



On Financial Literacy

Remarks by Governor John A Rolle

Opening of the 2023 Financial Literacy and Digital Exposition
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Fusion Superplex, Nassau Bahamas

Introduction

On behalf of the Board, Management and Staff of the Central Bank of the Bahamas I want to thank everyone who is participating through their time and effort, in helping to make this Financial Literacy Fair and Digital Exposition a success. In addition to each organization that is represented here in the booth spaces, we are also pleased to have the expanded presence of the public sector, regulators and industry professionals who will be making onstage, educational presentations today and tomorrow. We are also extremely grateful to the schools that have organized field trips to this event.

Having a defined and active policy framework that speaks to financial literacy is important at both the national and business levels.

I will explain why.

There is a two part definition to financial literacy. The first is about knowledge: that is, how much do individuals know about financial products and sound financial practices. The second is about how the knowledge is used: that is, how much use do individuals make of the financial knowledge that they acquire.

Knowledge and Use of Financial Products

The more we know about financial products and sound practices the more we are empowered to use them. From a business perspective, literacy can help drive increased demand for financial products and services, and allow consumers to communicate in more informed ways about the products and services which matter to them. From a government perspective, positive personal financial behavior, empowered by literacy, can also over time remove more

families off direct dependence on government support, and allow the government to channel more resources to other productive sectors within the economy.

On financial behavior and financial product usage, there are many desirable outcomes to which we should aspire in The Bahamas.

- For example, seeing increased enrollment rates in home insurance for hurricanes, with a better understanding of how the affordability of homeownership ought to be scaled to cover the mortgage payment, in addition to property taxes, insurance and ongoing repairs.
- Another example would be seeing more persons, from the onset of their working years, taking up a consistent habit to save extra towards retirement; towards a down payment on a home; or to towards major expenses that could arise later in life—like helping to supporting children who will enroll in college.
- Or yet, seeing more Bahamians directly invest in financial assets like government bonds and private securities—with a firmer understanding of how to assess the risk associated with different categories of investments.

Informing Policy and Change

From the Central Bank’s perspective, the informed consumer also has to understand how the Bahamian economy and the financial sector works. This would help them to better articulate the demands made of the government, regulators and financial institutions, and to understand how the environment in which the government and financial institutions operate affects how both government and businesses can respond.

For example, on the subject of bank fees and the modes of delivery for financial services, we must also be able to consider sufficiently how positive reforms in our economy could help to make the operating environment more efficient and also contribute to better outcomes. That is, how reducing inefficiencies, such as a high credit delinquency rate by international standards, the cost of providing electricity or the cost of handling cash could help to improve outcomes. Also, if we improve the long-term growth potential of our economy it would increase the earnings potential from credit, which ought to be the principal driver of bank profitability. Private sector credit has contracted on average in the last decade. Reversing this trend would, along with other worthwhile consumer protection measures, help, in a sustained way to ease the pressures on fees.

Financial Inclusion

Let’s return to issue of the use of financial products.

This is squarely related to financial inclusion, which is at the heart of the Central Bank’s current initiatives. The Central Bank is actively pushing to improve what still remains a less than

satisfactory experience in opening accounts at domestic banks, including for businesses; and banks have taken on the task to identify reformed practices, changes in government policies and Central Bank regulations that could specifically reduce the average amount of time it takes to open a business account. The target is to reduce the average experience to less than 2 weeks. Feedback from the business community is that it is now taking [much] longer than this on average to conclude the process.

Regarding the personal banking experience, in the last month, there has been further easing of the “know-your-customer” or the KYC requirement, so that a Bahamas drivers licence is sufficient ID, by itself to open a bank account for low-risk clients. This characterises the substantial majority of persons who present themselves to open a deposit account. Similarly, in some cases individuals can now use their expired Bahamas passport or their expired Bahamas drivers licence to supplement lesser forms of official IDs that they might use. In the extreme, where photo IDs are not available, the Central Bank has affirmed again. that, domestic banks, credit unions, MTBs and payment services firms can still rely on written references from trusted sources, where there is potentially a low-risk of money-laundering associated with the account.

Digital Transformation and Digital Inclusion

On access and inclusion, a continued digital transformation of the Bahamian financial sector is also critical, so that financial institutions can become more efficient in delivering services in the developed parts of The Bahamas, as well as in a cost effective way, extend the reach of financial services to all Family Island communities.

The SandDollar, The Bahamas’ central bank digital currency, embodies this principle. Access to SandDollar accounts, without qualification, is available to all persons inside The Bahamas, literally within minutes, and through an account opening process that is fully compliant with risk-based international standards for customer due diligence. The SandDollar provides an avenue for The Bahamas to reduce the physical footprint of cash. Furthermore, because it is integrated with the banking system, it establishes both an entry and a terminal point for payments, that will over time extent the reach of financial services, on equal terms to all parts of The Bahamas.

A final point to make about digital transformation, is that digital inclusion has to be seen as a basic right of all persons in The Bahamas. The Central Bank’s objective is that through education, Bahamians of all ages will acquire both the confidence and skill to use digital platforms to obtain financial services; that they will be assured of the safety of these platforms, and that they will understand and adopt prudent cyber security practices that further enhance the safety of their accounts.

The Central Bank also looks forward to continued consultations with the Government and the telecoms sector on the policies, investments and other interventions that will strengthen access to communications data, especially in the Family Islands.

Conclusion

As I close, let say me say again how thrilled we are at the lineup of exhibits and onstage presentations, that will expose attendees to the multi-faceted aspects of financial literacy. Even if you are a facilitator, there should be something that you can learn to boost your own measure of literacy.

On that note, we are very pleased to have the Minister of Economic Affairs, the Hon Michael Halkitis, present to bring remarks on behalf of the Government, and to declare this exhibition open. He is well qualified to speak on the government's policy initiatives which tie in with this event. He is also qualified to speak, given his solid background in finance.

Minister, we are honored to have your remarks.