15	(9,292,781)	(8,659,640)
Purchase of intangible assets	14	(2,665,156)	(2,971,268)
Proceeds from sale of property and equipment		9,750	200
Proceeds from sales and maturities of foreign investment securities at FVOCI		2,655,464,534	4,304,324,266
Purchase of foreign investment securities at FVOCI		(2,684,596,821)	(4,832,522,003)
Purchase of foreign investment securities at FVTPL		(120,795,390)	(182,878,449)
Principal collections on foreign investment securities at FVTPL		30,491,473	82,298,396
Proceeds from sale of foreign investment securities at FVTPL		325,146,786	112,687,044
Dividends received from associates	13	612,366	746,654
Net cash generated from (used in) investing activities		194,374,761	(526,974,800)

Eastern Caribbean Central Bank

Statement of Cash Flows (*continued*)

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

Cash flows from financing activities

Repayment of lease liabilities	16	<u>(759,280)</u>	<u>(650,371)</u>
Net cash used in financing activities		<u>(759,280)</u>	<u>(650,371)</u>
Net increase in cash and cash equivalents		498,175,746	96,062,091
Cash and cash equivalents, beginning of year	25	<u>689,502,233</u>	<u>593,440,142</u>
Cash and cash equivalents, end of year	25	<u>1,187,677,979</u>	<u>689,502,233</u>

The notes on pages 8 to 119 are an integral part of these financial statements.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

1. Incorporation and principal activity

The Eastern Caribbean Central Bank (“ECCB” or the “Bank”) was established under the Eastern Caribbean Central Bank Agreement Act 1983 (the “Act”) on July 5, 1983 with the ratification of the Act by Governments participating in the Eastern Caribbean Currency Authority (the “Authority”). In accordance with Article 54(2) of the Act, the ECCB was formally established on October 1, 1983 on which date the Authority ceased to exist. Effective from that date, all the assets and liabilities of the Authority, together with all its rights and obligations that are consistent with the provisions of the Act were deemed to have been transferred to and vested in the Bank.

The principal activity of the ECCB is to issue, manage and safeguard the international value of the Eastern Caribbean currency, to regulate the availability of money and credit, to promote and maintain monetary stability and a sound financial structure, and to promote economic development in the territories of the Participating Governments.

The Participating Governments include Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher (St Kitts) and Nevis, Saint Lucia and Saint Vincent and the Grenadines, which also compose the Eastern Caribbean Currency Union (“ECCU”).

The primary office of the ECCB is at Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis and its agency offices are located in the other seven member territories.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except for the following:

- Financial assets measured at fair value through other comprehensive income;
- Financial assets and liabilities measured at fair value through profit or loss;
- Land and buildings measured at fair value.

On the statement of financial position, domestic assets and liabilities are those which are located within the Eastern Caribbean Currency Union, and include certain regional assets and liabilities, which are located within other Caribbean territories. Foreign assets and liabilities are those which are located outside of the Caribbean.

The financial statements were authorised for issue by the Board of Directors on 29 June 2023.

Neither the Bank’s member governments nor others have the power to amend the financial statements after issue.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

New standards, interpretations and amendments to existing standards effective in the current financial year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

Amendments to IAS 37, Provision, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022) and clarifies those costs that comprise the costs of fulfilling the contract. The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. This amendment had no impact on the financial statements of the Bank.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022). The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment had no material impact on the financial statements of the Bank.

Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards. Those standards that affect the Bank’s operations are *IFRS 9 Financial Instruments* and *IFRS 16 Leases* (effective for annual periods beginning on or after 1 January 2022).

- (i) IFRS 9, Financial Instruments amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
- (ii) IFRS 16, Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.

These amendments had no significant impact on the Bank’s financial statements.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued, which are not yet effective and have not been early-adopted by the Bank. The ECCB has assessed and determined that the following new and amended standards and interpretations are relevant to its operations.

Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgements (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments aim to help entities provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The amendments are consistent with the following refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those statements.”

To support the amendments to IAS 1, the IASB also amended IFRS Practice Statement 2, Making Materiality Judgements”, to provide guidance on the concept of materiality and its application to accounting policy disclosures.

The Bank is currently assessing the impact of these amendments on the Bank’s financial statements.

Amendments to IAS 8, Definition of Accounting Estimates Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2023). The amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. The amendments also clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Bank is currently assessing the impact of these amendments on the Bank’s financial statements.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (*continued*)

Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, will apply retrospectively for annual reporting periods beginning on or after 1 January 2024. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as noncurrent if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, then those generally affect its classification as current or noncurrent, unless these conversion options are recognized as equity under IAS 32, Financial Instruments: Presentation.

The Bank does not expect the amendments to have a significant impact on its financial statements.

Amendments to IAS 1/IFRS 16, Leases – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after January 1, 2024). The amendments require a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows:

- On initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized.

Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

The Bank does not expect the amendments to have a significant impact on its financial statements.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

b) Associates

Associates are all entities over which the Bank has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Bank's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognised in other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit (loss) of associates' in the statement of profit or loss.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For the preparation of the financial statements, common accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the statement of profit or loss.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

c) Fair value measurement

The Bank measures financial instruments, such as investment securities, certain money market instruments and derivatives at fair value at each financial reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

IFRS 13 requires that the fair value of a liability or equity instrument of the entity be determined under the assumption that the instrument would be transferred on the measurement date, but would remain outstanding. Accordingly, the fair value of a liability must take account of non-performance risk, including the entity's own credit risk.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in Note 3(e).

d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Actual results may differ from those estimates.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

d) Use of judgements and estimates *(continued)*

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the ECCB operates (the “functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the ECCB’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Changes in fair value of monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income or loss.

All foreign exchange gains and losses recognised in the statement of profit or loss are presented net. Foreign exchange gains and losses on other comprehensive income or loss items are presented in other comprehensive income or loss.

f) Comparative information

The Bank’s financial statements provide comparative information in respect of the preceding period for all amounts reported in the current period. Except when an IFRS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities

(i) Initial recognition and measurement of financial assets and liabilities

A financial instrument (financial asset or financial liability) is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Bank. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the instrument, such as fees and commissions. Subsequent measurement of financial assets and financial liabilities is described below.

(ii) Classification and measurement of financial assets

The Bank classifies its financial assets in the following measurement categories based on the business model for managing the assets and the assets' contractual cash flow characteristics under IFRS 9:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ii) *Classification and measurement of financial assets (continued)*

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(iii) *Business model assessment*

Business model assessment entails a determination of the way financial assets are managed in order to generate cash flows. There are three business models available under IFRS 9:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity elects to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of initial application. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Bank determines its business model at the portfolio level (foreign reserves and domestic assets portfolios) as this best reflects the way the Bank manages its financial assets to achieve its business objective. The Bank's business model assessment considers the following qualitative and observable factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolios is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how asset managers are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(iii) Business model assessment (continued)

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

(iv) Assessment of whether contractual cash flows are solely payments of principal and interest

The second criteria in the classification process is the Bank's assessment of the contractual terms of financial assets to determine whether they meet the solely payments of principal and interest (SPPI) test. Contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

If a financial asset is held in either a 'Hold to Collect' or a 'Hold to Collect and Sell' business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

In assessing whether the contractual cash flows are SPPI, the Bank considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument, which could affect whether the instrument is considered to meet the SPPI test. If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(v) Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of expected credit losses (ECL) in the statement of financial position.

(vi) Debt instruments measured at FVOCI

The Bank measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt investment securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(vii) Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

Equity instruments measured at Fair value through profit or loss (FVTPL)

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in the statement of profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

Equity instruments measured at FVOCI (designated)

The Bank made an irrevocable election to classify certain equity instruments at FVOCI when they are not held for trading as these investments are expected to be held for the long-term and for strategic purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the statement of profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

(viii) Financial assets at fair value through profit or loss

Groups of financial assets for which the business model is other than held to collect and held to collect and sell are measured at FVTPL. Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) Impairment of financial assets

IFRS 9 requires the Bank to record ECLs on all debt instruments measured at amortised cost or FVOCI.

The Bank conducted ECL assessment for the following categories of financial assets:

- Financial assets measured at amortised cost; and
- Financial assets measured at FVOCI.

Equity investment securities are not subject to impairment testing under IFRS 9.

The Bank measures loss allowances at an amount equal to 12-month ECL on the following:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Expected credit loss impairment model

The Bank applies a three-stage approach to measure the allowance for credit losses as required under IFRS 9. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss.

The Bank’s policies for determining if there has been a significant increase in credit risk are set out in Note 3(b)(iii). The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime and 12-month expected credit losses are calculated on an individual basis.

The Bank has established a policy to perform an assessment of whether a financial instrument’s credit risk has increased significantly since initial recognition, at the end of each reporting period. This is undertaken by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) Impairment of financial assets (continued)

Expected credit loss impairment model *(continued)*

Based on the above process, the Bank classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: 12 months ECL

The Bank assesses ECLs on financial assets where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions at initial recognition, the Bank recognises a loss allowance based on 12 months ECLs. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date.

Stage 2: Lifetime ECL – not credit impaired

The Bank collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Bank recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

Stage 3: Lifetime ECL – credit impaired

The Bank identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) Impairment of financial assets (continued)

Measurement of expected credit losses (ECL)

The Bank derives ECLs from probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD – The Probability of Default (PD) is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.

EAD – The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) *Impairment of financial assets (continued)*

Measurement of expected credit losses (ECL) *(continued)*

The mechanics of the ECL method are summarised below:

Stage 1

The 12 months ECL is calculated as the portion of the lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3

For financial assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Purchased or originated credit-impaired (POCI) assets are financial instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted effective interest rate. Expected credit losses are recognised to the extent that there is a subsequent change where ECLs are calculated based on lifetime expected credit loss. Once the financial asset is recognised as POCI, it retains this status until derecognised.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) *Impairment of financial assets (continued)*

Measurement of expected credit losses (ECL) *(continued)*

Macroeconomic factors

The standard requires incorporation of macroeconomic factors in models for ECLs. In its models, the Bank utilises an automated solution which incorporates an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates, inflation and interest rates.

Incorporation of forward looking information

IFRS 9 requires the incorporation of forward looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Definition of default

The Bank considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Financial assets classified as 'default' are transferred to stage 3 and impairment loss is measured based on lifetime expected credit losses.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) Impairment of financial assets (continued)

Measurement of expected credit losses (ECL) *(continued)*

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise.

Significant increase in credit risk

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on historical experience and credit risk assessment. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

IFRS 9 also requires that (other than for purchased or originated credit impaired financial instruments) if a significant increase in credit risk that had taken place since initial recognition, has reversed by a subsequent reporting period then the loss allowance reverts from lifetime ECL to 12-month.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(ix) Impairment of financial assets (continued)

Measurement of expected credit losses (ECL) *(continued)*

Write-offs

Financial assets and the related impairment allowances, are written off, either partially or in full, when there is no realistic prospect of recovery.

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at fair value through OCI - the ECLs are not recognised in the statement of financial position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity with a corresponding charge to the statement of profit or loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the financial assets.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(x) Financial Liabilities

Initial recognition and measurement

The Bank classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Financial liabilities are classified as measured at amortised cost or FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss (FVTPL) include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities at amortised cost

Other financial liabilities are initially recognised at fair value net of any transaction costs. After initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(xi) Derecognition of financial assets and financial liabilities

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(xi) Derecognition of financial assets and financial liabilities (continued)

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expire.

(xii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

— fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

— other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(xii) Modification of financial assets and financial liabilities (continued)

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(xiii) Measurement and gains and losses

The ‘foreign investment securities’ caption in the statement of financial position includes:

- debt securities measured at FVOCI;
- U.S. Government Agency Residential Mortgage-Backed Securities measured at FVTPL;
- equity investment securities designated as at FVOCI; and
- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(xiii) Measurement and gains and losses (continued)

The Bank elects to present in OCI, changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(xiv) Other financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with other banks, short-term highly-liquid funds and investments with original maturities of 90 days or less from the date of acquisition, which are readily convertible to known amounts of cash, and subject to an insignificant risk of change in value.

Accounts receivable

Trade and other receivables are measured at amortised cost, less expected credit loss.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of the Bank's derivative instruments are recognised immediately in the statement of profit or loss.

The best evidence of the fair value of a derivative at initial recognition is the transaction price that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Bank's derivative financial instruments are foreign currency forward contracts and "to-be-announced" (TBA) contracts. Derivative financial instruments are measured at fair value and disclosed in Notes 7 and 20. None of the Bank's derivative instruments have been designated as hedging instruments.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

(xiv) Other financial instruments (continued)

Demand and deposit liabilities - domestic

Demand and deposit liabilities – domestic are the Bank’s Eastern Caribbean dollar obligations to clients/institutions in the Organisation of Eastern Caribbean States (OECS) settled on demand and are measured at amortised cost. Note 2(p) sets out information regarding notes and coins in circulation.

Demand and deposit liabilities - foreign

Demand and deposit liabilities – foreign are the Bank’s obligations to clients/institutions outside of the OECS that are settled on demand and are measured at amortised cost.

IMF government general resource accounts

The ECCB acts as fiscal agent of the participating governments in their transactions with the International Monetary Fund (IMF). To facilitate its role as fiscal agent, governments IMF general resource accounts are held at the ECCB. The accounts with the IMF, which records all transactions with the IMF, have been included in these financial statements. Participating governments position in the general resource accounts is reported on a net asset or net liability basis. IMF related assets and liabilities accounts are measured at amortised cost.

Other liabilities and payables

Other liabilities and payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(xv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

h) Property and equipment and depreciation

Property and equipment are stated at historical cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are shown at fair value based on external independent valuations less subsequent depreciation for buildings. Revaluations are carried out with sufficient regularity to ensure that the carrying value of land and buildings approximates fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income or loss and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income or loss and debited against other reserves directly in equity; all other decreases are charged to the statement of profit or loss.

Depreciation is calculated using the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives as follows:

Buildings	50 years;
Furniture and Equipment	5 – 15 years;
Motor vehicles	5 – 7 years;
Land improvements	10 years;
Building improvements	10 years;
Computer systems	3 – 5 years.

Land is not depreciated. Donated property is recorded at fair value at the time of receipt.

Property and equipment are periodically reviewed for impairment or when indicators exist that there may be impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. No property and equipment were impaired as at 31 March 2023 (2022: nil).

Gains and losses on the disposal of property and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

i) Intangible assets

Intangible assets are substantially comprised of acquired computer software programmes. These are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. The Bank chooses to use the cost model for the measurement after recognition. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Generally, the identified intangible assets of the Bank have a definite useful life. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

j) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

k) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

1) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Bank recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Bank's activities, as described below.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of profit or loss for all instruments measured at amortised cost, FVOCI and FVTPL using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

Commissions' income

Commissions income are generally charged on transactions with commercial banks and other institutions except participating governments, and are generally recognised when the Bank transfers control of a product or service to a customer. Transactions that attract commissions include purchase and sale of foreign currency notes and balances and issue and redemption of Eastern Caribbean currency notes. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Other income

Licence fees due under the Banking Act, are fixed and non-cancellable and are recorded in profit or loss when due. Pension fund administrative and management fees are charged for administrative and investment management services on behalf of the scheme, and are recognised as the related services are performed. Income from banking licence fees and pension fund administrative and management fees are reported in the statement of profit or loss in the 'other income' grouping.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

m) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

m) Leases (*continued*)

As a lessee (continued)

- the exercise price under a purchase option that the Bank is reasonably certain to exercise;
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases as lessor

Operating lease

The Bank leases out office spaces to associated institutions under operating leases with rentals payable monthly. These leases are classified as operating leases, as they do not transfer all of the risks and rewards incidental to ownership of the assets. Note 28 sets out information about the operating leases.

n) Employee benefits

Staff pension plan

The Bank operates a defined benefit pension plan for its eligible employees. The assets of the plan are held in a single trustee administered fund, established by the Eastern Caribbean Central Bank. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefit is based on the final salary of the employee.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies (*continued*)

n) Employee benefits (*continued*)

Staff pension plan (*continued*)

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. An approximate value of the defined benefit obligation is calculated every year by independent actuaries using the projected unit credit method based on detailed calculations carried out for the most recent triennial funding valuation. Under this method, the cost of providing pensions is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income. Net interest expense and other expense related to defined benefit plan are recognised in profit or loss. Past-service costs are recognised immediately in the statement of profit or loss. The pension plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

Prepaid employee short term benefit

The Bank facilitates loans to its staff at rates that are relatively low in comparison to the normal market rates in the Eastern Caribbean Currency Union (ECCU). These loans are recognised at fair value using a normal market rate, and the difference between the fair value and the consideration given to the employees is recorded as a pre-paid short term employee benefit. The pre-paid short-term employee benefit is amortised through the statement of profit or loss over the expected service life of the relevant individual employees or the expected life of the relevant individual loans, whichever is shorter.

o) Commemorative coins

The nominal value of commemorative coins sold is excluded from the balance of 'Notes and Coins in circulation' while the net proceeds from sales are included in the statement of profit or loss.

p) Currency in circulation

In accordance with the ECCB Agreement Act, the Bank is the sole authority to issue currency notes and coins for circulation in the Eastern Caribbean Currency Union. Bank notes and coins in circulation are non-interest bearing and are redeemable on demand.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *(continued)*

p) Currency in circulation *(continued)*

DCash in circulation

The Digital Eastern Caribbean Dollar (DCash) is a securely minted digital version of the Eastern Caribbean dollar issued by the ECCB. DCash is compliant with the legal parameters for legal tender and only the ECCB (as the monetary authority) can issue the digital currency.

The values of notes and coins in circulation and DCash in circulation are disclosed in Note 17.

q) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the “reporting entity, in this case, the Bank”).

(a) A person or a close member of that person’s family is related to the Bank if that person:

- (i) has control or joint control over the Bank;
- (ii) has significant influence over the Bank; or
- (iii) is a member of the key management personnel of the Bank or of a parent of the Bank.

(b) An entity is related to the Bank if any of the following conditions applies:

- (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity or its parent is provided with key management personnel services by the management entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

r) Taxation

In accordance with Article 50 (8) (a) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank’s income is exempt from any form of taxation.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management

a) Introduction and overview

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The strategy for using financial instruments is embedded in the mission of the Bank to maintain the stability of the Eastern Caribbean Dollar and the integrity of the banking system in order to facilitate the balanced growth and development of member states.

The activities of the Bank require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. In executing its duties as a central bank, there are significant inherent risks, which the Bank faces, both at the macro and micro levels of its operations. These risks arise primarily through the Bank's execution of its reserve management function, the provision of banking services to governments and commercial banks and from the broad areas of monetary policy, financial sector stability, management of the payment system and the daily operational tasks undertaken to support these functions.

The Bank's aim is therefore to achieve an appropriate balance between risk and the objectives of its reserve management function which are: (i) preservation of capital, (ii) meeting liquidity requirements and (iii) realizing a satisfactory return. The Bank also seeks to minimise potential adverse effects on the Bank's financial performance.

Risk Management Structure

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. In addition, the Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their role and obligations.

The Bank's Board of Directors has overall responsibility for the establishment of the Bank's risk management framework. The Board has established committees for managing and monitoring risks.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

a) Introduction and overview *(continued)*

Risk Management Structure *(continued)*

The key committees for managing risks are as follows:

Board Audit and Risk Committee

The Board Audit and Risk Committee (BARC) assists the Board in relation to the oversight of the Bank's governance, risk, internal controls and the Bank's financial reporting processes. The BARC reviews the Bank's risk appetite in line with strategy, identifies and monitors risk exposure and the risk management infrastructure, oversees the implementation of strategy to address risk, and assesses the strength and effectiveness of the risk management and internal control framework. Additionally, the BARC monitors the integrity of the financial statements and is responsible for oversight of both the Internal Audit and Enterprise Risk Management functions and reports back to the Board. The BARC reviews the effectiveness of the policies, procedures and systems in place related to, among others, operational risks, compliance, Information Technology (IT) (including cyber-security) and internal security.

Board Investment Committee

The purpose of the Board Investment Committee (BIC) is to assist the Board in fulfilling its responsibilities in the management of the foreign reserves as per Part VI of the ECCB Agreement. The BIC is responsible for submitting recommendations to the Board for approval regarding the following:

- (i) Changes to the Foreign Reserve Investment Policy;
- (ii) Changes to the Strategic Asset Allocation;
- (iii) The retention and termination of asset managers and custodian; and
- (iv) Changes to the Terms of Reference for the Reserve Management Committee.

The BIC also receives and considers periodic reports on the following:

- (i) Compliance of the external fund managers and the internal fund manager with the Investment Guidelines;
- (ii) Performance of the external fund money managers and the internal fund manager; and
- (iii) A review of the custodian's performance.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

a) Introduction and overview *(continued)*

Risk Management Structure *(continued)*

The Bank has also established internal committees and departments for managing and monitoring risks.

Executive Committee

The Executive Committee of the Bank has the responsibility to ensure that efficient and effective risk management mechanisms are in place. Key to the management of risk within the context of the reserve management function is the reserve management framework which embodies the Bank's risk tolerance. Included in this framework are the Bank's Investment Policy, Strategic Asset Allocation and investment guidelines which establish the parameters within which the reserve management function is executed. The Board approves the written policies for overall risk management as well as specific policies relating to the reserve management function. Additionally, the provision of banking services is governed by policy decisions of the Board.

Office of Corporate Strategy and Risk Management

The Office of Corporate Strategy and Risk Management (OCSRM) has responsibility for designing and implementing an Enterprise Risk Management Framework, development and monitoring of the Bank's strategic plan and management of the Bank's Business Continuity Management System (BCMS). The Office reports on risk matters, including the review of risk management and the controls environment, to the Executive Committee and the Board Audit and Risk Committee.

Internal Audit Department

The Internal Audit Department is responsible for providing independent assurance that the Bank's risk management, internal control and governance processes are adequately designed and operating effectively. The Internal Audit Department discusses the results of all assessments with the Executive Committee, and reports its findings and recommendations to the Board Audit and Risk Committee. The Internal Audit Department also monitors the departments' implementation of audit recommendations and reports progress to the Executive Committee and the BARC.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer, client or counterparty to a financial instrument fail to meet its contractual obligations. The Bank is exposed to credit risk primarily on account of its reserve management activities. These exposures arise mainly through investments in debt securities of international governments, government agencies, supranational agencies and official institutions. The Bank also has exposures through investments in debt securities of participating governments and through lending to governments and commercial banks.

Management of credit risk

The Bank manages and controls credit risk in the foreign reserves at the issuer level by specification of minimum rating levels according to international rating agencies in the Foreign Reserves Investment Policy. Credit risk is also managed via Investment Guidelines, which stipulate issue and issuer concentration limits and by monitoring exposures in relation to such limits. Credit risk is important to the Bank's business; therefore, management carefully manages the Bank's exposure to credit risk. As it relates to lending to Member Governments and commercial banks, credit risk is managed based on strict adherence to exposure limits outlined in the ECCB agreement Act and the ECCB Board approved policy decision on the matter.

The estimation of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults. The Bank measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

The Bank manages the credit risk on items exposed to such risk as follows:

Debt investment securities at FVOCI

The Bank manages credit risk by placing limits on its exposure to international governments, government agencies, supranational agencies and official institutions. It places limits on the amount of risk accepted in relation to one borrower and country. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The investment policy and guidelines approved by the Board of Directors, stipulate the limits on the level of credit risk by borrower, product, industry, sector and country. They also stipulate the minimum required ratings issued by Moody's, Standard & Poor's (S&P) or Fitch for its international investments. The Bank further manages this risk by ensuring that business is only conducted with approved banks and by monitoring those banks' deposit ratings via the aforementioned rating agencies. The activities of the global custodian are also monitored daily and their overall performance is periodically reviewed.

The Bank's debt investment securities at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Foreign investment securities measured at fair value through other comprehensive income (FVOCI) include listed securities. PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management (*continued*)

b) Credit risk (*continued*)

Debt investment securities at FVOCI (*continued*)

Management considers 'low credit risk' for listed securities to be an investment grade credit rating from Moody's, S&P or Fitch.

Debt investment securities at Amortised Cost

Other debt instruments (including unlisted participating government securities) are considered to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. PDs and LGDs for non-traded instruments were based on proxy ratings where they existed.

Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management considers as strong and there is no significant concentration. Balances with other central banks, balances with foreign banks, cash and balances with local banks and term deposits are short term funds and the Bank therefore considers the risk of default to be very low.

Accounts receivable

Exposure to credit risk is managed by regular analysis of the ability of customers and other counter parties to meet repayment obligations.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management (*continued*)

b) Credit risk (*continued*)

(i) Credit quality of financial assets

The credit quality of financial assets is managed by the Bank through external credit ratings used in ECL calculations. The table below shows internal and external grades used in ECL calculation.

Moody's	S&P	Fitch	Grade Description
Aaa	AAA	AAA	Investment Grade
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Standard Grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Low Grade
Caa2	CCC		
Caa3	CCC-		
Ca	CC	CC	
	C	C	
C	D	D	Default

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 2(g)(ix).

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased	
				Credit-Impaired	
	\$	\$	\$	\$	\$
Foreign Investment Debt Securities at FVOCI					
Investment grade	3,990,510,573	-	-	-	3,990,510,573
Gross carrying amount	3,990,510,573	-	-	-	3,990,510,573
Loss allowance (recognised in other comprehensive income)	(919,573)	-	-	-	(919,573)
Carrying amount - fair value	3,990,510,573	-	-	-	3,990,510,573

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased	
				Credit-Impaired	
	\$	\$	\$	\$	\$
Foreign Investment Debt Securities at FVOCI					
Investment grade	4,006,973,465	-	-	-	4,006,973,465
Gross carrying amount	4,006,973,465	-	-	-	4,006,973,465
Loss allowance (recognised in other comprehensive income)	(1,146,632)	-	-	-	(1,146,632)
Carrying amount - fair value	4,006,973,465	-	-	-	4,006,973,465

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Money Market Instruments at FVOCI					
Investment grade	254,367,980	-	-	-	254,367,980
Gross carrying amount	254,367,980	-	-	-	254,367,980
Loss allowance (recognised in other comprehensive income)	(40,276)	-	-	-	(40,276)
Carrying amount	254,367,980	-	-	-	254,367,980

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Money Market Instruments at FVOCI					
Investment grade	369,340,454	-	-	-	369,340,454
Gross carrying amount	369,340,454	-	-	-	369,340,454
Loss allowance (recognised in other comprehensive income)	-	-	-	-	-
Carrying amount	369,340,454	-	-	-	369,340,454

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Money Market Instruments at Amortised Cost					
Investment grade	785,777,420	-	-	-	785,777,420
Unrated	85,059,946	-	-	-	85,059,946
Gross carrying amount	870,837,366	-	-	-	870,837,366
Loss allowance	(12,437)	-	-	-	(12,437)
Carrying amount	870,824,929	-	-	-	870,824,929

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Money Market Instruments at Amortised Cost					
Investment grade	397,928,858	-	-	-	397,928,858
Unrated	13,500,000	-	-	-	13,500,000
Gross carrying amount	411,428,858	-	-	-	411,428,858
Loss allowance	-	-	-	-	-
Carrying amount	411,428,858	-	-	-	411,428,858

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Participating Governments' Securities at Amortised Cost					
Standard grade	226,075,491	-	-	-	226,075,491
Gross carrying amount	226,075,491	-	-	-	226,075,491
Loss allowance	(472,818)	-	-	-	(472,818)
Carrying amount	225,602,673	-	-	-	225,602,673

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Participating Governments' Securities at Amortised Cost					
Standard grade	217,331,211	-	-	-	217,331,211
Gross carrying amount	217,331,211	-	-	-	217,331,211
Loss allowance	(496,319)	-	-	-	(496,319)
Carrying amount	216,834,892	-	-	-	216,834,892

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit- Impaired	
	\$	\$	\$	\$	\$
Participating Governments' Advances at Amortised Cost					
Standard grade	152,257,816	-	-	-	152,257,816
Gross carrying amount	152,257,816	-	-	-	152,257,816
Loss allowance	(56,006)	-	-	-	(56,006)
Carrying amount	152,201,810	-	-	-	152,201,810

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit- Impaired	
	\$	\$	\$	\$	\$
Participating Governments' Advances at Amortised Cost					
Standard grade	91,093,064	-	-	-	91,093,064
Gross carrying amount	91,093,064	-	-	-	91,093,064
Loss allowance	(75,782)	-	-	-	(75,782)
Carrying amount	91,017,282	-	-	-	91,017,282

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis *(continued)*

Investment securities and money market instruments and money at call

The table below sets out the credit quality of the Bank's foreign debt securities (note 9) and money market instruments and money at call (note 6) by rating agency designation at 31 March 2023 and 31 March 2022, based on Moody's, S&P or Fitch:

Foreign investment securities

Rated (Moody's, S&P or Fitch)	2023	2022
Foreign debt securities	\$	\$
Aaa	3,585,624,333	3,504,119,059
Aa1	40,409,547	33,886,216
Aa2	117,994,909	109,274,646
Aa3	142,797,500	223,243,797
AA+	70,725,412	69,997,436
AA-	21,452,083	57,199,381
	3,979,003,784	3,997,720,535

U.S. agency mortgage-backed securities	2023	2022
	\$	\$
Aaa	-	282,648,739
	-	282,648,739

Unrated	2023	2022
	\$	\$
Foreign equity securities at FVOCI	78,205	78,205
Domestic equity securities at FVOCI	624,186	624,186
	702,391	702,391

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit quality analysis *(continued)*

Investment securities and money market instruments and money at call (continued)

Money market instruments and money at call

Rated (Moody's and S&P)

Commercial paper, certificate of deposits, term deposits and money at call

	2023	2022
	\$	\$
Aa1	109,223,246	51,799,255
Aa2	309,575,268	273,279,288
Aa3	135,939,679	129,365,295
A1	212,204,762	144,358,126
AA+	262,710,001	156,870,000
A+	9,062,227	11,532,375
	1,038,715,183	767,204,339

Unrated

	2023	2022
	\$	\$
Term deposits	85,059,946	13,500,000

Total rated and unrated money market instruments And money at call

	1,123,775,129	780,704,339
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Participating governments advances

Advances are based on Board approved credit allocation limits. Requests for advances by member governments are reviewed to ensure that the amounts are within the approved allocated limits. These approved limits are calculated and assigned to the governments annually.

Due from local banks

Advances are granted to commercial banks in accordance with Part VIII, Article 31(2) and Part IIa, Article 5B of the ECCB Agreement Act 1983. Under Part VIII, Article 31(2), the borrowing bank must pledge collateral with the Central Bank and can only borrow ninety per cent of the collateral amount pledged. As at 31 March 2023 and 2022, the Bank did not grant any advances to commercial banks; hence, there was no collateral pledged with the ECCB.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(iii) Amounts arising from ECL

(i) Expected credit loss measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Please refer to below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key inputs, judgements and assumptions adopted by the Bank in addressing the requirements of the standard are set out below:

a) *Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and third party policies including forward-looking information.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(iii) Amounts arising from ECL *(continued)*

(i) Expected credit loss measurement *(continued)*

a) Significant increase in credit risk *(continued)*

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- external credit ratings;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. For debt securities, external rating agency credit grades are used. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

Determining whether credit risk has been increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The Bank continuously monitors foreign and domestic financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank applies credit rating grades to determine whether there has been a significant increase in credit risk. Movements within investment grade are not construed as significant increases in credit. The Bank considers that there is a significant increase in credit risk for an investment security when there is a decrease in credit rating as follows: a three-notch downgrade from investment grade to standard grade; a two-notch downgrade within or outside the standard grade; or a one-notch downgrade within or outside the low grade bucket, as set out in Note 3(b)(i).

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(iii) Amounts arising from ECL *(continued)*

(i) Expected credit loss measurement *(continued)*

a) Significant increase in credit risk *(continued)*

Determining whether credit risk has been increased significantly (continued)

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up to-date payment performance against the modified contractual terms.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

b) Incorporation of forward-looking information

The Bank incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and in the measurement of expected credit losses (ECL). The Bank has performed analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank applied judgment to select macroeconomic factors that would most likely impact credit risk. Forecasts of these macroeconomic variables are provided through the Bank's ECL solution on a frequent basis and provides the best and worst view of economic conditions based on the expected impact of macro-economic factors, including but are not limited to the following:

- Gross domestic product (GDP) per capita;
- GDP growth rate;
- Interest rates;
- Unemployment rates;
- Inflation.

PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 expected credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are closely correlated with credit losses in the relevant portfolios.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(iii) Amounts arising from ECL *(continued)*

(i) Expected credit loss measurement *(continued)*

b) Incorporation of forward-looking information *(continued)*

The Bank formulates three macroeconomic scenarios: a base case, which is the median scenario, one upside scenario and one downside scenario. The base case scenario captures our view of the most likely economic future outcome and is assigned the highest weighting. The upside and downside scenarios are set relative to the base scenario based on reasonably possible alternative macroeconomic conditions. Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes. After the ECL calculation has been generated for each scenario, a probability weight is applied to each scenario based on the likelihood of occurrence to arrive at a final probability-weighted ECL.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macroeconomic factors will affect ECLs. Hence, the methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

c) Computation of the expected credit losses

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

LGD is the magnitude of the likely loss if there is a default. LGD's are determined based on the factors which impact the recoveries made post default. These vary by product type. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

(iii) Amounts arising from ECL *(continued)*

c) Computation of the expected credit losses (continued)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. EAD is computed as the sum of the amortised amount and accrued interest to reflect contractual cash flows.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-balance sheet financial assets is as follows:

As at 31 March

	2023	2022
Assets	\$	\$
Foreign assets		
Balances with other central banks	17,814,003	13,482,886
Balances with foreign banks	1,020,689	692,982
Money market instruments and money at call	1,125,192,909	780,769,312
Derivative financial instruments	-	60,473
Foreign investment securities	3,990,588,778	4,290,360,787
	<u>5,134,616,379</u>	<u>5,085,366,440</u>
Domestic assets		
Cash and balances with local banks	1,150,207	600,759
Participating governments' securities	225,602,673	216,834,892
Participating governments' advances	152,201,810	91,017,282
Accounts receivable	3,995,102	3,279,268
Domestic investment securities	624,186	624,186
	<u>383,573,978</u>	<u>312,356,387</u>
Total on-balance sheet credit risk	<u>5,518,190,357</u>	<u>5,397,722,827</u>

The above table represents a worst-case scenario of credit risk exposure as at 31 March 2023 and 2022 without taking account of any collateral held or other credit enhancements attached.

For statement of financial position assets, the exposures set out in the above table are net of loss allowance as reported in the statement of financial position.

As depicted in the table above, 72.36% (2022 – 79.48%) of the total on-balance sheet exposure is derived from foreign investment securities and 20.39% (2022 – 14.46%) represents money market instruments and money at call.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

The following tables break down the Bank's main credit exposure at the carrying amounts, as categorised by geographical regions as of 31 March 2023 and 31 March 2022. In these tables, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Geographical concentration of financial assets

	Eastern Caribbean Currency Union \$	United States of America and Canada \$	Europe and other territories \$	Regional states \$	Total \$
As of 31 March 2023					
Balances with other central banks	-	1,017,358	264,346	16,532,299	17,814,003
Balances with foreign banks	-	1,020,689	-	-	1,020,689
Money market instruments and money at call	-	471,491,035	653,701,874	-	1,125,192,909
Foreign investment securities	-	3,389,563,896	601,024,882	-	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	1,150,207
Participating governments' securities	225,602,673	-	-	-	225,602,673
Participating governments' advances	152,201,810	-	-	-	152,201,810
Accounts receivable	3,995,102	-	-	-	3,995,102
Domestic investment securities	202,500	-	-	421,686	624,186
	383,152,292	3,863,092,978	1,254,991,102	16,953,985	5,518,190,357

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

b) Credit risk *(continued)*

Geographical concentration of financial assets *(continued)*

	Eastern Caribbean Currency Union \$	United States of America and Canada \$	Europe and other territories \$	Regional states \$	Total \$
As of 31 March 2022					
Balances with other central banks	-	867,287	163,894	12,451,705	13,482,886
Balances with foreign banks	-	692,982	-	-	692,982
Money market instruments and money at call	-	292,781,801	487,987,511	-	780,769,312
Derivative financial instruments	-	60,473	-	-	60,473
Foreign investment securities	-	3,491,313,866	799,046,921	-	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	600,759
Participating governments' securities	216,834,892	-	-	-	216,834,892
Participating governments' advances	91,017,282	-	-	-	91,017,282
Accounts receivable	3,279,268	-	-	-	3,279,268
Domestic investment securities	202,500	-	-	421,686	624,186
	311,934,701	3,785,716,409	1,287,198,326	12,873,391	5,397,722,827

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management (*continued*)

c) Market risk

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Bank's reserve management mandate permits investment in a number of instruments. The Bank is exposed to general and specific market movements and volatility of market rates and prices such as interest rates, credit spreads and foreign exchange rates. The Bank enters into currency forward contracts to manage its exposure to fluctuations in foreign exchange rates for non-USD securities. The Bank also has a structured management process, which entails the following:

- Careful monitoring of the international market and taking positions to achieve objectives;
- Regular reporting to internal management committees and to the Board of Directors.

i) Interest rate risk

The Bank invests in securities and money market instruments and maintains demand deposit accounts as a part of its normal course of business. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is the risk of loss arising from changes in prevailing interest rates. The Bank manages this risk by monitoring interest rates daily, and seeks to minimize the exposure by devising a comprehensive risk assessment and tolerance strategy known as "Customised benchmarking". The effect of this tool is to reflect the risk tolerance level of the Bank and to measure the performance of portfolio managers. The table below analyses the effective interest rates for each class of financial asset and financial liability:

	2023 %	2022 %
Foreign Assets		
Money market instruments and money at call	2.78	0.19
Foreign investment securities	1.18	1.26
Domestic Assets		
Balances with local banks	0.02	0.02
Participating governments' securities	3.37	3.41
Participating governments' advances	2.00	2.00
Liabilities		
Government call accounts	1.75	0.00
Governments operating accounts	0.96	0.00
Demand and deposit liabilities - foreign	0.00	0.00

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

c) Market risk *(continued)*

i) Interest rate risk *(continued)*

The Bank's investments in foreign securities, money market instruments and money at call for which rates vary with market movements, exposed the Bank to cash flow and fair value interest rate risk.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments, categorised by the earlier of contractual repricing or maturity dates.

As of 31 March 2023	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
Financial assets							
Regional and foreign currencies	-	-	-	-	-	137,783,494	137,783,494
Balances with other central banks	-	-	-	-	-	17,814,003	17,814,003
Balances with foreign banks	-	-	-	-	-	1,020,689	1,020,689
Money market instruments and money at call	881,971,722	56,247,378	177,911,581	-	-	9,062,228	1,125,192,909
Foreign investment securities	85,897,338	178,205,907	946,797,103	2,779,610,225	-	78,205	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	-	-	1,150,207
Participating governments' securities	1,258,546	5,524,107	21,916,338	92,728,578	104,175,104	-	225,602,673
Participating governments' advances	85,744,511	34,398,008	32,059,291	-	-	-	152,201,810
Accounts receivable	7,328	14,997	62,197	93,492	-	3,817,088	3,995,102
Domestic investment securities	-	-	-	-	-	624,186	624,186
	1,056,029,652	274,390,397	1,178,746,510	2,872,432,295	104,175,104	170,199,893	5,655,973,851

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

As of 31 March 2023	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
Financial liabilities							
Demand and deposit liabilities - domestic	145,792,690	-	-	-	-	5,534,827,978	5,680,620,668
Lease liabilities	67,567	136,065	634,094	1,756,650	324,197	-	2,918,573
Demand and deposit liabilities - foreign	-	-	-	-	-	72,055,416	72,055,416
Derivative financial instruments	-	-	-	-	-	485,367	485,367
IMF Government general resource accounts	-	-	-	-	-	1,176,612	1,176,612
	145,860,257	136,065	634,094	1,756,650	324,197	5,608,545,373	5,757,256,636
Total interest sensitivity gap	910,169,395	274,254,332	1,178,112,416	2,870,675,645	103,850,907	(5,438,345,480)	(101,282,785)
Cumulative gap	910,169,395	1,184,423,727	2,362,536,143	5,233,211,788	5,337,062,695	(101,282,785)	-

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

c) Market risk *(continued)*

i) Interest rate risk *(continued)*

As of 31 March 2022	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
Financial assets							
Regional and foreign currencies	-	-	-	-	-	155,391,151	155,391,151
Balances with other central banks	-	-	-	-	-	13,482,886	13,482,886
Balances with foreign banks	621,000	-	-	-	-	71,982	692,982
Money market instruments and money at call	437,068,866	82,326,493	261,373,953	-	-	-	780,769,312
Derivative financial instruments	54,632	5,841	-	-	-	-	60,473
Foreign investment securities	103,835,060	65,422,811	241,896,236	3,601,095,473	278,033,002	78,205	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	-	-	600,759
Participating governments' securities	1,480,008	300,827	15,528,364	97,237,827	102,287,866	-	216,834,892
Participating governments' advances	55,151,588	26,791,297	9,074,397	-	-	-	91,017,282
Accounts receivable	10,964	22,270	85,887	190,906	6,413	2,962,828	3,279,268
Domestic investment securities	-	-	-	-	-	624,186	624,186
	598,822,877	174,869,539	527,958,837	3,698,524,206	380,327,281	172,611,238	5,553,113,978

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

As of 31 March 2022	Up to 1 month \$	1 to 3 months \$	3months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
Financial liabilities							
Demand and deposit liabilities - domestic	149,700,815	-	-	-	-	5,372,248,466	5,521,949,281
Lease liabilities	57,107	93,353	414,083	1,432,100	417,377	-	2,414,020
Demand and deposit liabilities - foreign	-	-	-	-	-	55,169,474	55,169,474
Derivative financial instruments	217,463	-	-	-	-	1,377,886	1,595,349
IMF Government general resource accounts	-	-	-	-	-	1,256,870	1,256,870
	149,975,385	93,353	414,083	1,432,100	417,377	5,430,052,696	5,582,384,994
Total interest sensitivity gap	448,847,492	174,776,186	527,544,754	3,697,092,106	379,909,904	(5,257,441,458)	(29,271,016)
Cumulative gap	448,847,492	623,623,367	1,151,168,432	4,848,260,538	5,228,170,442	(29,271,016)	-

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

c) Market risk *(continued)*

i) Interest rate risk *(continued)*

Sensitivity to interest rate movements

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on profit or loss and other components of equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the variable rate non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate FVOCI financial assets for the effects of the assumed changes in interest rates.

	2023	
	Impact on profit	Impact on other components of equity
	\$	\$
Interest rates - increase by 100 basis points	13,463,131	(52,920,750)
Interest rates - decrease by 50 basis points	(6,731,566)	26,460,375

	2022	
	Impact on profit	Impact on other components of equity
	\$	\$
Interest rates - increase by 100 basis points	11,570,145	(85,153,252)
Interest rates - decrease by 50 basis points	(5,785,073)	42,576,626

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management (*continued*)

c) Market risk (*continued*)

ii) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Bank is exposed to foreign currency risk due to fluctuations in the prevailing foreign currency exchange rates on transactions and balances denominated in currencies other than the USD. Management seeks to manage this risk by setting limits on the level of exposure by currency, which are monitored daily.

Foreign investment securities

The Bank's investment guidelines require that all non-US dollar securities be hedged back to the US dollar. As of 31 March 2023, the non-US securities in the foreign securities portfolio was nil (2022: nil). The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the statement of profit or loss as they occur.

Regional and foreign currencies

The Bank facilitates the repatriation of foreign currency notes collected by member banks during their normal course of operations. The notes are purchased from the commercial banks and shipped to Bank of America on a monthly basis. To manage the foreign currency risk of holding these notes, the Bank forward sells these notes on the same day of purchase for value on the date that the counterparty receives them.

Sensitivity to foreign exchange rate movements

The Bank's exposure to foreign exchange risk is limited to the minimum balances held on non-USD demand accounts and investment in non-USD foreign securities. A 5 per cent (2022: 5 per cent) change in exchange rates would have increase or decrease profit or loss and equity by \$1,285,229 (2022: \$2,198,890). This analysis assumes that all other variables, in particular, interest rates, remain constant.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

c) Market risk *(continued)*

ii) Currency risk *(continued)*

The table below analyses assets and liabilities of the Bank into the respective currency positions as of 31 March 2023:

	Eastern Caribbean Dollar \$	United States Dollar \$	British Pound \$	Euro \$	Other \$	Total \$
Financial assets						
Regional and foreign currencies	-	111,956,580	4,475,570	11,975,834	9,375,510	137,783,494
Balances with other central banks	-	17,450,971	264,346	-	98,686	17,814,003
Balances with foreign banks	-	1,020,689	-	-	-	1,020,689
Money market instruments and money at call	-	1,125,192,909	-	-	-	1,125,192,909
Foreign investment securities	-	3,990,588,778	-	-	-	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	-	1,150,207
Participating governments' securities	225,602,673	-	-	-	-	225,602,673
Participating governments' advances	152,201,810	-	-	-	-	152,201,810
Accounts receivable	3,995,102	-	-	-	-	3,995,102
Domestic investment securities	624,186	-	-	-	-	624,186
	383,573,978	5,246,209,927	4,739,916	11,975,834	9,474,196	5,655,973,851
Financial liabilities						
Demand and deposit liabilities – domestic	5,680,620,668	-	-	-	-	5,680,620,668
Lease liability	2,918,573	-	-	-	-	2,918,573
Demand and deposit liabilities – foreign	71,101,412	954,004	-	-	-	72,055,416
Derivative financial instruments	-	-	127,837	306,718	50,812	485,367
IMF government general resource accounts	1,176,612	-	-	-	-	1,176,612
	5,755,817,265	954,004	127,837	306,718	50,812	5,757,256,636
Net assets (liabilities)	(5,372,243,287)	5,245,255,923	4,612,079	11,669,116	9,423,384	(101,282,785)

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

c) Market risk *(continued)*

ii) Currency risk *(continued)*

The table below analyses assets and liabilities of the Bank into the respective currency positions as of 31 March 2022:

	Eastern Caribbean Dollar \$	United States Dollar \$	British Pound \$	Euro \$	Other \$	Total \$
Financial assets						
Regional and foreign currencies	-	111,500,820	5,812,954	14,897,447	23,179,930	155,391,151
Balances with other central banks	-	13,219,643	163,894	-	99,349	13,482,886
Balances with foreign banks	-	692,982	-	-	-	692,982
Money market instruments and money at call	-	780,769,312	-	-	-	780,769,312
Derivative financial instruments	-	18,793	-	-	41,680	60,473
Foreign investment securities	-	4,290,360,787	-	-	-	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	-	600,759
Participating governments' securities	216,834,892	-	-	-	-	216,834,892
Participating governments' advances	91,017,282	-	-	-	-	91,017,282
Accounts receivable	3,279,268	-	-	-	-	3,279,268
Domestic investment securities	624,186	-	-	-	-	624,186
	312,356,387	5,196,562,337	5,976,848	14,897,447	23,320,959	5,553,113,978
Financial liabilities						
Demand and deposit liabilities – domestic	5,521,949,281	-	-	-	-	5,521,949,281
Lease liability	2,414,020	-	-	-	-	2,414,020
Demand and deposit liabilities – foreign	51,602,396	3,567,078	-	-	-	55,169,474
Derivative financial instruments	-	1,377,886	13,783	139,338	64,342	1,595,349
IMF government general resource accounts	1,256,870	-	-	-	-	1,256,870
	5,577,222,567	4,944,964	13,783	139,338	64,342	5,582,384,994
Net assets (liabilities)	(5,264,866,180)	5,191,617,373	5,963,065	14,758,109	23,256,617	(29,271,016)

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management (*continued*)

d) Liquidity risk

Liquidity risk is the risk that the Bank is unable to provide adequate liquidity support for the financial system to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. It also refers to the risk of financial loss associated with the conversion of assets to cash to meet financial obligations. This would result in the Bank's failure to maintain monetary and financial stability. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. Liquidity is a key criterion in determining the composition of the Bank's foreign reserves portfolio. The liquidity tranche is closely monitored in accordance with a cash flow management policy. Additionally, there is consistent monitoring and checking for compliance with approved portfolio diversification, asset allocation and asset quality.

The liquidity management process forms part of the Bank's wider mandate for reserve management and is carried out in accordance with approved guidelines by the Reserve Management Committee and monitored by management. The liquidity tranche is comprised of highly marketable assets that can easily be liquidated to meet unexpected demands. The process entails the following:

- Daily monitoring of balances on the Bank's call accounts to ensure that adequate funds are available to meet current and future requirements.
- Projections of cash inflows and outflows based on historical trends.
- Laddering of money market instruments in the liquidity tranche to ensure that adequate funds are available to meet current liquidity needs.
- Assets held to manage liquidity risk include balances with other central banks, balances with foreign banks, money market instruments and money at call, derivative financial instruments, foreign investment securities and cash and balances with local banks. At the reporting date, the Bank held \$5,133,766,586 (2022: \$5,085,967,199) of these instruments that are expected to readily generate cash inflows.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

d) Liquidity risk *(continued)*

Maturities of liabilities and assets, 31 March 2023	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
Financial Liabilities						
Demand and deposit liabilities – domestic	5,680,620,668	-	-	-	-	5,680,620,668
Lease liability	67,567	136,065	634,094	1,756,650	324,197	2,918,573
Demand and deposit liabilities – foreign	72,055,416	-	-	-	-	72,055,416
Derivative financial instruments	485,367	-	-	-	-	485,367
IMF government general resource accounts	1,176,612	-	-	-	-	1,176,612
	5,754,405,630	136,065	634,094	1,756,650	324,197	5,757,256,636
Financial Assets						
Regional and foreign currencies	137,783,494	-	-	-	-	137,783,494
Balances with other central banks	17,814,003	-	-	-	-	17,814,003
Balances with foreign banks	1,020,689	-	-	-	-	1,020,689
Money market instruments and money at call	891,033,950	56,247,378	177,911,581	-	-	1,125,192,909
Foreign investment securities	85,897,338	178,205,907	946,797,103	2,779,610,225	78,205	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	-	1,150,207
Participating governments' securities	1,258,546	5,524,107	21,916,338	92,728,578	104,175,104	225,602,673
Participating governments' advances	85,744,511	34,398,008	32,059,291	-	-	152,201,810
Accounts receivable	3,752,101	16,817	62,197	163,987	-	3,995,102
Domestic investment securities	-	-	-	-	624,186	624,186
	1,225,454,839	274,392,217	1,178,746,510	2,872,502,790	104,877,495	5,655,973,851
Net assets/(liabilities)	(4,528,950,791)	274,256,152	1,178,112,416	2,870,746,140	104,553,298	(101,282,785)

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(expressed in Eastern Caribbean dollars)

3. Financial risk management (continued)

d) Liquidity risk (continued)

Maturities of liabilities and assets, 31 March 2022	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
Financial Liabilities						
Demand and deposit liabilities – domestic	5,521,949,281	-	-	-	-	5,521,949,281
Lease liability	57,107	93,353	414,083	1,432,100	417,377	2,414,020
Demand and deposit liabilities – foreign	55,169,474	-	-	-	-	55,169,474
Derivative financial instruments	1,463,777	131,572	-	-	-	1,595,349
IMF government general resource accounts	1,256,870	-	-	-	-	1,256,870
	5,579,896,509	224,925	414,083	1,432,100	417,377	5,582,384,994
Financial Assets						
Regional and foreign currencies	155,391,151	-	-	-	-	155,391,151
Balances with other central banks	13,482,886	-	-	-	-	13,482,886
Balances with foreign banks	692,982	-	-	-	-	692,982
Money market instruments and money at call	437,068,866	82,326,493	261,373,953	-	-	780,769,312
Derivative financial instruments	54,632	5,841	-	-	-	60,473
Foreign investment securities	103,835,060	65,422,811	241,896,236	3,601,095,473	278,111,207	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	-	600,759
Participating governments' securities	1,480,008	300,827	15,528,364	97,237,827	102,287,866	216,834,892
Participating governments' advances	55,151,588	26,791,297	9,074,397	-	-	91,017,282
Accounts receivable	2,914,447	22,270	100,537	235,601	6,413	3,279,268
Domestic investment securities	-	-	-	-	624,186	624,186
	770,672,379	174,869,539	527,973,487	3,698,568,901	381,029,672	5,553,113,978
Net assets/(liabilities)	(4,809,224,130)	174,644,614	527,559,404	3,697,136,801	380,612,295	(29,271,016)

Eastern Caribbean Central Bank

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For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

d) Liquidity risk *(continued)*

Derivative cash flows

The following table shows the derivative financial instruments (forward contracts) that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

At 31 March 2023

Derivatives (Currency forwards)

	0-3 Months \$	3-6 Months \$	Total \$
Foreign exchange derivatives			
- Outflow	(18,852,066)	-	(18,852,066)
- Inflow	-	-	-

At 31 March 2022

Derivatives (Currency forwards)

	0-3 Months \$	3-6 Months \$	Total \$
Foreign exchange derivatives			
- Outflow	(20,226,282)	-	(20,226,282)
- Inflow	3,863,372	-	3,863,372

At 31 March 2022

Derivatives (TBA forward contracts)

	0-3 Months \$	3-6 Months \$	Total \$
Foreign exchange derivatives			
- Outflow	(76,012,552)	-	(76,012,552)
- Inflow	6,971,570	-	6,971,570

Eastern Caribbean Central Bank

Notes to Consolidated Financial Statements

For the year ended 31 March 2023

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3. Financial risk management (*continued*)

e) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value of a liability must take account of non-performance risk, including the entity's own credit risk.

Determination of fair value

The following methods and assumptions have been used to estimate the fair value of each class of financial instrument for which it is practical to estimate a value:

- Short-term financial assets and liabilities: The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of regional and foreign currencies, balances with other central banks, balances with foreign banks, money market instruments and money at call, treasury bills, balances with local banks, due from participating governments, interest receivable, and accounts receivable. Short-term financial liabilities are comprised of demand and deposit liabilities – domestic and foreign, interest payable and certain other liabilities.
- Long-term financial instruments: The estimated fair value of long-term loans and receivables is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining terms to maturity. Some of the financial assets included in participating governments' securities and accounts receivable are long term.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

e) Fair value *(continued)*

(i) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Bank's statement of financial position at their fair value:

	Carrying value		Fair value	
	2023	2022	2023	2022
	\$	\$	\$	\$
Financial assets				
Balances with other central banks	17,814,003	13,482,886	17,814,003	13,482,886
Balances with foreign banks	1,020,689	692,982	1,020,689	692,982
Money market instruments and money at call	870,824,928	411,428,858	870,824,928	411,428,858
Cash and balances with local banks	1,150,207	600,759	1,150,207	600,759
Participating governments' securities	225,602,673	216,834,892	225,602,673	192,520,577
Participating governments' advances	152,201,810	91,017,282	152,201,810	91,017,282
Account receivable	3,995,102	3,279,268	3,995,102	3,279,268
	1,272,609,412	737,336,927	1,272,609,412	713,022,612
Financial liabilities				
Demand and deposit liabilities – domestic	5,680,620,668	5,521,949,281	5,680,620,668	5,521,949,281
Lease liabilities	2,918,573	2,414,020	2,918,573	2,414,020
Demand and deposit liabilities – foreign	72,055,416	55,169,474	72,055,416	55,169,474
IMF government general resource accounts	1,176,613	1,256,870	1,176,613	1,256,870
	5,756,771,270	5,580,789,645	5,756,771,270	5,580,789,645

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3. Financial risk management *(continued)*

e) Fair value *(continued)*

(i) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 March 2023	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	\$	\$	\$	\$	\$
Financial assets					
Balances with other central banks	-	17,814,003	-	17,814,003	17,814,003
Balances with foreign banks	-	1,020,689	-	1,020,689	1,020,689
Money market instruments and money at call	-	870,824,928	-	870,824,928	870,824,928
Cash and balances with local banks	-	1,150,207	-	1,150,207	1,150,207
Participating governments' securities	-	-	225,602,673	225,602,673	225,602,673
Participating governments' advances	-	-	152,201,810	152,201,810	152,201,810
Accounts receivable	-	-	3,995,102	3,995,102	3,995,102
Financial liabilities					
Demand and deposit liabilities – domestic	-	5,680,620,668	-	5,680,620,668	5,680,620,668
Lease liabilities	-	2,918,573	-	2,918,573	2,918,573
Demand and deposit liabilities – foreign	-	72,055,416	-	72,055,416	72,055,416
IMF government general resource accounts	-	1,176,613	-	1,176,613	1,176,613

Eastern Caribbean Central Bank

Notes to Consolidated Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

e) Fair value *(continued)*

(i) Financial instruments not measured at fair value *(continued)*

31 March, 2022	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	\$	\$	\$	\$	\$
Financial assets					
Balances with other central banks	-	13,482,886	-	13,482,886	13,482,886
Balances with foreign banks	-	692,982	-	692,982	692,982
Money market instruments and money at call	-	411,428,858	-	411,428,858	411,428,858
Cash and Balances with local banks	-	600,759	-	600,759	600,759
Participating governments' securities	-	-	192,520,577	192,520,577	216,834,892
Participating governments' advances	-	-	91,017,282	91,017,282	91,017,282
Accounts receivable	-	-	3,279,268	3,279,268	3,279,268
Financial liabilities					
Demand and deposit liabilities – domestic	-	5,521,949,281	-	5,521,949,281	5,521,949,281
Lease Liabilities	-	2,414,020	-	2,414,020	2,414,020
Demand and deposit liabilities – foreign	-	55,169,474	-	55,169,474	55,169,474
IMF government general resource accounts	-	1,256,870	-	1,256,870	1,256,870

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

e) Fair value *(continued)*

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in valuations where possible.

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March 2023:

	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets			
Commercial paper	-	254,367,980	-
Foreign investment securities	3,179,042,521	811,468,052	78,205
Domestic investment securities	-	-	624,186
	3,179,042,521	1,065,836,032	702,391
	Level 1 \$	Level 2 \$	Level 3 \$
Financial liabilities			
Derivative financial instruments	-	485,367	-

During the current year, the Bank reassessed its fair value levelling process and identified securities of \$1,401,058,876 with observable prices that were not traded in an active market as at 31 March 2022. The corresponding disclosures have been revised to include those securities within Level 2 as at 31 March 2022.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

e) Fair value *(continued)*

Fair value hierarchy *(continued)*

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March 2022:

	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets			
Commercial paper	237,093,094	112,812,679	-
Certificate of deposits	-	19,434,681	-
Derivative financial instruments	18,793	41,680	-
Foreign investment securities	2,889,223,706	1,401,058,876	78,205
Domestic investment securities	-	-	624,186
	3,126,335,593	1,533,347,916	702,391
	Level 1 \$	Level 2 \$	Level 3 \$
Financial liabilities			
Derivative financial instruments	-	1,595,349	-

There has been no transfer in/out from level 3.

f) Capital risk management

The Bank's objectives when managing capital are:

- Safeguard the Bank's ability to continue as a going concern;
- Manage and safeguard the value of the Eastern Caribbean currency; and
- Maintain a strong capital base to support its developmental activities.

The Bank manages capital through the maintenance of a general reserve according to prescribed guidelines as mandated in the ECCB Agreement Act 1983.

General reserve

For the year ended 31 March 2023, an amount of \$54,520,799 was allocated from the General Reserve to cover the net loss position of the Bank. In 2022, an amount of \$49,099,014 was transferred from General Reserve. As of 31 March 2023, the general reserve ratio stood at 2.34% (2022: 3.42%), which was 2.66% (2022: 1.58%) below the 5% target. As at 31 March 2023, the general reserve was \$134,889,895 (2022: \$190,598,694).

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

f) Capital risk management *(continued)*

Foreign reserve assets

Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is required to maintain a reserve of external assets not less than 60% of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at 31 March 2023 was 91.60% (2022: 93.89%).

g) Operational risk

Operational risk is the risk of direct or indirect loss in both financial and non-financial terms arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. It may also arise from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all departments. Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. The Bank's objective is to manage operational risk so as to balance an avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management team of each department. This responsibility is supported by bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of various Bank activities.

Compliance with corporate policies and departmental control systems are managed by:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of the controls and procedures to assess the risks identified;
- Development and periodic testing of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where it is effective;
- Weekly reporting to the senior management;
- Quarterly management affirmation by each department's Risk Liaison Officer that corporate policies and departmental internal control systems have been complied with; and
- A structured induction program for new employees.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

3. Financial risk management *(continued)*

g) Operational risk *(continued)*

Compliance with the Bank's Standards is supported by a programme of periodic reviews undertaken by the Internal Audit Department. The results of the reviews are discussed with the management of the department to which they relate and summaries are submitted to the Board Audit and Risk Committee and Executive Committee of the Bank.

h) Strategic risk

The ECCB's Strategic Plan 2022-2026 guides the Bank's operation. The Strategic Plan 2022-2026 hinges on five (5) strategic themes, which reflect the purpose of the Bank, namely:

- a. Financial stability;
- b. Payments modernization and financial inclusion;
- c. Digital transformation;
- d. Organizational effectiveness and development; and
- e. Environment, social and corporate governance.

The effective delivery of the strategic initiatives as contained in the plan is heavily dependent on the supporting policies and operations, which have attendant risks. These risks may be influenced by a wide range of internal and external factors, including an inappropriate use of resources or a fundamental change in the circumstances on which the assumptions were predicated. The Bank has therefore identified specific monitoring frameworks and reporting lines to minimize any negative impact of a perceived or actual failure to deliver on its strategic objectives.

4. Critical accounting estimates and judgements in applying accounting policies

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which have to be made in the course of preparation of the financial statements. All estimates and assumptions required are in conformity with IFRS and are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management also exercises judgement in applying the Bank's accounting policies. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

4. Critical accounting estimates and judgements in applying accounting policies *(continued)*

Estimated pension obligation

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the pension asset.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations.

The Bank considers the interest rates of high-quality instruments, normally long-term government bonds that are denominated in Eastern Caribbean currency which is the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Refer to Note 22 for further details.

Impairment of financial assets

The measurement of expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2 (g) (ix).

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- The Bank's criteria for determining if there has been a significant increase in credit risk with qualitative factors integrating the wider macroeconomic environment;
- Selecting appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP growth, unemployment rates and inflation, and the effect on PDs, EADs and LGDs.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

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5. Balances with other central banks and foreign banks

	2023 \$	2022 \$
Balances with other central banks		
Balances with Regional central banks	16,532,299	12,451,705
Balances with European central banks	264,346	163,894
Balances with North American central banks	1,017,358	867,287
Total balances with other central banks	17,814,003	13,482,886
 Balances with foreign banks		
Current accounts denominated in United States dollars	1,020,689	692,982
Current	18,834,692	14,175,868

These balances are non-interest bearing.

6. Money market instruments and money at call

	2023 \$	2022 \$
By currency		
Balances denominated in United States dollars	1,123,775,129	780,704,339
Interest receivable	1,430,217	64,973
Total money market instruments and money at call	1,125,205,346	780,769,312
Less: allowance for impairment	(12,437)	-
Total money market instruments and money at call, net	1,125,192,909	780,769,312

By financial instrument type

Money market instruments maturing in less than ninety days:

	2023 \$	2022 \$
Term deposits	597,634,921	243,000,000
Commercial paper	160,502,437	91,736,978
Certificate of deposits	-	16,195,102
Money at call	271,772,228	168,402,375
Included in cash and cash equivalents (note 25)	1,029,909,586	519,334,455

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

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6. Money market instruments and money at call *(continued)*

Money market instruments maturing after ninety days:	2023 \$	2022 \$
Commercial paper	93,865,543	258,168,796
Certificate of deposits	-	3,201,088
	<u>93,865,543</u>	<u>261,369,884</u>
Interest receivable	<u>1,430,217</u>	<u>64,973</u>
Total money market instruments and money at call	1,125,205,346	780,769,312
Less: allowance for impairment	<u>(12,437)</u>	<u>-</u>
Total money market instruments and money at call, net	<u>1,125,192,909</u>	<u>780,769,312</u>

Money market instruments include commercial paper purchased at discounts, term deposits and certificate of deposits with interest rates ranging from 0.19% to 5.17% (2022: 0.03% to 2.26%) during the year.

Money at call includes cash balances available to the Bank's money managers and funds held at the United States Federal Reserve Bank for the day-to-day operations of the Bank. These balances earned interest at 0.0% to 4.80% (2022: 0.0%) during the year.

Eastern Caribbean Central Bank

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7. Derivative financial instruments

a) To-be-announced forward contracts

To-be-announced (TBAs) are forward contracts to buy or sell Agency Residential Mortgage-Backed Securities at a future date. TBA contracts specify the coupon rate, issue, term and face value of the bonds to be delivered, with the actual bonds to be delivered identified shortly before the TBA settlement date.

The Bank held no To-be-announced forward contracts as of 31 March 2023.

The following is an analysis of the TBA contracts held with positive fair value as at 31 March 2022:

Currency	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
USD	1,874,844	5,062,079	13, 18 and 21 April, 2022	12,952
USD	707,219	<u>1,909,491</u>	13 June, 2022	<u>5,841</u>
		<u>6,971,570</u>		<u>18,793</u>

b) Foreign currency forward contracts

Currency forwards represent commitments to purchase foreign currency. These contracts are initially recognised at fair value on the date that a derivative contract is established and are subsequently remeasured at fair value.

The Bank held no foreign currency forwards with positive fair value as of 31 March 2023.

The following is an analysis of the currency forwards held with positive fair value as at 31 March 2022:

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
GBP	1,078,000	<u>3,863,372</u>	4 April, 2022	<u>41,680</u>
		<u>3,863,372</u>		<u>41,680</u>

Eastern Caribbean Central Bank

Notes to the Financial Statements

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(Expressed in Eastern Caribbean dollars)

8. Financial instruments

a) Classification of financial assets and liabilities

The accounting policies for financial assets and liabilities are set out in note 2(g) above.

The Bank has assessed which business models apply to the financial assets and has classified its financial instruments into the appropriate classification and measurement categories.

(i) Financial assets measured at FVOCI

Money market instruments

Money market instruments consists of commercial paper, certificate of deposits held in the Bank's foreign reserves core portfolio. Money market instruments also includes term deposits, which are held in the liquidity portfolio. The Bank has assessed its business model at the portfolio level as described in note 2 (g) (iii). The Bank concluded the following:

- Money market instruments held in the core foreign reserves portfolio are managed within a business model to hold to collect and sell financial assets and meet the SPPI criteria.

Investment securities other than equity instruments

Foreign debt investment securities are managed within a business model of collecting contractual cash flows and selling the financial assets and meet the SPPI criteria. Accordingly, these investments are classified and measured at FVOCI.

Equity investment instruments

The Bank has elected to irrevocably designate equity investment securities as fair value through other comprehensive income as permitted under IFRS 9.

(ii) Financial assets measured at amortised cost

Money market instruments

Money market instruments (term deposits) held in the liquidity portfolio are managed within a business model of held to collect the contractual cash flows and meet the SPPI criteria.

Domestic financial assets

Financial assets in the domestic portfolio are managed within a business model to collect contractual cash flows and meet the SPPI criteria.

Eastern Caribbean Central Bank

Notes to the Financial Statements

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8. Financial instruments (continued)

a) Classification of financial assets and liabilities (continued)

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments as at 31 March 2023:

Financial assets	Mandatorily at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	137,783,494	137,783,494
Balances with other central banks	-	-	-	-	17,814,003	17,814,003
Balances with foreign banks	-	-	-	-	1,020,689	1,020,689
Money market instruments and money at call	-	-	254,367,980	-	870,824,929	1,125,192,909
Foreign investment securities	-	-	3,990,510,573	78,205	-	3,990,588,778
Cash and balances with local banks	-	-	-	-	1,150,207	1,150,207
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	225,602,673	225,602,673
Participating governments advances	-	-	-	-	152,201,810	152,201,810
Accounts receivable	-	-	-	-	3,995,102	3,995,102
Total Financial Assets	-	-	4,244,878,553	702,391	1,410,392,907	5,655,973,851
Demand and deposit liabilities – domestic	-	-	-	-	5,680,620,668	5,680,620,668
Lease liabilities	-	-	-	-	2,918,573	2,918,573
Demand and deposit liabilities – foreign	-	-	-	-	72,055,416	72,055,416
Derivative financial instruments	485,367	-	-	-	-	485,367
IMF government general resource accounts	-	-	-	-	1,176,612	1,176,612
Total Financial Liabilities	485,367	-	-	-	5,756,771,269	5,757,256,636

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Notes to the Financial Statements

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8. Financial instruments (continued)

a) Classification of financial assets and liabilities (continued)

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments as of 31 March 2022:

Financial assets	Mandatorily at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	155,391,151	155,391,151
Balances with other central banks	-	-	-	-	13,482,886	13,482,886
Balances with foreign banks	-	-	-	-	692,982	692,982
Money market instruments and money at call	-	-	369,340,454	-	411,428,858	780,769,312
Derivative financial instruments	60,473	-	-	-	-	60,473
Foreign investment securities	-	283,309,117	4,006,973,465	78,205	-	4,290,360,787
Cash and balances with local banks	-	-	-	-	600,759	600,759
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	216,834,892	216,834,892
Participating governments advances	-	-	-	-	91,017,282	91,017,282
Accounts receivable	-	-	-	-	3,279,268	3,279,268
Total Financial Assets	60,473	283,309,117	4,376,313,919	702,391	892,728,078	5,553,113,978
Demand Liabilities - domestic	-	-	-	-	5,521,949,281	5,521,949,281
Lease liabilities	-	-	-	-	2,414,020	2,414,020
Demand Liabilities - foreign	-	-	-	-	55,169,474	55,169,474
Derivative financial instruments	1,595,349	-	-	-	-	1,595,349
IMF government general resource accounts	-	-	-	-	1,256,870	1,256,870
Total Financial Liabilities	1,595,349	-	-	-	5,580,789,645	5,582,384,994

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9. Investment securities

	2023 \$	2022 \$
Foreign investment securities measured at fair value through other comprehensive income		
Debt securities		
- quoted, at fair value	3,979,003,784	3,997,720,535
Interest receivable	11,506,789	9,252,930
Total foreign debt securities at fair value through other comprehensive income	3,990,510,573	4,006,973,465
 Foreign investment Securities designated at fair value through profit or loss		
U.S. agency mortgage-backed securities		
- at fair value	-	282,648,739
Interest receivable	-	660,378
Total foreign investment securities at fair value through profit or loss	-	283,309,117
 Equity securities designated at fair value through other comprehensive income		
Society for Worldwide Interbank Financial Telecommunication (SWIFT) 5 (2022: 5) ordinary shares of \$15,641 each - unquoted	78,205	78,205
 Total foreign investment securities	3,990,588,778	4,290,360,787
 Domestic investment securities		
Equity securities designated at fair value through other comprehensive income		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2022: 156,180) ordinary shares of \$2.70 each - unquoted	421,686	421,686
Eastern Caribbean Automated Clearing House Services Inc. (2022: 20,500) ordinary shares of \$10.00 each - unquoted	202,500	202,500
	624,186	624,186
 Total investment securities	3,991,212,964	4,290,984,973

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

9. Investment Securities *(continued)*

	2023	2022
	\$	\$
Current	1,210,900,348	411,154,107
Non-current	2,780,312,616	3,879,830,866
	3,991,212,964	4,290,984,973

Allowance for impairment losses on investment securities at FVOCI

The loss allowance on investment securities at FVOCI is recognised in other comprehensive income as the carrying amount of these investments is their fair value.

The following table shows the allowance for impairment losses on investment securities measured at FVOCI:

	2023			2022	
	12-month ECL	Lifetime ECL not Credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt securities at FVOCI					
Balance at 1 April 2022	1,146,632	-	-	1,146,632	956,535
Increase (decrease) in loss allowance recognised in profit or loss during the year	(186,783)	-	-	(186,783)	190,097
Balance as at 31 March 2023	959,849	-	-	959,849	1,146,632

The movement in investment securities measured at FVOCI is summarised as follows:

	Domestic Securities \$	Foreign Investment Securities \$
Balance as of 31 March 2021	624,186	3,608,827,439
Additions	-	4,832,522,003
Sales, maturities and redemptions	-	(4,307,388,055)
Net loss transfer to equity	-	(139,304,641)
Net loss transfer from equity	-	3,063,789
Balance as of 31 March 2022	624,186	3,997,720,535
Additions	-	2,684,596,821
Sales, maturities and redemptions	-	(2,690,712,254)
Net loss transfer to equity	-	(47,849,012)
Net loss transfer from equity	-	35,247,720
Balance as of 31 March 2023	624,186	3,979,003,784

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

9. Investment securities (continued)

The Bank transferred losses of \$35,247,720 (2022: \$3,063,789) from equity into the statement of profit or loss.

Gains less losses from investment securities comprise:

	2023	2022
	\$	\$
Net realised (losses) gains from disposal of foreign investment securities	<u>(35,247,720)</u>	<u>(3,063,789)</u>

10. Participating governments' securities

Participating government securities measured at amortised cost

	Nominal value 2023 \$	Amortised cost 2023 \$	Nominal value 2022 \$	Amortised cost 2022 \$
Government of Antigua and Barbuda				
Debenture maturing 2027	35,078,863	35,078,863	41,399,205	41,399,205
Debenture maturing 2025	38,274,609	36,646,390	52,674,876	52,108,945
Debenture maturing 2027	10,000,000	10,000,000	-	-
Government of the Commonwealth of Dominica				
Debenture maturing 2034	25,154,231	24,084,134	26,980,436	26,855,829
Government of Saint Lucia				
Debenture maturing 2035	54,000,000	51,018,608	54,000,000	52,508,108
Government of Saint Vincent and the Grenadines				
Debenture maturing 2030	10,000,000	9,645,755	10,000,000	9,769,922
Debenture maturing 2035	15,000,000	14,481,389	15,000,000	14,667,639
Debenture maturing 2036	17,500,000	17,500,000	17,500,000	17,500,000
Debenture maturing 2037	25,000,000	25,000,000	-	-
	<u>230,007,703</u>	<u>223,455,139</u>	<u>217,554,517</u>	<u>214,809,648</u>
Interest receivable	-	2,620,352	-	2,521,563
Total participating governments' securities: debentures, gross	<u>230,007,703</u>	<u>226,075,491</u>	<u>217,554,517</u>	<u>217,331,211</u>
Less: allowance for impairment losses	-	(472,818)	-	(496,319)
Total participating governments' securities: debentures, net	<u>230,007,703</u>	<u>225,602,673</u>	<u>217,554,517</u>	<u>216,834,892</u>

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

10. Participating governments' securities (*continued*)

Participating government securities measured at amortised cost (*continued*)

	2023 \$	2022 \$
Current	28,698,991	17,309,199
Non-Current	<u>196,903,682</u>	<u>199,525,693</u>
	<u>225,602,673</u>	<u>216,834,892</u>

During the year, the Governments of Antigua and Barbuda and Saint Vincent and the Grenadines issued debentures to the ECCB totalling \$35,000,000 (2022: \$17,500,00) through the member governments' access to their long-term credit allocation at the Bank.

The movement in participating governments' securities may be summarized as follows:

	Debentures \$
Balance as of 31 March 2021	208,496,553
Additions	17,500,000
Payment of principal	(14,884,149)
Net effect of modification of debentures	<u>3,697,244</u>
Balance as of 31 March 2022	214,809,648
Additions	35,000,000
Payment of principal	(22,546,815)
Net effect of modification of debentures	<u>(3,807,694)</u>
Balance as of 31 March 2023	<u>223,455,139</u>

During the year, participating governments' securities accrued interest at rates ranging from 2% to 3.5% (2022: 2% to 3.5%).

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

11. Participating governments' advances

Participating government advances measured at amortised cost

	2023 \$	2022 \$
Operating accounts:		
- Government of Saint Lucia	85,744,510	53,333,962
Total operating accounts	85,744,510	53,333,962
 Temporary advances		
- Government of Antigua and Barbuda	50,290,000	23,000,000
- Government of Saint Vincent and the Grenadines	15,662,531	14,603,408
	65,952,531	37,603,408
 Interest receivable	560,775	155,694
Total temporary advances	66,513,306	37,759,102
Total participating governments' advances	152,257,816	91,093,064
 Less: allowance for impairment losses	(56,006)	(75,782)
Total participating governments' advances, net	152,201,810	91,017,282
 Current	152,201,810	91,017,282

Amounts due from participating governments for temporary advances and operating account overdraft balances are unsecured and accrued interest at rates ranging from 0.0% to 2.0% per annum (2022: 0.0% to 2.0%).

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

12. Accounts receivable, prepaid expenses and other assets

	2023 \$	2022 \$
Accounts receivable	13,499,549	11,232,793
Staff loans	178,014	316,440
Prepaid expenses	8,217,174	7,885,070
Notes and coins inventory	18,189,651	19,763,742
	<u>40,084,388</u>	<u>39,198,045</u>
Less: Allowance for impairment on receivables	<u>(9,682,461)</u>	<u>(8,269,965)</u>
	<u>30,401,927</u>	<u>30,928,080</u>
Current	14,923,003	16,203,943
Non-current	<u>15,478,924</u>	<u>14,724,137</u>
	<u>30,401,927</u>	<u>30,928,080</u>

Staff loans accrue interest at a rate of 4% per annum with variable repayment terms. As the loans are granted at a preferential interest rate, this has given rise to a short-term employee benefit asset in the amount of \$39,074 (2022: \$55,237) at the statement of financial position date. This amount is included in prepaid expenses.

The cost of notes and coins inventory includes cost of the production of notes and coins by printers/minters, freight and other related charges.

The Bank's receivables have been assessed for indicators of impairment as required by IFRS 9. The Bank applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure ECL on a collective basis, receivables are grouped on similar credit risk and ageing. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, and a failure to make contractual payments for a period of greater than 90 days past due.

As of 31 March 2023, receivables had lifetime expected credit losses of \$9,682,461 (2022: \$8,269,965).

Allowance for impairment on accounts receivable

The movement in allowance for impairment on accounts receivable is as follows:

	2023 \$	2022 \$
Balance, beginning of year	8,269,965	1,925,544
Allowance during the year	<u>1,412,496</u>	<u>6,344,421</u>
Balance at end of year	<u>9,682,461</u>	<u>8,269,965</u>

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

13. Investments in associated undertakings using the equity method

Article 42 (1) of the Eastern Caribbean Central Bank Agreement Act 1983 empowers the Bank, with the approval of the Monetary Council, to administer or participate in corporations or schemes established for the purpose of promoting the development of money, capital or securities markets in the territories of participating governments.

Article 42 (2) of the Eastern Caribbean Central Bank Agreement Act 1983 authorises the Bank, with the approval of the Monetary Council, to subscribe to hold and sell shares of a corporation organised with the approval or under the authority of the participating governments for any of the purposes specified in Article 42 (1). The following are institutions, which were established under Article 42 (1):

Eastern Caribbean Home Mortgage Bank (ECHMB)

The Bank holds 24.8% (2022: 24.8%) of the share capital of the ECHMB – 25,000 Class “A” shares at a cost of \$100 each and 41,812 Class “A” shares at a cost of \$160 each. The Company was established as a vehicle to foster the development of the money market and secondary market for mortgages in the territories of the participating governments of the ECCB Agreement Act 1983. The ECHMB’s principal place of business is Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

Eastern Caribbean Securities Exchange (ECSE)

The Bank holds 32.74% (2022: 32.74%) of the share capital of the ECSE – 327,419 Class “A” shares at a cost of \$10 each. The ECSE was established to enhance and increase investment opportunities, and to foster the development of a securities market in the territories of participating governments of the ECCB Agreement Act 1983. The Eastern Caribbean Central Securities Depository Limited (ECCSD) is a wholly owned subsidiary of the ECSE. The ECSE’s principal place of business is Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

Organisation of Eastern Caribbean States Distribution and Transportation Company (ODTC)

The Bank holds 20% of the share capital of the ODTC – 2,001 Class “A” shares at a cost of \$10 each. The Company was established as a vehicle to foster the development of the distribution and transportation sector in the territories of the participating governments of the ECCB Agreement Act 1983. The company has not commenced operations as of 31 March 2023. The company’s secretariat is located at Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

13. Investments in associated undertakings using the equity method *(continued)*

The Bank's investments in associates are detailed below:

	2023 \$	2022 \$
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	21,938,502	20,551,891
Share of profit for the year	428,478	1,887,701
Dividend received in year	(334,060)	(501,090)
Balance at end of year	22,032,920	21,938,502
 Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	4,733,643	4,287,080
Share of profit for the year	256,682	692,127
Dividend received during the year	(278,306)	(245,564)
Balance at end of year	4,712,019	4,733,643
 OECS Distribution and Transportation Company (ODTC)		
Balance at beginning and end of year	20,010	20,010
 Total investments in associated undertakings	26,764,949	26,692,155
 Non-current	26,764,949	26,692,155

The total share of profit of associates recognised in the statement of profit or loss was \$685,160 (2022: \$2,579,828).

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

13. Investments in associated undertakings using the equity method *(continued)*

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2023:

Entity	Assets \$	Liabilities \$	Revenues \$	Profit \$	% Interest held %
ECHMB	480,806,060	(423,207,918)	4,944,177	1,727,733	24.80
ECSE	78,454,785	(62,796,400)	5,272,850	784,000	32.74

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2022:

Entity	Assets \$	Liabilities \$	Revenues \$	Profit \$	% Interest held %
ECHMB	517,742,565	(458,033,996)	10,063,470	7,591,693	24.80
ECSE	74,414,335	(58,984,059)	5,485,727	1,762,969	32.74

The Bank's interest has been determined on the basis of the unaudited financial statements for these entities as the timing for receipt of the audited financial statements is after the scheduled date for finalization of the ECCB's accounts. The 2022 comparatives represent audited financial results for these entities, which were not materially different to the unaudited amounts used in the preparation of the Bank's financial statements for the year ended 31 March 2022.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

14. Intangible assets

	Computer software \$
Cost	
Balance at 1 April 2021	21,866,064
Additions	<u>2,971,268</u>
Balance at 31 March 2022	<u>24,837,332</u>
Balance at 1 April 2022	24,837,332
Additions	2,665,156
Transfers	<u>265,458</u>
Balance at 31 March 2023	<u>27,767,946</u>
Accumulated amortisation	
Balance at April 1, 2021	17,945,974
Amortisation	<u>900,176</u>
Balance at 31 March 2022	<u>18,846,150</u>
Balance at 1 April 2022	18,846,150
Amortisation	<u>957,798</u>
Balance at 31 March 2023	<u>19,803,948</u>
Net book value	
At 31 March 2021	<u>3,920,090</u>
At 31 March 2022	<u>5,991,182</u>
At 31 March 2023	<u>7,963,998</u>

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

15. Property and equipment

	Land \$	Buildings \$	Furniture and equipment \$	Computer systems \$	Land improvements \$	Building improvements \$	Motor vehicles \$	Capital work in progress \$	Total \$
Cost									
Balance at 1 April 2021	21,826,175	138,084,045	35,829,775	8,787,617	64,215	-	1,267,672	7,813,080	213,672,579
Transfers	-	1,134,402	241,072	2,342,527	191,260	64,645	-	(3,973,906)	-
Additions	-	1,282,204	1,366,119	142,734	1,146,089	611,452	195,000	3,916,042	8,659,640
Derecognition/disposals	-	-	(906,667)	(2,425)	-	-	-	-	(909,092)
Balance at 31 March 2022	21,826,175	140,500,651	36,530,299	11,270,453	1,401,564	676,097	1,462,672	7,755,216	221,423,127
Cost									
Balance at 1 April 2022	21,826,175	140,500,651	36,530,299	11,270,453	1,401,564	676,097	1,462,672	7,755,216	221,423,127
Transfers	-	-	4,198,079	468,141	-	415,875	-	(5,082,095)	-
Additions	-	-	6,459,527	180,545	-	580,794	-	2,071,915	9,292,781
Derecognition/disposals	-	-	(116,218)	(152,735)	-	-	-	(265,458)	(534,411)
Balance at 31 March 2023	21,826,175	140,500,651	47,071,687	11,766,404	1,401,564	1,672,766	1,462,672	4,479,578	230,181,497

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

15. Property and equipment *(continued)*

	Land \$	Buildings \$	Furniture and equipment \$	Computer systems \$	Land improvements \$	Building improvements \$	Motor vehicles \$	Capital work in progress \$	Total \$
Accumulated depreciation									
Balance at April 1, 2021	-	176,834	25,043,903	6,926,422	14,704	-	843,047	-	33,004,910
Depreciation charge	-	2,857,606	1,396,941	789,462	78,012	29,566	184,640	-	5,336,227
Depreciation write-back	-	-	(905,742)	(2,425)	-	-	-	-	(908,167)
Balance at 31 March 2022	-	3,034,440	25,535,102	7,713,459	92,716	29,566	1,027,687	-	37,432,970
Balance at 1 April 2022	-	3,034,440	25,535,102	7,713,459	92,716	29,566	1,027,687	-	37,432,970
Depreciation charge	-	2,893,855	1,719,297	1,325,725	140,521	106,855	123,271	-	6,309,524
Depreciation write-back	-	-	(115,099)	(152,735)	-	-	-	-	(267,834)
Balance at 31 March 2023	-	5,928,295	27,139,300	8,886,449	233,237	136,421	1,150,958	-	43,474,660
Net book value									
At April 1, 2021	21,826,175	137,907,211	10,785,872	1,861,195	49,511	-	424,625	7,813,080	180,667,669
At 31 March 2022	21,826,175	137,466,211	10,995,197	3,556,994	1,308,848	646,531	434,985	7,755,216	183,990,157
At 31 March 2023	21,826,175	134,572,356	19,932,387	2,879,955	1,168,327	1,536,345	311,714	4,479,578	186,706,837

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

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15. Property and equipment *(continued)*

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2023:

	Land \$	Buildings \$	Total \$
Cost	8,319,630	82,884,163	91,203,793
Accumulated depreciation	<u>-</u>	<u>(60,239,763)</u>	<u>(60,239,763)</u>
Net book value	<u>8,319,630</u>	<u>22,644,400</u>	<u>30,964,030</u>

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2022:

	Land \$	Buildings \$	Total \$
Cost	8,319,630	82,884,163	91,203,793
Accumulated depreciation	<u>-</u>	<u>(57,345,908)</u>	<u>(57,345,908)</u>
Net book value	<u>8,319,630</u>	<u>25,538,255</u>	<u>33,857,885</u>

The Bank undertakes independent valuation of land and buildings every three years. A revaluation was performed by an independent Professional Appraiser as of 31 March 2021. Valuations are based on market value. The revaluation of the land and buildings categories as of March 31, 2021 resulted in a revaluation surplus, which was credited to revaluation reserve.

Eastern Caribbean Central Bank

Notes to the Financial Statements

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15. Property and equipment *(continued)*

Measurement of fair values

Valuation techniques and significant unobservable inputs

The Bank's land and buildings were revalued as of 31 March 2021 by a professional, independent property appraiser. The properties are stated at fair market value, as appraised by the appraiser. The values for the properties were determined using the following methodologies which best reflect the nature of the property: the comparable sales approach and the cost approach.

Land and buildings shown at revalued amounts are included in in Level 3 on the fair value hierarchy.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Category	Valuation techniques	Significant unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	Sales Comparable Approach	<ul style="list-style-type: none"> Adjustment to price based on land sales in the area – EC\$20 to EC\$30 per square foot for commercial; EC\$20 to EC\$25 per square foot for residential 	<p>The estimated fair value would increase /(decrease) if:</p> <ul style="list-style-type: none"> Sales value of comparable properties were higher/(lower) Comparability adjustment were higher/(lower)
Commercial Property	Cost Approach	<ul style="list-style-type: none"> Condition of building Construction cost per square foot - EC\$1,800 to EC\$2,200 Mark-up based on standard scale 	<p>The estimated fair value would increase /(decrease) if:</p> <ul style="list-style-type: none"> the estimated costs of construction for buildings were higher/(lower)
Residential Property	Sales Comparable Approach	<ul style="list-style-type: none"> Details of sales of comparable properties – Sale price EC\$1.5m to EC\$1.8m for the area Comparable adjustment 	<p>The estimated fair value would increase /(decrease) if:</p> <ul style="list-style-type: none"> Sales value of comparable properties were higher/(lower) Comparability adjustment were higher/(lower)

Eastern Caribbean Central Bank

Notes to the Financial Statements

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(Expressed in Eastern Caribbean dollars)

16. Leases

The Bank leases properties mainly for its Agency Offices operations with lease terms ranging from 1 to 10 years. The leases include an option to renew for the same or shorter duration after the end of the contract term, which the Bank is expected to exercise. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases for which the lease term ends within 12 months.

Information about leases for which the Bank is a lessee is presented below:

(a) Amounts recognised in the statement of financial position:

(i) Right-of-use asset

The carrying amounts of right-of-use assets recognised and movements during the year are as follows:

	Buildings
	\$
At 1 April 2022	2,209,083
Effect of modification of lease	1,263,833
Depreciation	<u>(788,370)</u>
Balance at 31 March 2023	<u>2,684,546</u>

	Buildings
	\$
At 1 April 2021	2,809,271
Effect of modification of lease	127,618
Depreciation	<u>(727,806)</u>
Balance at 31 March 2022	<u>2,209,083</u>

(ii) Lease liabilities

The carrying amounts of lease liabilities and movements during the year are as follows:

	Buildings
	\$
At 1 April 2022	2,414,020
Effect of modification of lease	1,263,833
Interest expense	152,314
Lease payments	<u>(911,594)</u>
Balance at 31 March 2023	<u>2,918,573</u>

Eastern Caribbean Central Bank

Notes to the Financial Statements

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(Expressed in Eastern Caribbean dollars)

16. Leases (continued)

(a) Amounts recognised in the statement of financial position (continued)

(ii) Lease liabilities (continued)

	Buildings
	\$
At 1 April 2021	2,936,773
Effect of modification of lease	127,618
Interest expense	164,949
Lease payments	(815,320)
	<hr/>
Balance at 31 March 2022	2,414,020
	<hr/>

	2023	2022
	\$	\$
Maturity analysis of contractual undiscounted cash flows of lease liability		
Less than one year	977,395	668,348
One to five years	1,984,446	1,650,761
More than five years	335,677	445,686
	<hr/>	<hr/>
	3,297,518	2,764,795
	<hr/>	<hr/>
Current	977,395	668,348
Non-current	2,320,123	2,096,447
	<hr/>	<hr/>
	3,297,518	2,764,795
	<hr/>	<hr/>

(b) Amounts recognised in profit or loss

The following amounts are recognised in profit or loss:

	2023	2022
	\$	\$
Depreciation charge on right-of-use assets	788,370	727,806
Interest expense on lease liabilities	152,314	164,949
Expenses relating to short-term leases	238,450	233,820
	<hr/>	<hr/>
	1,179,134	1,126,575
	<hr/>	<hr/>

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

17. Demand and deposit liabilities - domestic

	2023	2022
	\$	\$
Bankers' reserves - current accounts	3,448,830,595	3,340,692,037
Currency in circulation	1,486,583,458	1,402,299,532
Bankers' collateral account	334,561,371	341,597,368
Bankers' dormant accounts	119,587,165	106,031,430
Participating governments' call accounts	83,532,638	116,363,329
Participating governments' fiscal reserve tranche II	55,995,679	56,495,679
Eastern Caribbean Securities Exchange accounts	24,678,090	19,566,605
Participating governments' operating accounts	23,598,664	52,198,457
Eastern Caribbean Partial Credit Guarantee Corporation	19,790,974	4,094,994
ECHMB operating account	19,439,281	6,007,031
Participating governments' drug service accounts	9,556,835	10,535,871
Participating governments' sinking fund call accounts	7,922,411	14,018,302
Accounts payable, accruals and provisions	7,747,776	10,067,890
Eastern Caribbean Automated Clearing House	7,052,742	4,901,569
Participating governments' fiscal tranche I call accounts	6,355,938	12,410,745
Bankers' call accounts	4,943,758	901,408
BAICO Recapitalisation Holding account	4,463,848	4,463,848
British American Liquidity Support	3,417,002	3,664,530
Eastern Caribbean Asset Management Corporation (formerly Resolution Trust Corporation)	2,876,255	5,965,210
British Caribbean Currency Board Coins in Circulation	2,564,824	2,564,824
DCash in circulation	2,450,000	2,270,000
Commemorative coins in circulation	1,379,972	1,379,972
Improving AML/CFT frameworks within ECCU	1,048,319	-
Organisation of Eastern Caribbean States operating accounts	996,219	425,391
British Caribbean Currency Board Residual Fund	833,628	833,628
Eastern Caribbean Asset Management Corporation	198,950	1,585,200
Government of Antigua and Barbuda Road Infrastructure	75,351	75,170
Government of Antigua & Barbuda Recovery & Reconstruction Project	45,263	45,155
Statutory and legislative bodies' operating accounts	33,503	26,065
ECSRC crowdfunding development fund account	31,611	-
OECS Distribution and Transportation Company Limited	22,380	22,380
Participating governments' debt restructuring escrow accounts	6,168	398,013
Local governments' operating accounts	-	47,176
CANEC Debt Management Advisory Services	-	472
Total demand and deposit liabilities - domestic	5,680,620,668	5,521,949,281
Current	5,680,620,668	5,521,949,281

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

17. Demand and deposit liabilities – domestic *(continued)*

During the year, the following balances earned interest at 0.0% to 1.40% (2022: 0.0%): fiscal tranche I, bankers' call accounts and fixed deposits, participating governments' and statutory bodies' fixed deposits and ECHMB's operating accounts.

Participating governments' fiscal reserve tranche II

The Monetary Council has approved the establishment of a fiscal reserve fund. In accordance with the Bank's profit distribution policy, forty per cent (40%) of the annual share of distributable profits to member governments' is transferred to the participating governments' fiscal tranche II call account. As the Bank recorded a net loss, there was no transfer to the fund in the current financial year (2022: nil).

	2023 \$	2022 \$
Balance at beginning of year	56,495,679	57,911,565
Loan repayments during the year	-	334,114
COVID-19 grant	(500,000)	(750,000)
Volcano relief grant	-	(1,000,000)
Balance at end of year	55,995,679	56,495,679

Participating governments' fiscal tranche I call accounts

These accounts earn interest at the prevailing call rate offered by the Bank and are readily accessible by the respective governments.

	2023 \$	2022 \$
Balance at beginning of year	12,410,745	7,099,521
Transfers	900,000	5,311,224
Interest on account	75,193	-
Withdrawals	(7,030,000)	-
Balance at end of year	6,355,938	12,410,745

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

18. Demand and deposit liabilities - foreign

	2023 \$	2022 \$
Caribbean Development Bank accounts	5,155,523	1,731,066
Caribbean Financial Services Corporation account	105,608	63,288
Regional central banks and agency accounts	82,034	20,300
Other regional and international organisations	66,712,251	53,354,820
Total demand and deposit liabilities – foreign	72,055,416	55,169,474
Current	72,055,416	55,169,474

These balances earned interest at 0.0% to 1.40% (2022: 0.0%) during the year.

19. IMF government general resource accounts

	2023 \$	2022 \$
Saint Lucia	426,780	455,890
Antigua and Barbuda	226,830	242,307
Grenada	166,321	177,667
Saint Christopher (St Kitts) and Nevis	123,786	132,228
Commonwealth of Dominica	116,531	124,480
Saint Vincent and the Grenadines	116,364	124,298
Total IMF government general resource accounts	1,176,612	1,256,870
Current	1,176,612	1,256,870

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

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20. Derivative financial instruments

a) To-be-announced forward contracts

The Bank held no To-be-announced (TBA) forward contracts as at 31 March 2023.

The following is an analysis of the TBA contracts held with negative fair value as at 31 March 2022:

Currency	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
USD	22,818,641	61,610,331	13, 18 and 21 April 2022	1,203,842
USD	5,334,156	<u>14,402,221</u>	13 June 2022	<u>174,044</u>
		<u>76,012,552</u>		<u>1,377,886</u>
			Current	<u>1,377,886</u>

b) Foreign currency forward contracts

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2023:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
CAD	1,472,400	2,883,784	11 April 2023	50,518
CHF	3,000	8,554	11 April 2023	294
EUR	4,053,100	11,611,365	4 and 11 April 2023	306,718
GBP	1,340,300	<u>4,348,363</u>	11 April 2023	<u>127,837</u>
		<u>18,852,066</u>		<u>485,367</u>
			Current	<u>485,367</u>

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2022:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
CAD	1,649,600	3,490,694	4 April 2022	64,342
EUR	4,963,400	14,758,109	4 April 2022	139,338
GBP	562,100	<u>1,977,479</u>	4 April 2022	<u>13,783</u>
		<u>20,226,282</u>		<u>217,463</u>
			Current	<u>217,463</u>

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

21. Other reserves

	2023 \$	2022 \$
Revaluation reserve – property and equipment	118,910,732	118,910,732
Pension reserve	30,976,000	34,197,000
Self-insurance reserve fund	14,488,544	14,488,544
Capital reserve	6,537,928	6,537,928
Export Credit Guarantee fund	1,808,877	1,808,877
Revaluation reserve – investment securities	(127,391,606)	(115,084,402)
Total reserves	45,330,475	60,858,679

Export Credit Guarantee Fund

Under Article 42 (1) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is empowered to administer or participate in an export credit guarantee scheme. In exercise of this power, the Bank has assigned to one of its departments, the objective of providing pre-shipment export credit guarantees to commercial banks in respect of advances made to exporters from the Organisation of Eastern Caribbean States. Article 42 (4) of the Eastern Caribbean Central Bank Agreement Act 1983 provides for the Bank to make discretionary contributions out of its profits towards a guarantee fund for administering the Export Credit Guarantee Scheme. The Board of Directors have agreed to maintain the fund at a minimum of \$1,000,000.

Capital reserve

Capital reserve includes the land (8.3568 acres) on which the Bank's headquarters (phase I and II) are constructed, which was donated by the Government of St. Kitts and Nevis. The land was independently valued at \$629,528 in 1991 for phase I and \$2,720,000 in 2001 for phase II. In 2003 the Government of St. Kitts and Nevis donated an additional 0.61 acres to the Bank, which was independently valued at \$498,400. In 2005, the Government of St. Kitts and Nevis donated an additional 2 acres of land, which was independently valued at \$2,690,000.

Self-insurance reserve

The Board of Directors has agreed to appropriate annually to the Self-insurance reserve, from net income, such amount equivalent to the quoted premium from an insurance carrier, to cover potential catastrophe in respect of the Bank's headquarters buildings and full coverage for the other properties. It also agreed to a funded cap of 20% of the replacement value of the relevant buildings (determined by independent valuation).

Pension reserve

The Board of Directors has decided to make appropriations annually to or from net income for the amounts necessary to maintain a pension reserve equivalent to the pension asset.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

21. Other Reserves (continued)

Revaluation reserve – property and equipment

This reserve represents the carrying amount arising on revaluation of land and buildings recognised in other comprehensive income.

Revaluation reserve – investment securities

The investment revaluation reserve represents the net unrealised fair value gains/(losses) on the revaluation of the Bank's financial assets classified and measured at FVOCI and expected credit losses thereon.

The movements of the “revaluation reserve: investment securities” as a result of changes in the fair values are as follows:

	Foreign investment securities \$	Money market instruments \$	Total \$
Balance at 31 March 2021	21,981,747	5,134	21,986,881
Revaluation of foreign securities	(139,304,641)	(1,020,528)	(140,325,169)
Revaluation transfer to profit or loss on disposal of foreign securities	3,063,789	-	3,063,789
Impairment of investment securities at FVOCI	190,097	-	190,097
Balance at 31 March 2022	(114,069,008)	(1,015,394)	(115,084,402)
Revaluation of foreign securities	(47,849,012)	480,871	(47,368,141)
Revaluation transfer to profit or loss on disposal of foreign securities	35,247,720	-	35,247,720
Impairment of investment securities at FVOCI	(186,783)	-	(186,783)
Balance at 31 March 2023	(126,857,083)	(534,523)	(127,391,606)

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

22. Pension asset

The Bank contributes to a defined benefit pension plan (Eastern Caribbean Central Bank or ECCB Pension Plan/Fund) covering substantially all full-time employees. The assets of the ECCB Pension Plan are held separately in an independent trustee administered fund. The pension plan is valued every three years by a firm of independent qualified actuaries, Bacon Woodrow & de Souza Limited – Actuaries and Consultants. The latest available full valuation of the Pension Fund was at 31 March 2022; it used the projected unit credit method, and showed that the fair value of the Fund's assets at 31 March 2022 represented 119% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was \$135.8 million (2019: \$115.3 million) and the required future service contribution rate was 20.8% (2019: 20.5%) of pensionable salaries. The actuary performed a roll-forward of the valuation to 31 March 2023. The next detailed full valuation will be conducted as at 31 March 2025.

	2023 \$	2022 \$
Net asset in the statement of financial position:		
Fair value of plan assets	127,734,000	135,830,000
Present value of defined benefit obligation	(96,758,000)	(101,633,000)
	<u>30,976,000</u>	<u>34,197,000</u>
Present value of over funded surplus		
	<u>30,976,000</u>	<u>34,197,000</u>
Net defined benefit asset recognised in the statement of financial position	<u>30,976,000</u>	<u>34,197,000</u>
	2023 \$	2022 \$
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	34,197,000	40,124,000
Net pension costs during the year	(1,701,000)	(1,177,000)
Remeasurements recognised in other comprehensive income	(4,409,000)	(7,565,000)
Bank's contributions paid to pension plan	2,889,000	2,815,000
	<u>30,976,000</u>	<u>34,197,000</u>
Pension asset, end of year	<u>30,976,000</u>	<u>34,197,000</u>

Effective April 1, 2007, the Bank adjusted its contribution to the Pension Fund from 16% to 12% to benefit from the current overfunded position of the pension fund and as prescribed by rule 4(3) of the Pension Fund Trust Deed and Rules (1992).

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

22. Pension asset (continued)

	2023 \$	2022 \$
Movement in present value of defined benefit obligation over the year is as follows:		
Beginning of year	101,633,000	92,281,000
Current service cost	3,970,000	3,864,000
Interest cost	6,912,000	6,320,000
Contributions by plan participants	722,000	704,000
Experience adjustments	(4,235,000)	2,522,000
Actuarial gains/(losses) from changes in financial assumptions	(6,365,000)	-
Benefits paid	(5,879,000)	(4,058,000)
Defined benefit obligation at end of year	96,758,000	101,633,000

The defined benefit obligation is allocated between the Plan's members as follows:

	2023 %	2022 %
Active members	66	70
Deferred members	-	-
Pensioners	34	30

The weighted average duration of the defined benefit obligation at the year end

14.0 years 14.5 years

23% of the benefits for active members are for those over age 55 and are vested.

33% of the defined benefit obligation for active members is conditional on future salary increases.

	2023 \$	2022 \$
Movement in fair value of plan assets over the year		
Plan assets at start of year	135,830,000	132,405,000
Interest income	9,422,000	9,242,000
Return on plan assets, excluding interest income	(15,009,000)	(5,043,000)
Bank's contributions	2,889,000	2,815,000
Members' contributions	722,000	704,000
Benefits paid	(5,879,000)	(4,058,000)
Expense allowance	(241,000)	(235,000)
Fair value of plan assets at end of year	127,734,000	135,830,000

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

22. Pension asset (continued)

Expense recognised in the statement of profit or loss:	2023 \$	2022 \$
Current service cost	3,970,000	3,864,000
Net interest on net defined benefit liability (asset)	(2,510,000)	(2,922,000)
Administration expenses	241,000	235,000
Net pension cost included in staff costs (note 29)	1,701,000	1,177,000

	2023 \$	2022 \$
Remeasurements recognised in other comprehensive income		
Experience losses	(4,409,000)	(7,565,000)

Remeasurement loss recognised in other comprehensive income	(4,409,000)	(7,565,000)
-------------------------------------------------------------	-------------	-------------

	2023 %	2022 %
The principal actuarial assumptions used were as follows:		
Discount rate	7.5	7.0
Average individual salary increases	5.0	5.0
Future pension increases	0.0	0.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligations as at 31 March 2023 are as follows:

	2023	2022
Life expectancy at age 60 for current pensioners in years		
Male	21.9	21.8
Female	26.2	26.0
Life expectancy at age 60 for current members age 40 in years		
Male	22.8	22.7
Female	27.1	27.0

Plan assets are comprised as follows:

	2023 \$	2022 \$
Developed market equities	54,288,000	56,074,000
EC Government issued nominal bonds and treasury bills	8,309,000	6,499,000
USD denominated bonds	66,764,000	68,473,000
USD cash and cash equivalents	1,058,000	6,665,000
Net current assets	(2,685,000)	(1,881,000)
Fair value of plan assets at end of year	127,734,000	135,830,000

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

22. Pension asset (continued)

The largest proportion of the Plan's assets is invested in debt instruments. Overseas equities in developed markets and USD denominated bonds have quoted prices.

The Plan's assets are invested based on a strategy agreed with the Trustees. There are no asset-liability matching strategies used by the Plan.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises the sensitivity of the defined benefit obligation to changes in the assumptions used:

2023			
Impact on defined benefit obligation			
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
		\$	\$
Discount rate	1%	(11,419,000)	14,082,000
Future salary increases	1%	5,816,000	(5,173,000)
Life expectancy	1 year	1,119,000	-

2022			
Impact on defined benefit obligation			
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
		\$	\$
Discount rate	1%	(12,358,000)	15,341,000
Future salary increases	1%	6,653,000	(5,868,000)
Life expectancy	1 year	1,118,000	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension plan asset recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

22. Pension asset (continued)

Funding

The Bank meets the balance of the cost of funding the defined benefit Pension Plan and must contribute at least 12% of members' salaries to the Plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above.

The estimated pension contributions to be paid into the defined benefit plan during the next financial year amounts to \$3.0 million (2022: \$2.942 million).

23. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank considers the participating governments, board of directors and key management personnel as related parties.

Participating governments

The receivables from and payables to participating governments arise mainly from the Bank carrying out one of its key roles as banker to participating governments as provided for in part nine (ix) of the ECCB Agreement Act 1983.

The year end balances arising from transacting with participating governments are as follows:

	2023 \$	2022 \$
Due from participating governments		
Participating governments' securities (note 10)	225,602,673	216,834,892
Participating governments' advances (note 11)	152,201,810	91,017,282
Due to participating governments (note 17)		
Participating governments' call accounts	83,532,638	116,363,329
Participating governments' fiscal reserve tranche II	55,995,679	56,495,679
Participating governments' operating accounts	23,598,664	52,198,457
Participating governments' drug service accounts	9,556,835	10,535,871
Participating governments' sinking fund call accounts	7,922,411	14,018,302
Participating governments' fiscal tranche I call accounts	6,355,938	12,410,745
Participating governments' debt restructuring escrow accounts	6,168	398,013

Interest income earned on participating governments securities and advances during the year was \$6,459,084 (2022: \$13,167,886). These accounts carry interest rates of 2.0% to 3.5% (2022: 2.0% to 3.5%) during the year.

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

23. Related party balances and transactions *(continued)*

Participating governments *(continued)*

Interest expense on participating governments demand accounts during the year was \$1,457,982 (2022: nil). These accounts carry interest rate of 0.0% to 1.40% (2022: 0.0%) during the year.

Eastern Caribbean Central Bank Pension Plan

The Bank provides management, investment and administrative support to the Pension Plan. Services in the amount of \$594,966 were fully recovered from the Pension Plan during the year (2022: \$794,623). Disclosures related to the Bank's post-employment benefit plans are included in Note 22.

Key management personnel and compensation

The key management personnel responsible for planning, directing and controlling the activities of the Bank are the members of the Executive, the Senior Management and the Board of Directors.

The compensation of key management personnel is presented in the following table. Short-term employee benefits and post-employment benefits apply to Bank employees only.

	2023 \$	2022 \$
Salaries and other short-term employee benefits	4,222,114	4,493,046
Board of Directors' fees	240,000	240,000
Post-employment benefits	169,595	165,967
	4,631,709	4,899,013

The value of other transactions during the year and outstanding balances related to key management personnel as of 31 March 2023 was nil (2022: nil).

Transactions and balances with associated undertakings

	2023 \$	2022 \$
Rental income	300,000	300,000
Dividends from associates	621,366	764,654
Demand and deposit liability accounts (note 17)		
Eastern Caribbean Securities Exchange	24,678,090	19,566,605
Eastern Caribbean Home Mortgage Bank	19,439,281	6,007,031
OECS Distribution and Transportation Company Limited	22,380	22,380

Eastern Caribbean Central Bank

Notes to the Financial Statements

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

24. Commitments and contingencies

Commitments

Capital commitments

As at 31 March 2023, commitments for capital expenditure amounted to \$16,624,910 (2022: nil). No provision has been made in these financial statements for the unexpended capital commitments as at reporting date although appropriate funding has been approved.

Credit limits to participating governments

Article 40 (1) of the ECCB Agreement Act 1983 stipulates that “the Bank may, subject to such terms and conditions as the Board may prescribe, make temporary advances to each Participating Government to meet its seasonal needs...”. This can take the form of ECCB’s direct investment in government securities, overdrafts on operating accounts and temporary advances.

The approved credit limits to participating governments for the current financial year is \$780,000,000 (2022: \$750,000,000). The details are presented in the table below:

	2023 \$	2022 \$
Government of Saint Lucia	156,245,000	158,608,000
Government of Saint Christopher (St Kitts) and Nevis	152,112,000	145,784,000
Government of Antigua and Barbuda	142,297,000	131,219,000
Government of Grenada	111,254,000	109,228,000
Government of Saint Vincent and the Grenadines	94,573,000	88,591,000
Government of Commonwealth of Dominica	81,129,000	78,244,000
Government of Anguilla	34,585,000	30,808,000
Government of Montserrat	7,805,000	7,518,000
Total credit limit	780,000,000	750,000,000

The total credit available to participating governments as of 31 March 2023 amounts to \$398,424,000 (2022: \$441,600,000). The details are presented in the table below:

	2023 \$	2022 \$
Government of Saint Christopher (St Kitts) and Nevis	152,112,000	145,784,000
Government of Grenada	111,254,000	109,228,000
Government of Commonwealth of Dominica	55,975,000	51,264,000
Government of Anguilla	34,585,000	30,808,000
Government of Saint Lucia	16,629,000	51,365,000
Government of Saint Vincent and the Grenadines	11,410,000	31,488,000
Government of Antigua and Barbuda	8,654,000	14,145,000
Government of Montserrat	7,805,000	7,518,000
Total credit limit	398,424,000	441,600,000

Eastern Caribbean Central Bank

Notes to the Financial Statements

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24. Commitments and contingencies (*continued*)

Commitments (*continued*)

Credit limits to participating governments (*continued*)

The Board has approved a total credit limit to participating governments for the 2023/24 financial year in the amount of \$840,000,000.

Contingencies

Pending litigations

The Bank is subject to various claims, disputes and legal proceedings, in the normal course of business. There are several legal claims which have been brought against the Bank. Provision is made for such matters when, in the opinion of management as advised by the Bank's Legal Counsel, it is probable that a payment will be made by the Bank, and the amount can be reasonably estimated.

In respect of claims asserted against the Bank for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are without merit and can be successfully defended.

25. Cash and cash equivalents

	2023 \$	2022 \$
Money market instruments and money at call (note 6)	1,029,909,586	519,334,455
Regional and foreign currencies	137,783,494	155,391,151
Balances with other central banks (note 5)	17,814,003	13,482,886
Balances with local banks	1,150,207	600,759
Balances with foreign banks (note 5)	1,020,689	692,982
Total cash and cash equivalents	1,187,677,979	689,502,233

26. Net interest income

	2023 \$	2022 \$
Interest income (calculated using the effective interest method)		
Foreign investment securities	53,512,398	22,111,706
Money market instruments and money at call	25,322,139	1,413,107
Mortgage-backed securities	4,699,040	3,689,930
Participating governments' securities and advances	6,459,084	13,167,886
Other interest income	61,077	35,087
	90,053,738	40,417,716

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Notes to the Financial Statements

For the year ended 31 March 2023

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26. Net interest income (continued)

Interest expense

Demand liabilities: domestic	1,457,982	-
Lease liabilities	152,314	164,949

1,610,296	164,949
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Net interest income	88,443,442	40,252,767
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27. Net losses on foreign investment securities at fair value through profit or loss (FVTPL)

	2023 \$	2022 \$
Unrealised gains (losses) on investment securities at FVTPL	17,081,000	(19,510,182)
Realised (losses) gains on investment securities at FVTPL	(61,196,415)	(6,022,033)
	(44,115,415)	(25,532,215)

28. Other income

	2023 \$	2022 \$
Income from banking licence fees and penalties	3,538,334	3,635,000
Pension fund administrative and management fees	594,966	794,623
Rental income	322,800	322,800
Gain on futures contracts	970,530	2,793,787
Loss on foreign exchange	(996,161)	(626,013)
Gain (loss) on disposal of property and equipment	8,631	(725)
Other income	127,673	135,543
Total other income	4,566,773	7,055,015

Rental income results from rental of office space to affiliate institutions, namely, ECHMB, ECSE and ECPCGC, which are covered by leasehold rental contracts.

29. Salaries, pensions and other staff benefits

	2023 \$	2022 \$
Salaries, wages and other benefits	35,658,612	36,494,895
Pension (note 22)	1,701,000	1,177,000
Social security	1,228,644	1,245,989
Vacation leave	403,934	428,323
Prepaid employee benefit	32,678	16,850
Total salaries, pensions and other staff benefits	39,024,868	39,363,057

Eastern Caribbean Central Bank

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(Expressed in Eastern Caribbean dollars)

30. Net impairment losses on financial assets

During the financial year, the following losses (gains) were recognised in the statement of profit or loss in relation to impaired financial assets

	2023 \$	2022 \$
Impairment loss on financial assets at FVOCI	40,276	190,098
Impairment loss on financial assets at amortised cost	12,437	22,058
Impairment loss on receivables	1,412,497	6,344,421
Reversal of previous impairment losses on financial assets	(270,337)	(80,933)
Net impairment losses on financial assets	1,194,873	6,475,644

31. Administrative and general expenses

	2023 \$	2022 \$
General supplies and services	11,426,058	8,573,083
Professional, legal and consulting fees	7,261,836	5,752,738
Special projects	2,321,477	2,434,902
Repairs and maintenance	1,247,940	517,289
Contribution to Eastern Caribbean Securities Regulatory Commission	1,125,276	1,100,778
Utilities expenses	1,066,746	990,147
Travel expenses	1,040,903	9,733
Training, recruitment and resettlement	1,005,655	914,512
Conference and meetings	965,125	223,388
Telephone expense	864,097	823,071
Insurance expense	684,087	841,054
Service grant	658,089	490,664
Other staff expenses and amenities	576,999	167,148
Subscriptions and fees	400,029	338,588
Community outreach	374,597	294,276
Rental expense	238,450	233,820
Affiliate groups	201,976	198,481
Public education and communication	141,249	151,278
Other expenses	109,786	63,409
Contribution to staff association	72,695	35,377
Printing and postage expenses	29,427	12,866
Directors' travel and other expenses	22,640	16,327
Advertising and promotion	1,242	6,342
Total administrative and general expenses	31,836,379	24,189,271



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