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TOPICS CARRIED IN THIS EDITION

GOVERNOR'S FOREWORD: GOL T-BILL OPERATIONS—AN IMPORTANT STEP TOWARDS DEEPENING THE FINANCIAL MARKET

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Executive Governor

Based upon the work of the CBL, the Economic Management Team of the Administration, of which the CBL is a member, has taken a decision to commence sale of GoL T-bills soon. This is another novel development, which should contribute towards the deepening of the nation's financial system.

The introduction of T-bills will provide the CBL with an additional tool through which monetary policy can be effected. The T-bill program will also offer the banking sector an opportunity to invest excess liquidity, contributing to improving the balance sheet of individual commercial banks.

The GOL T-bill Program should also be seen as a first step in the development of a money market in the country, a precursor to the development of Liberia's capital market(s). T-bills are often used as collateral in interbank lending, as such, they not only help foster interbank lending, but also reduce potential liquidity risk associated with such lending. Generally, the money market trades securities that have a maturity of up to one year. These short-term investment instruments include Treasury bills and similar instruments issued by large corporations and financial institutions. The access to short-term funds helps financial institutions such as commercial banks, the government, and government agencies, such as state-owned enterprises, to finance short-term operations.

The T-bills will be issued in Liberian dollars. This should help increase the demand for the Liberian dollar, thereby helping to strengthen the currency and support the objective of de-dollarization.

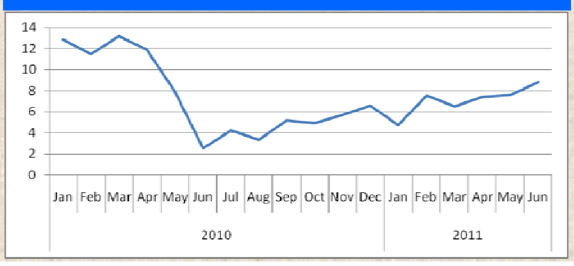
All in all, the T-bill program has the potential of helping to stimulate and boost economic growth in a stable macroeconomic environment.

INFLATION REMAINS IN SINGLE DIGIT

At end- June 2011, the year-on-year rate of inflation in Liberia remained in single digit at 8.8 percent, compared with 2.5 percent at end- June 2010. The increase in general prices during the above-mentioned period was largely driven by food and fuel inflation. From January to June, 2011, there was a general rise in the prices of oil and food on the international market, generally as a result of the unrest taking place in the Middle East and the North African region. The rise in the international price of oil poses a potential threat to the attainment of single digit rate of inflation for the rest of 2011. Inflation at the end of this year will largely depend on what unfolds in the Middle East and North Africa relative to the price of oil.

A comparative analysis of selected WAMZ countries shows that at end-June 2011, the rate of inflation was 8.6 percent in Ghana; 17.8 percent in Sierra Leone; 10.2 percent in Nigeria, 5.4 percent in The Gambia; and 23.5 percent in Guinea.

Year-on-Year Rates of Inflation



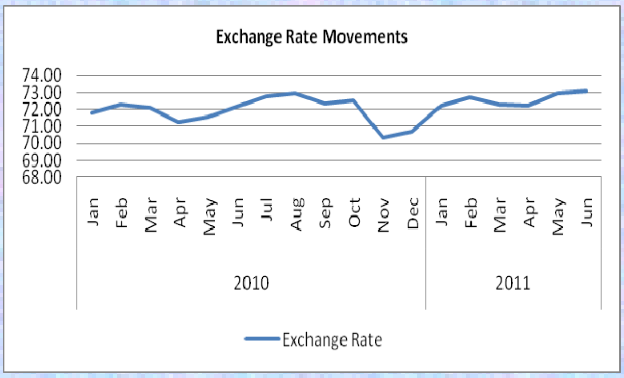
CBL RESERVES AT WORK FOR THE ECONOMY: REGULAR INTERVENTION HELPS TO MAINTAIN BROAD EXCHANGE RATE STABILITY

Central banks hold foreign exchange reserves for a number of important reasons which include the following: it enhances the capacity of a central bank to moderate adverse movements of the exchange rate through its intervention in the market which helps to control inflation by strengthening the value of the domestic currency, and provide a more favorable macroeconomic environment; it increases confidence in the monetary and exchange rate policies of a central bank; it helps facilitate importation of goods and services for the economy; and during a financial crisis, reserves held by the central bank are used to help rescue the country from such crisis. Reserves are not just for the purpose of consumption as some people in our society may think.

Although it may not be obvious, the CBL's reserves are working in the interest of the economy by helping to maintain a relatively stable macroeconomic environment, provide services to the economy and to ensure sustained growth and development.

The CBL's ability to intervene in the foreign exchange market so as to help maintain broad stability of the exchange rate comes from its foreign reserves holdings. Broad stability of the Liberian dollar relative to the US dollar helps to control inflation in the Liberian economy, which benefits all consumers. Inflation hurts the poor the most.

It can be recalled that the public was advised that in 2010, the CBL intervened in the foreign exchange market in the amount of US$48.2 million. For the first six months of 2011, the CBL auctioned the amount of US$15.9 million. All of this has been aimed at ensuring broad exchange rate stability, helping to facilitate imports and keeping inflation low. In 2010, the rate remained broadly stable, fluctuating between L$70.30 and L$73.00/US$1.00. Currently, it is generally stable, moving between L$72.25 and L$73.00/US$1.00 (See chart below)



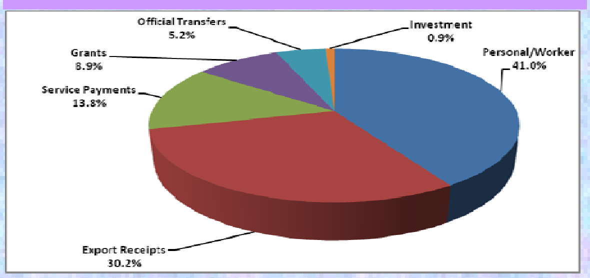
The CBL is also using some of its reserves to support private entrepreneurship through the SME Credit Stimulus Initiative which came into effect at the beginning of 2011. The Initiative afforded businesses the opportunity to borrow at lower interest rates with a longer maturity period. The initial amount put into this Initiative by the CBL through a number of commercial banks was US$5.0 million. The CBL is studying how this Program is unfolding, and it is possible that additional action may be taken. The CBL was able to undertake this initiative on its own because it had the reserves to do so. With the strengthened position of the CBL, the institution will be in the position to lend to the Government for productive investment, provide better coverage for both imports and the foreign currency liabilities of the banking system. It should be noted that the reserves to import ratio is one of the primary convergence criteria for the common currency program of the WAMZ. A strategic reserve management policy of the CBL is in the interest of the Liberian economy.

Simply put, the reserves of the CBL are different from the revenue account of the Government. These resources are serving as a backbone for the general economy, which includes the private sector. They help to ensure a sound and stable financial system. It would be a mistake to use these resources in an indiscriminate manner. That would leave the Liberian dollar without much strength, causing inflation and leading to a potentially unstable financial system.

INWARD REMITTANCES CONTINUE TO RISE

For the second quarter of 2011, aggregate remittance inflows totaled US$352.1 million, from US$274.9 million at the end of the first quarter, representing an increase of 28.1 percent. The rise in remittance inflows was on account of a resurgent world economy from the global financial and economic meltdown, which characterized much of the past three years. Of the total inflows, Personal/Workers' remittance accounted for US$144.5 million (41.0 percent); followed by export receipts, US$106.4 million (30.2 percent); Service Payments, US$48.4 million (13.8 percent); Grants from the donor community toward the implementation of donor-sponsored projects, US$31.3 million (8.9 percent); Official transfers made by foreign embassies and international non-governmental organizations, US$18.3 million(5.2 percent), and investment, US$3.2 million(0.9 percent). The rise in remittances is one of the factors responsible for the relative stability being experienced in the exchange rate of the Liberian dollar vis-à-vis the US dollar.

Percentage Share of Aggregate Remittance Inflows by Category June, 2011



LIBERIA'S ECONOMIC PERFORMANCE PRAISED AT WAMZ STATUTORY MEETINGS—ONLY COUNTRY TO MEET ALL PRIMARY CONVERGENCE CRITERIA FOR THE SECOND TIME

At the just-ended 25th Meeting of the Committee of Governors and the 28th Meeting of the Convergence Council of Finance and Trade Ministers as well as Governors of central banks of the West African Monetary Zone (WAMZ), held in Conakry, Guinea, from July 14 – 15, 2011, Liberia was praised for its good economic performance during the course of 2010, particularly under the implementation plan of the ECOWAS single currency program, when compared with other member countries of the WAMZ. The Meetings were organized by the West African Monetary Institute (WAMI), in collaboration with the Central Bank of the Republic of Guinea, to review and discuss the WAMZ Macroeconomic Developments and Convergence Report for the second half of 2010. This report was prepared by WAMI on the economies of the individual member countries of the WAMZ.

On the evaluation of macroeconomic developments of the six member countries of the WAMZ (Liberia, Ghana, Sierra Leone, Guinea, The Gambia and Nigeria), Liberia was the only country that met all of the four (4) primary convergence criteria of the single currency program at end-December, 2010. The four primary criteria relate to a single digit inflation, fiscal deficit/GDP ratio, CBL's financing of fiscal deficit and gross external reserves position of the CBL relative to months of import cover. Liberia also met one of the important secondary criteria, (the tax revenue/GDP ratio). Overall, Liberia met 5 of the 10 convergence criteria (primary and secondary) at the end of December, 2010, compared with Guinea, 1 ; Sierra Leone, 2 ; The Gambia, 4 ; Ghana, 3 ; and Nigeria, 5 .

The convergence criteria are a set of standards regarding certain macroeconomic indicators which must be met and sustained by each member country of the WAMZ as a way of laying the foundation for the single currency. In other words, they are macroeconomic indicators used for judging the readiness of the various member states of the WAMZ for the single currency.

Highlights on Liberia from the WAMZ Macroeconomic Developments and Convergence Report: Performance Compares Well With Other Countries In The Zone

The good economic performance by Liberia during 2010 is reflective of prudent macroeconomic policies implemented by the Government over the last few years.

Below, are highlights from the WAMZ 2010 Macroeconomic Developments and Convergence Report on Liberia: "the Liberian domestic policy environment has been guided over the last three years by the country's adoption of Heavily Indebted Poor Countries (HIPC) status and reaching its completion point in a relatively short period of time by end-June 2010; monetary and fiscal policies had been directed at achieving the set goals under the HIPC initiative; the real sector policy goal for 2010 was to revamp the post war economy and put it on a speedy, all-inclusive and irreversible growth path; the Central Bank of Liberia pursued a tight monetary policy during the period under review with the aim of containing exchange rate fluctuations and ensuring low inflation; the banking system remained relatively sound and stable during the period under review as the CBL discharged its oversight responsibilities by adopting risk-based supervision (RBS) as well as the International Financial Reporting Standards (IFRS) as the accounting standard for the banking industry, and that the fiscal policy of the Government was to sustain the fiscal discipline attained over the period of the HIPC program".

The table below shows a number of macroeconomic indicators of the member countries of the WAMZ as at end-March 2011. Comparatively, Liberia's reserves position has improved remarkably, posting an impressive 5.8 months of import cover at end of March, compared to The Gambia, 4.6, Ghana, 3.5, Guinea, 1.9 and Nigeria, 8.0; Average lending rate was recorded at 13.39 percent, the lowest when compared to lending rates in the other WAMZ member countries, although savings rate is lower than those found in the other countries; inflation rate remains in single digit; and the Liberian dollar experienced a lower rate of depreciation relative to the US dollar when compared to other WAMZ countries except for Nigeria; on the fiscal front, Liberia was the only country to register a surplus relative to fiscal deficit (as percent of GDP) for the period under review.

DEVELOPMENTS ON MACROECONOMIC INDICATORS IN MEMBER COUNTRIES OF THE WAMZ AT END-MARCH 2011

	GAMBIA	GHANA	GUINEA	LIBERIA	NIGERIA	SIERRA LEONE
Inflation Rate –End of period	5.4	9.1	21.0	6.5	12.8	14.9
Exchange Rate Local	28.46	1.50	6,558.60	72.50	151.02	4,306.42
Currency/US$ % Change from Q4 2010	5.10	1.92	7.24	1.40	0.20	2.58
External Reserves (US$ Millions)	164.6	4,503.6	251.9	258.8	33,219.3	355.2
External reserves (Months Import Cover)	4.6	3.5	1.9	5.8	8.0	Na
Fiscal Deficit Excl. Grants (% GDP)*	8.5	8.6	14.4	-4.5	5.8	-14.0
Fiscal Deficit Incl. Grants (% GDP)*	4.7	6.10	14.0	-6.8	5.8	-6.9
Monetary Policy Rate	15.0	13.50	16.75	NA	7.50	23.0
Average Savings Rate (%)	6.0	6.50	11.75	2.02	4.57	6.35
Average Lending Rate (%)	22.50	27.51	21.75	13.39	15.75	21.28

Source: West African Monetary Institute (WAMI), Accra, Ghana

For exchange rate changes:
- means appreciation of currency
+ means depreciation of currency

For Fiscal Deficits:
- means surplus
+ means deficit

NA: Not Applicable
na : Not Available
** : as at December ending 2010*

THE REFORM EXERCISE OF FOREIGN EXCHANGE SECTOR HAS BEGUN: PUBLIC SUPPORT IS IMPORTANT FOR SUCCESS

The new licensing of foreign exchange bureaux commenced on May 1, 2011. This action by the CBL is an indication that the reform process is on an irreversible course and therefore all illegal operators are urged to cooperate with the process to avoid embarrassment.

As part of its efforts to ensure the successful implementation of the ongoing reform, the CBL is carrying out a public information and awareness program comprising public announcements, skits and jingles. These measures are intended to encourage illegal dealers and operators of foreign exchange business, including those under the trees and street corners, to comply with the reform process, and to call on the general public to support the CBL's effort by doing business with only licensed dealers and operators. Public support for the reform process is important to ensuring compliance by all operators, bearing in mind that building a well functioning and more efficient financial sector is in the interest of the Liberian economy and the population.

GREATER TRANSPARENCY TO PROTECT CONSUMERS AND PROMOTE COMPETITION: CBL COMMENCES MONTHLY PUBLICATION OF COMMERCIAL BANKS' CHARGES AND FEES

In addition to previous measures taken by the CBL to enhance transparency and disclosure in the activities of commercial banks as a means of protecting the banking public, promoting confidence in the system and engendering competition, the CBL, in its 2011 Policy Statement indicated its intention to take further steps aimed at protecting clients of banks by undertaking the publication of the consolidated information on the interest rates and other financial charges of each bank.

The first publication was done in June this year, with subsequent publications to be issued in the first week of each month in some of the local newspapers. The information will also be placed on the CBL website: www.cbl.org.lr.

It can be recalled that in 2010, the CBL issued a directive requiring all commercial banks to display their interest rates and other financial charges in conspicuous places in their premises. Banks were also required to publish their un-audited as well as audited accounts in the local dailies. The CBL encourages the banking public to take interest in these publications as a means of informing their credit and savings decisions. The publication of such information also helps to promote market discipline in the banking system.

POLICY DECISIONS BY CBL SHOULD CONTRIBUTE TOWARDS IMPROVING THE PROFITABILITY OF COMMERCIAL BANKS

One of the key challenges that continue to face the banking system is low profitability, attributed largely to high operating costs, non-performing loans and high amortization expenses associated with the establishment of new banks as well as losses arising from thefts and burglaries, etc.

In addition to actions taken by the CBL to strengthen internal controls and security requirements for commercial premises, the CBL outlined a number of initiatives in its 2011 Policy Statement it intends to take to enhance the profitability of the banking sector.

As an initial step in this direction, the Executive Governor used the occasion of his working luncheon with heads of commercial banks in June this year to announce a number of measures being instituted by the CBL to help improve the balance sheets of the commercial banks. These include:

(1) Reduction in the provision rate for substandard loans from 25% to 20% in keeping with regional and international standards, which will affect the provision expense for loans delinquent for a period of 91 to 180 days.

(2) Increasing the Single Obligor Limit (SOL) from 15% to 20% for all categories of loans. With the current minimum capital requirement of US$10 million, this means that the banks are in a better position to finance large-volume transactions with better returns.

(3) Consideration of the full value of security or collateral of readily marketable goods in the calculation of loan loss provisions, which should also help to lower provision expense.

(4) Working with the fiscal authority to create opportunities for the banks to invest their excess liquidity, including the sale of T-bills, which is expected to commence soon.

Meanwhile, the CBL is urging delinquent borrowers to begin repayment of their obligations to the banking system in order to reduce the level of non-performing loans. Borrowers need to know that their failure to pay on their obligations has the potential to seriously undermine the health of the banking system, adversely affecting economic growth, development and job creation.

CBL CONDUCTS A COMPREHENSIVE ASSESSMENT OF THE INSURANCE SECTOR

In keeping with its 2011 Policy Statement, the Central Bank of Liberia has embarked on the implementation of a road map for the reform of the insurance sector.

The road map, which covers a two-year period, calls for (i) the strengthening of the capacity of the CBL with respect to the effectively regulating and supervising the insurance sector; (ii) conduct of an industry-wide survey with the objective of determining the state of the sector and identifying areas of weaknesses and (iii) the development of the appropriate regulatory and supervisory frameworks for the sector, among others.

There is currently an ongoing assessment of the sector undertaken by the Central Bank to determine the financial soundness and compliance status of each insurance company with existing laws. The findings of this exercise are expected to inform the reform measures of the CBL with regard to the following key pillars: (i) adequacy of capitalization, (ii) enhancing corporate governance, (iii) strengthening risk management systems and (iv) adequacy of re-insurance cover.

THE BANKING SECTOR CONTINUES TO GROW

There is a steady growth in total assets, loans, deposits and capital. During the first two quarters of 2011, the deposit base increased by 16.0%, gross loans increased by 16.0% and total assets increased by 15.0%, compared with December 2010. From June 2010 to June 2011, total assets increased by 41.0%, and total deposits by 42.0%. For the same period, private sector lending went up by 75.0% and capital up by 39.0%. In terms of liquidity ratio and capital adequacy ratio (CAR) as at June 30, 2011, the industry recorded 46.6% and 26.1%, respectively.

Employment in the sector has increased by over 156%, from 531 staff in 2006 to 1,471 staff as at June 2011. Liberians constitute 97% of total employees in the sector and 81% of managerial positions.

As shown in the table below, sectoral allocation of total credits show that Trade, Hotel Restaurant constituted 39.6%, the highest proportion of total loans to the private sector, followed by Construction, 11.1%; Transportation, Storage and Communication, 10.2%; Agriculture, 3.6%; Manufacturing, 2.1%; Mining & Quarrying, 0.3%; and Others, 33.1%, largely comprising of personal loans.

The data draw attention to the low manufacturing base of the country, which must be addressed as a basis for a more broad-based sustainable growth.

Commercial Bank's Loans by Economic Sectors 2011
(2nd Quarters; 2010; 1st & 2nd Quarters, 2011)

SECTORS	Jun-10		Mar-11		Jun-11	
	2nd Quarter 2010	% Share	1st Quarter 2011	% Share	2nd Quarter 2011	% Share
1. Agriculture	346,084	3.3	547,500	4.0	517,277	3.6
2. Mining & Quarrying	18,572	0.2	53,003	0.4	49,061	0.3
3. Manufacturing	381,308	3.7	202,008	1.5	305,190	2.1
4. Construction	929,904	9.0	1,540,369	11.2	1,585,257	11.1
5. Trans., Storage & Comm.	1,760,489	17.0	1,957,403	14.2	1,457,491	10.2
6. Trade, Hotel &Rest.	2,918,583	28.2	5,198,610	37.8	5,679,708	39.6
7. Other	3,999,394	38.6	4,258,280	31.0	4,741,944	33.1
Total	10,354,334	100.0	13,757,173	100.0	14,335,928	100.0

NEW REGULATORY FRAMEWORK FOR NON-BANK FINANCIAL INSTITUTIONS ISSUED: ANOTHER STEP TO DEEPEN THE FINANCIAL SECTOR

In keeping with its 2011 Policy Statement and overall strategy for reforming the financial sector as a whole, the CBL recently published a new regulation concerning "Non-Bank Financial Institutions Regulation". The regulation provides the framework for the licensing and supervision of specialized non-bank financial institutions, such as (a) Finance Houses/ Companies; (b) Mortgage Finance Companies; (c) Acceptance Houses; (d) Venture Capital Companies; (e) Development Finance Companies; (f) Credit Institutions; (g) Discount Houses; (h) Building Societies; etc.

The framework is intended to ensure an orderly development of the non-bank financial sector as an integral part of the financial system. The CBL sees the development of the non-bank financial sector as a critical step toward deepening the financial system, enhancing competition in the sector (which would create alternative and affordable financial services) and create more jobs in the sector and the economy in general.

The newly-issued framework stipulates (1) the minimum capital requirements for various categories of non-bank financial institutions, (2) the licensing requirements, (3) corporate governance standards, and (4) disclosure requirements and financial reporting.

STAFF COMPLETE SPECIALIZED BANK EXAMINERS' TRAINING COURSES: CAPACITY BUILDING REMAINS MAJOR PRIORITY

As the banking system continues to grow and expand, the CBL has been more proactive in strengthening its capacity to ensure effective regulation and supervision of the sector.

An important component of this effort is the participation of staff of the Regulation & Supervision Department in a specialized Bank Examiners' training program of the Central Bank of Nigeria. Three staff of the Department recently concluded the full cycle of the training (comprising of four different levels of the training program) and were certificated as professional bank examiners. There are additional four staff undergoing the same training program; while five other staff are undergoing similar training program with the West African Institute of Financial & Economic Management (WAIFEM).

MOVING FORWARD WITH THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): CBL ISSUES ROAD MAP TO THE COMMERCIAL BANKS

In an effort to promote transparency, accountability and adequate disclosures in the financial reporting of commercial banks as well as promote a common standard of measuring the performance and financial condition of commercial banks, the CBL, in 2009, mandated that all commercial banks be IFRS-compliant by December 31, 2012. The transition from the current US GAAP to IFRS will facilitate comparability and convergence between financial statements produced by banks in Liberia and banks in other markets around the world.

As a means of achieving the December 2012 deadline, the Central Bank of Liberia has established an IFRS Implementation Committee, comprising of staff of the CBL, the commercial banks and auditing firms operating in Liberia. The committee recently developed and adopted an industry-wide roadmap to guide the transition process, covering issues such as broad based assessments, impact analysis, standards and disclosures applicable to banks, production of a model set of IFRS financial statements, training etc. This Roadmap has been issued to all commercial banks and is being used as a monitoring & compliance tool by the CBL.

The CBL has also been working with other stakeholders (i.e. the Liberia Bankers Association and the Liberian Institute of Certified Public Accountants) in providing training for the commercial banks on the implementation of IFRS.

MICROFINANCE: CONTRIBUTING TO EMPLOYMENT AND POVERTY REDUCTION

The Central Bank microfinance program, as part of its efforts to improve access to basic financial services for low income people, also seeks to achieve other social objectives including reaching the financially excluded groups, empowering women and developing the capacity of small groups of people to take control of their own lives and participate in the mainstream financial sector.

At the end of the second quarter of 2011, the microfinance sector continued to show expansion. Total active clients rose to 70,870, from 63,389 at the end of first quarter. The client base is as follows: Microfinance Bank (MFB), 6, 219; Microfinance Institutions, 59,687; Credit Unions, 4,748; and Village Savings and Loan Associations (VSLAs), 216. The registered Microfinance Institutions constitute the largest number of clients comprising, Local Enterprise Assistance Program (LEAP) 23,500; Liberty Finance 3,864; Community Livelihood Assistance Program (CLAP) 975; Brac Liberia Microfinance Company Limited (BLMCL) 25,595; Combined Efforts to Aid Liberians (CEAL) 350; Liberia Enterpreneurial and Asset Development (LEAD) 3,078; Foundation For Women in Liberia (FFWL) 2,245; and Making Enterprise 80. Women beneficiaries make up 85 percent of the clients base. The operations of the MFIs cover nine of the fifteen counties, including Bomi, Bong, Grand Bassa, Grand Cape Mount, Lofa, Margibi, Maryland, Montserrado, and Nimba.

Microfinance Institutions loan portfolio to low income households and micro enterprises increased slightly by 0.68 percent to US$4,966,264 during the quarter, from US$4,932.765 in the preceding quarter. The specialized Microfinance Bank (MFB), AccessBank Liberia Limited, recorded a total loan portfolio outstanding of US$4,880,250 during the second quarter from US$4,488,319 in the first quarter. Thirty-six credit unions operate in eight counties – Bong, Grand Gedeh, Lofa, Margibi, Maryland, Montserrado, Nimba and RiverGee with a total membership of 4,748 and a loan portfolio outstanding of US$777,187.

Nine Village Savings and Loan Associations (VSLA) schemes operate in five counties as follows: Gbarpolu, Grand Cape Mount, Maryland, Montserrado and Sinoe having a total of 216 members and a loan portfolio outstanding of US$31,045.

Additionally, the Central Bank of Liberia is working closely with development partners to revamp the credit union movement in the country following several years of inactivity. In this regard, a two-day workshop was organized on the Revitalization and Modernization of Credit Unions in Liberia held in Ganta, Nimba County, on June 16-17, 2011.

The workshop was meant to resuscitate the credit unions in providing basic financial services to urban and rural households and rebuild the capacity of their association, Liberia Credit Union National Association (LCUNA) to promote the development of credit unions.

Representatives of credit unions including thirty five practitioners from twenty-two primary societies and LCUNA from eight counties participated. The workshop discussed the broader issues of the credit union movement including good corporate governance, development of legal and regulatory framework, prospects and challenges among others, and resolved to adapt current internationally accepted principles and best practices including good, efficient governance, accountability and transparency to their own situations. At the end of the workshop, a committee was established to drive the implementation of the workshop recommendations.

WHAT IS BEING DONE ABOUT PAYMENT SYSTEMS MODERNIZATION AT THE CBL

The Central Bank of Liberia established a Payments System Unit in May of 2011 to spearhead the implementation of the West African Monetary Zone Payments System Development Project. The modernization of the National Payments System requires the deployment of different payments system components which must be managed by dedicated staff to ensure that the system achieves high operational reliability. The initial components of the payments system will include the Core Banking Application (CBA), the Scriptless Security Settlement System (SSSS), the Real Time Gross Settlement System (RTGS), the Automated Clearing House (ACH), and the Automated Check Processing (ACP). The WAMZ's effort to modernize the Payments System in selected countries in West Africa, is aimed at promoting regional monetary and economic integration.

In an effort to ensure the smooth implementation of the project, the CBL, in consultation with its implementing partners, prepared the Project Implementation Document. This document describes the Governance Structures and the Terms of Reference of the National Payments System Project. The Governance Structure of the Payments System Project consists of the National Payments Council, the Steering Committee, the Project Coordinator and Working Groups.

The key to the modernization of the payments system in Liberia calls for appropriate legislation which will enable the CBL to perform its oversight role over the Payment and Settlement Systems in Liberia. In this connection, the CBL has drafted a Payments System Act which is currently under revision by the appropriate legal authorities, after which it will be sent to the National Legislature for enactment into law.

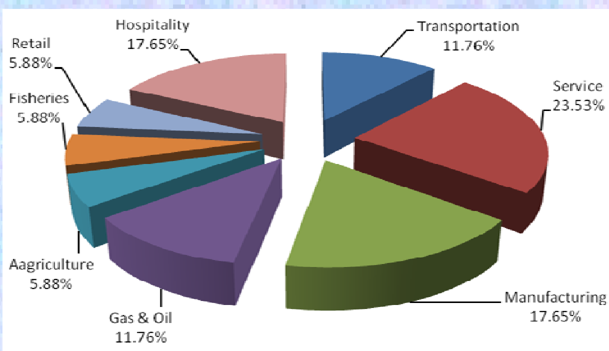
COUNTING THE SUCCESS OF THE CBL CREDIT STIMULUS INITIATIVE

The CBL has conducted the first assessment of its Credit Stimulus Initiative six months after it was launched, and there are reasons to be optimistic about the impact it is likely to have as a review the assessment results showed that the program is gaining its desired results. This initiative is aimed at making loans and credit affordable to Liberian businesses.

As part of its monitoring exercise to ensure that participating commercial banks are in compliance with the objective of the Initiative, the commercial banks are required to submit monthly updates containing information such as: loan amount, purpose of loan, loan interest rate, date of loan, maturity date, business employment and loan classification by industry or sector.

Judging from loans extended thus far, it is likely that the Credit Stimulus Initiative will have a significant impact on Liberian-owned SMEs that are taking advantage of this scheme. For the first five months of implementation of the scheme, participating banks have extended loans to more than 20 Liberian-owned businesses in eight different sectors of the economy.

The minimum loan size has been US$3,000.00 with an average interest rate of 7% and a maturity period of 3 years. The businesses that have benefited employ more than 2,497 employees. As of mid July 2011, and of the $5.0 million placement made with the various commercial banks, a total of about $2.0 million has been extended as loans.



CBL UNDERGOES IMF SAFEGUARDS ASSESSMENT: COMMENDED FOR STRENGTHENED SAFEGUARDS FRAMEWORK

The Central Bank of Liberia in July of this year, hosted the Safeguards Assessments Mission of the International Monetary Fund (IMF). In its draft report to the CBL authorities for discussion, the Mission said that since its last visit the safeguards framework has been strengthened and that it was pleased that the CBL's operations are subject to independent oversight by its Board of Governors.

The IMF's safeguards assessment is a diagnostic review of a central bank's governance framework, focusing on five key areas, namely, external audit mechanism, legal structure and autonomy, financial reporting, internal audit mechanism, and system of internal control.

External audit mechanism: Under the external audit mechanism, the thrust of the assessment is on the process for the selection and rotation of external auditors, their compliance with international standards, and whether financial statements are prepared, audited, and published annually.

Legal structure and autonomy: The legal structure and autonomy assesses the independence and autonomy of a central bank from central government interference.

Financial reporting: The focus of the assessments here is whether or not a central bank's accounting practices conform to international standards.

Internal audit mechanism: This aspect of the assessment looks at the effectiveness of the internal audit; i.e whether internal audit is adequately staffed and resourced to independently carry out its mandate.

System of internal controls: This assessment reviews the quality of oversight of external and internal audits, as well as of the controls over banking, accounting, and foreign exchange operations. Particular attention is paid to reserves management functions and controls over data reported to the IMF.

CBL'S OUTREACH PROGRAM: 25 STUDENTS EMPLOYED IN VACATION JOBS

As part of its contribution to the Government's Inter-Ministerial Vacation Job Program, the CBL has employed twenty-five (25) students mostly from colleges and Universities in the country. The main purpose of the program is to help provide financial assistance for these students to reduce costs associated with returning to school for the next academic year.

The students have already been assigned to various departments and sections of the Bank for the period spanning July – September, 2011. In addition to their individual assignments while at the Bank, the students will be exposed to the nature of CBL's work. This is expected to help them learn and understand what it means to be a creative and productive person. During the 2010 vacation, the CBL employed twenty (20) vacation students. This is also another way in which the CBL is contributing to the national human capacity building effort.

CHANGE YOUR "TEAR-TEAR MONEY"

THE PUBLIC CAN COME DAILY WITH MUTES (I.E., TEAR-TEAR MONEY) IN EXCHANGE FOR BETTER QUALITY LIBERIAN DOLLAR BANKNOTES AT THE CENTRAL BANK OF LIBERIA. THIS CAN ALSO BE DONE AT ANY COMMERCIAL BANK.

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.