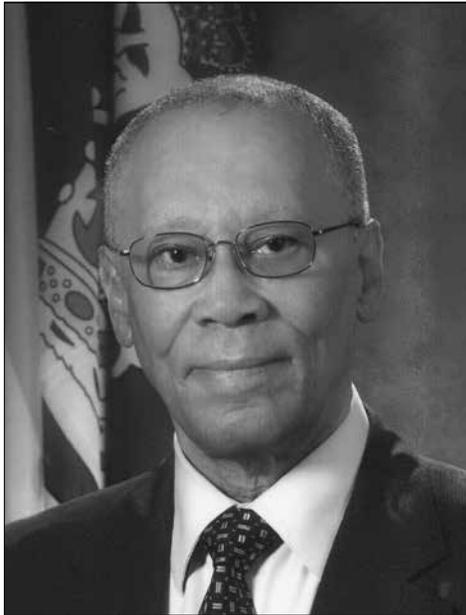




*Celebrating* **40**  
years  
1974-2014



## Message from the Governor General

I extend best wishes to the Central Bank of The Bahamas as this important national institution celebrates its 40th anniversary. The Bank is charged with monitoring and regulating the country's financial institutions, which is an arduous task that began on June 1st, 1974, and has progressed steadfastly until today.

This milestone deserves to be commemorated and an Anniversary Booklet produced to document and heighten awareness of

the bank's history. I applaud the Central Bank for its willingness to enlighten the community on the work of this institution which has certainly been a great contributor to the development of our country.

I acknowledge the outstanding service of the loyal and dedicated employees of the Central Bank and thank them for their commitment and contribution to this institution and The Bahamas.

As you celebrate your achieve-

ments, I implore you to continue to diligently pursue your mandate of fostering an environment of monetary stability conducive to economic development, and to ensuring a stable and sound financial system in the Bahamas.

I extend best wishes to the Central Bank of The Bahamas and gratitude on behalf of the Bahamian people.

Sir Arthur Foulkes  
Governor-General



## Message from the Prime Minister, Commonwealth of The Bahamas

I offer my congratulations to the Governor and Board of the Central Bank of The Bahamas on the occasion of the 40th Anniversary celebrations of the establishment of the Central Bank of The Bahamas. I do so on behalf of the Government of The Bahamas and in my capacity as Prime Minister and Minister of Finance.

The Central Bank of The Bahamas is one of several core institutions that are closely identified with the Independence of The Bahamas as it symbolizes the sovereignty of The Bahamas over its monetary policy and related issues. It is a tautology that Independence meant having control over the essential organs of the state. In this sense, the establishment of the Central Bank of The Bahamas was a clear marker to all that despite our size, The Bahamas was in full control of its monetary policy through the Central Bank and of its fiscal policy through the Ministry of Finance. This was no small achievement

given the enabling conditions in 1974 on its establishment. In the forty years since its establishment, I can assert in my capacity as Minister of Finance, that together with my predecessors in this portfolio, I have been the beneficiary of the advice of the Central Bank in the coordination and balancing of the nation's overall economic strategy.

The Central Bank of The Bahamas has also played a noteworthy role in terms of safeguarding the integrity of the financial and banking sector of our economy which is such a vital part of our overall economic thrust. Through its banking supervision role and oversight, it has been able to ensure that The Bahamas remains a safe and credible banking centre and that the banking system could withstand all scrutiny.

In its fortieth year, the Bank can lay claim to the fact that it has been led by five capable Bahamian Governors. They have been supported by adroit professionals and support staff at all levels of the

Bank. This speaks well for the stability of the institution and for its leadership. The Central Bank has more than adhered to and fulfilled its mandate as provided for in the Act and in its founding principles and has justified the confidence that was reposed in the Bank at its establishment.

As a nation, we have just completed our 40th Anniversary of Independence and we are moving to celebrate another anniversary on 10th July, 2014. The success of our independence of which we are justly proud has come about through the workings of institutions such as the Central Bank of The Bahamas which gives our independence credibility and practical meaning.

Once again, I offer my congratulations and wish the Bank and all those associated with it my best wishes on this your 40th Anniversary.

Perry G. Christie  
Prime Minister

# Message from The Honourable Michael Halkitis, M.P., Minister of State for Finance



I am pleased to extend congratulatory remarks and best wishes to The Central Bank of the Bahamas in celebrating 40 years of existence in The Bahamas.

The Central Bank was established

on June 1st, 1974 to carry out the independent monetary policy and financial sector supervisory functions entrusted upon The Bahamas after Independence in 1973. Prior to the establishment of the Bank, there was the Currency Board which was set up in 1919 mainly to issue currency. The Currency Board era spanned the early evolution of The Bahamas' emergence as an international banking centre during the 1960s. In 1968, the Bahamas Monetary Authority (BMA) was established which assumed the aggregate foreign exchange risks of the country.

The Central Bank of The Bahamas Act, 1974, was superseded by the Central Bank of The Bahamas Act, 2000. It is the duty of the Bank to promote

and maintain monetary stability and credit and balance of payments conditions conducive to the orderly development of the economy; to promote and maintain an adequate banking system and high standards of conduct and management therein; and to advise the Minister of Finance on any matter of a financial or monetary nature. Additionally, one of the Bank's major objectives is to safeguard the external value of the Bahamian dollar, which is fixed at a 1:1 parity with the United States dollar.

Over the past 40 years, the Bank has significantly influenced the development of the country and for this I extend to you sincere appreciation for your valuable contributions. The Bank fills the traditional roles of

issuer of legal tender, banker to both domestic banks and the government, and regulator and supervisor of the banking sector. The Bank's overall policy objective is the promotion of a stable economic environment conducive to high levels of domestic production, employment, and growth. This being said, I would also like to thank past Governors, the late Mr. T. Baswell Donaldson, Sir William C. Allen, Mr. James H. Smith, and Mr. Julian Francis and staff of the Central Bank.

So as you celebrate this milestone, I extend sincere congratulations to the Governor, Mrs. Wendy Craig, Deputy Governor, Mr. Michael Lightbourne and the entire staff of the Central Bank of The Bahamas.



There are, around us, constant reminders of the important role played by central banks in pursuing policies aimed at achieving financial sector stability and supporting the overarching economic growth objective.

This year marks the 40th Anniversary of the Central Bank of The Bahamas, and presents another opportunity for us to reflect upon our rich legacy of transformation, assimilation and adaptation, in the diligent execution of our mandate—one that is closely intertwined with the evolution of the Bahamian economy.

## Greetings from the Governor

Over these forty years, we have built confidence and credibility upon four very important pillars of responsibility. Firstly, as it relates to monetary policy, the Bank, since its inception, has sought to implement appropriate policy measures to maintain the fixed exchange rate regime and support the overall development of the Bahamian economy. Secondly, in terms of financial regulation and supervision, we continue to promote financial stability through balanced, relevant and consistent oversight of the financial sector. Thirdly, through our oversight mechanisms, we assure stable and efficient payments systems, which support confidence in financial transactions. Finally, our collection, analysis and publication of reliable monetary, financial and real sector statistics, empower the public in their decision making processes.

During the past four decades, we have also grown, in both the size and complexity of our operations, and have transformed our organizational structure and management,

as we sought to meet the challenges and opportunities presented along the way. In keeping with the evolving business focus, we have overhauled our legislative and supervisory frameworks, becoming more risk-based in our approach; leveraged greater use of technology in making our business processes more efficient; incorporated both strategic and succession planning in our long-term development, and expanded our economic analytical capabilities.

By virtue of the Bank's overarching mandate, we have and will continue to play a central role in providing guidance and leadership in many financial sector initiatives, while also serving as a reservoir of expertise and information, which can be drawn upon by the government and non-governmental institutions—both domestic and foreign.

Having the right resources is a very important part of our success. In this regard, I wish to acknowledge the contribution of the many former employees to the Bank's institutional

development and strength, and of the current staff, who, through their professionalism, hard work and commitment, are continuing in the tradition of excellence. Then, there are the numerous public and private stakeholders who continue to support us in our mandate, and to whom we also express our immense gratitude.

As the Central Bank, we should be proud of our achievements, but there is the road ahead of us. As is often the case, the achievement of past objectives, paves the way to new challenges and opportunities, which require a level of agility, flexibility and readiness—if we are to realize continued success.

On this Ruby anniversary, we should all be proud of our achievements, and commit ourselves to providing the level of commitment and focus that, moving forward, will redound to the success of this distinguished institution.

Wendy Craig  
Governor

# Our Former Leaders

## Governors



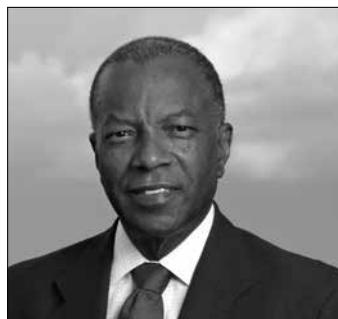
Mr. T. B. Donaldson, CBE  
Controller of Exchange,  
1968  
Manager, BMA, 1968  
Chairman, BMA, 1972  
Governor (1974-1980)



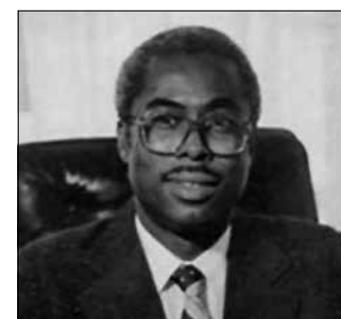
Sir William C. Allen, KCMG  
Senior Assistant, BMA,  
1970  
Research Manager, 1972  
Deputy Governor (1974-80)  
Governor June (1980-87)



Mr. James H. Smith, CBE  
Governor (1987-1997)



Mr. Julian W. Francis, CBE  
Deputy Governor (1993-  
1997)  
Governor (1997-2005)



Mr. Hubert L. Dean A.B.I.B.,  
F.I.B.  
Senior Assistant to the Chairman  
of BMA, 1968  
Banking Manager (1973-1980)  
Deputy Governor (1981-1996)

## Past Board Members

Sir Gerald Cash*	1974 – 1976	Mr. Thomas Evans	1983 – 1992	Mr. Julian Francis	1993 – 2005
Mr. Basil J. Sands	1974 – 1977	Mr. James H. Smith	1987 – 1997	(Governor & Chairman)	
Mr. T. B. Donaldson*	1974 – 1980	(Governor & Chairman)		Mrs. Orry Sands	1994 - 2000
Mr. Anthony Thompson	1974 – 1978	Mrs. Patricia Coakley	1988 – 1992	Mrs. Ruth Millar	1994 - 2000
Mr. Reginald Wood	1975 – 1979	Mr. Jeffrey M. Thompson*	1988 – 1992	Mr. Michael Cartwright	1997 – 2000
Mr. Allan Benjamin	1977 – 1978	Rev. Dr. Charles W. Saunders	1988 – 1992	Mr. Gregory Cleare	1998 – 2000, 2007 – 2009
Mr. Moses A. Hall*	1979 – 1981	Mr. Warren L. Rolle	1990 – 1993, 2006 -2007	Mr. Carleton W. Williams	2001 – 2007
Mr. William C. Allen	1980 – 1987	Mr. V. Vanderpool-Wallace	1992 – 1993, 2007 – 2008	Dr. Pandora Johnson	2001 – 2005
(Governor & Chairman)		Mr. G. Clifford Culmer	1992 – 1997	Mr. Lennox McCartney	2008 – 2009
Mr. A. T. Peet	1980 – 1987	Mr. A. Leonard Archer	1992 – 1993	Dr. Duane Sands	2008 – 2010
Mr. L. Ferguson*	1980 – 1987	Mr. Peter Graham	1992 – 1999	Mr. Colin Callender	2009 – 2012
Mrs. E. C. Isaacs	1980 – 1990	Mr. Luther Smith	1993 – 1994	Mr. Wayne J. Aranha	2009 – 2012
Mr. Hubert L. Dean	1981 – 1990	Mr. David Hudson	1993 – 1996	Mr. Philip Stubbs	2009 – 2012
(Deputy Governor)				Dr. Ronald Knowles	2010 - 2012
Mr. Robert Lightbourne	1983 – 1987				

\*Deceased

# Highlights of Institutional Developments in Central Banking in The Bahamas, 1974-2014

Although the Central Bank of The Bahamas was established on 1st June, 1974, its historical origin dates as far back as 1919, with the formation of the Currency Board or Commissioners of Currency, similar to other British colonies of the time. Commencing operations in 1921, the Currency Board's primary responsibility was the issuance and redemption of local currency

against the pound sterling, at par. The issuance of domestic currency was constrained by the requirement that each issue be backed by foreign currency. The Currency Board did not have the power to formulate or conduct monetary policy, nor to act as the lender of last resort and supervise the banking sector.

During the sixties, two (2)

key developments exposed the weaknesses of the Currency Board arrangement to deal with changes taking place within the Bahamian economy. First came the challenge presented by The Bahamas' emergence as a leading euro dollar jurisdiction, which was accompanied by the rapid proliferation of banks or institutions purporting to be banks—numbering more than

600 by 1965. The Bank Act of 1909 proved to be woefully inadequate, as it made no provision for an institution to have a special licence to conduct banking business in The Bahamas, and hence there was a lack of supervisory oversight of these activities. To secure the reputation of The Bahamas as a credible offshore centre, the authorities enacted the Banks

and Trust Companies Act, in 1965, which introduced more stringent requirements for institutions to operate as banking and trust entities in The Bahamas and caused a reduction in the number of such entities operating within and from The Bahamas to some 90 by 1967. However, there was the need for an institutional authority that could provide the requisite supervisory and regulatory oversight of the rapidly expanding banking sector.

Another development which had a marked impact on the history of central banking in The Bahamas, and led to the demise of the Currency Board, was the devaluation of the British pound in November 1967. The consequential conversion of the banking system's previously held sterling balances into Bahamian currency, resulted in significant foreign exchange losses for the sector, and then triggered a major expansion in domestic consumption, hikes in prices and highly speculative real estate transactions. Faced with the increasing trade links with the United States, the Bahamian authorities were pressed to establish an independent exchange rate policy. As a result, the fixed parity of the Bahamian dollar and Pound Sterling, established under the Currency Act of 1965, was ended, and a fixed parity was established with the US dollar.

These two developments reinforced the need for an institutional arrangement that would mitigate exchange risks arising from capital inflows, regulate the money supply, supervise the banking system, and that would generally foster financial conditions conducive to the orderly and balanced development of the economy.

As an interim step, the Bahamas Monetary Authority (BMA) was established in October 1968, marking the second stage in the history of central banking in The Bahamas. The BMA's powers included: the issuance of currency, management of the external reserves, banker to the Government and banks, establishment

of reserve requirements for clearing banks, supervision of banks and the operation of the newly formed check clearing system. However, the BMA did not have the authority to conduct the monetary policy necessary to address balance of payment imbalances, as was created by the conversion of sterling assets to Bahamian dollar assets. This deficiency in its mandate became more evident, when it was powerless to act when financial stability was threatened, amid the strong growth momentum in the global economy, which led to appreciable gains in tourism activity and private sector credit, alongside excessive consumer price inflation. As a result, the BMA was replaced by the Central Bank of The Bahamas, through the Central Bank of The Bahamas Act, 1974—representing the third and latest stage of central banking in The Bahamas.

The Central Bank was equipped with all of the traditional instruments and powers, which include: issuing legal tender, promoting monetary stability and a sound financial structure, maintaining external reserves, administering the country's exchange control regulations, acting as banker to

domestic banks, setting reserve requirements for banks and regulating and supervising all activities in the banking sector.

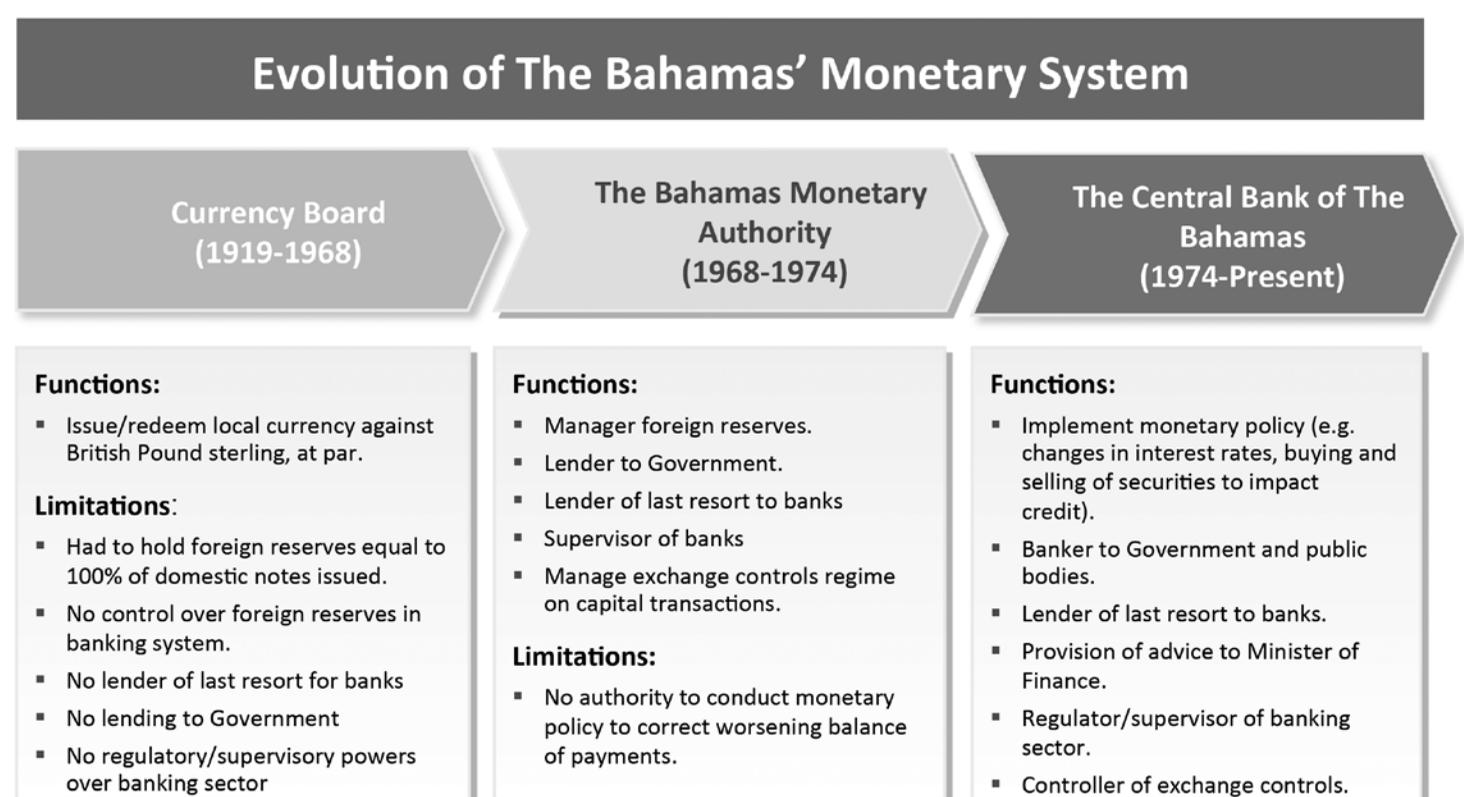
Since then, the Bank has evolved in the context of the changing demands of both the domestic and international landscapes. These have precipitated numerous changes in the legislative framework, dealing with both its core central banking activities, and affording it greater operational autonomy, and those that focussed on enhancing the resiliency of the domestic banking system, through the effective application of international regulatory and supervisory standards.

In 2012, the Bank participated in its first Financial Stability Assessment Program (FSAP), conducted by the International Monetary Fund (IMF). The exercise involved the assessment of the country's regulatory framework and practices, its compliance with international best practices, inter-linkages within the financial system, as well as the system's ability to withstand "stress" or shocks, both internally and externally. The results of the assessment attested to the strength of the Bank's legal and regulatory framework, and

confirmed that there were no apparent threats to domestic financial stability. Building on the foundation of the FSAP exercise, in 2013, the Bank, with input from the Insurance Commission and Securities Commission, published its first semi-annual Financial Stability Report (FSR) in December 2013.

In its 40-year existence, the Central Bank has had five (5) Governors at the helm. The late Mr. T. Baswell Donaldson was appointed as the first Governor and Chairman of the Board, on June 1, 1974, having previously served as Manager and Chairman of The Bahamas Monetary Authority. Mr. Donaldson's term ended in 1980, when he was succeeded by Mr. William C. Allen, the first Deputy Governor of the Bank. Next came the appointment of Mr. James H. Smith, in 1987, and, when his tenure ended in 1997, he was succeeded by Mr. Julian W. Francis, who served as Deputy Governor from 1993. Mr. Francis' tenure ended in 2005, when the present Governor Mrs. Wendy Craigg, the first female to hold this post, began her term, after serving as Deputy Governor since 1997.

## Evolution of The Bahamas' Monetary System



# Tribute to Former Governor, the Late T.B. Donaldson



Prior to being appointed the first Governor and Chairman of the Board of the Central Bank of The Bahamas in June, 1974, the late Governor T.B. Donaldson initially served as Manager and Chairman of the Bahamas Monetary Authority (BMA).

Mr. Donaldson, who held the position of Governor until 1980, was a trailblazer in many respects. As the first Governor of the Central

Bank, he had the unique experience of guiding the institutional transitioning to the monetary arrangements that characterize central banking, as we know it today. He was influential in earlier discussions on the determination of the exchange rate arrangements for The Bahamas, and the measures taken to promote The Bahamas as an international financial centre. His penchant for excellence is etched into the culture of the Bank, as he always challenged staff to deliver service comparable with the status of an institution that is positioned at the apex of the financial system.

By all accounts, he was a very charismatic, caring and inspirational leader. A great proponent of the transformational power of learning, he took time to mentor

and nurture many young men and women. Bank employees, who would have had the opportunity to work closely with him during the early years, continue to speak highly of these endearing characteristics, which shaped their career progression at the Bank and also in several leadership positions throughout the financial services sector.

This emphasis on the importance of developing human resources was reinforced in one of Mr. Donaldson's earlier addresses to the Chamber of Commerce, in 1978, on the role of private enterprise in the economies of Caribbean countries. He spoke of the need for the private enterprise to encourage and foster a capacity for learning, so that we have a society which can respond skillfully, intelligently and rapidly to the chang-

ing international environment—an observation that remains relevant today. Indeed, his foresight in establishing, in 1974, The Bahamas Institute of Bankers, now The Bahamas Institute of Financial Services, serves as a clear example of his commitment to this ideal.

Not many persons would be aware that the logo of the Bank, the sand dollar, was selected by Mr. Donaldson. Apart from wanting something that was Bahamian, he was intrigued by the elegance and history of such a unique specimen of marine life—whose markings on the shell were said to represent the birth, crucifixion and resurrection of Christ.

Mr. Donaldson's life's work will live on through the many lives he has mentored, nurtured and inspired on the road to success.

## Monetary Policy in The Bahamas: A 40-Year Perspective

### Introduction

Monetary policy refers to the deliberate initiatives pursued by the Central Bank to control the money supply and credit conditions for the purpose of achieving certain broad economic objectives. The fundamental objective of monetary policy in The Bahamas has always been to maintain stable credit and other financial sector conditions, in order to support the fixed parity between The Bahamian and United States dollars that has prevailed since 1973, while simultaneously promoting the economic growth objective (i.e., high levels of domestic production and employment). As part of the external balance requirements, the Central Bank was given a statutory mandate to ensure that external reserves are maintained at 50% of the value of total notes and coins and demand liabilities of the Central Bank.

### How Monetary Policy Works

To maintain the fixed parity between the Bahamian and United States Dollars, the Central Bank pursues a series of policy measures with the ultimate objective of influencing the demand for credit which, because of The Bahamas' need to import goods and services, affects the public's demand for foreign currency.

To understand why the Bank occasionally adjusts monetary policy, it is important to differentiate between the types of exchange rate regimes which exist globally. Typically, countries have one of two types of regimes (although there are variations of these), namely fixed, where the value of the domestic currency is tied to either another international or a basket of currencies, and floating, where the exchange rate is allowed to vary on a daily basis against other international currencies. Countries such

as The Bahamas, which employ fixed exchange rates, need to hold significant levels of foreign reserves to, *inter alia*, pay for overseas goods and service external debt, while also keeping adequate balances to facilitate unexpected demands. If the Bank did not hold sufficient reserves, then any excess demand for foreign currency would lead to a depreciation of the exchange rate. In contrast, floating rate economies do not need to hold high levels of external reserves because any adjustment between the demand and supply of foreign currency is made through the movement in the exchange rate.

Another distinction between fixed and floating exchange rate economies is seen in their capital accounts. In general, countries with fixed exchange rates tend to impose restrictions on the movement of funds or "capital" overseas,

as significant transfers can quickly drain reserves and place pressure on the exchange rate, while floating rate economies have either no or very limited controls in place.

The combination of a fixed exchange rate regime and restrictions on the movement of capital, allows the Central Bank some scope for pursuing an independent monetary policy. As Chart 1 shows, what this means is that, if the Central Bank were to move to lower domestic interest rates, in a bid to stimulate the economy, capital could not leave the country to seek a better return, because of the controls. If capital was mobile, as in the case of a country with a fixed exchange rate regime and an open capital account or a floating exchange rate arrangement, then there would be either a rapid depletion of external reserves or alternatively a decision to adjust the exchange rate. To prevent this from occurring, some countries make interest rate and other policy adjustments which mimic those implemented in other larger economies. As a result, their monetary

*continued on page 17*

# The Central Bank of The Bahamas' Legislative Framework

The Central Bank of The Bahamas was established by an Act of Parliament, namely, the Central Bank of The Bahamas Act, 1974 (the 1974 Act) which, inter alia, defined the role of the Central Bank as being to:

- promote and maintain monetary stability and credit and balance of payments conditions conducive to the orderly development of the economy;
- promote and maintain an adequate banking system and high standards of conduct and management therein; and
- advise the Minister of Finance on any matter of a financial or monetary nature.

Additionally, the 1974 Act provided for the Central Bank to be the sole issuer of bank notes and coins (legal tender), manager of the country's external reserves, banker to domestic banks (lender of last resort for short-term liquidity requirements) and the government (provision of short-term advances, and banking and public debt registry services), and regulator and supervisor of the banking sector.

In December, 2000, the 1974 Act was repealed and replaced by a new Central Bank of The Bahamas Act (the CBBA) as part of a package of eleven (11) pieces of new and amending financial legislation, which represented The Bahamas' response to the report of the Organization for Economic Cooperation and Development (OECD) entitled "Towards Global Tax Co-operation" which designated The Bahamas as a "tax haven" and in response to the oft-cited Financial Action Task Force's (FATF) June 2000, "blacklisting" of The Bahamas as a non-cooperative jurisdiction in the fight against money laundering—charges which The Bahamas vigorously rejected. The package of legislation also included a new Banks and Trust Companies Regulation Act, 2000, which repealed and replaced the

Banks Act, 1905 and the Banks and Trust Companies Regulation Act, 1965.

Other important pieces of the legislative framework which outline additional functions and duties of the Central Bank are those relating to the administration

of exchange controls, the issuance of Government paper, anti-money laundering and anti-terrorism financing, deposit insurance and the payments system.

## Central Bank of the Bahamas Act, 2000 (CBBA)

The CBBA 2000 retained most of

the provisions of the 1974 Act and added several key provisions to address criticisms leveled by the aforementioned international agencies. The new Act established a

*continued on page 8*

## A Chronology of Currency Developments in The Bahamas

### Years Major Developments

<b>1707</b>	British Parliament sanctions the exchange of British coins for foreign coins in The Bahamas.
<b>1888</b>	First local paper currency notes are issued by Bank of Nassau.
<b>1917</b>	Local paper currency notes are taken out of active circulation.
<b>1919</b>	Decision is taken to recommence issuance of local currency notes, under the Currency Act, 1919.
<b>1965</b>	Bahamian Pound is decimalised into the Bahamian Dollar, by the Currency Act of 1965.
<b>1966</b>	Bahamian Dollar is introduced and pegged to the Pound Sterling (B\$1=7 shillings). Bahamian banknotes are issued in denominations of \$½, \$1, \$3, \$5, \$10, \$20, \$50 and \$100. Coins are issued in denominations of 1¢, 5¢, 10¢, 15¢, 25¢, 50¢, \$1, \$2, \$5 and \$10.
<b>1968</b>	First banknotes issued under the Bahamas Monetary Authority (BMA).
<b>1971</b>	Bahamian Dollar is devalued (from B\$2.40 = £1 to B\$2.5275 = £1) and direct link with the Pound sterling is permanently severed.
<b>1972</b>	Value of Bahamian dollar is fixed against the United States Dollar at B\$0.97=US\$1.
<b>1973</b>	Devaluation of Bahamian Dollar to B\$1 = US\$1. Issuance of 50¢, \$1, \$2, \$5 and \$10 coins ceases.
<b>1974</b>	First banknote issued under the Central Bank of The Bahamas Act.
<b>1984</b>	New family of banknotes introduced, with enhanced colour, design and security features.
<b>1988</b>	The colours of the \$100 banknote are changed from violet and purple to blue, violet and carmine, with silver highlights on the back.
<b>1992</b>	Special quincentennial \$1 banknote is issued to commemorate the landfall of Christopher Columbus in The Bahamas.
<b>1993</b>	First denomination of banknotes depicting national heroes is introduced; the \$20 banknote bears the portrait of Sir Milo B. Butler.
<b>1995</b>	New \$5 banknote is issued, bearing the portrait of Sir Cecil Wallace-Whitfield.
<b>1996</b>	New portrait of Her Majesty Queen Elizabeth II is placed on the \$1, \$10 and \$50 banknotes.
<b>2000</b>	New \$10 and \$50 banknotes are issued, bearing portraits of Sir Stafford Sands and Sir Roland Symonette, respectively
<b>2001</b>	The \$1 banknote is redesigned, bearing the portrait of Sir Lynden O. Pindling.
<b>2005</b>	Newly designed \$10 banknote is introduced into circulation—the first in its family of Counterfeit Resistant Integrated Security Product (CRISP).
<b>2006</b>	Newly designed CRISP \$20 and \$50 banknotes are introduced into circulation.
<b>2007</b>	Newly designed CRISP \$5 banknote and 10¢ coin are introduced into circulation.
<b>2008</b>	Newly designed CRISP \$1 banknote is introduced into circulation.
<b>2009</b>	Newly designed CRISP \$100 banknote is introduced into circulation.
<b>2016</b>	Scheduled launch of the newly designed family of banknotes (CRISP 2).

**Legislative Framework continued from page 7**

framework for international co-operation. Under the new framework, the Bank may assist and co-operate with overseas regulatory authorities, and is empowered to direct persons to produce information which the Bank requires to carry out its functions or which is necessary to facilitate overseas regulatory authorities' requests, without having to obtain a court order. Additionally, the duty of confidentiality imposed on the Bank's directors, officers and employees, under the 1974 Act has been extended by the CBBA to the Bank's agents and advisors, and the list of exceptions to the Bank's duty of confidentiality has also been expanded.

In keeping with evolving international trends in central banking and financial sector supervision, the enactment of the CBBA gave the Central Bank more autonomy and independence from the political directorate. Specifically, under the CBBA, the Financial Secretary is no longer an ex officio member of the Central Bank's Board of Directors and the Bank is no longer required to obtain the prior approval of the Minister to assign an annual salary to a post, where that salary exceeds a specified amount or to appoint a person to such a post. Areas of disqualification for appointment as a Director of the Central Bank were expanded by the CBBA to include persons adjudged or otherwise declared bankrupt under any law in force in The Bahamas and any person convicted by a court of an indictable offence or other offence involving dishonesty.

**Banks and Trust Companies Regulation Act, 2000 (BTCRA 2000)**

The BTCRA 2000 re-enacted most of the provisions of the repealed Banks Act, 1909 and Banks and Trust Companies Regulation Act, 1965—which together provided for the regulation of banks and trust companies in The Bahamas. Provisions in the Banks Act 1909, which are included in the BTCRA 2000, require banks to publish annual statements of their

accounts in the Gazette; empower the Governor to call for special returns from a bank or for to call for such further information as the Governor may reasonably require; and prohibit a person from disclosing any information relating to the affairs of a bank that was acquired in the performance of that person's functions under the Act. Among the key provisions in the Banks and Trust Companies Regulation Act, 1965 which were re-enacted in the BTCRA 2000 are those: requiring banks and/or trust companies to be licensed; establishing the Office of the Inspector of Banks and Trust Companies (the Inspector) and setting out the Inspector's powers and duties and the powers of the Governor.

New provisions for enhanced co-operation between the Central Bank and overseas regulatory authorities, particularly in relation to cross-border supervision of banks, paralleled those inserted into the CBBA 2000. However, the BTCRA 2000 included a number of unique provisions which improved the Central Bank's regulatory oversight, such as those that expanded the licensing criteria for banks and trust companies and required the Governor of the Central Bank to consider certain specific factors before granting a licence, authorized the Inspector to conduct on-site examinations to ensure compliance with the provisions of the BTCRA 2000 and the Financial Transactions Reporting Act, 2000; to call for the assistance of a licensee's auditor and to report suspicious transactions to the Financial Intelligence Unit. Importantly, the BTCRA 2000 also enhanced the Governor's role by granting more autonomy and independence and vesting many functions and powers previously reserved for the Minister of Finance by the Existing Law Amendment Order of 1974, in the Governor. Among these were the ability of the Governor, without reference to the Minister, to grant a bank and or trust company licence, to approve the issue and transfer of a licensee's shares and to make

regulations to prescribe application requirements and generally for carrying the purposes of the Act into effect.

Since 2000, the CBBA and the BTCRA have undergone several amendments designed to meet the ever-changing requirements of the domestic financial services sector and international standard setting bodies and to ensure, the optimal effectiveness of the legislation.

**2006:**

Amendments established the framework for the introduction and regulation of private trust companies and facilitated the introduction of the Banks and Trust Companies (Private Trust Companies) Regulations, 2007.

**2007:**

Amendments permitted the Central Bank to co-operate with and share information with other domestic regulatory authorities, to assist them in carrying out their functions or as part of consolidated supervision, oversight or regulation of the financial services sector.

**2008:**

Amendments brought stand-alone, non-bank money transmission businesses under the regulation of the Central Bank and facilitated the introduction of the Banks and Trust Companies (Money Transmission Business) Regulations, 2008.

Amendments to the CBBA also altered the composition of the Central Bank's Board so that Deputy Governors no longer serve as directors of the Bank and consequently do not have the right to vote at Board Meetings. A Deputy Governor who acts as the chairperson of a Board Meeting, in the absence of the Governor, has the right to vote however.

**2010:**

Amendments to the CBBA expanded the Bank's functions to include the requirement for the Bank to ensure the stability of the financial system and to promote and ensure a sound

and efficient national payments system. Other amendments removed the prohibition against Central Bank Directors holding shares in licensees of the Bank, to permit them to hold a maximum of less than 1% of the ordinary paid up share capital of any financial institution, trust company or money transmission business regulated by the Central Bank.

Amendments to the BTCRA enhanced provisions relating to the appointment, powers and duties of licensees' auditors; indemnified and protected the Bank's directors, officers, employees, agents and persons authorized by the Bank or the Inspector to perform certain functions, from civil or criminal liability in the good faith performance of their functions; empowered the Central Bank to appoint a receiver -manager for the temporary management of a licensee; increased the time period for commencing summary proceedings for an offence committed under the Act, empowered the Bank to impose fines for offences against regulation 8 of the Financial Intelligence (Transactions Reporting) Regulations, 2000 and the Financial Transaction (Wire Transfer) Regulations, 2008 and vested certain powers previously reserved for the Governor in the Central Bank.

**Other Enabling Legislation**

In addition to the key governing legislation, the Central Bank, in the execution of its day to day functions and duties, is guided by several other important legislation—key among which are the following:

- **Exchange Control Regulations Act (as amended):** One of the Bank's functions is to manage the external reserves of the jurisdiction. Under the exchange control regime, the acquisition of foreign currency by residents, and foreign currency investments in the domestic economy by non-resi-

dents, must be approved by the Central Bank. The Central Bank has delegated to the commercial banks the authority to approve certain types of applications for foreign exchange, in an effort to liberalize aspects of the exchange control regime and gain operational efficiencies. This regime is governed by the Exchange Control Regulations Act, 1952 (the ECRA) and the Exchange Control Regulations, 1956. The ECRA was amended in 1974 to designate the Central Bank as the Controller of the Exchange and to authorize the Central Bank to make orders or to give such directions as may be necessary to implement what the ECRA describes as “Finance Regulations” made under the ECRA, for the purpose of controlling, buying, selling and dealing in gold, foreign currency, foreign securities and foreign exchange. The Central Bank has power to exempt any person from the provisions of the Exchange Control Regulations made under the ECRA.

- **the Registered Stock Act**, which designates the Bank as the Registrar for issues of Bahamas Government Registered Stock.

This means among other things, that all purchases and transfers of such stock must be registered with the Central Bank;

- **the Financial Transactions Reporting Act, the Financial Transactions Reporting Regulations, the Proceeds of Crime Act and the Anti-terrorism Act**, which provide the standards to which all financial institutions (including those regulated by the Central Bank) must adhere in order to prevent or reduce the risk of their operations being used for money laundering or terrorist financing;
- **the Protection of Depositors Act**, which sets out the framework for the Deposit Insurance Corporation to insure Bahamian Dollar deposits of or below \$50,000. While the Protection of Depositors Act is administered by the Deposit Insurance Corporation, that Act requires the Corporation to comply with any general or specific directions of the Central Bank and to act only on the advice of the Central Bank;
- **the Payment Systems Act, 2012**, authorizes the Central Bank to oversee the payments system, provides for settlement finality

in the payments system, provides for cheques to be cleared electronically using approved cheque images and for the creation of a National Payments Committee as an advisory Body to the Central Bank.

### Prospective Legislative Developments

As the Central Bank marks its 40th anniversary, it continually seeks to identify opportunities to provide clear legal directives and improve its operational effectiveness. In this vein, the Central Bank has undertaken a comprehensive review of both the CBBA and the BTCRA for the purpose of modernizing and enhancing their provisions, where necessary. Important developments in the pipeline include the draft Central Bank of The Bahamas (Amendment) Bill, 2014, which will update the CBBA. Several new and amending Bills and Regulations to effect the transfer of cooperative credit unions (sometimes called “financial cooperatives”) to the regulatory and supervisory remit of the Central Bank is expected to be introduced in Parliament in the coming months, and efforts are underway to develop the legislative framework for a national credit

reporting system in The Bahamas, which will be regulated by the Central Bank.

Similarly, the Central Bank has identified a number of amendments for the BTCRA, which the Bank anticipates will be enacted in the course of 2014. These include clarification of the requirement for the formation of a corporate entity for licensing purposes; enhanced fit and proper requirements for controllers, directors and officers of licensees; introduction of the requirement for licensees to report to the Central Bank, instances where they have information which may negatively impact the fitness and propriety of a director or senior executive officer of a licensee; introduction of powers for the Central Bank to impose prohibition orders; enhancement of the Bank’s powers to impose administrative monetary penalties, and enhancement of the dormant accounts administration regime. Work on the development of a special legislative framework for bank recovery and resolution, the purpose of which is to prevent or reduce losses to depositors of failed or failing banks, is also in its initial consideration and assessment stage.

## FUNCTIONAL OPERATIONS

### ORGANIZATIONAL STRUCTURE

The organizational structure of the Central Bank reflects the various tasks performed in fulfillment of its statutory mandate, and has evolved over the years—consistent with changes in operational priorities and the business environment. To a large extent, many of the early changes involved the elevation of sub-departmental operations into full departments.

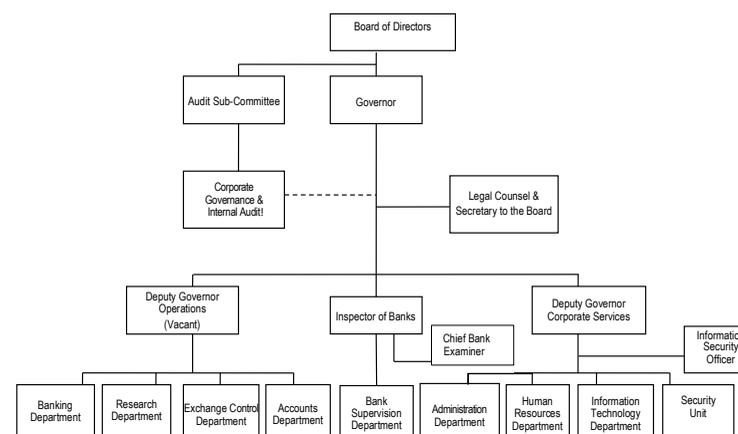
The Bank’s core functions are carried out under four (4) main departments, namely: Banking, Bank Supervision, Exchange Control and Research. Operational support is provided by the following departments/units: Accounts, Administration, Human Resources, Information Technology, Internal Audit, Legal and Security. The organization of the Bank is shown in Chart 1.

### GOVERNOR’S OFFICE

The Governor is the Chief Executive of the Bank, and also the Chairman of the Board of Directors. While the Central Bank Act provides for two Deputy Governors, to assist the Governor, one of these positions is presently vacant. The operational areas which report directly to the Governor are the Legal Unit, the Corporate Governance and Internal Audit Unit (func-

tionally) and Bank Supervision. All other functional responsibilities are vested in the Deputy Governors. The activities of the Office is supported by several administrative staff.

Chart 1  
The Central Bank Of The Bahamas  
Organisational Chart



*continued on page 10*

**Functional Operations continued  
from page 9**

From left: Kiris Williams, Administrative Assistant; Jacqueline Sands, Senior Executive Assistant and Paula Bain, Senior Executive Assistant

**Legal Unit**

The Legal Unit of the Central Bank was established in 2000, and falls under the Governor's Office. The Unit advises on legal matters arising in connection with the operation and administration of the Bank, and manages the Bank's relations with external counsel. The Unit's head is the Secretary to the Board of Directors and also functions as the Chairperson of the Fraud and Risk Management Committee. Through participating in the Bank's Policy Advisory Committee, the Unit is also closely involved in the development of supervisory and regulatory policies, ensuring that final determinations are consistent with applicable legislation and international standards and best practices. The Unit also functions as the secretariat for the Group of Financial Services Regulators, which is chaired by the Governor of the Central Bank.

Since its establishment, the Unit has participated in the preparatory drafting of all of the key financial sector legislation affecting banks and trust companies, money transmission businesses, the payments system, credit



From left: Sophia Higgs, Administrative Assistant; Charmaine Sasso, Executive Assistant; Rochelle Deleveaux, Legal Counsel & Secretary to the Board; Stacey Benjamin, Deputy Legal Counsel and Tiffany Carter, Assistant Legal Counsel

unions and dormant accounts administration.

The Unit continues to follow closely international initiatives in the areas of financial sector regulation and oversight, and advises the Bank on the effect of these standards on existing policies, procedures and legislation. Attention is also given to identifying opportunities to provide clarity of direction to the bank and trust companies, whether through legislative amendments or guidelines, and to reduce or mitigate legal risk to the Bank through preventative measures.

**Corporate Governance & Internal Audit Unit**

From left: Rhonda Jadorette, Senior Audit Officer; Cleopatra Rolle, Manager, Internal Audit Unit and Kent Ferguson, Senior Audit Officer

Established in October, 2009, the Internal Audit Unit essentially champions strong governance and operational effectiveness and efficiency within the Bank and, in so doing, assists management and the Audit Committee of the Board of Directors in the effective discharge of their responsibilities. The Unit accomplishes this outcome by providing an objective assurance and evaluation of the adequacy of risk management, controls and governance processes within the Bank, and provides management with analyses, recommendations,

guidance and information that serve to advance the goals and objectives of the Bank. The Unit utilizes a systematic disciplined approach in its evaluation, which is aligned with the International Standards for the Professional Practice of Internal Auditing. The mandate of the Unit is

defined in the Bank's Internal Audit Charter.

The internal audit activity of the Bank functions under the direct responsibility of the Audit Committee, with administrative reporting to the Governor. The Unit's head meets monthly with the Audit Committee to discuss audit reviews, including findings, recommendations and/or action plans to address any areas of exposure to risks and non-compliance to established policies, procedures and regulatory requirements, as well as the Bank's overall control environment.

**Bank Supervision Department**

The maintenance of a sound and stable financial system is one of the most important functions of the

**Central Bank of The Bahamas**

Central Bank, as financial stability is a precondition for a strong economy. The Bank Supervision Department, through its supervision and regulation of banks and trust companies, non-bank money transmission businesses and private trust companies, helps to safeguard the sector and The Bahamas' reputation as a leading international financial services jurisdiction.

Over the past forty (40) years, the supervisory and regulatory regime of the Central Bank has evolved, in line with global regulatory reforms and international best practices, and so has the demands on the Bank's resources. The Department began with a staff complement of six (6), having responsibility for 297 banks and trust companies in 1974.



From left, front row: Cheryl Forbes, Examiner IV; Danae O'Brien, Examiner I; Lyniqueka Johnson, Jr. Administrative Assistant; Robert Sawyer, Examiner IV; Ravi Noronha, Examiner III; Eugenia Major, Examiner I and Candace Thompson-Thomas, Examiner II

From left, back row: Monique Neely, Bank Supervision Officer; Karranda Smith, Examiner III; Tawana Patton, Examiner I; Judith LaFleur-Francis, Bank Supervision Officer; Donna Ferguson, Examiner V; Renee Russell, Administrative Assistant; Thereas Tynes, Bank Supervision Officer and Advira Rolle, Jr. Administrative Assistant)



From left, front row: Ruth Johnson, Examiner V; Tricia Butler, Examiner IV and Sharon Campbell, Examiner V, From left, middle row: Maureen Pearson, Examiner II; Meaghan Peet, Examiner I; Allison Woodside, Examiner II and Natalie Hepburn, Examiner I, From left, back row: Jermaine Williams, Examiner IV; Christanna Brown, Examiner II; Thea McKenzie, Examiner I; Cassie Knowles, Examiner I; Tameka Moss, Jr. Administrative Assistant; Chris Barr, Examiner I; Alexandria Feaster, Administrative Assistant and Thomasina Delancy, Examiner I

Forty years later, the enhanced oversight, analytical and research requirements have elevated the staff count to 69, having oversight of 267 bank and trust institutions (102 banks or banks/trusts licensees and 165 trusts licensees); 99 Registered Private Trust Companies; 2 non-bank Money Transmission Service Providers and 8 non-bank Money Transmission Agents.

#### **Organization and Structure**

Bank Supervision is built on three (3) fundamental pillars: off-site surveillance, on-site examination and policy development, with the underlying functions discharged by five (5) distinct but inter-related units: the Domestic Financial Institutions Unit (DFIU); International Firms Unit (IFU), Authorization & Administration Unit (A&AU); On-site Examination Unit (OEU) and the Policy Unit (PU).

The DFIU, which was created in 2009, focuses on the surveillance of commercial/retail banking institutions, along with their group entities, while the IFU monitors non-domestic banking and/or trust institutions—with both units responsible for ensuring that institutions adhere to the conditions attached to their licenses. Through on and off-site surveillance, the units assess the quality of banks' assets, as well as liquidity, solvency, capital adequacy and risk exposures; and financial statements and other statutory filings are analysed on a monthly, quarterly and annual basis. Bank officials also meet with the senior management of licensed institutions, at least once a year, and quarterly for the commercial banks, to discuss their business



From left: Karen Rolle, Policy Analyst V; Sharon Campbell, Examiner V; Anita Bain, Chief Examiner; Abhilash Bhachech, Bank Inspector; Ruth Johnson, Examiner V; Jerome Johnson, Examiner V; Donna Ferguson, Examiner V and Sherrece Saunders, Examiner V



From left: Lakeisha Rollins, Examiner II; Edgar Hanna II, Examiner II; Jerome Johnson, Examiner V; Deno Cartwright, Examiner II and Latera Carey-McPhee, Examiner IV

plans, policies and performance, and liaise with local and international regulators on an ongoing basis.

The A&AU has the primary function of conducting the necessary due diligence associated with the issuance of licences, including the vetting and processing of applications and supporting documents of proposed owners, executives and directors. Responsibility for all supervisory-related applications and oversight of Money Transmission Businesses (MTBs), Private Trust Companies (PTCs) and Registered Representatives of PTCs is also vested in the A&AU. The administrative arm of the A&AU ensures the proper operational functioning and back office support for all supervisory activities, inclusive of correspondence management, issuance of notifications to licensees and maintaining the licensee database.

The On-Site Examination Unit, which was established in 2000, is responsible for conducting, at the premises of licensees, inspections of their operations. Inspections are risk-based and may vary from

special focus to full-scope examinations; they are also performed in coordination with the DFIU and IFU. Core expectations for all control functions have been developed so that on-site examiners and off-site supervisors can use the same criteria for assessing financial institutions. Reports of Examinations are prepared and the progress monitored until recommendations have been fully addressed/remediated.

For financial institutions jointly regulated by the Bank and the Securities Commission

of The Bahamas, joint on-site examinations are conducted under the Protocol for the Joint On-site Examinations by the Central Bank and the Securities Commission of The Bahamas, established in 2012, which allows for coordination in planning, execution and reporting between the two (2) organizations.

The Policy Unit, which was established in 2000, is responsible for the research, development and implementation of supervisory policies and guidelines consistent with international best practices. These are developed in consultation with the industry, and are reviewed and updated on an on-going basis. The Unit is also instrumental in the implementation of key supervisory initiatives, such as the Basel II and Basel III frameworks, which are in the process of being implemented by the banking sector.

#### **Key Supervisory Initiatives**

Over the years, the supervisory regime has been enhanced through a number of Central Bank initiatives, key among which are the following:

#### **2000**

- The On-site Examination Unit was formally established late in 2000, to conduct on-site examinations of our licensees, in accordance with legislative provisions; on-site reviews commenced shortly thereafter on 22nd January, 2001.

#### **2003**

- The Watch-List Committee was formalized, with the mandate of identifying and monitoring high risk licensees, and ensuring that the safety and soundness of “problem” licensees are restored in a timely manner.

#### **2005**

- Communication with industry stakeholders was enhanced with the introduction of the Quarterly Letter to Licensees—advising them, *inter alia*, of developments that affect their operations, new policy guidelines or amendments for consultations, issuance of guidelines and regulations, and other pertinent supervisory issues.
- The annual communication process with home regulators was formalized—providing them with an overview of the operations of the relevant subsidiaries or branches in this host jurisdiction and, simultaneously, requesting their comments on the condition of the parent and its operations.

#### **2006**

- Guidelines on the Ladder of Supervisory Intervention were issued, which provided the initial framework for remedial supervisory intervention by the Bank, should there be cause for concern from a licensee's operations or its non-compliance with legislation, regulation, or Bank directives.
- The Bank participated in the IMF's information dissemination and monitoring initiative for international and offshore financial centres, which allowed for enhanced transparency and improvement in the quality of

# A Career at the Central Bank of The Bahamas

The Central Bank is at the centre of the financial services industry. Being responsible for the formulation of monetary policy and the regulation and supervision of the principal financial institutions, the Bank plays a key role in fostering sound and stable financial and real sector conditions, and contributes to informed decision making by the public.

A career at the Bank presents individuals with a unique opportunity to learn about The Bahamas' financial services industry and how the economy works. The Bank offers a challenging, rewarding, high profile work environment, with an opportunity for its employees to contribute to and influence policy making at the highest level. Our work is also closely linked with regional and international regulatory and supervision institutions, hence the invaluable



opportunities for networking, representing the Bank at overseas meetings, and gaining a global perspective on operational approaches taken by foreign central banks and banking supervisors.

Because our employees are key to our success, we are always keen to attract qualified, skilled and highly motivated individuals to fill position vacancies—candidates who are then challenged to deliver quality service to the Bank's stakeholders. In our recruitment and selection process, therefore, the Bank seeks to achieve a good balance between strong technical knowledge, relevant experience and the ability to demonstrate the competencies and values (integrity, excellence, initiative, objectivity, confidentiality, teamwork and empowerment) that are important to the institution.

Our recruitment needs, for full time positions, cover candidates with skills over a wide range of areas; however, as The Bahamas' cen-

tral bank, the focus is often on professionals with skills in:

- economics;
- accounting;
- banking and finance;
- law;
- information technology; and
- human resource development.

Apart from these areas, the Bank also has need for clerks, administrative professionals and security officers.

In return, we reward our employees with competitive salaries and an extensive benefits programme (e.g. a pension plan; professional training programmes; subsidized educational and loan facilities; fully subsidized health coverage; an employee assistance programme; and continuous learning and development

opportunities). New recruits are provided with a well-planned orientation programme to assist them in understanding the Bank's role, functions, structure, working environment and relationship with other key institutions and economic sectors.

The recruitment process for position vacancies with the Bank includes

interviews; reference checks; security clearance and, in specific cases, aptitude assessments and pre-employment medical examination.

Generally, it is the Bank's policy that vacancies are advertised, both internally and externally, and we do so via our website ([www.centralbankbahamas.com](http://www.centralbankbahamas.com)) and in the local newspapers. Interested persons are, therefore, encouraged to apply for any position that is commensurate with their qualifications and experience for consideration in a competitive recruitment process. As applications are accepted only for currently advertised career appointments, we invite you to check our website regularly.

The Bank considers itself to be an employer of choice, and is continually exploring ways to build the pool of prospective employees. One such avenue has been the Junior Professional Programme, which provides a limited number of college students with work experience

opportunities during the summer months. Details on this programme are available on the Bank's website.

## Staff Testimonials

*I joined the Central Bank in 1983, as a Bank Supervision Assistant, and advanced to my current position as Examiner IV, so the Bank has been my home for the past 30 years... and counting!*

*Working at the Central Bank is an extreme pleasure, and an experience I would not trade for anything in the world—as it has enabled me to achieve my personal, lifelong dreams and aspirations.*

*Apart from the financial benefits, it has afforded me many training opportunities, both locally and overseas, to gain a wealth of knowledge in financial sector regulation—required to successfully carry out my duties. A particularly important benefit of these exposure opportunities is the working and personal relationships I have cultivated with experts in similar fields in most countries of the world! Like any job, another rewarding aspect is having the opportunity to impart knowledge to others. This gives me a tremendous level of satisfaction, because it provides a framework for the Bank to continue to grow.*

**Cora V. Hepburn, Examiner IV,**



*Being offered a job at the Central Bank, in 2010, in the Banking Department, was the greatest opportunity ever afforded me, as it was a huge step up from my last occupation. So far, I'm enjoying the progressive environment, as I'm constantly challenged to find new approaches and better solutions to getting the job done, and the team dynamics is impressive. I feel supported by all levels of management, and valued as an employee, and the social networking helps to build strong connections between staff members.*

*For me, the Bank provides an excellent menu of compensation benefits as well as training opportunities that I believe will allow me to achieve my career aspirations. I'm particularly excited about the opportunities to pursue my career goals, tapping into assistance available through the Bank's educational programmes. Coming to work every day as a member of the Bank and my immediate team (which I regard as the best!), is both an honour and a blessing, and I look forward to many more years here.*

**Frederick Cargill, Banking Assistant**



## Who We Are

### MISSION STATEMENT

To foster an environment of monetary stability conducive to economic development, and to ensure a stable and sound financial system through the highest standards of integrity and leadership.

### VALUES

Our commitment to fulfilling our Mission is embodied in our Core Values of:

- Objectivity
- Confidentiality
- Integrity
- Excellence
- Teamwork
- Empowerment
- Initiative

### VISION

To promote a leading financial services industry within the framework of dynamic monetary policy developments, modernized payment systems, sound management strategies and capacity building.

### OUR STRATEGIC GOALS

- **Goal 1:** Effective Monetary Policy—Pursuing strategies to improve forward looking economic policy research and analysis through economic forecasting; to enhance the operational framework for implementing monetary policy; to broaden research and data publication and communication; and to strengthen the coordination between fiscal and monetary policy.
- **Goal 2:** Safety & Soundness of the Financial System—Pursuing strategies to sustain the integrity and effectiveness of the legal and supervisory regime; to ensure compliance with international standards; to strengthen the banking and trust sector; and to mitigate risk through crisis preparedness arrangements.
- **Goal 3:** Effective Contribution to Economic Policy Making—Conducting economic research as input to policy formulation, and participating in national advisory committees.
- **Goal 4:** Secure, Efficient and Modern Payments System—Implementing comprehensive oversight mechanisms, mitigation of risks, and ensuring the availability of enabling market infrastructure for delivery of services to the public.
- **Goal 5:** Prudent Foreign Exchange Management—Efficient management of external reserves and administration of exchange controls.
- **Goal 6:** Operational Efficiency—Continuous enhancements to risk management processes in the areas of internal controls, human resource development and succession planning; implementation of robust information systems and business continuity arrangements and efficient facilities management.



## THE CENTRAL BANK'S LOGO

### THE SANDDOLLAR

The sanddollar is an invertebrate marine animal that has a flat disk-shaped body. It is particularly well adapted for burrowing in sand banks. The entire surface of the animal's body is covered by small spines which are used for digging and crawling. The mouth is located in the centre of the body's underside and on the upper-side there is a pattern of five 'petals' spreading out from the centre.

The selection of the sanddollar as the logo of the Central Bank was made by the first Governor, Mr. T. B. Donaldson, who, in addition to wanting something Bahamian, was 'intrigued by the elegance and history' of this unusual specimen of marine life, of which an interesting legend exists.

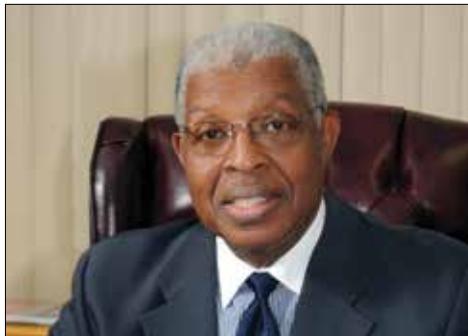
The markings on the shell of the sanddollar are said to symbolize the Birth, Crucifixion and Resurrection of Christ.

On the top side of the shell an outline of the Easter Lily is clearly seen. At the centre of the Lily, a five-pointed star representing the Star of Bethlehem appears. The five narrow openings are said to be representative of the four nail holes and the spear wound made in the body of Christ during the Crucifixion.

Easily recognizable on the reverse side of the shell is the outline of the Christmas Poinsettia and also the Bell. When broken, inside the shell are five birds called Doves of Peace. Some say they are the Angels that sang to the shepherds on the first Christmas morning.

# MEET OUR BOARD & EXECUTIVE MANAGEMENT TEAM

Central Bank Board Members from left to right:  
Mr. Maxwell Gibson, Mr. L. Edgar Moxey,  
Governor Wendy Craig, Mr. Felix Stubbs and  
Archdeacon James Palacios.



Michael F. Lightbourne  
Deputy Governor



Abhilash Bhachech  
Inspector, Banks & Trust Companies



Rochelle A. Deleveaux  
Legal Counsel & Secretary to the Board



Gerard L. Horton  
Manager, Exchange Control Department



Barry Turnquest  
Sr. Deputy Manager, Banking Department



Alwyn Jordan  
Sr. Economist, Research Department



Deborah Ferguson  
Manager, Human Resources Department



Ian B. Fernander  
Manager, Administration Department



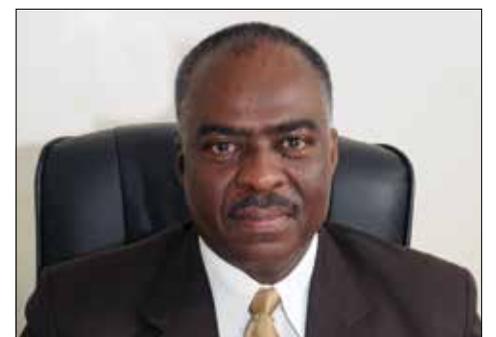
Cleopatra Rolle  
Manager, Internal Audit



Errol L. Bodie - Manager,  
Information Technology Department

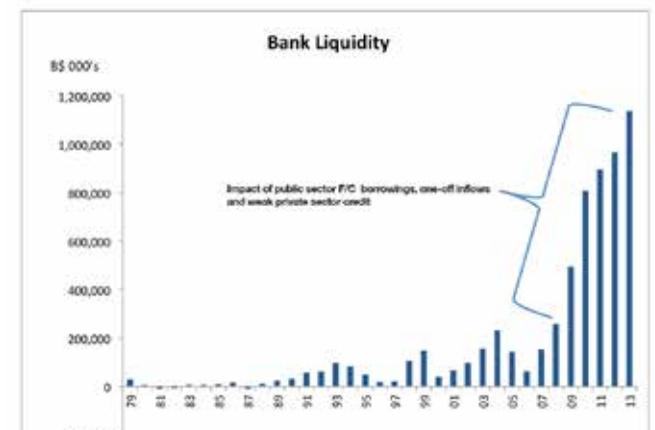
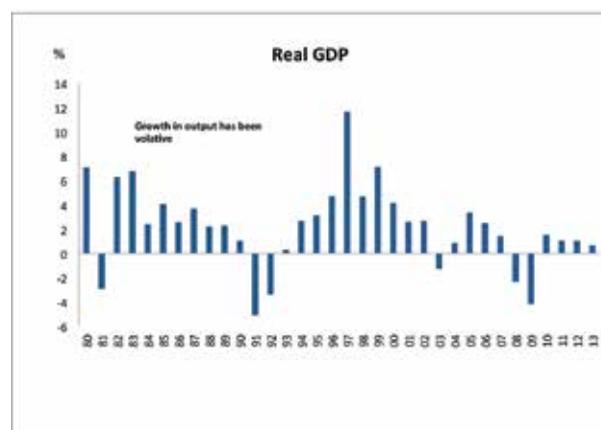
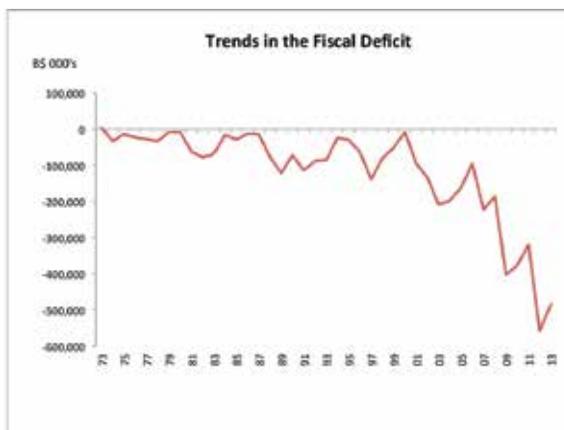
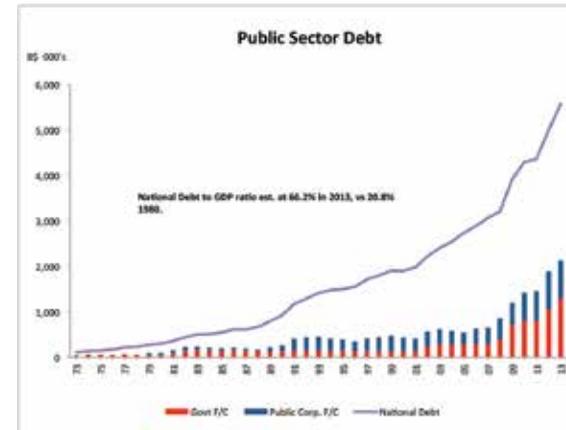
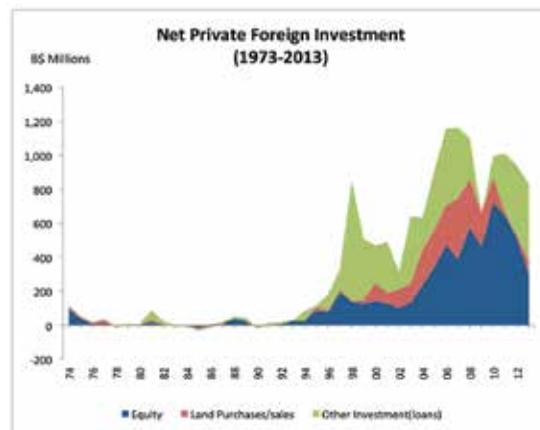
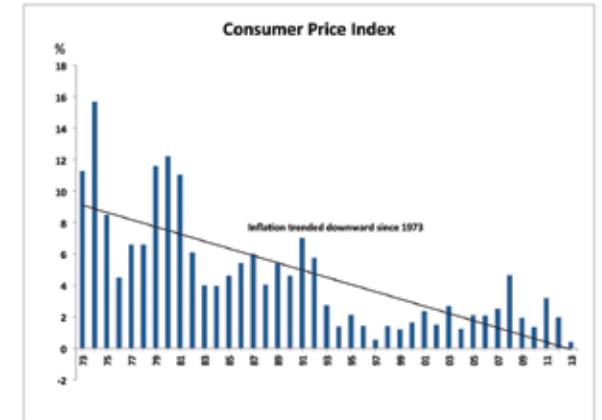
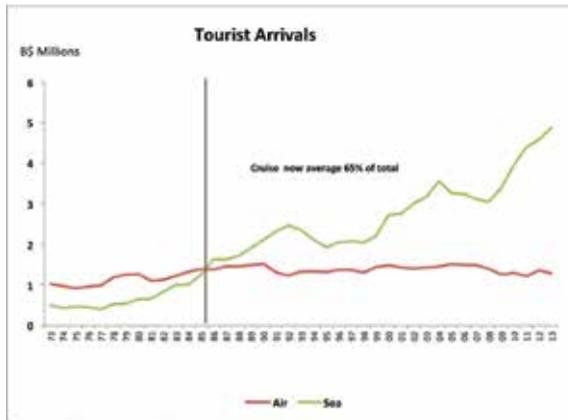
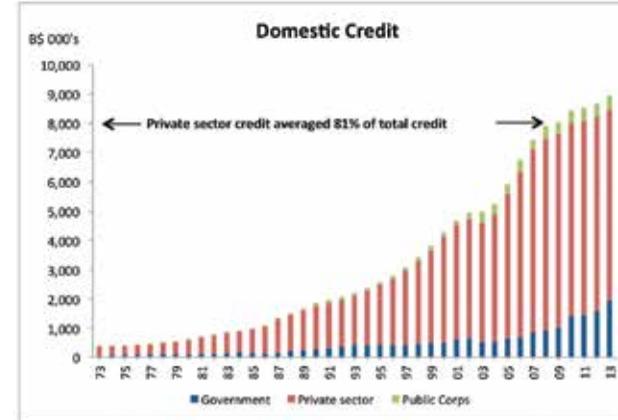
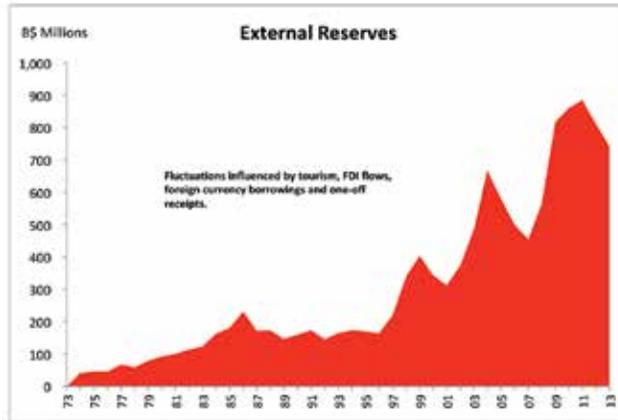


Keith T. Jones  
Manager, Accounts Department



John Ferguson  
Chief Security Officer

# The Bahamian Economy Through A Graphical Lens (1973-2013)





Main Building



Balcony House



Verandah House

## The Central Bank's Properties

The Central Bank had its physical beginnings in the E.D. Sassoon Building (now Rodney Bain Building) at the corner of Parliament and Shirley Streets, in which the Bahamas Monetary Authority (BMA), the forerunner to the Bank, was situated.

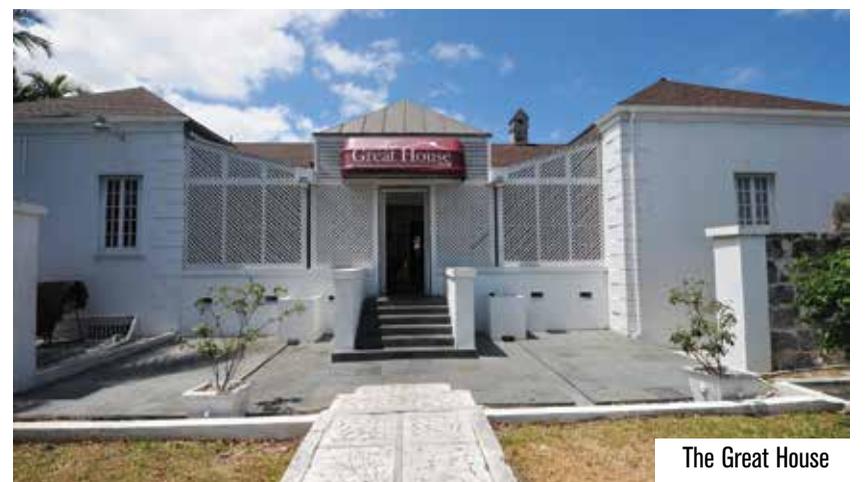
As the operations of the BMA expanded, the authorities acquired, towards the end of 1971, the former Trust Corporation of The Bahamas building, and commenced a programme to renovate and ultimately expand the building over the years to the present edifice. In May 1972, the two architectural firms of Rutkowski, Bradford and Partners of Kingston, Jamaica, and Donald Cartwright and Robert Stokes of Nassau, were appointed to design the accommodations required for the Central Bank. After some consideration, the decision was taken to demolish the building and erect a new building, and construction

of the new \$2 million Central Bank building commenced in March, 1973. The cornerstone of the building was laid by Prince Charles on 9th July, 1973, during the independence celebrations, and the building was official opened by Her Majesty, Queen Elizabeth II, on 21st February, 1975. A plaque marking the official opening was unveiled by the Queen during a brief ceremony on the landscaped forecourt and front arcade of the building.

An increase in the staff complement over the years necessitated additional office space, and, as a temporary arrangement, the Bank relocated the Bank Supervision and Research Departments to leased space in Bolam House on George and King Streets.

Between 1985-1987, the Bank acquired several parcels of land on the western side of Market Street, including the Byrce Property with Balcony

House and Verandah House. Balcony House, a 220 years old property, is considered the oldest existing wooden residential building in The Bahamas and, after several restoration projects, today, the property serves as a museum, displaying household period pieces, furniture and other accessories, under the management of the Antiquities, Monuments and Museums Corporation. The Verandah House, located to the north of Balcony House, was also restored by the Bank and, since, 2001, has been utilized by the Institute of Financial Services as a training facility. A third property, the Great House, serves as the Bank's staff cafeteria, a recreational centre for staff and houses the "after school care" programme. Other buildings acquired over the years, such as the Sands Holm



The Great House

and the Malcolm property, were demolished to accommodate increasing space requirements of the institution.

In December 1988, the Bank signed a contract with Guarantee Builders Limited for the construction of an extension to the north of the main building, as designed and supervised by a team of architects from the Ministry of Works. Towards the end of 1990, the new extension was

sufficiently completed to accommodate the Annual Art Exhibition in November and the relocation of the Bank Supervision and Research Departments from Bolam House during the closing week of December. With works fully completed by September 1991, at an approximate cost of \$4.6 million, the Governor's Office, Security Unit, Computer and Exchange Control Departments were relocated.

# Promoting and Celebrating the Arts

The Central Bank of The Bahamas' Art Gallery is a non-profit gallery space dedicated to the preservation and promotion of visual arts in The Bahamas.

As the vision of Sir William Allen, former Governor of the Central Bank, the art programme began in 1984 to commemorate the 10th anniversary of the establishment of the Bank.

At the invitation of Governor Allen, Mr. Antonius Roberts, Curator, was commissioned to develop an art programme to provide talented young Bahamians, under the age of 26 and art students in high school, with a platform to showcase their talents in a secure, centrally located and prominent public space. Additionally, the participants would compete for cash prizes and art scholarships.

Prior to the expansion of the Bank to include the "Gallery", which originally was intended by Governor Allen to include the display of coins, the works submitted for competition were displayed around the veranda of the building over a three-day

period, from Wednesday to Friday. During this time, Mr. Roberts painstakingly went to the Bank early in the mornings to display all submissions, and returned late afternoon to put away the pieces. In November 1990, the Gallery was sufficiently completed, ahead of the Bank's occupation of the new extension in 1991, to host the first Annual Art Competition and Exhibition held entirely indoors.

The experience and exposure from participating in the Central Bank's art programme have fostered the development and artistic careers of numerous Bahamians. Noted young artists, like John Beadle, Chan Pratt, Nicole and Roshan Minnis, Dorman Stubbs, Ricardo Knowles, Lillian Blades, Jessica Maycock Colebrooke, Tavares Strachan, Kishan Munroe and Lavar Munroe, have been recipients of art prizes and/or scholarships from the Central Bank. These, and other artists, are presently practising art professionally in The Bahamas and/or overseas. Additionally, internationally respected curators and

professors, like Dr. Erica James and Dr. Krista Thompson, have been recognized for their artistic talents while competing in the high school category of the Central Bank's Annual Art Competition and Exhibition.

Nearly thirty years later, the Annual Art Competition and Exhibition attracts an increasingly large number of entrants, so much so that the open and high school categories have been separated into two events. The Open Category has been renamed the Senior Category Competition and Exhibition and is held in October; and the High School Category, now also called the Junior Category, is held in the traditional month of November.

The Central Bank continues to have a significant impact on the preservation and development of art in The Bahamas, inviting high school students to showcase their talents to an array of viewers who provide the budding artists, in many cases, with first time support by commenting on and purchasing the works.



Antonius Roberts - Curator

Although not considered a typical central banking activity, this programme represents one of the many ways in which the Central Bank has sought to make a valuable contribution to the social development of our nation. As an institution, the Bank subscribes to the view that investing in our youth through the arts plays a vital role in confidence building, developing their appreciation for diversity in ideas and providing a vehicle for healthy self-expression and creativity. Since the programme's inception, in 1984, the Bank has awarded in excess of \$250,000 in prize money.

## Monetary Policy in The Bahamas continued from page 6

policy regime is not independent.

In formulating monetary policy, the Central Bank takes into consideration the prevailing and prospective domestic economic situation, Government's fiscal operations and emerging external sector developments, which are key determinants of foreign exchange earnings. The Bank also continuously monitors banking sector credit and liquidity conditions, and their implications for external reserves.

The amount of credit extended by banks has a direct influence on economic activity, as it provides financing for consumption, working capital and business investments for future growth in output. However, in an open economy with a fixed exchange rate, and high consumption of foreign goods, excessive credit growth could have a detrimental effect on the external reserves levels. To address this concern, the Bank, therefore, acts in such a way

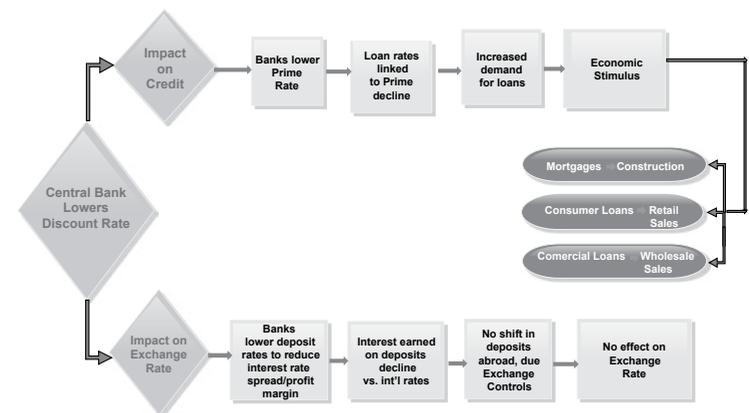
as to control the level, cost and direction of credit, by the use of selective controls on credit and adjustments in interest rates.

### Policy Instruments

Over the past forty years, the main monetary policy instruments utilized in the execution of monetary policy in The Bahamas were direct controls on credit (credit ceilings) and deposit rates (interest rate caps); prescribed reserve requirements; changes in the Central Bank Discount rate, and moral suasion.

- **Selective credit controls:** These are quantitative limits set by the Central Bank on the type and direction of commercial banks' credit; as such, they mainly involve the imposition of some type of credit ceiling.
- **Reserve Requirements:** The Central Bank is empowered by law to require a certain proportion of banks' Bahamian Dollar deposits

Chart 2  
Transmission of Monetary Policy in The Bahamas



be held in non-interest bearing reserves at the Central Bank. An increase in reserve requirements restricts banks' capacity to expand credit, and the reverse is regarded as credit easing.

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*Monetary Policy in The Bahamas  
continued from page 17*

- **Discount rate:** The Central Bank, as lender of last resort to commercial banks, sets the rate at which they can avail themselves of secured short-term loans to deal with temporary liquidity issues. For example, an increase in the Discount rate signals the Central Bank's desire to pursue tightened credit conditions. While this change does not directly serve to tighten credit, because banks rarely borrow from the Central Bank to lend to customers, it seeks to evoke changes in a whole range of interest rates set by the banks. Therefore, Discount rate changes are usually always accompanied by changes in banks' Prime Rate, the variable rate at which they lend to their customers.
- **Moral Suasion:** This entails the Central Bank persuading commercial banks, through influence, rather than coercion, to make certain decisions or follow certain paths to achieve a desired result (e.g. a change in the level and direction of credit). This has traditionally been the Central Bank's first resort and has been very effective over the years.

**Monetary Policy Measures**

Over the past 40 years, the Central Bank has been confronted with a number of potentially destabilizing situations, which necessitated policy actions aimed at securing stable money and credit conditions, and ultimately the external reserves position. Typically, liquidity and credit conditions are significantly influenced by real sector flows derived from tourism and foreign direct investment activity which, themselves, are subject to variability in the performance of the global economy. The following table chronicles the various policy measures pursued by the Central Bank, while providing a backdrop of the economic and monetary context for these changes, as well as the Bank's desired objectives.

Period	Economic/Monetary Context	Policy Measure	Desired Outcome
1974		Commercial banks obliged to maintain statutory reserves equal to 5% of Bahamian Dollar deposits (4% to be held in non-remunerated deposits at the Central Bank and 1% in vault cash).	Required no major adjustment by banks, given their practice of holding reserves with the Bahamas Monetary Authority (BMA) for clearing purposes.
1975	High level of banking sector liquidity and balances held with the Central Bank.	The Central Bank established a Special Deposit Account on which interest of 4% was paid on banks' balances in excess of 250% of statutory reserves. Scheme continued until October 1975, when levels abated.	To influence potential alternative uses of funds for lending.
1979	Increasingly tightened liquidity, amid strong expansion in private sector credit, forcing banks to seek accommodation from Central Bank.	The Central Bank hiked the rate charged on commercial banks' borrowing against the security of Government bonds from 0.5% to 1.0% above the Prime Rate; and, in consultation with the Government, placed Government deposits with banks at market interest rates.	To control growth in credit, and alleviate pressure on liquidity.
1980	Unabated growth in bank credit created tight liquidity conditions and downward pressure on external reserves.	Commercial banks agreed to raise the Prime rate, to 11.00% from 9.00%; and the Central Bank provided short-term accommodation at a rate of 11.00%. In November, as conditions worsened, the Bank imposed a 2.0% surcharge on borrowings by commercial banks. The Central Bank placed deposits with select commercial banks, to assist with liquidity constraints.	To curtail the rapid expansion in credit.  To discourage frequent use of this facility.
1981	Persistence of excessive credit growth and tight bank liquidity.	The Central Bank imposed on banks secondary or liquid asset reserve requirements—20% of demand deposits; 15% of savings and fixed deposits in liquid assets. The Central Bank lifted the 2% surcharge on frequent borrowing by commercial banks. Commercial banks required to limit the interest paid on other deposits to 10.0%.	Further control credit growth.  To alleviate liquidity constraints. To discourage destabilizing shifts in deposits between institutions
1982	Downward pressure on external reserves.	Commercial banks encouraged to bring in funds to supplement domestic resources. The Central Bank reinstated the 2% surcharge on banks' use of Discount window that was lifted in November 1981—increasing the effective rate to 12.0%. Sterilized substantial National Insurance Board (NIB) deposits, and then made deposits with selective commercial bank to ease liquidity pressures.	To restrain credit and stabilize monetary conditions.  To ease tight liquidity conditions.
1983	Tight liquidity conditions.	Moral suasion utilized to encourage banks to keep credit within certain limits. Commercial banks allowed to supplement domestic resources via their foreign currency positions. To stem upward pressure on interest rates, the Central Bank lowered its base lending rate to 9.0% from 10.0%, but reserved the option to re-impose a 2% surcharge for frequent borrowers.	Stem upward pressure on interest rates.
1984	Shifting liquidity conditions, continuing concerns for credit growth	High levels of liquidity led the Central Bank to demonetize a substantial amount of NIB deposits. As liquidity conditions tightened near year end, the Central Bank sought to discourage banks' use of the Discount Window—increasing the minimum Discount rate, by 50 basis points to 9.5%, and the rate applied to frequent borrowing was reduced to 10.00% from 11.00%.	To restrain credit growth and protect external reserves.
1985	Strong growth in external reserves, rising liquidity levels, slow credit growth.	The Central Bank lowered the Discount rate, from 9.50% to 8.50%; commercial banks followed with an equivalent reduction in the Prime and savings rates, to 10.00% and 5.00%, respectively. Moral suasion used to encourage banks to lend more to existing and potential growth sectors and to restrict growth in credit for consumption purposes.	To stimulate economic activity.
1986	Continued growth in liquidity, linked to tourism and healthy gains in external reserves.	The Central Bank cut Discount rate by 1% to 7.50%; commercial banks followed suit by reducing Prime and savings rate, by 1% each, to 9.00% and 4.00%, respectively. Moral suasion continued to influence the direction of credit growth.	To spur economic activity.

Period	Economic/Monetary Context	Policy Measure	Desired Outcome
1988	In late 1987, with the onslaught of aggressive bank lending, amid substantial inflows from tourism, and shifts in NIB deposits to banks, which was being used to fund consumer lending, culminated in tightening liquidity conditions and sharp deterioration in external reserves.	The Central Bank raised the Discount rate from 7.5% to 9.00%.  Cap of 8.00% imposed on all new bank deposits—to discourage destabilizing shifts of large deposits among institutions.	To discourage banks from utilizing Central Bank resources to improve liquidity positions for loan programmes.  To stem further disruptions in the financial system.
1990	Continuation of unsustainable credit growth and deterioration in external reserves	Amended Central Bank Act to increase penalties for required reserves deficits. The Central Bank instructed banks to insist upon a higher minimum down payment or equity requirement of 35% on consumer loans.	To restrain private sector credit growth.
1992	Prevailing weakness in the domestic economy.	The Central Bank lowered the Discount Rate to 7.5% from 9.0% and the commercial banks responded by decreasing the Prime Rate to 8.0% from 9.0%. The Central Banks reduced the ceiling on deposit rates to 7.0%.	To encourage economic activity.
1993	Improvement in external reserves, and recovery in bank liquidity.	The Central Bank removed the 35% equity requirements—reverting to the 25% norm. Ceiling on deposits reduced to 6.75% and then to 6.25% by end-1993.	To ease credit restrictions and encourage growth.
1994	Improved liquidity situation.	The Central Bank eliminated the 6.25% ceiling on deposit interest rate.	To ease credit restrictions.
1998	Robust growth in economic activity alongside commensurate credit growth reignited concerns about liquidity management.	The Central Bank issued instructions for commercial banks to insist upon a minimum 25% equity requirement on consumer loans.	To restrain private sector credit expansion to more sustainable rate.
1999	Improved outlook for bank liquidity and external reserves.	The Central Bank lifted the 25% down-payment requirement from new consumer loans.	To support the economic recovery.
	Increasingly buoyant reserves and liquidity.	The Central Bank reduced the Discount rate, by 75 basis points to 5.75%; commercial banks responded with a reduction in the Prime Rate to 6.0%.	Encourage lending on mortgages and loans to the productive sectors.
2001	Deepening weakness in tourism, following 9/11; concerns about sustainability of external reserves.	The Central Bank imposed a freeze on outstanding bank credit to private sector—to the extent of resources provided from ongoing loan reflows.	To protect the external reserves position.
	Heightened downward pressure on external reserves.	The Central Bank temporarily increased banks' open foreign currency positions, to \$5.5 million from \$0.5 million.	Support for the external reserves position—as banks were allowed to convert foreign currency to Bahamian dollars.
2004	Improved economic outlook, based on tourism and foreign investment inflows.	Restrictions on banks' lending, in place since 20th September 2001, were lifted. Commercial banks advised to adhere to total debt service ratios of 40% to 45% of monthly income; require a minimum equity contribution of 15% on all personal loans, with the exception of those secured with mortgage indemnity insurance—although these were relaxed a month later for hurricane (Frances) relief loans.	To provide stronger support for domestic consumption and imports.
2005	Sustained levels of excess liquidity, external reserve adequacy.	The Central Bank lowered the Discount Rate by 50 basis points to 5.25%, and commercial banks followed with a reduction in Prime, from 6.00% to 5.50%—effective 15th February.	Credit freeze caused a build-up in liquidity.
2008	Deterioration in credit quality indicators in the context of the global financial recession; increase in unemployment; debt servicing difficulties.	Commercial banks permitted to deviate from the debt service ratios earlier prescribed—although maintaining prudent lending practices.	An accommodation to the difficulties being experienced by private sector.
2011	Positive economic momentum and significant build-up in external reserves—from Government borrowings and a number of one-off inflows.	The Central Bank reduced the Discount Rate by 75 basis points to 4.50%, in June 2011. Commercial banks followed suit with a corresponding lowering of the Prime, from 5.50% to 4.75%.	To support the economic recovery.

**Functional Operations continued from page 11**

financial sector data internationally.

**2007**

- The Bank released the electronic Quarterly Reporting System (QRS), which facilitated the electronic submission of reports by licensees and was subsequently revised in 2010 and 2011.

**2009**

- Stress testing became an integral part of supervisory discussions with commercial banks—commencing with credit and later, extending to liquidity and interest rates.
- The Bank set higher minimum risk-weighted target and trigger capital ratios, of 17% and 14%, respectively, for all commercial banks, well above the minimum capital standards of 8%, to ensure that banks maintained sufficient levels of capital to act as a buffer against the system risk.

**2010**

- The Bank launched the Risk-based Supervision Framework (RBSF), which assists the Bank in developing an understanding of institutions' business strategies, risk management and internal control functions. Simplified and full risk assessments are utilized to assess licensees and provide for optimal allocation of supervisory resources.

**2013**

- Behind substantial implementation of aspects of Basel II, the Bank introduced its roadmap for the full implementation of the International Convergence of Capital Measurement and Capital Standards (Basel II) and Basel III, to strengthen the existing framework for regulation, supervision and risk management of the banking sector.

**Domestic and International Cooperation**

Effective oversight of the financial system, in an environment of domestic, regional and international linkages, requires strong

cooperative arrangements with other supervisory authorities. Therefore, the Bank has a framework for cooperation with domestic and foreign supervisors, which is based on legislative or specific agreements and arrangements, and also provides for protection of confidential information shared by supervisory authorities.

On the local level, senior supervisory staff participate in the work of the Group of Financial Service Regulators (GFSR), which comprises the six (6) domestic regulators for the banking and trust sector, the securities industry, insurance companies, credit unions and financial and corporate service providers.

Supervisory colleges are a key mechanism for exchanging information and coordinating supervisory activities involving cross border financial groups—with discussions of the key risks and developments facing these institutions, deliberations covered the impact of various national and global regulatory reform initiatives on the business operations of their groups. Supervisory engagement with Home Regulators, through annual regulatory letters, is another proactive mechanism to ascertain the risk areas identified within group structures.

Memoranda of Understanding are also used to enhance cooperation and the exchange of information in the supervision of cross-border institutions, with provisions to ensure that confidentiality of information is maintained. The Bank has a total of eight (8) Memoranda of Understanding (MoUs), with seven (7) countries and one (1) regional group, facilitating the exchange of information with respect to specific regulatory issues or financial, operational and environment risk factors. A MoU has also been signed by the members of the GFSR to provide for information sharing and regulatory cooperation in the domestic context.

Regionally, senior management of the Bank Supervision Depart-

ment, participate in the Caribbean Group of Banking Supervisors' (CGBS) meetings which focus on regional cooperation on various initiatives; as well as the Caribbean Financial Action Task Force (CFATF), where the Bank is represented on various technical committees. The Bank also maintains an active engagement with several international training and development agencies such as the Association of Supervisors of Banks of the Americas (ASBA) and the Centre for Latin America Monetary Studies (CEMLA), through hosting and participating in training events. In addition, it serves internationally as part of the Group of International Financial Centre Supervisors (GIFCS); and continues to partner with other international supervisors, as part of its supervisory regime.

**OPERATIONS****Accounts Department**

The Accounts Department's core responsibility is to ensure the integrity of the Bank's financial information, through compliance with both the Central Bank Act and International Financial Reporting Standards (IFRS). In carrying out this responsibility, the Department undertakes periodic reporting to



From left: Monique Minns, Jr. Administrative Assistant and Selcia McKinney, Executive Assistant



From left: Charlene Fox-Ferguson, Deputy Manager; Doreen Douglas, Accounts Officer and Daphne Knowles, Accounts Officer

management, inclusive of statutory monthly and annual financial statements, which contain a detailed balance sheet, as well as accounts of the Bank's operations and reserve allocations.

Other Bank-related responsibilities of the Department include the preparation, monitoring and control of the Bank's annual budget, the administration of employee salaries and payments related to pensioners; the execution of payments to the Bank's service providers in relation to the procurement of goods and services, and the maintenance of the Bank's fixed assets. In all of its activities, the Department conducts ongoing reviews of the adequacy of internal controls, to ensure the integrity of the Bank's operating systems and financial data.

**Banking Department**

The Banking Department has undergone a number of transformational events, since being established in 1971 under the management of Mr. Hamish Walker, an officer on secondment from the Bank of England. The Department discharges several of the Bank's statutory obligations, in relation to its specific functions and the implementation of its policies, namely:

- Issuance, redemption and maintenance of the stock of currency
- Conduct of banking operations on behalf of government and public corporations
- Payments and Settlement operations
- Conduct of banking relations with commercial banks
- Conduct of Open Market Operations
- Management of External Reserves

Over the years, the Department's operations continue to be upgraded through the employment of technology. Having been a member of the Society for Worldwide International Financial Telecommunications (SWIFT) since 1985, the Bank began utilizing the network, in June 1998, to transmit high speed messages relative to

international business. Enhanced operational efficiency and cost savings have been achieved through the automation of vault management systems, foreign exchange and treasury operations, public debt origination and registry services, and the integration of new systems with legacy general ledger systems and the local electronic payments infrastructure to achieve straight through processing.

### **Currency Operations**

The Central Bank is the only institution legally authorized to issue notes and coins in The Bahamas. Responsibility for the design, minting, and printing of currency falls under the purview of the Banking



From left, front row: Derek Rolle, Deputy Manager; Lisa Sterling-Smith, Banking Assistant and Jason Watkins, Vault Clerk/Teller  
From left, middle row: Frederick Cargill, Banking Assistant; Angelo Butler, Banking Assistant and Lloyd Johnson, Teller, Currency Operations  
From left, back row: H. Jermaine Campbell, Sr. Banking Officer and Marvin Pinder, Sr. Banking Assistant

Department, which is tasked with ensuring an adequate supply of Bahamian currency in circulation, along with maintaining confidence in the banknotes issued to the public. The Department, therefore, conducts exercises to forecast the demand for new currency; takes special care in the design and selection of substrate, and seeks to include the latest in banknote security features in order to deter counterfeiting. It also considers options to increase the circulation life of banknotes, with a view to reducing printing costs.

To maintain a high quality of banknotes in circulation, the Department, with the aid of banknote sorting machines, subjects all

banknotes returned from circulation to a robust examination and verification process. In this determination of fitness, fit notes are placed to stock for reissuance at a future date, while those deemed unfit or mutilated are destroyed.

In its public relations role, the Department continues to promote public confidence in the banknotes, through its semi-annual counterfeit detection seminars, which assist retailers and cash handlers in the verification of the authenticity of banknotes.

Notes and coins are issued only to the seven (7) clearing banks, upon request, which, in turn, service the currency requirements of the public. Banknotes have a

face value of \$0.50, \$1, \$3, \$5, \$10, \$20, \$50 and \$100, and coins are most commonly circulated as 1¢, 5¢, 10¢, 15¢ and 25¢.

Apart from circulation coins, the Department adminis-

ters the Bank's numismatic programme, which has been in existence since 1973. This programme of collectors' coins—which are legal tender, has in excess of one hundred circulation coin proof and non-proof set series, depicting authentic Bahamian images and commemorating significant milestones in Bahamian history.

### **Banker to Commercial Banks**

Like any central bank, the Bank plays the role of banker to banks. This function includes, in the first instance, the maintenance of commercial banks' non-interest bearing deposits, in fulfillment of their statutory reserves, which serves to limit their credit expansion capabilities. Then, there is the Bank's

commitment, under its discount window facility, to act as a lender of last resort, in the event a commercial bank experiences a temporary liquidity situation. Lastly, the Bank provides daily centralized clearance and settlement facilities for commercial banks' interbank transactions, which are facilitated through their surplus deposit balances held with the Bank.

### **Settlement Facility**

The Bank plays an important role in the provision of stable, secure and efficient settlement of payments in The Bahamas. Since May 2004, the Bank has operated the Bahamas Interbank Settlement System (BISS), the country's Real Time Gross Settlement (RTGS) system, which accommodates real time, irrevocable, gross settlement of high value and time critical payments between clearing banks and their customers. BISS also facilitates the final settlement of cheques and low value electronic interbank payments processed by the Automated Clearing House (ACH). This is accomplished by the seven (7) clearing banks using their Central Bank reserve accounts, through seven (7) daily settlement windows, starting at 8:15 a.m. and ending at 4:45 p.m.

Given the critical role of the RTGS, the Bank invests significant resources in its technical and business infrastructure, to ensure that it operates to appropriate standards of availability and resilience, and meets the needs of stakeholders. Since the launch of the ACH, in January 2010, the Bank no longer provides cheque clearing facilities for the domestic system.

### **Banker to Government**

The Bank, as the official registrar and transfer agent for government securities, oversees and facilitates the issuance, ongoing maintenance of ownership records, redemption and servicing of Bahamas Government Registered Stock (bonds) and Treasury bills—two (2) principal avenues utilized by the government in financing its budgetary opera-

tions. The Bank also makes temporary advances to the government and provides transactional banking services, mainly for facilitating debt servicing obligations and various international payments.

Debt registry services are also provided for other public sector debt, such as the Bridge Authority Bonds, the Clifton Heritage Bonds and Education Loan Authority Bonds.

### **Open Market Operations**

Given the limited scope of domestic capital market activity, the Central Bank makes very little use of open market operations, characterized as transactions taken, at its initiative, to influence liquidity conditions. However, the Bank maintains a primary market for the central Government's Treasury bills and long-term bonds. Treasury bills are offered, via tender, for periods of 91 or 182 days, in increments of \$100. Bonds, which carry longer maturities of up to 30 years, are issued at par, in multiples of 100, with a minimum investment of \$100 and varying interest rates generally linked to the Bahamian prime lending rate. In the absence of an active secondary market, the Bank performs market maker activities, on a discretionary basis.

### **Management of External Reserves**

The Bank is responsible for the prudent management of the country's external (foreign) reserves, which are used to facilitate importation of goods and services from abroad, and settlement of foreign currency debt obligations. These are held in the form of foreign government securities, deposits in foreign banks, Special Drawing Rights issued by the International Monetary Fund, and the Bahamas' Reserve Position in the IMF (the Reserve Tranche).

Foreign reserves are managed by the Bank's Investment Committee (IC) within the framework established by the Central Bank Act and a board-approved Investment Policy and Guidelines. Preservation of capital and liquidity management are the primary objectives

of the Bank's reserve management activities, with optimization of returns to be achieved within these two (2) constraints. By investing in high quality assets, having an investment grade rating of A1 or higher, the Bank is able to mitigate portfolio risk and achieve its preservation of capital objective. Restrictions on investment limits to individual financial institutions also serve to diversify credit risk; currency risk is mitigated, as almost 100% of investments are in US dollars; liquidity risk is controlled by having a tranche of investments in short-term instruments—with levels informed through the use of weekly forecasts; and interest rate risk is minimized by having a significant segment of the portfolio in the held-to-maturity bucket.

### Research Department

Considered the “think tank” of the Bank, the Research Department was formed in 1970 under the direction of former Governor, Mr. William C. Allen, the first Research Manager. In the early years, the Department benefitted tremendously from the contributions of the late Mr. M. L. Ghosh who joined the Department, under the Technical Assistance Programme of the IMF, as Research Director; the late Dr. H.M.H.A. van der Valk, Advisor to Governor T. B. Donaldson, who initiated an in-house training course on research, and Mrs. Carlene Francis, who served as Research Manager.

The basic functions of the Department are data collection, collation, analysis and reporting—to facilitate and support monetary, financial and economic policy decision making; to aid the Bank in its provision of technical advice to the government and to provide general information to the public. Over the years, the Department made significant progress in expanding its economic and financial statistical database, in conducting research work and in the introduction of new systems and technologies that have brought greater efficiencies to the work processes. Data reporting

activities have been facilitated through continuous improvements in systems, moving from paper based to electronic submission by the banks, and a comprehensive debt recording and management system.

Since 1970, the Department has compiled an extensive database of money and banking, balance of payments, external trade, government finance, public sector debt, and real sector statistics. These reports are published in The Bank's Monthly Economic and Financial Developments reports, Quarterly Economic Review (March, June, September and December), Quarterly Statistical Digest (February, May, August and November), the Annual Report and the Financial Stability Report, on its website, and are widely distributed, both locally and internationally. In addition, daily and weekly short-term internal reports are prepared on monetary developments for in-house review, particularly the Bank's Monetary Policy Committee. As part of The Bahamas' international commitments, the Bank provides the International Monetary Fund (IMF) with weekly and monthly domestic statistics for publication in the International Financial Statistics. Most of the Department's data are compiled according to standards established by the IMF for member countries.

The Department also plays a pivotal role in the advancement of knowledge on the Bahamian economy, through economic research activities conducted by its staff, for both internal and external use. Research areas have included banking sector liquidity, credit quality, non-performing loans, debt sustainability, inflation, government debt and fiscal policy. Some of these studies have been presented by staff



From left, front row: Latoya Smith, Sr. Research Officer; Sharon Branch, Economist; Yvonne Cooper, Sr. Research Officer and Martiniqua Moxey, Research Officer

From left, back row: Carisma Tucker, Sr. Research Assistant; Andrea McQuay, Sr. Research Officer; Naddette Culmer, Research Officer and Jamere McIntosh, Sr. Research Assistant



From left, front row: Deangela Ferguson, Sr. Statistical Assistant; Anthonique Hanna, Sr. Statistical Assistant; Kevin Armbrister, Statistician and Peggy Winder, Statistician

From left, back row: Shaniska Adderley, Statistical Officer; Jewel Pratt, Sr. Statistical Assistant; Serena Bethell, Sr. Statistical Officer and Vanya Dean, Statistical Assistant

at various regional conferences and published in the Bank's Quarterly Reviews, regional and international journals.

The Department also conducts numerous surveys in the course of its data collection activities, including the annual survey of the domestic economic contribution of banks; a semi-annual survey, to measure banks' external assets and liabilities by the country and currency composition, introduced in 1984; and a comprehensive survey on private pension/provident funds, first published in 1996.

The Department is divided into three (3) Units: Research (staff of 8), which is engaged in the analysis

of data and report writing; Statistics (staff of 9), which is responsible for processing data and preparing various statistical reports, and Payments (staff of 2), which is responsible for oversight of financial sector payments systems. The Bank's Library also falls under the Research Department and has a staff complement of two (2).

A brief description of the various sectors covered in data analysis is as follows:

**Monetary Accounts:** cover trends in credit, liquidity, money supply, interest rates and net foreign assets. Banking institutions are statutorily obligated to submit, to the Bank, daily, weekly, monthly and quarterly data, on their assets and liabilities, from which trends in money and credit aggregates are produced and analyzed.

**Balance of Payments Accounts:** record all transactions between residents of The Bahamas and the rest of the world. It has three (3) components; namely, the external current account balance, which records transactions between residents and foreigners in goods and services, and unrequited transfers; the capital account balance,

which provides summary statistics on changes in the net foreign asset position of domestic residents, arising from transactions such as external borrowing or repayments, foreign direct investment and short term capital movements; and monetary movements, which relate to changes in international reserves.

**Fiscal Accounts:** these report on the operations of the government—through purchases of goods and services, resource transfers, revenue-raising measures and financing decisions, which influence the level and growth of economic activity, the allocation of resources among different users and the distribution of income.

The concept of an overall surplus or deficit is used to describe the difference between total revenue and grants, and aggregate expenditure and net lending. Government's revenue and expenditure tables are compiled in an accounting framework consistent with the International Monetary Fund's manual on Government Finance Statistics (GFS), which sets out an internationally accepted structure for presenting data in fiscal operations.

**Real Sector:** covers the collection of monthly, quarterly and annual statistics on tourism, prices, construction and unemployment, as applicable. As in the case of the government finance statistics, the Bank is a secondary source of real sector data.

#### **Payments Unit**

The Central Bank, in its role of ensuring financial stability, is responsible for the oversight of a sound, secure and efficient payments system. Commencing in 2004, the Bank spearheaded an initiative, along with clearing banks, to modernize the payments system in The Bahamas. In June 2010, the Bank established a Payments Unit in the Research Department to facilitate the monitoring and oversight of the country's payments systems. More specifically, the Payments Unit has a mandate to assist in identifying and assessing any systemic risk, ensuring effective governance and enforcement of system rules, and acceptable levels of operational and service efficiency, transparency, and providing advice on payments-related policy issues. In keeping with its oversight responsibility, the Unit works closely with the clearing banks and the Bahamas Automated Clearing House (BACH) to ensure the efficient functioning of existing services. In its monitoring activities, the Unit collects and analyses data on cheque clearing, Automated Teller Machines (ATMs), Point of Sale (POS) terminals, debit and credit cards, debit and credit transfers, merchant accounts and electronic banking, as well as tracks fees levied by commercial banks on

various retail banking services.

The Unit also functions as the secretariat to the National Payments Committee (NPC), which was formalized in 2012, to act as an advisory body to the Bank on the evolution of domestic payment systems, instruments and procedures. The NPC's membership comprises all clearing banks, other financial institutions, such as credit unions, and major public and private sector stakeholders in the payments space.

#### **Library Unit**

Having begun in 1975, as a small resource center with a few publications dedicated specifically for the use of the Research Department, the Library has developed into a key institutional unit—providing the Bank, and the wider financial community, with information on the banking, financial and public sectors and the economy at large.

The collection is the oldest, most comprehensive, specialized collection of banking and finance material on the Bahamian economy—comprising text and reference material, such as reports, magazines, journals, documents and speeches.

Responding to the increased demand for the Library resources by the staff, as well as the wider community, the Bank upgraded the library facilities in 2004. With a new look and a new location, the Unit now provides easy access for Bank staff and others, in an open and inviting environment. Some of the new features of the upgraded Library include research databases, such as EBSCO, Bankers Almanac, IMF Publications, etc. The collection also includes regional conference papers (CEMLA, CCMF), legislation and a growing number of audio visual materials in various formats.

Consistent with the growing need for greater accessibility, the Bank has transformed the Library into an online information center, connecting its users to information via technology. In November 2013, the Electronic Cataloguing System

(ECS) was launched, using Mandarin Oasis' library cataloguing platform, which allows the catalogue to be automated and for expedited online searches.

#### **Exchange Control Department**

Exchange Controls are a set of rules, regulations and procedures governing all foreign currency transactions between residents of The Bahamas and residents of foreign countries, commonly referred to as non-residents. Their legal basis is in the Exchange Control Act, 1952 and the Exchange Control Regulations, 1956. Over the years, exchange control policies have been adopted so as to preserve the country's external reserves and safeguard the balance of payments; maintain the fixed rate parity of the Bahamian Dollar with the United States Dollar; control expansion in the money supply, as well as speculation in the Bahamian currency by non-residents, and provide a statistical means

of monitoring the flows of foreign currency to/from The Bahamas.

The Regulations, as enforced by the Exchange Control Department, provide that all investments by non-Bahamians in the domestic economy be approved and the resultant currency flows be recorded; that all Bahamian companies (except offshore sector International Business Companies) in which non-Bahami-

ans hold an interest, be designated resident or non-resident, depending on where they will operate; that all settlements and trusts be designated for Exchange Control purposes; and that, in general, appropriate residential status for individuals, firms and organizations be conferred vis-à-vis Exchange Control. The Regulations also provide for specific guidelines affecting residents who emigrate.

In its efforts to facilitate the public, over the years, the Bank has delegated certain powers to the major banks and trust companies to act on its behalf. Commercial Banks, which have "Authorized Dealer" status, are empowered to conduct foreign currency transactions with residents of The Bahamas, thereby reducing the need for persons to come to the Bank for every transaction involving the purchase or sale of foreign currency. In addition, the Bank has



From left: Gerard Horton, Manager; Kimberly Thurston, Assistant Manager; Jacklyn Conyers, Sr. Assistant Manager; Deborah Barry, Assistant Manager and G. Marko Chea, Deputy Manager



From left, front row: Denise Ferguson, Exchange Control Officer; Sherrieann Cox, Sr. Exchange Control Officer and Duranda Minus, Exchange Control Officer  
From left, middle row: Cheryl Astwood-Fountain, Sr. Exchange Control Assistant and Theresa Thompson, Exchange Control Officer  
From left, back row: Deborah Barry, Assistant Manager; Elton Gibson, Sr. Exchange Control Officer and Wendy Gilbert, Exchange Control Officer

designated certain banks and trust companies as “Authorized Agents”, which permit them to act as depositories for foreign securities of residents and to conduct certain transactions in securities in respect of non-resident companies under their management. The authority delegated to Authorized Dealers and Agents is set out in a series of administrative notices, which have been revised from time to time, to reflect changes in policy and administration. Currently, there are eight (8) Authorized Dealers and eleven (11) Authorized Agents operating in The Bahamas.

The Bank has always sought to examine the regime with a view to determining opportunities to simplify administrative processes and achieve reasonable liberalization, with due consideration to the economic context and the official exchange rate policy. These have involved increased delegation to banks, mainly through higher limits of delegated authority, obviating the need for persons to come to the Central Bank for approval. In 2006, the initiatives focused on providing broader options for residents’ investments abroad, including the non-sponsored Bahamas Depository Receipt (BDR) programme in which BISX-listed broker/dealers structure and market BISX-traded domestic instruments backed by foreign securities, for investment by residents; an annual facility of up to \$25.0 million to the National Insurance Board (NIB) to acquire high quality foreign assets in its investment portfolio at the official rate of exchange; liberalization of credit facilities for temporary residents; and enhanced opportunities for non-Bahamian investments in domestic debt and equity instruments. In the context of the 2006 liberalized measures, the Bank also facilitated overseas portfolio investments, through a reduction in the premium and bid offer rates for investment dollars, to 12.5% and 10.0%, from 25% and 20%, respectively. As a consequence of the liberalization measures adopted, the Exchange Control

Counter operations, at both the Nassau and Freeport locations, were officially closed in April, 2010. Another notable policy change was the harmonization of the current account regimes for residents and temporary residents, such that temporary residents are now able to access the same facilities available to residents for all foreign currency transactions.

Over the years, considerable attention has been focused on improving the operational efficiency and effectiveness of the administrative processes, including, in 2008, the implementation of electronic imaging, storage and retrieval of correspondence information. The efforts of a joint task force of Central Bank and commercial bank representatives, formed in 2009, led to the elimination, in 2010, of manual forms used by the public in applying for foreign currency approvals; the streamlining of documents requirements at commercial banks and money transmission businesses (MTBs), and the corresponding electronic capture and submission of foreign currency sales information to the Bank. The Department later introduced the Exchange Control Web Reporting System (ECWRS), to facilitate the on-line reporting of client foreign currency account transactions by attorneys, accountants and licensed financial and corporate service providers.

## CORPORATE SERVICES

### Administration Department

Until 2003, the functions of the Administration Department were being performed by the Human Resources and Accounts Departments, when the Bank decided to centralize these expanding activities into a separate organization unit, so as to achieve greater operational effectiveness.

In its core functions, the Department is responsible for ensuring that all properties owned by the Bank, which include its buildings, leased premises, vehicles, electrical and air conditioning plants

and other equipment are properly maintained, and that associated legal and insurance requirements are appropriately assessed and met. Activities also extend to providing guidance and oversight of all physical and civil works conducted at the Bank’s various properties. Oversight of the Bank’s Numismatic and Dormant

Account programmes once rested with the Department, before being transferred to the Banking Department in 2009 and 2012, respectively.

The Department provides important support for the Bank’s operations, through its management of the logistical, cafeteria, receptionist and telephony services, and the procurement of office supplies and other goods. Where the Bank has entered into various facilities management arrangements, the Department ensures that services are delivered in accordance with expectations, and the Bank’s policies and procedures.

The Department is responsible for the upkeep of the Bank’s three (3) historical and protected properties: Balcony House, Verandah House and Great House. Balcony House is presently operated as a period museum, through the support of the Antiquities Museums and Monuments Corporation, and Verandah House accommodates the Bahamas Institute of Financial Services. The Bank’s staff cafeteria is located at Great House, where the catering services team provides nutritional and affordable cuisine for the benefit of staff. This arrangement also benefits the Bank’s overall efficiency, as it promotes enhanced lunch hour time



From left: Cleveland Brown, Sr. Maintenance Officer; Tammara Thomas, Assistant Manager; Ian Fernander, Manager; Darlene Deveaux, Senior Officer and Julian Fernander, Chief Maintenance Officer



From left: Vanturi Campbell, Driver/Messenger; Machquel Outten, Messenger; Frederick Bowe, Messenger; Stephanie Green, Messenger and Theodore Williams, Driver/Messenger

management and staff interaction.

Building maintenance activities are accorded high priority among the Department’s responsibilities. In recent years, the Department’s team has directed major projects involving the rehabilitation of the Bank’s electrical and communications infrastructure and its air-conditioning systems. These, together with ongoing works to maintain the building, have resulted in greater energy cost efficiencies.

Enterprise health and safety is a core concern of the Department, as it helps to ensure that the appropriate policies and procedures are in place to promote a safe and conducive work environment. The Department is also closely involved in the Bank’s overall efforts to mitigate operational risk, by participating in the coordination and maintenance of business continuity and emergency response governance arrangements.

Since the inception of the Bank’s Annual Art Competition and Exhibition, in 1984, the Department has overseen the hosting of this event, held in the Bank’s gallery—which is also the venue for year-round exhibitions by local artists.

### Human Resource Department

An integral and significant element of the Bank’s development over the



From left: Darnette Weir, Sr. Assistant; Michelle Swaby, Assistant Manager and Chanti Brown, Officer



From left: Margo Major, Officer and Cyprianna Bethel, Deputy Manager

past forty (40) years has been the evolution of the Personnel Office, which performed traditional functions of administration and compliance, into a full-fledged Human Resource Department designed to effectively sustain the human resources of the Bank.

Through various capacity building initiatives, employees are able to develop their technical and professional skills for their current roles as well as prepare themselves for future growth and opportunities. For new recruits, the two-day Induction Training course is designed to orient them to the important policies and practices of the Bank, and provide exposure to the organization's dynamics and employee relations matters.

External training programmes include seminars, workshops and conferences; specialized courses at domestic, regional and international training institutions; and attachments and secondments to selected accounting, financial and other supervisory and regulatory institutions. Employees have been able to avail themselves of the many capacity building opportunities through agencies such as the Federal Reserve System, International Monetary Fund (IMF), Bank for International Settlement (BIS), Caribbean Regional Technical Assistance Central (CARTAC), Centre for Latin American Monetary Studies (CEMLA), World Bank, Federal Reserve Bank of New York, CARICOM Secretariat, Salomon Smith Barney, Crown Agents, Bank of England, the Swiss National Bank, Inter-American Development Bank (IDB) and Caribbean Centre for Money and Finance (CCMF).

In 1974, when the Central Bank was established, the staff complement totaled 51, inclusive of the Governor, Deputy Governor and six (6) senior management officials. Over the years, as the operational remit of the Bank broadened, the staff complement has expanded, to stand at 239 at end-April, 2014 (see Table 1). Of this total, eighty-two (82) were technical/professional and ninety-four (94) were support staff, with middle and executive management accounting for forty-eight (48) and fifteen

Table 1: Staff Complement (as at end-April, 2014)			
Departments/Units	Total	Management	Non-Management
Accounts	10	3	7
Administration	25	3	22
Banking	24	4	20
Bank Supervision	68	25	43
Internal Audit	3	1	2
Information Technology	16	5	11
Exchange Control	26	6	20
Governor's Office	7	3	4
Human Resources	8	3	5
Legal Unit	5	3	2
Research	24	5	19
Security	23	2	21
Total	239	63	176

(15) persons, respectively. In terms of gender distribution, females accounted for 65% of the total, while males made up the remaining 35%. Approximately 62% of the Bank's employees have been with the institution in excess of 10 years.

The Human Resources Department aims to equip the Bank with an adequate level of skilled employees, ensuring that the organization is appropriately staffed to respond to new initiatives and demands from internal and/or external sources. The Department also seeks to achieve and maintain a high level of employee satisfaction and motivation, by promoting excellence through the Bank's performance management system, and providing a dynamic and engaging work environment to support the Bank's future growth.

#### Information Technology Department

Over the past forty (40) years, the Central Bank has increasingly leveraged information technology (IT), to support its mandate and mission. Initially established in 1980 under the Accounts Department, the then Computer Section was upgraded to a full-fledged Department in 1986. The Department consisted of a Manager, Deputy Manager and three (3) staff members.

In its formative years of operation, the Bank acquired the Burroughs L5352 Ledger Machine, which provided basic accounting services to the Accounts and Banking Departments. As transaction volumes increased beyond the machine's capacity, it was replaced, in 1978, by the Burroughs B80; in 1983, by the Burroughs B1955, and then by the IBM AS/400 in 1991. Two years earlier, the Bank introduced personal computers (PC), ushering in the era of client server networking.

Following an extensive review of its IT needs and requirements in 2004, the Bank officially changed the Department's name to the Information Technology Department—better reflecting the evolving scope of services offered.

Today, the Department is structured into three (3) major sections: IT Administration, Systems Development and Records Management; and its services fall under the following six (6) core areas:

1. IT Project and Portfolio Management
2. Systems Design, Analysis and Development
3. Systems Administration, Support, and Maintenance
4. Records Management
5. User Support and Training
6. IT Governance, Risk and Compliance

Similar to other institutions, the Bank has seen a phenomenal pace of new technology adoption, making significant investments to maintain and upgrade its infrastructure and introduce new services, aimed at improving operational efficiency and managing its risks. Through specific projects and programmes, the Department, along with the Information Security Officer, continuously works to enhance and harden information security controls and governance. There are ongoing internal and external assessments of the effectiveness of the Bank's security practices, and any shortcomings are addressed through formal projects and initiatives. The business case for any technology investment is thoroughly considered to ensure that all systems deliver on business objectives—a process that contin-



From left, front row: Margo Gibbs, System Administrator; Donna Mortimer, System Administrator and Anastasius Clarke, IT Specialist

From left, middle row: Cynara Clarke, System Administrator and Spacy Gibson, Sr. System Administrator

From left, back row: Luther Smith, Deputy Manager

ues to be reviewed and enhanced. Similarly, the Bank maintains ongoing investments towards ensuring the robustness of its network and security infrastructure and systems, through routine and regular system upgrades, enhancements and acquisitions.

The Department continues to focus on increasing productivity through consolidating and standardizing its IT infrastructure. An integrated platform provides a consistent and efficient experience for internal and external users and customers; reduces complexity and is easier to replicate in other operations. To this end, in 2007, the Bank adopted Blade and centralized storage area network (SAN) technologies and implemented virtualization, aimed at reducing hardware footprint and maximizing usage of equipment. The Bank has also standardized, where possible, its server operating system, database and application integration technologies, servers, PCs and networking equipment. Of late, the

Bank commenced an exercise to upgrade its existing legacy applications to support browser-based clients and requiring this availability in new acquisitions.

As recently as 2012, the Bank concluded or commenced several significant software and equipment acquisitions, upgrades and application development, to support greater business resiliency and operational efficiency. Initiatives undertaken covered:

- Upgrades to the Electronic Document Management System (EDMS), and the integration of document imaging with various applications throughout the Bank.
- Upgrade to the SWIFT financial and Real-Time Gross Settlement (RTGS) systems.
- Completion of the digitization of physical records within the Exchange Control Department and Governor's Office, thereby enabling all files to be retrieved electronically. A similar back file scanning exercise is ongoing

throughout the Bank and is expected to be substantially completed by end-2014.

- Completion of a secondary data center for disaster recovery and business resiliency.
- Implementation of a new online data capture and comprehensive reporting solution for supervisory, research and analytics, anticipated to be completed by end-2014.
- Business process re-engineering, process automation and ongoing application enhancements.

#### Security Unit

A safe environment is fundamental to the Central Bank's performance of its functions. From the inception of the Bank's operations, a cadre of dedicated security officers has carried out their primary role of protecting the Bank's properties and staff, by adhering to high standards of conduct and code of ethics in their work. As the first point of contact to the Bank's business, security officers aim to provide their service in a professional and customer-cen-

tric manner.

The Security Unit enforces compliance with the rules and regulations of the Bank in the areas of access controls, through its 24x7 operations, and oversight of the Bank's physical assets, which is enhanced through the use of CCTV and alarm monitoring. Given the broader national security context of the Bank's operations, the Bank maintains close collaboration with the Police Department in its security arrangements.

Apart from its core security surveillance activities, the Unit plays a major role in the Bank's business continuity planning and incident and emergency response management; conducts related inspections and risk assessments of the environment and devises risk mitigation strategies. The Unit seeks to maintain the readiness of the Bank in these areas by organizing annual certification exercises for security personnel and incident wardens, in fire safety and basic first aid.



From left: Angelo Smith, Programmer; Karyn Barry, Sr. Programme; Charles McKenzie, Deputy Manager; Monique Rolle-Cox, Programmer and Patrick Reid-Hepburn, Sr. Programmer



From left: James Bodie; Carl Bastian; Vincent Hawkins; John Ferguson, Chief Security Officer; Christopher Knowles; Mark Major; Floyd McKenzie; Edwin Thompson and Gregory Fernander

## OUR LEGENDS

Any organization will only go as far as the people who are driving it!

Over the past forty (40) years, the Central Bank has been privileged to benefit from the contribution of its past employees who, through their skill sets, dedication and foresight, have navigated the institution through many challenges and opportunities. Their work is

closely interwoven into the sum total experience of the Bank, as it exists today.

An important avenue used by the Bank to express its appreciation to the retirees is the Annual Thanksgiving Luncheon, launched in November 2004. While the initial luncheon was held in the Bank's Great House Cafeteria, this venue soon proved too small, owing to the increased number of retirees and the excellent participation. Since then, the luncheon has been held at a downtown restaurant,

and it continues to be highly anticipated by retirees, because of the opportunity it provides for renewing friendships and sharing experiences of retirement life.

On the occasion of our 40th Anniversary, the Bank recognizes and extends heart felt appreciation to these fore-runners, for their many years of dedicated service, and remembers in a special way those who have passed away.

Retirees, we continue to stand on your shoulders, celebrate you, and wish you well!

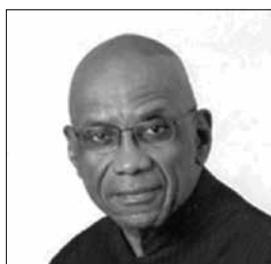


# Messages from Regional Central Banks



The Centrale Bank van Aruba salutes its esteemed colleagues of the Central Bank of The Bahamas on this special occasion commemorating its 40th anniversary. We are honored to have had the opportunity and privilege to engage with your staff on numerous occasions to explore various areas of mutual interest. We wish you a very joyous celebration of your 40th anniversary and look forward to continue our fruitful exchange of experience and expertise for many more years to come.

J.R. Semeleer  
President



The Central Bank of Barbados extends warmest congratulations to the Central Bank of the Bahamas on reaching its 40th anniversary. The Central Bank of The Bahamas has from inception operated with professional efficiency and integrity, standards for which you are held in high esteem among your colleagues in the region. Your Bank has joined with our colleagues throughout the region to create lasting bonds at all levels of staff and in all areas of Central Bank operations and activity across the Caribbean. We have built over the years a network of professional colleagues and friends that is the envy of many, and a leading example and inspiration for Caribbean integration and the growth of the Caribbean nation.

Dr DeLisle Worrell  
Governor  
Central Bank of Barbados



Dear Governor Craig,  
I am greatly honoured to extend these few words of congratulations and well wishes from the Central Bank of Belize.

The Central Bank of The Bahamas has successfully met the challenges encountered over the last 40 years through dedicated, consistent and innovative leadership, and a steadfast commitment to regional collaboration. It has thus been instrumental in making The Bahamas a flagship jurisdiction. We now join the rest of the Caribbean and the world in congratulating the Central Bank of The Bahamas for all the hard work and enduring commitment to financial and economic transformation, both at home and across CARICOM.

Our warmest congratulations to you and your staff in reaching this milestone!

Sincerely,  
Glenford Ysaguirre  
Governor



The Eastern Caribbean Central Bank is pleased to extend congratulations to the Central Bank of The Bahamas on reaching this forty-year milestone in its history.

We congratulate in particular all those whose work and dedication have ensured the success of the central bank in fulfilling its mandate over the years and wish your management and staff many more years of success serving the people of The Bahamas.

Hon Sir K. Dwight Venner,  
Eastern Caribbean Central Bank



Dear Governor Craig,  
The Central Bank of Haiti feels particularly honored to be associated with the celebrations of the 40th Anniversary of the Central Bank of The Bahamas.

Our two institutions have developed quite close relationships over the years, particularly through the regular bi-annual CARICOM Central Bank Governors Meetings where views and experiences are shared particularly on monetary and financial matters relevant to the Caribbean economies.

We have watched how well the Central Bank of The Bahamas has managed the exchange rate peg as to minimize negative internal shocks effects, preserve economic competitiveness, rein in inflation and maintain a stable real effective exchange rate.

The Central Bank of Haiti hopes that prudent fiscal policies and the world economic recovery will allow the Central Bank of The Bahamas to stay the course so that the domestic economy and employment can grow faster over the medium term.

Your performance has been outstanding despite a changing global economic environment, the emergence of new risks for small and fragile states, and the 2008 world economic crisis.

I therefore feel honored to be associated with this celebratory event and I would like to take the opportunity to present my sincerest congratulations on behalf of the Board of the Banque de la République d'Haïti.

I extend my congratulations to your entire staff and I wish you

continued success in your future endeavors.

Charles Castel



On behalf of the Central Bank of Trinidad and Tobago, I extend warm congratulations to my colleague, Governor Wendy Craigg, on the occasion of the 40th anniversary of the founding of the Central Bank of The Bahamas. This is an important milestone in the Bank's history, and it is an achievement of which you, your entire staff and your country can be truly proud.

On June 1, 1974, The Bahamas entered a new stage in its monetary development when the Central Bank was established by an Act of Parliament, as the successor to The Bahamas Monetary Authority.

In acting as a "banker to banks and to Government", working to maintain monetary stability for the betterment of the national economy and the people of The Bahamas, and operating to ensure a sound financial system, you have continued to carry out the mandate set out 40 years ago. At the same time you have shown the flexibility and imagination needed to weather the challenges that face central banks in the Caribbean, and indeed, globally.

We join you in celebrating your 40th birthday and look forward to continue working with you as Caribbean colleagues.

Jwala Rambarran  
Governor  
Central Bank of Trinidad & Tobago

# Messages from the Banking Community



On behalf of our members, the Association of International Banks and Trust Companies, extend warmest congratulations to The Central Bank of The Bahamas on its 40th Anniversary.

Indeed, it cannot be denied that the Central Bank has achieved tremendous successes in its oversight of the regulatory framework for banks and trust companies and the monetary and fiscal policies of The Bahamas that have made us the envy of the region. The industry is proud of our association and the consultative approach that embody policy developments and the openness afforded the industry to contribute to advancements in policy and product development.

In this fast changing world, where having the latest knowledge and skills are crucial for us to stay relevant, the proactive measures undertaken by the Central Bank, supported by its professional and dedicated team in adopting new approaches and introducing best practice methodologies, are always noticeable and acknowledged. After 40 years in existence and its continuing commitment to excellence, we look forward with excitement and anticipation to numerous years of steadfast world-class leadership by The Central Bank of The Bahamas.

Antoinette Russell, Chairman



BOB (Bank of The Bahamas Limited) congratulates The Central Bank of The Bahamas on 40 years of exemplary achievement in promoting monetary stability and orderly economic development in The Bahamas. We acknowledge the significant role of The Central Bank in the oversight and growth of The Bahamas' Financial Services industry and applaud the high ethical standards and professionalism with which this key Bahamian institution continues to execute its mission.



"Fidelity Bank (Bahamas) Limited congratulates the Central Bank of The Bahamas as it celebrates 40 years of operating with superior levels of integrity and leadership. We value the Central Bank's role of ensuring monetary stability and fostering a sound financial system in The Bahamas, and extend thanks for the support that it has provided in Fidelity's 36 years of operation. We wish the Central Bank every success on this milestone anniversary"



During its 40 year of existence, the Central Bank of The Bahamas has created an excellent framework for the local financial services industry to thrive and be successful. The industry's profitability and prosperity and Scotiabank's ability to contribute to the development of the Bahamian economy and society are inextricably linked to the Central Bank's exceptional operational standards. We salute the Central Bank for its role in the growth and success of the Bahamian financial sector over the past 40 years, by diligently working to safeguard the parity between the U.S. and Bahamian dollars and insisting on a compliant banking sector.

Scotiabank has had the pleasure of operating in The Bahamas and contributing to its progress and national development for more than half a century. Since the opening of our first branch in 1956, we have grown to 20 branches conveniently located across the archipelago. We are completely mindful that our corporate goals and objectives are only realized through a collaborative and compliant relationship with the Central Bank of The Bahamas. The guidance provided by the bank enables us to remain competitive while abiding by local and international banking regulations. We also wish

to acknowledge and recognize the leadership and guidance that the Central Bank has provided to the region's financial service sectors, shaping the development of its regulatory framework and fueling its advancement.

We salute and congratulate the Governors, Boards of Directors, management and staff of the Central Bank of The Bahamas, past and present, for an impressive four decades. You are to be commended for stimulating investor, consumer and stakeholder confidence through consistent and relevant regulation, currency reliability and economic stability. We anticipate a continuance of the superlative standards that are synonymous with our Central Bank and anticipate a sustained mutually beneficial partnership between Scotiabank and The Central Bank of The Bahamas. Congratulations!

Sean N. Albert,  
Managing Director,  
Scotiabank (Bahamas) Ltd.



Dear Governor,  
Congratulations to The Central Bank of The Bahamas on achieving this significant milestone anniversary. Your institution has had a strategic role in the management and regulation of the Bahamian economy thereby facilitating and promoting a reputable and sustainable financial services sector. The leadership of the bank and its professional staff are to be commended for the role they have played.  
On behalf of the management and staff of Citi Bahamas, we wish you and your employees all the best as you celebrate your 40th anniversary.

Yours sincerely,  
Margaret Butler  
Citi Country Officer

## Happy 40th!

Four decades of support and service to the nation is a grand achievement. In that time, the role that The Central Bank of The Bahamas played in the stability and growth of the economy has been beyond measure. At RBC Royal Bank we celebrate this milestone with you and look forward to many more. Congratulations!

Strength at Work for You.



RBC Royal Bank

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## Happy 40<sup>th</sup> Anniversary CENTRAL BANK OF THE BAHAMAS

Commonwealth Bank, "Leader in Personal Banking Services", congratulates the Central Bank of The Bahamas on their 40th Anniversary.

We are proud to have shared the first Governor of the Central Bank of The Bahamas as Chairman of our Bank, Mr. T. Baswell Donaldson, CBE.

From Mr. Donaldson through to Mrs. Wendy Craigg, the Governors of the Central Bank and their staff have led the financial services industry from strength to strength.



Leader in Personal Banking Services | www.combanktd.com

Head Office (The Plaza, Mackay St.) Tel: 242.502.6200

P.O. Box 55-5541 - Nassau, Bahamas

On the occasion of their 40th Anniversary  
CIBC FirstCaribbean congratulates

The Central Bank of The Bahamas



"On your 40th anniversary, we celebrate your contribution to the growth and stability of the financial system in the Bahamas and wish you continued success"

- Mrs. Marie Rodland-Allen, Managing Director - Bahamas & TCI

www.cibcfcb.com

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