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# GOVERNOR'S FOREWORD: ECONOMIC REFORM—*DIFFICULT BUT NECESSARY*

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**Executive Governor**

There is broad agreement that economic reform is necessary for sustained economic growth and development. What is not fully appreciated is that bringing about actual reform, more often than not, requires difficult decisions. And this is where leadership from key institutions such as the CBL is paramount in rising to the many challenges attendant to macroeconomic management: ensuring banks are adequately capitalized; maintaining exchange rate stability and containing inflation; enhancing access to credit for Liberian entrepreneurs; improving governance of financial institutions; building a more inclusive financial sector, to make it possible for the poorer segments of society to improve their standard of living; helping to ensure broad-based growth, just to mention a few of the issues that have engaged the attention of the Bank.

More recently, the spotlight has been placed on expanding competitiveness in the provision of financial services, including rescinding monopolistic clauses in agreements between banks and international money transfer agencies. Some thought that this would be problematic; but we have made progress on this front, and the public will be the beneficiary. After a prolonged period of consultation with the foreign exchange operators, the CBL has started to take action to shut down illegal operators – another difficult but necessary decision aimed at making the foreign exchange business a more organized and vibrant part of the financial system. We want to thank the public for their cooperation and support. Regarding the insurance industry, the steadfast determination of the CBL to institute reform is beginning to show some result. There is now a common understanding that change within the industry, even if difficult, is necessary, for the general good of the Liberian economy. Against this background, the CBL has begun the process of working with insurance companies to strengthen their financial position as well as improve their overall management and governance systems to become meaningful participants in our attempt to deepen the financial market in the country.

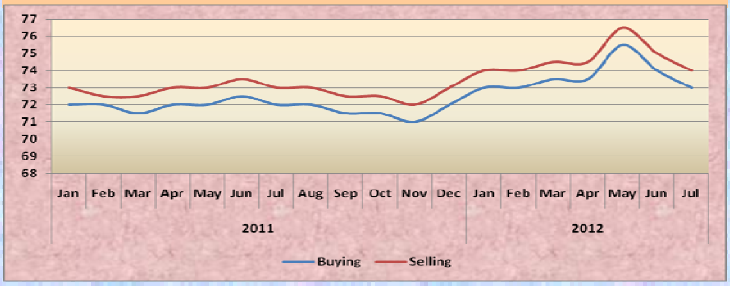
Another area where stronger action is needed has to do with high non-performing loans. The CBL has decided that chronic delinquent debtors will be excluded from using the banking system, if they fail to regularize their standing. This is a necessary step taken by the CBL in order to improve the availability of credit to the private sector, while strengthening the profitability of banks.

The underlying theme of these comments is that economic transformation, which is critical for enhancing the welfare of Liberians, is not likely to happen without a vision as to where we should be going, buttressed by clarity of purpose and courageous determination. The Board of Governors and the management and staff of the CBL are committed to working with all Liberians and our partners to do what is necessary to bring about change in the economy for the greater good, in keeping with the Bank's mandate.

# LIBERIAN DOLLAR RECOVERS AGAINST THE US DOLLAR IN EARLY SECOND HALF OF 2012

In the 6-month period to June 2012, the Liberian dollar buying rate came under pressure, depreciating by 4.1 percent to L$74.0/US$1.0 at end of June 30, from L$72.0 at the start of January, 2012. The recent depreciation of the Liberian dollar has been primarily driven by external factors, including the deterioration in the terms of trade and the slowdown in inward workers' remittances. The CBL has directed attention to the need to intensify efforts to resuscitate and diversify the real sector of the economy, including agriculture. The importance of adding value to our traditional export commodities has also been stressed.

**End-of-Period Exchange Rate (2011-July, 2012)**




Intervention in the foreign exchange market by the CBL has helped to stabilize the exchange rate. A total of US$42.0 million was sold to the market during the 7-month period to July 2012, more-than-doubling the US$19.4 million sold during the same period in 2011. At end-July 2012, there was a 2.6 percent gain in the value of the Liberian dollar, with the buying rate going from L$76.0/US$1.0 at end-June 30 to L$74.00/ US$1.0 at end-July 31, 2012 (See Chart). It is evident that the Liberian dollar was not in a free fall.

The intervention by the CBL takes into consideration the need to maintain an adequate level of reserves. In the end, the value of the Liberian dollar, as it is for countries with managed float exchange rate regime, is largely determined by market forces. People should note that with the buying rate currently at L$73/US$1 means that an individual or business entity having US dollar, say, for example, US$100, and wants Liberian dollars in exchange from a forex bureau or commercial bank should receive an equivalent of L$7,300; L$730 for US$10. The CBL will continue to pursue an approach that helps to maintain broad stability of the exchange rate; it has no intention to fix the exchange rate, something which the CBL will not be able to sustain. The result would be damaging to the economy.

It is important to note that the end-of-period buying exchange rates of countries within the West African Monetary Zone (WAMZ) depreciated by 4.5 percent between January and July, 2012. The Ghanaian Cedi recorded the highest rate of depreciation of 26.3 percent, followed by the CFA Franc, 4.6 percent; and the Gambian Dalasi, 0.2 percent. However, the Guinean Franc, the Sierra Leonean Leone, and the Nigerian Naira appreciated by 2.5 percent, 1.0 percent and 0.5 percent, respectively.

**Movements in Currencies of the ECOWAS Sub-Region January—July, 2012**

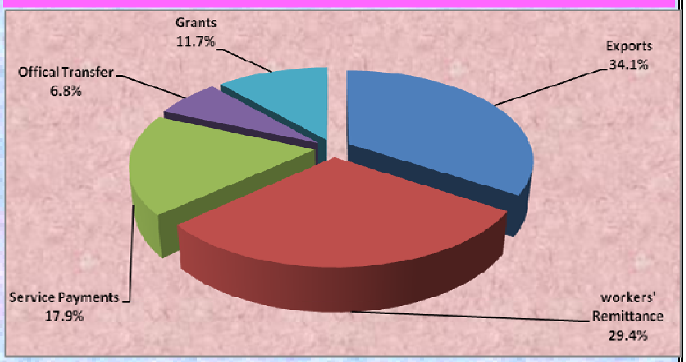
| Currencies | 2 Jan-12 Unit of Currency/ US$ | 30 Jun-12 Unit of Currency/ US$ | July-12 Unit of Currency/ US$ | Depr/ Appr (Jan -July) |
|---|---|---|---|---|
| FCFA | 508.9282 | 528.2308 | 532.562 | 4.6 |
| ESCUDO | 85.5536 | 88.79852 | 89.52662 | 4.6 |
| DALASI | 30.3818 | 30.75335 | 30.46176 | 0.2 |
| CEDI | 1.5840 | 1.8989 | 2.0 | 26.3 |
| Guinean Franc | 7089.845 | 6999.583 | 6906.59 | -2.5 |
| Liberian Dollar | 72.0 | 74.0 | 73.0 | 1.4 |
| Naira | 156.2 | 155.41 | 155.34 | -0.5 |
| Leone | 4377.11 | 4328.23 | 4332.15 | -1.0 |

*Source: The West African Monetary Agency (WAMA)*
*- Means Appreciation*

# OVERALL INWARD REMITTANCES GROW, BUT WORKERS' REMITTANCES DIP

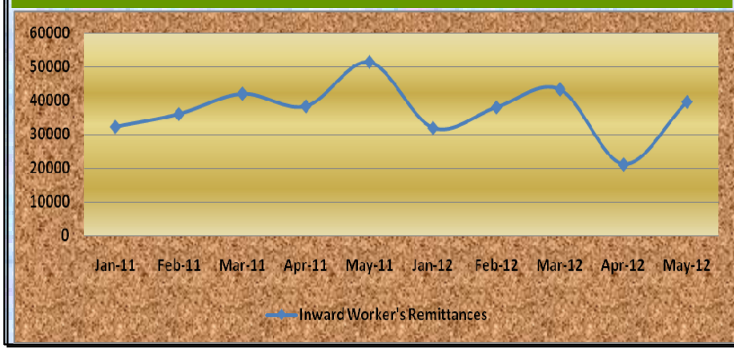
Inward remittances for the first 5 months of 2012 totalled US$591.3 million, representing an increase of 20.4 percent compared with US$491.2 million reported for the same period in 2011. However, outward remittances for the same period amounted to US$530.0 million, reflecting a slight decline of 3.1 percent over the U$547.0 million recorded for the same 5-month period of 2011. Comparing total inflows with outflows for the reporting period shows a net flow position of US$61.3 million. Of the total inflow, workers' remittances accounted for US$174.0 million or 29.4 percent.

**Inward Remittances (Jan—May, 2012)**




Workers' remittances flow to the economy in the 5-month period to May 2012 declined by approximately 13.0 percent, compared with the US$199.9 million level recorded for the same period in 2011. As a major source of foreign exchange inflows, the decline in inward remittance suggests lower supply of foreign exchange to the economy, which was a factor contributing to the depreciation of the Liberian dollar during the reporting period.

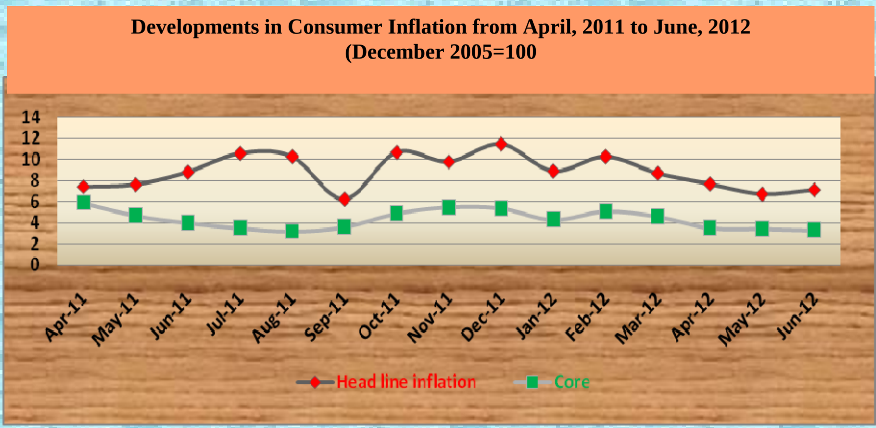
**Trend Inward Workers' Remittances (Jan—May, 2011; Jan—May, 2012) (In Millions US$)**



# INFLATION SUBSIDES IN THE FIRST HALF OF 2012

Inflation for the first half of 2012 remained in single digit, averaging 8.2 percent, down from 9.9 percent for the last half of 2011. Inflationary pressure edged up to double digit of 10.3 percent in February 2012, but lowered to a single digit for the remaining months up to end-June, 2012. It is important to note that the inflationary situation in Liberia points to both domestic and external shocks, from higher prices of food and oil on the world market, lower supply of domestically produced food, and the poor state of infrastructure (i.e., seaports, electricity, and roads).

Despite the lack of major infrastructure in the domestic economy, the rate of inflation has moderated evidenced by the downward trend in inflation (see Chart below).




The slowdown in general prices is mainly due to fall in the global price of oil, down from around US$120 per barrel in February of 2012 to about US$95 per barrel at end-July 9, 2012. This clearly shows the strong pass-through effect of movements in the international price of oil on domestic inflation. That is, slowdown in domestic inflation largely follows declines in the price per barrel of oil on the world market.

# CBL BEGINS QUARTERLY CURRENT ACCOUNT COMPILATION

The Central bank of Liberia has begun compiling quarterly current account of the balance of payments. This is part of the CBL's efforts aimed at improving the frequency of the balance of payments (BoP) data compilation from yearly to quarterly. This achievement puts Liberia on par with other countries within the sub-region that have transitioned from yearly compilation of the current account to that of a quarterly one.

The current account comprises external transactions in goods, services, income and current transfers. The BoP, of which the current account is an integral component, is a statistical summary of economic transactions between residents of a country and those of the rest of the world. The BoP is important for monetary and financial monitoring purposes and also a source of information for policy-makers. BoP data provide detail information on external transactions in a world of increasing globalization.

The data also provide a clear basis for understanding the country's economic situation relative to its trading partners and play a key role in assessing the financial soundness of an economy, critical elements for business and investment decisions.

For example, data on current transfers that are part of the current account section of the BoP, are used in showing how the economy is performing,, particularly important for analyzing changes in how much people are spending and saving. Also, part of the quarterly current account data is information on how much foreigners are investing in the economy and how much residents in Liberia are investing abroad.

It may be recalled that in 2008, for that first time in 21 years, the CBL published Liberia's first post-war balance of payments statistics; a hugely significant step by the Bank to provide timely data for economic analysis.

# EXTERNAL AUDITOR DECLARES THE 2011 FINANCIAL STATEMENTS OF THE CBL AS TRUE AND FAIR

PricewaterhouseCoopers-Ghana has completed the audit of the Bank's 2011 International Financial Reporting Standard (IFRS) financial statements. In their findings, the auditors concluded that "the financial statements give a true and fair view of the position of the Central Bank of Liberia as at end-December, 2011, its financial performance and cash flows for the year ended in accordance with IFRS." The result of the audit speaks favorably about financial management and control at the CBL. IFRS are international accounting standards stating how particular type of transactions and other events should be reported in financial statements that reflect the true view of the financial position of an organization for a specific period.

It may be recalled that the Board of Governors of the CBL took an important strategic decision to transition to International Financial Reporting Standards in 2006 and to complete the transition within 2 years. This was done on schedule. The CBL has produced IFRS financial statements for 4 consecutive years since December 31, 2008.

Moreover, the auditors stated "our overall view on the quality of accounting principles is that CBL's accounting policies and their application are sound and prudent. All significant matters are identified early, discussed and all views appropriately considered. In our experience management has indicated a desire to have such transactions accounted for in accordance with preferable practice when guidance is clear and is cautious when guidance is either evolving or not directly applicable".

The external auditors further indicated " we are also satisfied that significant estimates and judgments made by management were reasonable and determined using established processes applied consistently from period to period and have been discussed with the Audit Committee. Changes in key assumptions and methodologies are thoroughly discussed and reviewed by management and PwC, as appropriate". In the management report, PWC auditors also said "we have completed our review of CBL's financial statements for the year ended December 31, 2011, with all disclosures required under IFRS. Based on the procedures conducted on the financial statements and our work performed to date on the financial statements as of December 31, 2011 and for the year ended, we have not encountered any situations where CBL failed to appropriately disclose a material matter within the financial statements. Our audit includes giving substantial attention to the adequacy of the control processes for estimating as well as testing appropriateness of these estimates".

Finally, the auditors mentioned "nothing came to our attention that indicates any suspected or actual fraud during the audit". Moreover, the auditors indicated that they did not have any disagreement with management. Regarding independence, the external auditors reconfirmed that all their team members on the CBL engagement are independent of the Bank. And on going concern, PWC intimated "nothing came to our attention which indicates that the Bank will not be able to operate in the foreseeable future".

Copies of the 2011 audited financial statements have been submitted to the Government of Liberia through the office of the President. The financial statements are also posted on the Bank's website at www.cbl.org.lr.

# LIBERIA SUCCESSFULLY HOSTS STATUTORY MEETINGS OF THE WEST AFRICAN MONETARY ZONE

The mid-year Statutory Meetings of the West African Monetary Zone (WAMZ) were successfully hosted in Liberia from July 6 – 13, 2012 at the Monrovia City Hall. This was the first time for Liberia to host these meetings since its accession to the WAMZ as a full-fledged member in February, 2010. Other member countries of the WAMZ are Nigeria, Ghana, Sierra Leone, The Gambia and Guinea. The meetings were organized by the Central Bank of Liberia and the Ministry of Finance in collaboration with the West African Monetary Institute (WAMI).

All of the member countries of the WAMZ, ECOWAS Commission and WAMI were represented at the meetings. The West African Institute for Financial and Economic Management (WAIFEM), West African Monetary Agency (WAMA), West African Bankers Association (WABA), the ECOWAS Parliament, Union Economique et Monetaire Ouest Africaine (UEMOA), Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and ECOWAS Bank for Investment and Development (EBID) also attended as observers.

The 27th Meeting of the Committee of Governors of Central Banks of the member states of the WAMZ was held on July 11th and 12th to deliberate on the status of implementation of the WAMZ work program covering the last six months of 2011. The Report of the 33rd Meeting of the Technical Committee of the WAMZ formed the basis of the Governors' discussions. During the meeting, the Executive Governor of the Central Bank of Liberia, Dr. J. Mills Jones, was elected as chairman of the Committee of Governors, taking over from Governor Sheku S. Seysay of the Bank of Sierra Leone.

According to the Report, assessment of Liberia's performance on the primary convergence scale revealed that the country fared better compared with other member countries within the WAMZ. At end-December 2011, Liberia complied with 3 out of 4 primary convergence criteria, satisfying (1) the budget deficit/GDP ratio, (2) gross external reserves expressed in months of imports and (3) Central Bank financing of fiscal deficit, and missing the inflation criterion which has been within a single-digit threshold for the past 3 consecutive years. However, Liberia came back on track with a 7.1 percent rate of inflation at end-June 2012. On the secondary convergence scale, Liberia improved its performance, satisfying two criteria, compared with

# CBL FURTHER STRENGTHENS ACCESS TO FINANCE FOR SMALL BUSINESSES

The CBL completed phase 1 of the disbursement of soft loans to Microfinance Institutions, Credit Unions and Village Saving and Loan Associations (VSLA) in all the 15 counties of Liberia. Four microfinance institutions with about 70 branches in 11 counties were received LD47,100,000; 31 credit unions from 7 counties also received a total of LD29,625,000 and 67 village saving and loan associations from 12 counties received a total of LD15,975,000. In total, 102 institutions were given a sum of LD 92,700,000.00. The 15 counties were divided into regions. At a program held in Monrovia on Friday, May 4, 2012, 26 institutions from Montserrado, Margibi, Bomi, Cape Mount and Gbarpolu got a total of L$60,710,000. In Gbarnga, Bong County, 29 institutions from Bong, Lofa and Nimba Counties were received a total of L$9,790,000. Also, in Greenville, Sinoe County, 16 institutions from Sinoe, Rivercess and Grand Bassa counties received L$6,125,000; and in Zwedru, Grand Gedeh County, 31 institutions were given L$16,075,000.

Meanwhile, the Liberia Credit Union National Association (LCUNA) has been reorganized. At the first post-conflict General Assembly of Credit Unions organized by the Central Bank of Liberia in Zwedru, Grand Gedeh County, from May 1-2, 2012, the movement's constitution was reviewed, amended and approved as well as elections held for members of the Board of Directors, through a regional electoral process.

In a related development, the Central Bank of Liberia organized a Business Planning Workshop for Microfinance Institutions and Credit Unions in May 2012 at the CBL Training Center. The workshop was conducted to assist officers and managers of these institutions in developing viable business plans and long term strategic goals for the microfinance sector. Forty participants were in attendance.

Also, during the second quarter (April—June, 2012) the CBL and the Liberia Inclusive Financial Sector (LIFS) Project conducted three financial inclusion fora at the Market Place Conference Center to discuss key issues in advancing financial inclusion in Liberia. An average of 125 individuals from commercial banks, microfinance institutions, credit unions, academicians and the general public were in attendance at each of these fora.

# PROMOTING FINANCIAL INCLUSION THROUGH MOBILE MONEY SERVICES: ACTIVITIES IN 11 OF THE 15 COUNTIES

The Central Bank of Liberia (CBL) in late 2011, granted permission to Ecobank Liberia Limited in partnership with Lonestar/MTN Communication Corporation (LCC) to launch a pilot project of the mobile money. Mobile money is a nationwide electronic money transfer system that operates through agents and or merchants consisting of wholesalers and retailers to provide such services as: sending money, bill payments, Cash in and Cash out, Mobile Wallet and manage Mobile Money Account.

Recent statistics of the Mobile Money activities initiative show that outreach activities are currently ongoing in 11 of the 15 counties with 110 merchants. Ecobank/Lonestar MTN is also making efforts to reach out to the local population in 7 of the local dialects on radio. This effort is consistent with the CBL goal of promoting financial inclusion in the country.

In a related development, the Central Bank of Liberia in partnership with the UNDP Microfinance Program conducted a study of Mobile Money Scheme. The purpose of the study was to facilitate a scoping exercise on the status of mobile money technology in advancing financial inclusion in the country. The team also used the occasion to create awareness and sensitization to the unbanked population on the usage of the mobile money technology in the rural parts of the country.

The team met with and collected information on the business activities of the agents, nature of qualified transactions, demand of the product and the target market. The study was conducted in three of the fifteen counties; namely Bong, Nimba and Grand Bassa Counties.

# CBL PREPARES TO THREAD NEW PATH IN PAYMENT SYSTEM MODERNIZATION: TAKING STEPS TO ESTABLISH CENTRAL ELECTRONIC PAYMENT SWITCH

As part of its effort at modernizing the payments system in Liberia, the CBL has been holding a series of discussions with commercial banks and vendors to consider the possibility of implementing a central payment switch that will facilitate inter-operability among the banks and enable them to provide electronic banking services to their customers in a cost effective and efficient manner. Towards this end, a number of proposals is currently under consideration by the Management of the CBL.

The provision of electronic banking services within the Liberian financial sector is one of the areas that must leap forward because it is lagging far behind. The settlement of financial transactions (check clearing) that takes seconds in other countries around the world can take anywhere between three days to two weeks in Liberia. The magic of transaction settlement in seconds can be facilitated by a technology called the SWITCH. This is why the CBL is intervening to invest in the Central Switch that will enable the banks to interoperate and provide electronic banking services to the public. The switch enables customers of one bank to use their bank cards (debit, credit or pre-paid) to transact business at the automatic teller machines (ATM) of other banks and also enables them to purchase goods and services at various points of sale (POS) with different merchants. This initiative is also consistent with the CBL's objective of promoting financial inclusion especially for the unbanked population in rural Liberia.

The Switch will help to promote economic revitalization by enabling easy access to payment instruments that will allow and encourage the use of more non-cash instruments throughout the economy. Furthermore, it will reduce the transaction cost and delays in the exchange of goods and services, the holding of cash which carries the risk of theft, counterfeiting, among others.

A central switch lends greater support to the effectiveness of retail payments instruments and services. Retail payment instruments and services are a critical element of economic growth strategies as access to payment services is often the main point of entry to the wider use of banking services. Broad based access to banking and payment services also makes it possible to achieve economies of scale and lower costs to users and of doing business in Liberia.

# THE CBL FURTHER STRENGTHENS ITS SUPERVISORY REGIME

Over the last few years, there have been significant developments in the financial services industry that have changed the nature of the risks faced by, and risk management practices of, financial institutions. For example, products have become more sophisticated, globalization has caused risks to become more systemic and certain financial institutions have experienced multiple and severe stresses to their solvency and liquidity. Because of this, the CBL undertook to conduct its supervision and regulation of licensed institutions using the more prevalent Risk-Based Supervision (RBS) in place on the Compliance-Based Supervision that had been in use over the years. Among the important attributes and benefits of RBS are that it establishes common approaches to evaluate risk and risk management in financial institutions; is flexible enough to be applicable to all financial products and services and to all types of financial institutions from large to small banks; considers external factors affecting not only individual banks but also the banking system as a whole; and provides a regulatory environment in which banks are not just pushed to avoid risks but can also mitigate and offset risks as acceptable risk-management practices, etc.

Continuing in this direction, and as part of efforts to continually improve the supervisory landscape for licensed financial institutions, the Central Bank of Liberia (CBL) has recently issued the Risk-Based Supervision Policy Framework, which contains the principles, concepts and core processes used by the CBL to guide its supervision of financial institutions. The main objective of the framework, which sets out the CBL's approach to the supervision of financial institutions, is to provide an effective and efficient process to assess the safety and soundness of financial institutions. Additionally, the framework is intended to promote transparency regarding the supervisory processes of the CBL and provide a platform for the consistent application of supervisory methodologies across various institutions. These methodologies, which specify international expectations for banking supervision, are to be applied by CBL within the context of its mandate and the nature of the financial services industry in Liberia.

In a related development, the CBL has completed the first cycle of risk based supervision covering all nine (9) licensed banks. Also, the CBL, along with the Central Bank of Nigeria (CBN), recently concluded the second round of joint-examinations of subsidiaries of Nigerian Banks in Liberia. These joint examinations are in furtherance of the spirit of supervisory cooperation being fostered across the West African Monetary Zone (WAMZ).

In an effort to overcome the challenges posed by implementing manually to a large extent its supervisory practices, the CBL has embarked on a project to automate and modernize its regulatory and supervisory processes. This will require the acquisition of a robust electronic financial reporting and surveillance software – Valtech Regulatory Compliance & Surveillance Software (V-RegCoSS) – which will not only enhance the regulatory and supervisory functions of the Bank on a real-time basis, but also support the ongoing efforts of the CBL to easily adopt international regulatory and supervisory standards, such as Basle II, the Basel Core Principles, and standards applicable to other sub-sectors of the financial system. The adoption of the software will further facilitate the harmonization of the CBL's supervisory processes with those of other member central banks of the West African sub-region to enhance effective cross-border supervision and surveillance of regional banking groups.

Working to achieve this objective, the CBL recently concluded a study tour at the Central Bank of The Gambia, where the most recent version of the software was launched and operationalized. The tour enabled the CBL to witness first-hand the capabilities of the software and its applicability to local circumstances and it provided the team the opportunity to leverage off the lessons from the Gambian experience.

# STEPS TAKEN TO DEEPEN THE FINANCIAL SECTOR

Given that shallow financial systems limit fiscal, monetary, and exchange rate policy choices, and impede opportunities for diversifying risk, the CBL has made it a specific policy objective to broaden the scope of financial services through financial deepening which will promote greater resilience and capacity to cope with external shocks, enhance policy effectiveness, and support sustained growth. One of the measures identified by the CBL in this regard is the development of a lease financing industry as part of the financial sector, something which the CBL believes holds much potential to increase the growth and competitiveness of the local SME and agriculture sectors because the banking sector currently provides very minimal lending services to these sectors.

In furtherance of this policy objective, the CBL has been working with other relevant stakeholders to lay the basis for the development of the leasing industry. **With technical assistance from the International Finance Company (IFC), the CBL, in 2011, issued a finance lease regulation to enable commercial banks to finance the purchasing of capital equipment on behalf of their clients for investment purposes.** Also, at a recent stakeholders' consultative forum held at the Monrovia City Hall under the auspices of the CBL, the International Finance Company (IFC) and the National Investment Commission (NIC), the importance of developing a lease financing industry, its benefits and opportunities for investors, and the particular relevance it could have for the Liberian SMEs and agri-businesses was sufficiently stressed. **Other initiatives being pursued by the CBL, such as the collateral registry and credit reference system, are also expected to support the development of the leasing industry in the Country.**

The development of leasing as a complementary tool to bank loans will provide an alternative solution for financing major capital investments such as equipment and could significantly expand the available pool of medium and long-term capital to SMEs. It will allow smaller scale entrepreneurs to become more economically active by enabling access to finance and, subsequently, access to income-producing assets. Additionally, leasing can be used to finance a broad range of equipment across the agribusiness value chain, from simple tools to equipment for agri-processing and the food manufacturing businesses, thus facilitating increased food production and distribution. By strengthening the leasing sector, farmers and agribusiness companies will find it easier to access term equipment financing.

# SINOE COUNTY GETS BANK BRANCH

The CBL, in its continuing efforts to extend banking services to all areas of the country, has granted permission to one of the commercial banks to commence branch activities in Buchanan Grand Bassa County. This comes on the heel of the commencement of banking activity in Sinoe County for the first time in post-war Liberia. This development will bring the total number of branches to 78 in 10 of the 15 counties in Liberia. Meanwhile, efforts are continuing to take banking services to the remaining unserved segments of the countries, but these are being constrained by the poor state of infrastructure prevalent in most parts of the country.

In a related development, the banking sector continues to record steady growth in total assets, loans, deposits and capital. During the first two quarters of 2012, the deposit base increased by 9.3 percent, gross loans increased by 13.6 percent, total assets increased by 8.4 percent and capital increased by 1.3 percent when compared to the December 2011.

On a year-on-year basis, (June 2011 – June, 2012), total assets increased by 23.8 percent, and total deposits by 27 percent. For the same period lending went up by 25.0 percent and capital by 1.3 percent. In terms of liquidity ratio and capital adequacy ratio (CAR) as at June 30, 2012, the industry recorded 44.7 percent and 22.7 percent, respectively. These growth rates are indicative of the fact that the banking system continues to be resilient and stable, and is actively contributing to economic growth and development of Liberia.

# PROGRESS ON THE ONGOING REFORM OF THE INSURANCE INDUSTRY

In continuation of the reform efforts of the insurance sector, the CBL has developed, and begun implementation of a revised Insurance Reform Action Plan/Roadmap, which has been approved by the CBL Board of Governors for implementation. This revised roadmap requires each insurance company to comply with the following requirements by December 31, 2012:

- Compliance with the existing minimum capital requirement of US$450 thousand for composite insurance companies and US$300 thousand for life insurance companies, which will be increased;
- Constitution of a full Board of Directors and Management subject to the approval of the CBL;
- Putting in place adequate risk management policies and procedures to guide operations;
- Conclude re-insurance contract (s) and submit evidence to the CBL;
- Conclude and submit copy of 2011 external audit report to the CBL;

Additionally, and as part of the reform measures, the CBL is concluding arrangements with the First Initiative/World Bank for technical assistance to the CBL concerning its second mission on the insurance sector reform project. The second mission is expected to focus on capacity building and development of relevant and contemporary insurance framework laws and regulations on capital adequacy and solvency, risk management, corporate governance, internal controls, etc.

## BRINGING ORDER TO THE FOREIGN EXCHANGE BUSINESS: A PART OF ONGOING REFORM OF THE FOREIGN EXCHANGE SECTOR

Recently, the CBL, in conjunction with the Liberia National Police (LNP), commenced the enforcement exercise against illegal foreign exchange operators; the sign boards in every corner stating exchange rate are gone. The exercise started simultaneously in the Duala, Red Light, Central Monrovia, Tubman Boulevard, ELWA vicinities and other areas of Monrovia.

It can be recalled that the CBL over the last several months has been engaging foreign exchange operators in a bid to have them better organized and brought into the formal banking sector as part of efforts to reform the financial system. As a prelude to the enforcement exercise, the CBL and the LNP conducted a one-week sensitization and notification exercise to illegal operators in Monrovia and its environs. This exercise was followed by removing illegal operators and violators from the streets. As the result of this action, there has been a reduction in the number of illegal operators on the streets and sign boards in every corner stating unsubstantiated foreign exchange rates, which tended to create artificial depreciation in the value of the Liberian dollar. The second round of the enforcement exercise commenced on August 6, 2012 and will continue for the next couple of months.

At the same time, the CBL is calling on the support of the general public in this exercise by doing business with only foreign exchange bureaus or operators licensed by the CBL. The CBL further wishes to assure the public that the ongoing exercise is intended for the greater good of the economy, as a properly structured and functioning foreign exchange market is critical to the work of the CBL and deepening of the financial system.

## CBL TAKES FURTHER STEPS AIMED AT IMPROVING THE CREDIT ENVIRONMENT

In keeping with its 2012 Policy Statement, the CBL has begun work on the establishment of a collateral registry and an upgrading of the credit reference system with the support of the International Finance Company (IFC).

In this regard, some staff of the CBL concluded a study tour at the Bank of Ghana, the purpose of which was to study that country's collateral registry system with a view to introducing similar infrastructure to the Liberian banking landscape. The desire to develop a collateral registry is in response to the problems in Liberia's credit environment, which constrain lending to SMEs particular and the economy as a whole. For instance, lenders currently have no effective means of searching for prior charges if any, on collaterals presented to them for credit. The result is the numerous and unending litigations in courts as well as substantial rate of non-performing loans recorded on the books of lenders.

The expected collateral registry, in addition to promoting a consistent credit enforcement framework, will improve standards of disclosure of information by borrowers and lenders and prohibit certain negative credit practices. Under this new regime, apart from immovable properties, lenders will be encouraged to accept diverse movable properties as collaterals for credit and the mechanisms for enforcing credit agreements will be significantly improved. For example, lenders will need not go to court to realize collaterals in cases of default, as such collaterals will easily be realized upon the delivery of the relevant notices to the borrower and the Collateral Registry.

## EIGHT STAFF CONTINUE WITH BANK EXAMINER TRAINING PROGRAM; ONE UNDERGOES SPECIALIZED TRAINING AT THE FEDERAL RESERVE BANK OF NEW YORK

As part of efforts to continually improve the supervisory capacity of the CBL, staff of the Regulation and Supervision Department continued to benefit from a variety of training opportunities at the West Africa Institute for Financial and Economic Management (WAIFEM), the Central Bank of Nigeria (CBN) and the Federal Reserve Bank of New York.

Both the WAIFEM and CBN training programs, from which at least 8 staff benefitted, were in continuation of the Bank Examiner Training Program at the end of which examiners will be certificated as Certified Bank Examiners. One of the Staff, Mrs. Euphemia Swen Monmia, came first in her class at the CBN Training Program during this recent phase of the exercise. Mr. Jay Browne, a Principal Examiner within the Regulation and Supervision Department attended a specialized course on financial institutions supervision that focused among other things, risk-focused supervision, anti-money laundering, operational risk management, market and liquidity risk, and corporate governance at the Federal Reserve Bank of New York.

## CBL MAIN BUILDING CONSTRUCTION CREATES JOB FOR OVER 300 LIBERIANS

The ongoing construction of the Central Bank of Liberia main building on Ashmun and Lynch Streets in Monrovia, has created employment for over 300 Liberians. Those currently working are involved in activities such as steel bending, block laying & other concrete work, warehouse maintenance, core holes, site security, and general building maintenance.

The recommencement of work on the CBL main building was in response to an external auditor's recommendation that the current facilities housing the Bank were not suitable to host a central bank and also in fulfillment of the GoL's initiatives of upgrading public infrastructure.

THE CENTRAL BANK OF LIBERIA (CBL) AS PART OF ITS EFFORTS TO PROMOTE DISC LOSURE, TRANSPARENCY AND COMPETITION IN THE BANKING SYSTEM IN KEEPING WITH ITS DIRECTIVE NO. CBL/SD/003/2011, PUBLISHES THE CONSOLIDATED CHARGES OF INDIVIDUAL BANKS. THIS MEASURE IS IN ADDITION TO THE REQUIREMENT FOR BANKS TO DISPLAY THEIR SCHEDULES OF ANNUAL LENDING RATES, SAVINGS RATES, FEES, COMMISSIONS AND OTHER CHARGES IN CONSPICUOUS PLACES OF THEIR BANKING PREMISES. THIS PUBLICATION IS DONE ON THE FIRST MONDAY IN EACH MONTH IN A NUMBER OF MAJOR NEWSPAPERS. THE INFORMATION CAN ALSO BE FOUND ON THE CBL'S WEBSITE AT WWW.CBL.ORG.LR

# PARTICIPATE IN THE CBL'S WEEKLY FOREIGN EXCHANGE SALE AUCTION

THE CENTRAL BANK OF LIBERIA CONDUCTS A WEEKLY FOREIGN EXCHANGE SALE AUCTION AT 10:00 A.M. ON EVERY WEDNESDAY AT ITS TRAINING CENTER AT THE CORNER OF WARREN AND CAREY STREETS. THE AUCTION IS PRINCIPALLY INTENDED TO HELP ENSURE STABILITY OF THE EXCHANGE RATE BY PROVIDING FINANCIAL RESOURCES TO THE NATIONAL ECONOMY, PARTICULARLY IN HELPING TO FACILITATE IMPORTATION OF GOODS AND SERVICES AND TO PROMOTE ECONOMIC GROWTH AND DEVELOPMENT. AS IN RECENT YEARS, THE CBL FOREIGN EXCHANGE AUCTION HAS HELPED TO MAINTAIN BROAD STABILITY OF THE EXCHANGE RATE FOR MOST PART OF 2010 AND FIRST PART OF 2011.

ANYONE OR INSTITUTION WISHING TO PARTICIPATE IN THE WEEKLY AUCTION CAN DO SO BY SUBMITTING A BID OR APPLICATION TO THE CENTRAL BANK'S DEPARTMENT OF BANKING THROUGH ANY OF THE COMMERCIAL BANKS WITH WHICH THE PARTICIPANT OR APPLICANT MUST HAVE AN ACTIVE OR FUNCTIONAL LIBERIAN DOLLAR ACCOUNT TO FACILITATE SETTLEMENTS ARISING FROM THE AUCTION.

# CHANGE YOUR MUTILATED LIBERIAN DOLLAR BANK NOTES ("TEAR-TEAR MONEY") AT NO DISCOUNT

**THE PUBLIC CAN COME DAILY WITH MUTES IN EXCHANGE FOR BETTER QUALITY LIBERIAN DOLLAR BANKNOTES AT THE CENTRAL BANK OF LIBERIA. ALSO, COMMERCIAL BANKS ARE REQUIRED TO EXCHANGE MULTILATED NOTES AT NO DISCOUNT. THE PUBLIC CAN REPORT PROBLEM WITH ANY BANK TO THE CONSUMER PROTECTION UNIT IN THE SUPERVISION DEPARTMENT OF THE CBL.**

# PUBLIC ANNOUNCEMENT

The Central Bank of Liberia (CBL) has over the years made efforts to improve the general credit environment and strengthen the internal risk management practices in commercial banks. However, it has been observed that some delinquent borrowers, corporates as well as individuals, continue to renege on servicing their obligations to the banks. Such individuals and entities cannot continue to enjoy the benefits of the banking system, on the one hand, while undermining its viability through their actions, on the other hand.

Pursuant to Section 39 (2) of the new Financial Institutions Act of 1999, which gives the CBL the authority to govern and regulate activities and relationship between financial institutions, their customers, creditors and debtors, the CBL hereby issues this public notice:

That all existing delinquent borrowers with outstanding loan obligations that are past due for 180 days or more, as defined by CBL Prudential Regulation No. CBL/SD/004/2010, are hereby advised to immediately contact banks that they are delinquent to, in order to reach an agreement on a repayment arrangement for the servicing of their obligations within thirty (30) days as of the date of this notice, August 7, 2012 to September 22, 2012.

Effective September 21, 2012, the CBL shall instruct all commercial banks as well as other regulated financial institutions to desist from doing business with borrowers that fail to comply with this notice, including making payments on their behalf, maintaining existing accounts or operating new accounts.

Meanwhile, the CBL hereby grants a waiver on the full payment of all accrued delinquent interests, as required by Section 3.15 of Prudential Regulation #: CBL/SD/007/2011, as a means of helping delinquent borrowers to establish a new debt servicing arrangement within the thirty-day period, that is, from August 7, 2012 to September 22, 2012.

All other delinquent borrowers with outstanding loan obligations that are past due for 90 to 179 days are also advised to take advantage of this opportunity to avoid similar action against them, as the CBL shall not grant further dispensation on this matter.

The CBL reserves the right to take further actions as may be deemed necessary to safeguard the banking system, the depositors and the larger economy, in keeping with law.

# THE CBL WISHES TO INFORM THE GENERAL PUBLIC THAT EFFECTIVE JUNE 30, 2012, ONLY LICENSED FOREX BUREAUX ARE PERMITTED TO ENGAGE IN FOREIGN EXCHANGE BUSINESS.

# THOSE FOREX BUREAUX THAT HAVE NOT YET REGISTERED ARE ENCOURAGED TO DO SO.