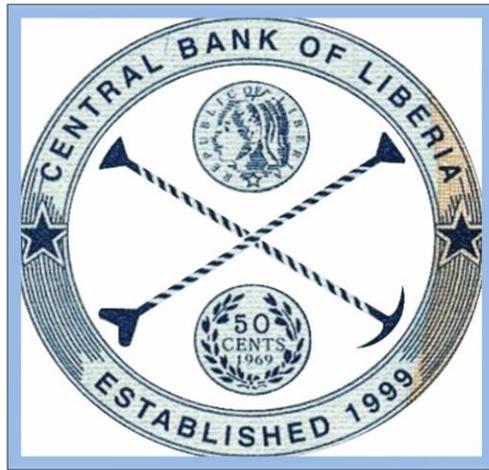


CENTRAL BANK OF LIBERIA



POLICY STATEMENT 2021

Table of Contents

FOREWORD	2
I. INTRODUCTION	4
II. ASSESSMENT OF 2020 POLICY STATEMENT	4
Macroeconomic Challenges (2020-2021)	4
III. MACROECONOMIC AND FINANCIAL RISKS	5
IV. POLICY DIRECTION FOR 2021	6
OVERVIEW	6
V. MONETARY POLICY AND MONETARY POLICY OPERATIONS	7
VI. EXCHANGE RATE POLICY AND REGIME	7
VII. FINANCIAL SECTOR POLICIES	8
Banking System Surveillance and Supervision.....	9
Insurance Sector.....	10
Microfinance Sector.....	11
Financial Markets Policies	12
Payment Systems	13
Consumer Protection.....	14
Collateral Registry System.....	14
Credit Reference System Project	15
Money Laundering and Terrorist Financing (AML/CFT)	15
Engagements with Regional and Continental Monetary Cooperation Programs.....	16
CBL's Internal Reform	17
Internal Audit.....	17
Legal Activities.....	18
Appendix.....	19
Draft Regulations Concerning the Licensing and Operations of Discount House.....	20
Amended Draft Regulations Concerning Non-Bank Credit Only Institutions & Amended Draft Prudential Regulations Regarding Microfinance Sector Loans	20
Agreement between the National Identification Registry (NIR) and the CBL	20
Proposal for Adjustment in Annual Operating Levy	20

FOREWORD



In 2020, the uncertainty in the global economy adversely affected investment and business confidence largely on account of the COVID-19, trade tension between the USA and China as well as post-Brexit developments within the Euro zone all resulting to 3.3 percent contraction in global growth. COVID-19 also slowed economic activity in the domestic economy with the tertiary sector most adversely impacted. Real Gross Domestic Product (RGDP) for 2020 contracted by 3.0 percent. However, end-of-year inflation in the domestic economy moderated to 13.1 percent, induced by the stability of the Liberian dollar, favorable international oil prices and monetary policy stance.

A significant reform of the Central Bank of Liberia (CBL) was the passage of the Amendment and Restatement of the CBL Act of 2020, which is critical for enhancing the governance system at the Bank and engendering the opportunity for establishment of a monetary policy committee to effectively support monetary policy implementation.

With the focus of monetary policy on price stability and management of the Liberian dollar liquidity, the CBL in the last half of 2020 maintained its policy rate at 25.0 percent in tandem with inflation expectation, while utilizing other monetary policy instruments to promote monetary and financial sector stability.

In 2021, the domestic economy is projected to grow at 3.6 percent on anticipation of favorable developments in the global economy and all the major sectors of the domestic economy as well as commitment to sustain ongoing policy reforms. Inflation is projected at 10.5 percent at end 2021 and single digit by end 2023, anchored on the monetary policy stance of the CBL and complemented monetary policy reform. Ongoing policies to strengthen the financial sector will be reinforced to mitigate systemic risks, while endeavoring to keep the external sector favorable.

As the monetary authority, the CBL remains committed to ensuring price and financial sector stability as well as an effective and efficient payments system, which are consistent with the Pro-poor Agenda for Prosperity and Development (PAPD).

The financial sector remained resilient amidst relatively high non-performing loans (NPLs) and heightened Liberian dollar liquidity pressure in 2020. As a strategic goal, the focus of the CBL remained on improvement of the National Payments System, leveraging on technical assistance (TA) from the World Bank (WB) to finalize review of the National Payments System Act and engagement with the current solution provider for the enhancement of the National Electronic Payment Switch (NEPS) that would allow for interoperability.

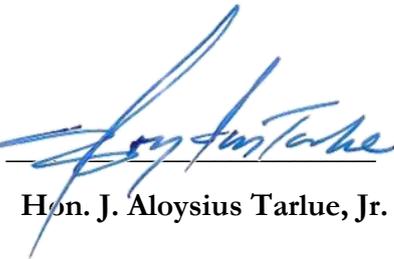
The Bank will continue to work closely with the Fiscal Authority and other relevant stakeholders at bilateral levels on policies and interventions to ensure balanced and sustained macroeconomic stability. The Bank will strengthen its collaboration with the Fiscal Authority to promote policy coordination that will complement our respective objectives of promoting macroeconomic stability. In this regard, the CBL will endeavor to enhance the working of the Liquidity Working Group (LWG), to promote information sharing mechanism among the Ministry of Finance and Development Planning (MFDP), Liberia Revenue Authority (LRA) and CBL for effective liquidity

management in the economy, which is important for monetary policy implementation. The CBL will take every step necessary to maintain the current inflation trajectory with the aim of achieving single digit inflation in the medium term.

On this note, I would like to, on behalf of the Board of Governors, the Management and Staff of the CBL, extend profound sentiments of appreciation to our stakeholders, including commercial banks and other actors of the financial sector, the Fiscal Authority, the National Legislature and Development Partners for their continued support, collaboration and cooperation in contributing to the achievements of the CBL in 2020. We look forward to greater collaboration in the future.

Finally, I want to reassure our stakeholders of the full commitment of the CBL to its mandate as enshrined in the Amended and Restated CBL Act of 2020. We will continue to count on all of you in the years ahead for your insightful advice and constructive guidance as we look forward to working with all stakeholders in promoting macroeconomic stability for sustained & balanced economic development of the country.

Signed. _____



Hon. J. Aloysius Tarlue, Jr.

I. INTRODUCTION

The publication of the CBL Policy Statement is in accordance with Part XIII, Article 64 of the Amendment and Restatement CBL Act of 2020, which mandates the Bank to, within four (4) months after the close of each financial year, submit to the Government through the President of the Republic of Liberia an Annual Financial Report and Policy Statement that shall contain the following:

- a. a copy of its financial statements certified by external auditors;
- b. a review and assessment of the implementation by the CBL of monetary policy during the previous year; and
- c. an assessment of the economic and financial conditions of Liberia with a description and explanation of reasons for the monetary policy that the Bank intends to follow in the short, medium or long term as the CBL may decide.

The Policy Statement articulates the policy direction of the Bank in keeping with its mandate to the public and policymakers for each year and serves as the medium for the public and policymakers to engage the CBL in relation to monetary and financial policies.

II. ASSESSMENT OF 2020 POLICY STATEMENT

A summary of the policies implemented by the Bank in 2020 is provided in the Appendix. While the Bank achieved a significant number of its policy goals for 2020, the achievements of some policy goal were seriously challenged by the external shock of COVID-19, which heightened the Liberian dollar liquidity squeeze and threatened the stability of the financial sector as well as weakened domestic demand. However, despite all these challenges, the Bank remained focused on the implementation and achievement of its objectives.

Macroeconomic Challenges (2020-2021)

Growth in the economy was constrained by persistent weakening of activity in the services sector, despite the marginal growth in the primary sector. Real Gross Domestic Product (RGDP) in the Liberian economy contracted by an estimated 3.0 percent in 2020, from negative 2.5 percent recorded in 2019, mainly on account of 12.7 percent contraction in the tertiary sector. .

Headline inflation in 2020, on average and end-period bases, moderated to 17.4 percent and 13.1 percent, respectively, on account of the tight monetary policy stance alongside stable exchange rate and favorable global oil prices.

The Liberian economy remained import-dependent in 2020, despite the relative stability in the exchange rate over the last two years. This highlights the need for robust and implementable policy prescriptions that will focus on transforming activity in the agriculture and manufacturing subsectors to an industrialized and diversified agro-processing and export-oriented sectors.

In 2021, the outlook appears positive with growth projected at 3.6 percent. Although there has been gradual recovery in the global commodity prices of the country's major exports and the favorable growth prospect, risks still linger. Possible downsides to the prospect for 2021 are slow recovery in the global prices of some of the country's key commodities, slow pace of effort to ease liquidity pressure, and resurgence of the global COVID-19 pandemic. Other risks to the outlook are infrastructure deficit, especially energy and road connectivity in the rural areas low access to credit for the agricultural and manufacturing subsector and increasing level of non-performing loans (NPLs).

A holistic approach is required by stakeholders to tackle the challenges, including effective policy coordination among all stakeholders, especially the Monetary and Fiscal Authorities. Accordingly, the efforts by the CBL to tackle the high NPLs in the financial system and build a vibrant and more inclusive financial sector should be supported by all key stakeholders.

III. MACROECONOMIC AND FINANCIAL RISKS

The Liberian economy faced significant risks on both the external and domestic fronts. Like many other developing countries, the containment measures at home and abroad to mitigate the COVID-19 pandemic also had a significant toll on the domestic economy. The contraction initially resulted to a nominal GDP loss estimated at US\$109.3 million. The suspension of businesses, imposition of travel restrictions and social distancing measures translated into adversity on the services subsector that further contracted by 12.7 percent, from negative 7.5 percent recorded in 2019.

Despite the relatively favorable international prices of Liberia's primary exports (gold, iron ore and rubber) in 2020, domestic production generally slowed down. The financial sector was overwhelmed not only by the high rate of NPLs to 21.2 percent at end-December 2020 and low profitability, but also by the increased frequency of cash withdrawals from commercial banks and minimum incentive to mobilize savings.

IV. POLICY DIRECTION FOR 2021

OVERVIEW

The primary policy focus of the CBL in 2021 remains on maintaining domestic price stability through broad exchange rate stability. This objective can be achieved through the formulation and implementation of prudent monetary policy that ensures a stable macroeconomic environment to spur balanced growth as catalyst for development and employment. The CBL will also remain supportive of the general economic policy of the Government, in keeping with its monetary policy mandate. The CBL will continue the issuance of the CBL bills at rates informed by domestic and global economic developments consistent with safeguarding the financial sector and strengthening public confidence to prioritize investment in Liberian dollar. In addition, the Bank will continue to work closely with the Fiscal Authority to promote policy coordination aimed at ensuring the appropriate policy mix that fosters price stability and supports inclusive growth.

The interest rate on its policy instrument and the reserves requirements in addition to other policy instruments, including the Standing Deposit Facilities (SDF) and open market operations (OMO) will remain useful as the major monetary tools to influence monetary conditions in the country. The Monetary Policy Committee (MPC) will continue its quarterly assessment of the macroeconomic condition of the country to recommend the appropriate policy rate for each of the quarters in 2021. The foreign exchange auction, a priority policy instrument of the Bank, will, however, remain suspended until it is deemed economically viable for reactivation.

Additionally, the CBL will continue to issue financial market instruments on behalf of the Government of Liberia (GoL) as and when deemed necessary, with anticipation of efficiently managing liquidity in the economy. The Bank will also develop indicators to effectively monitor the performance of the economy, consumer and business perceptions, and provide appropriate policy prescriptions.

As part of the Bank's efforts to deepen the financial system, the CBL will enhance its strategy in support of expanding the digitization of the Liberian economy by formulating and implementing policies aimed at promoting electronic payment platforms and channels. To this end, the Bank intends to heighten collaboration with ministries, agencies and the business community to encourage the wider use of digital payments.

Access to finance is one of the critical drivers for financial inclusion. The Bank will continue to expand financial services in all parts of the country, particularly, counties with limited financial institutions. The CBL will continue to work with commercial banks and other financial institutions to alleviate the burden of getting cash by ensuring that the rural population have affordable and easy access to financial services.

The CBL will further enhance the ongoing credit reference system (CRS) into a full-fledged credit reference bureau with plan to link the credit reference to the biometric identification feature to uniquely identify customers of the financial institutions with the aim of improving the credit environment, curtailing frauds, and improving access to credit at the micro and small enterprise levels.

Human capital development remains an important integral of the CBL operational strategy. To this end, the Bank will continue its collaboration with the IMF capacity building arm, regional capacity building institutions and Liberia Bankers Association (LBA) to strengthen the capacity of the Banking Institute of Liberia (BIL), with the aim to promote efficiency and enhance productivity in the sector. The Bank will continue to implement reforms in the insurance sector, which will help to support economic growth and development and deepen the overall financial system.

V. MONETARY POLICY AND MONETARY POLICY OPERATIONS

The Bank will fully constitute the Monetary Policy Committee (MPC) with the inclusion of two external members as enshrined in the Amendment and Restatement CBL Act of 2020. With a fully constituted MPC, the Bank will strengthen the MPC Secretariat to enable the conduct of forward-looking assessment of the macroeconomic indicators, especially inflation, exchange rate and growth projection, to thoroughly anchor inflation expectations and build resilience to unexpected shocks.

VI. EXCHANGE RATE POLICY AND REGIME

The exchange rate policy and regime of the CBL will continue to be guided by Part VI, Section 2 of the Amendment and Restatement CBL Act of 2020. The main policy goal and objective of the Bank will remain focused on protecting the value of the Liberian dollar as the currency of preference for economic transactions and investments.

The Bank will prioritize foreign reserves accretion of the country to protect the economy against involuntary domestic and external shocks. Accordingly, the Bank will continue with its

current managed float foreign exchange regime by intervening in the foreign exchange market, when necessary, to ensure broad stability in the market and reduce speculations and market distortions.

As a medium-term strategy, the Bank will pursue policy options aimed at facilitating trade finance for businesses, reduce the pressure on forex exchange (FX) bureau payment by businesses, develop the financial markets to attract more foreign investment in domestic financial assets, and provide policy advice to the Government on the need for diversification of the Liberian economy with the aim of strengthening the Balance of Payments (BoP) and International Investment Position (IIP) of Liberia. To mitigate the challenges faced by many small and medium Liberian businesses in cross border trade, the CBL will explore the possibility of bilateral currency swap arrangements with other central banks, especially in the West African Monetary Zone (WAMZ).

VII. FINANCIAL SECTOR POLICIES

A stable, safe, and sound financial system is crucial for inclusive and sustainable economic growth and development. Despite the current economic challenges, the Liberian financial system remains generally stable, solvent, liquid and compliant with most of the regulatory requirements.

The CBL continues to enhance and strengthen its regulatory and supervisory regime as prudential requirements for compliance amid the increasing diversity and complexity of the financial sector due to investment in digital banking and technology. The Bank remains steadfast in promoting financial stability and ensuring that financial services provided are unhindered in line with the mandate of the New Financial Institution Act of 1999. The CBL also commits to fostering economic growth and development through access to finance and extension of financial services across the country.

The CBL is currently reviewing its supervisory framework with the goal to fully adapt risk based-supervision (RBS)— which is more forward-looking to banking supervision and a major departure from the current hybrid approach (CAMELs and RBS). The adaptation of a full risk-based-supervisory framework will put the CBL on par with its counterparts in the region and the world at large. To complement this framework, the CBL will develop regulation that provides guidance to designate and supervise systemically important banks. Also, in sight are development of regulations for Bank Resolution and Crisis Management and Macro-Prudential regulation in line with the Basel Committee for Banking Supervision (BCBS).

To broaden the scope of financial services and promote financial inclusion to the unbanked and underbanked population without risking the safety and soundness of the financial system and standards of consumer protection, the Bank will in 2021: -

- Amend the Agent Banking Regulation to incentivize banking institutions to onboard rural and non-exclusive agents in the underserved areas. The amendment will also consider a lower tier of banking agents with less stringent eligibility requirements and approval procedures as well as create a lower tier of basic transactions accounts that will be opened based on simplified customer due diligence;
- Issue a Digital Credit Guideline to enable financial institutions carry out digital credit to the banked and unbanked population in a cost-effective and prudent manner; and
- Amend the Regulation for the Licensing and Supervision of Money Remittance Entities such that it provides payments of all inbound money transfers to be remitted directly into the recipient's bank account at a financial institution, recipients' digital wallet/mobile money wallet or over the counter with adherence to threshold on the amount.

The CBL will issue specialized lending regulations as a means of incentivizing financial institutions to provide loans and other advances under flexible terms but under risk averse culture and practices. The regulations will affect loans and advances to agriculture, small and medium enterprises (SMEs) and mortgage to stimulate growth and support Government agenda in expanding the economy.

The CBL will continue to strengthen its infrastructure and internal systems against cybercrimes and risks. The Bank will particularly develop risk-based Cyber Security framework that will guide financial institutions on the development and implementation of cyber security programs and promote the protection of customer information as well as the information technology systems of financial institutions.

Banking System Surveillance and Supervision

To help strengthen the banking sector and assist banks in building resilience against risk of systemic importance, the CBL through the Supervision and Surveillance arm of the Regulation and Supervision Department will carry out the below policy measures in 2021: -

- Conduct full-scope examination of all licensed commercial banks to ensure compliance with the new FIA and perform one target examination at a key branch of each licensed commercial bank outside of Monrovia;
- Conduct quarterly stress testing analysis;
- Enhance engagements with the board, senior management, and other stakeholders of regulated financial institutions;
- Ensure that examination or other investigation reports are prepared on a timely basis, and that the appropriate remedial actions are implemented to ensure compliance;
- Ensure that financial institutions improve on the quality of data being submitted to the Department and strengthen corporate governance and risk management practices in financial institutions;
- Ensure the regular publications of audited financial and other reports by banks and other financial institutions;
- Execute staff training and development in critical areas such as risk management, IT examination, and fraud examination, etc.;
- Develop a quarterly Banking Sector Development Report to track industry performance; and
- Develop a semiannual Financial Stability Report to track risks to financial sector performance and an annual Financial Sector Development Report.

Insurance Sector

The CBL shall continue the reform of the insurance sector with the goal of building a viable and strong industry that will meet the needs of the Liberian economy. A strong insurance sector is pivotal to building a viable financial system, increasing financial inclusion and mobilizing long-term funds for domestic investment, thus supporting the overall development agenda of the Government. In this connection, the CBL shall pursue the following policies during 2021:

- Enhance the reporting and disclosure frameworks of insurance companies: The CBL shall issue a revised reporting framework that will support adequate analysis of the insurance sector. Part of the reporting reform would involve automating the report rendering process from insurers to the CBL by linking insurance companies to the electronic/online reporting software of the CBL. Additionally, the new framework will require timely disclosure of information about individual insurance companies as well as the industry to facilitate informed decision making by the insureds and investors;

- Ensure the review of the Insurance Act of 2013 and its attendant regulations to address existing shortcomings consistent with international standards and best practices;
- Ensure enforcement of and full compliance with the capital requirements for insurance business in Liberia. As such, insurance companies that do not have capital to conduct any form of insurance business shall be made to exit the market in a non-disruptive way, including the consummation of mergers and acquisition;
- Develop and introduce a framework for domestic reinsurance: The CBL shall create, through a regulatory and supervisory framework, an enabling environment for the creation of domestic reinsurer(s) in Liberia. This will play a key role in making more financial resources available domestically, thus supporting the domestic insurance market and mobilizing capital resources for economic growth and development;
- Support the introduction of micro-insurance and digital sale of insurance products as part of the broader financial inclusion goal of the Bank;
- Enhance consumer's awareness of financial products in the insurance sector, which could bolster their income and serve as a safety net for low-income consumers;
- Develop and introduce standardize rating guideline for insurance companies to boost business and alleviate undercutting in the industry. Furthermore, this establishment of the standardize rating guideline by the CBL will minimize the many complaints received from policyholders, insurers, and the public; and
- Develop and introduce a regulatory and supervisory framework for intermediaries (brokers and agents). The introduction of this regulation will aid in the finalization of the licensing process of agents and brokers. Additionally, it will create job opportunities for Liberian and set the basis for reporting purposes.

The Bank will engage the Government of Liberia regarding restructuring of the National Insurance Corporation of Liberia (NICOL) and to redefine its role in the insurance sector of Liberia in keeping with current regional and international best practices.

Microfinance Sector

The CBL remains committed to reforming the microfinance sector as part of its responsibility in ensuring the safety and soundness of the sector. In this regard, the CBL will:

- Continue to strengthen the regulatory and supervisory frameworks of microfinance institutions with emphasis on tiered and risk-based supervision. This new risk-based

approach will strengthen the regulation and supervision of microfinance institutions (MFIs) in Liberia;

- Support capacity building for microfinance institutions, Credit Unions and Rural Community Finance Institutions (RCFIs). Regarding the RCFIs, the CBL in collaboration with the Project Implementation Unit (PIU) at the Ministry of Agriculture (MoA) will continue implementation of the Rural Finance Project (RFP) funded by International Fund for Agricultural Development (IFAD). The IFAD's funding, which is largely a concession funding, will significantly improve the operations of the RCFIs and provide additional resources for investment intended to revive and build a strong rural economy across the country.

Financial Markets Policies

The Bank considers the development of the financial markets a key pillar for deepening the financial sector and supporting the flow of financial resources in the economy. Developed financial markets are also an important cornerstone for effective monetary policy operations. Therefore, the CBL will, in the short-to-medium terms undertake the following actions:

- The CBL through its Financial Markets Department (FMD) will continue to improve the implementation of its monetary policy to achieve and maintain price stability;
- The Bank will remain committed to strengthening the regulatory and operational framework and enhance engagements with stakeholders to further develop the money markets and capital markets. Specific focus will be placed on deepening the interbank, foreign exchange and debt markets and the advancement of the secondary market;
- The Bank will also enhance the mobilization of investors in the money and capital markets by exploring opportunities for Liberians in the diaspora to invest in available financial markets instruments and continue its ongoing investors' education/public awareness program;
- The Bank will begin quarterly publication of the CBL bills issuance calendar on its website to enhance market predictability;
- A further step anticipated by the Bank toward deepening the financial markets is to create the environment conducive for the roll out of new financial products or services aimed at managing liquidity in the economy;
- The Bank will ensure investors are protected by enforcing all the applicable securities laws, rules, guidelines, or regulations, and promote the disclosures of important information to market participants and institutions; and

- The CBL, with support from the IMF Money and Capital Markets (MCM) Department, will augment the Bank's FX reserves management strategy by developing an investment policy and review the Bank's foreign exchange reserves management institutional arrangements and risks management framework.

Payment Systems

The digitization of the Liberian economy is a major priority of the CBL in enhancing the effectiveness of payments in the financial sector. In this regard, the Bank will engage the public on the use of Digital Financial Services (DFS) and coordinate with the Government of Liberia to increase the use of digital/electronic payments in Liberia.

The CBL, through the Payment Systems Department, will lead in the development of a Digital RoadMap for the digitization of the Liberian Economy in collaboration with the Ministry of Finance and Development Planning (MFDP).

With the Government priority on using the payment system to drive financial inclusion, the MFDP will endeavor to leverage on the Automated Clearing House (Direct Credit) for the processing of expenditures through Electronic Funds Transfer (EFT) to promote financial inclusion. The implementation of this system will render payment seamlessly to civil servants, pensioners, government vendors and contractors through their respective banks and mobile money accounts/wallets. Inclusive of the execution is the utilization of existing infrastructure for wholesale and retail payments in the country.

To encourage competition and expand the digital financial payment ecosystem, the CBL will continue to regulate and promote bilateral interoperability of the mobile money operations between banks and Mobile Network Operators (MNOs) (Push and Pull services). The CBL will continue to fast-track the evaluation of applications for licensing and approval of electronic payments and services.

The CBL in collaboration with partners shall endeavor to implement a scalable centralized solution to enable the transfer and settlement of low value instant digital Payments that are interoperable (i.e., the National Switch). The National Switch will improve the overall efficiency of the retail payment ecosystem. The CBL will continue to work with the sub-regional and regional partners for the integration of Payment Systems intended to promote the success of cross-border trade and payments through the implementation of the Pan-African Payment Systems Settlements (PAPSS) project that is underway.

The CBL endeavors to improve on the legal and regulatory framework of the Electronic modes of payments by amending the National Payment Systems Act (2014). Accordingly, CBL will continue to develop various regulations to address the safety and efficiency of the Electronic Payment Ecosystem as technology and innovation evolve.

Consumer Protection

Consistent with its mandate of promoting trust and confidence in the financial sector, coupled with ensuring that customers of financial institutions are always protected against unfair or unethical practices, the CBL will continue to promote disclosure and transparency of all products and services provided by financial institutions to safeguard consumers' rights and interest. In this regard, the CBL will:

- Implement consumer awareness and sensitization programs to help consumers to understand their rights, obligations, and the existing redress mechanisms;
- Amend the existing Consumer Protection & Market Conduct Regulation to ensure that relevant consumer protection requirements are applied across all providers based on the available product;
- Build and increase the capacity of the consumer protection unit through training and additional human resources to enhance market conduct supervision; and
- Collaborate with Proto Global Limited, automate the complaint handling process through which financial institutions and the consumers can participate.

The CBL will continuously seek feedback on the behavior of financial institutions from the public through use of the services of the Consumer Protection Unit.

Collateral Registry System

The Collateral Registry System continues to create access to finance for businesses, especially SMEs, thereby promoting the CBL's financial inclusion agenda. The system has maintained online platform that allows lenders to perfect registration of security interests on loans, movable assets and constantly provide notification to third party on all existing security interests. However, enhancement and expansion of the system are key to the CBL. Going forward, the CBL intends to carry out key enhancement and engagements as follows:

- Enhance the reporting components and strengthen the regulatory report on various sectors for more comprehensive reporting on lenders and borrowers' activities;
- Modify the Registry's fees components to support and maintain system sustainability in the financial sector. The Registry system is widely used by financial and nonbank financial

institution and the CBL commits to ensuring that the system remain viable and available in the sector;

- Enhance the Collateral Registry System integrate same with mobile and other online payments on the Registry's fees in the system; and
- Continue with the engagement initiatives with the RCFIs, Microfinance Institutions and other service providers for possible use of the Registry's services. The inclusion of these and other lending institutions in the system will allow easy access to finances using diverse movable assets as collateral.

The CBL's Registry System is largely web-based and offers remote access and offline version links that can facilitate system usage and conduct of training in remote areas.

Credit Reference System Project

During 2017 and 2018, the CBL embarked on enhancing and upgrading of the existing credit reference system into a robust and full-fledged credit reference bureau. This transformation of the credit reference system has been part of CBL's deliverable under both the Millennium Challenge Corporation (MCC) and the World Bank's Budget Support triggers.

The CBL has completed Phase 1, which involved the design and development of a functional model (i.e., a proof-of-concept) and is ready for deployment. However, to serve the public, the second and third phases of the project would need to be implemented. These phases are being reviewed by CBL and the deliverables affixed in the phases will require significant investment. The CBL will work with key stakeholders in the financial system, the Government and partners for possible funding and investment of the next phase of the project.

The establishment of a full-fledged credit reference system will further enhance transparency and plausible credit information for sound risk management and promote access to credit to the small, micro, and medium enterprises (SMMEs).

Money Laundering and Terrorist Financing (AML/CFT)

The CBL remains committed to strengthening the AML/CFT regime as well as ensuring compliance with regulations, policies guidelines stipulated in manuals of the financial sector. In this regard, the CBL shall:

- Issue the AML/CFT Risk Management Guideline for financial institutions to assist institutions in conducting a money laundering/ terrorist financing risk assessment;
- Issue the CBL's Sanctioning Regime Framework for Non-Compliance with AML/CFT Requirements. This framework will provide guidance to supervisors when determining the

sanction(s)/penalty(ies) to be imposed on an institution for breach of the AML/CFT and related regulations identified during onsite examinations;

- Issue the revised AML/CFT a step-by-step Supervision Manual for financial institutions which will provide guidance to supervisors during the conduct of an AML/CFT on-site examinations;
- Conduct risk-based off-site monitoring and onsite examination of Forex Bureaus in the Category A (specifically those involved with money remittances); and
- Continue the risk-based off-site monitoring and on-site examination of commercial banks, mobile money institutions and insurance companies.

Engagements with Regional and Continental Monetary Cooperation Programs

Pursuant to the decisions of the Authorities of Heads of State and Government of the Economic Community of West African States (ECOWAS) on the Revised Roadmap for a Single Currency Program for the region, the CBL will continue to engage and participate actively in the ECOWAS Monetary Cooperation Program (EMCP) activities, including meetings of regional economic institutions and other sister central banks to support implementation of the revised road map which includes: the development of the model for a common central bank; a common monetary policy framework; and the framework for a common exchange rate policy. At the same time, the CBL will continue to play an active role in the African Monetary Cooperation Program (AMCP) which seeks to achieve a single currency for Africa with a common central bank under the wider African Economic Integration Program.

To consolidate domestic support for the ECOWAS single currency, the CBL will continue consultation with all domestic stakeholders in 2021 to articulate Liberia's interest in the monetary cooperation program.

Efforts are being made by the CBL to ensure that its payment system infrastructure benefits from the two fronts approach: Connecting to the intra ECOWAS Payments & Settlement System and the Pan-African Payments & Settlement System, an inter-regional payment system platform for the continent. Connectivity to these payment system infrastructures will not only improve payment seamlessly across the region and continent on a real time basis, but also make the CBL comparable to central banks in other countries.

The CBL is one of the few beneficiaries of regional Member central banks expected to benefit from a funding source by a development partner on the Development of the Debts and Capital Market. The Debts and Capital Markets are nascent to financial engineering in the region.

As part of its external processes of enhancing staff capacity development, the CBL will be soliciting secondment program opportunities from regional economic institutions so that staff will obtain external exposure.

CBL's Internal Reform

Human Resource Management

In response to its many internal challenges, the CBL is actively involved with the automation of its Human Resource (HR) procedures to increase efficiency and transparency. Methodically, the CBL will continue to promote the continuous strengthening of the Bank's capacity in fulfillment of its mandate and promote transparency, fair and consistent performance management through the implementation of a revised structure and organogram. In achieving these goals, the Bank through the Human Resource Management Department in 2021 will:

- Digitize, automate and web-based all HR records and processes;
- Develop a robust capacity building strategy that responds to current and emerging organizational needs;
- Ensure value addition to training investment through performance and knowledge transfer; and
- Ensure transparent, fair and consistent performance evaluation.

Internal Audit

The internal audit process provides oversight to obtain reasonable assurance regarding management's assertions that control objectives are adhered to for effective and efficient operations, reliable financial information and compliance with laws and regulations.

In 2021, Internal Audit will provide management with reasonable assurance over controls established to mitigate risks associated with the processes in the achievement of the Bank's objectives. It will:

- Review compliance with laws and regulations and reporting requirements;
- Promote the safeguard and control of assets;
- Perform internal audit reviews to assist management in maintaining a system of internal control as a fundamental requirement for the integrity of operational and financial results;

- Review and evaluate systems of internal control to ensure adequate monitoring of financial and operational information;
- Monitor compliance with the CBL policies and procedures;
- Monitor controls that are set in place over key financial and operational information to ensure completeness, accuracy, and validity; and
- Monitor CBL's organizational structure and control environment to ensure appropriate division of responsibility and delegation of authority.

Legal Activities

The Legal Department will continue to review and amend existing Acts of the CBL in fulfilment of its mandates and represent the CBL in litigation involving the Bank locally and internationally. The following activities will be undertaken in 2021:

- The Legal Department, in conjunction with the Payment Systems Department will further review the draft Amended Payment Systems Act, which has been submitted to the Legislature for passage;
- Continue to work on the amendment of existing legal and regulatory frameworks of the CBL and the Financial Sector to align same with international best practices;
- The Bank's Legal Department will ensure that outstanding labor matters for and against the CBL are settled or otherwise resolved;
- The full completion of the liquidation process of failed banks; and work with the Government regarding the status of government-owned banks (i.e., National Housing and Savings Bank and Agricultural Cooperative Development Bank); and
- Work with Regulation and Supervision Department to complete the draft of the New Financial Institution Act that is being reviewed for possible amendment.

Appendix

Key Policy Decisions: 2020

In keeping with its mandate of oversight and approval of policies and procedures for the CBL to achieve its objectives, as enshrined in Section 2.1 of its Charter, the Board took the following policy decisions in 2020:

- Approved a proposal for the construction of four regional cash hubs in strategic locations in the country to promptly respond to the cash needs of the public in remote locations as well as ensuring the availability of liquidity in rural Liberia;
- Approved series of monetary policy decisions aimed at stabilizing the exchange rate and lowering inflation in the economy (see bullet bullet).
 - First MPC Meeting-2020:
 - i. The Board maintained the Monetary Policy Rate (MPR) at 30.0 percent. The decision to maintain the policy rate was intended to increase subscriptions and moderate inflation;
 - ii. The Board consented to the continuity in the issuance of shorter tenors (2 weeks, 1 month and 3 months);
 - iii. The suspension of the Remittance Split Policy (RSP) for the next quarter; and
 - iv. The sensitization campaign on electronic payments, including mobile money.
 - Second MPC Meeting-2020:
 - i. The Board reduced the MPR by 500 basis points to 25 percent;
 - ii. Maintained the continuity in the issuance of shorter tenors;
 - iii. Maintained the suspension of the Remittance Split Policy (MSP); and
 - iv. Continued the sensitization campaign on electronic payments, including mobile money.
 - Third MPC Meeting-2020:
 - i. The Board maintained the MPR at 25 percent;
 - ii. Urged Management to design policy to deepen financial intermediation.
 - Fourth MPAC Meeting-2020:
 - i. The Board retained the MPR at 25.0 percent;
 - ii. The Board encouraged commercial banks to restructure loans (especially performing loans prior to COVID-19).

- Approved a request from the Management of CBL for the printing of L\$4.0 billion (additional Liberian dollar banknotes) to ease the liquidity pressure in the economy, especially for the July 26, 2020 festivity.

Draft Regulations Concerning the Licensing and Operations of Discount House

The regulation, which was proposed by the Financial Markets Department, is intended to promote growth and efficiency of the money market in Liberia and to serve as a legal instrument between the CBL and the licensed financial institutions in the open market operations (OMO) and other eligible money market securities.

Amended Draft Regulations Concerning Non-Bank Credit Only Institutions & Amended Draft Prudential Regulations Regarding Microfinance Sector Loans

The Regulation and Supervision Department sought the Financial Stability Committee (FSC) endorsement for the issuance of the two amended regulations- the Draft Non-Bank Credit Only Regulations and Part II of the Asset Classification, Provisions for Loan Losses and Suspension of Interest on Non-Performing Loans and Advances which covers Prudential regulations regarding microfinance sector loan. The objective of the review and amendment was to consolidate the existing regulations where necessary, align usage of terminology, unify approach to regulations and introduce tier risk-based approach in the provision of microfinance services as well as new capital requirements for non-bank credit institutions.

Agreement between the National Identification Registry (NIR) and the CBL

An MoU between the CBL and the National Identification Registry (NIR) was drafted for the CBL and commercial banks to access the database of the NIR, mainly to perform credit checks on prospective borrowers. The FSC reviewed the draft agreement and made several amendments and recommendations on the draft document.

Proposal for Adjustment in Annual Operating Levy

The Regulation and Supervision Department developed a paper proposing a two-pronged approach for the determination of the annual operating levy for banks, considering the size and complexity of each licensed bank and the cost of regulating and supervision of banks and their branches.

Amended Regulation No. CBL/RSD/004/2020 Concerning Consumer Protection and Market Conduct in Liberia- This Regulation was issued on January 8, 2020 revising Regulation No. CBL/RSD/004/2017. *Key amendments-* expansion of the scope of the regulation to include all licensed financial institutions and not only banks as provided in the previous regulation. It was also amended to include digital credit to enhance digital financial services and to introduce a Truth in lending/truth in savings forms for further disclosure;

Amended Regulation No. CBL/RSD/005/2020 Concerning Regulations for Micro Finance Deposit Taking Institutions (MDIs)- This Regulation was issued on January 8, 2020 revising Regulation No. CBL/RSD/004/2012. *Key amendments-* to increase the maximum amount of loan to be granted from US\$7,000 to US\$50,000.00 or 5.0 percent of the total net worth of MDI and to expand the permissible activities of MDIs;

Amended Regulation No. CBL/RSD/006/2020 Concerning Regulations for Rural Community Finance Institutions (RCFLs) - This Regulation was issued on January 8, 2020 revising Regulation No. CBL/RSD/002/2016. *Key amendments-* to categorize RCFIs into two different tiers based on their capital requirements, saving limits and the permissible activities;

Regulations No. CBL/RSD/003/2020 Concerning Licensing & Operations of Electronic payment (E-Payment) Services in Liberia. *Key amendments-* provide a regulatory framework to license and supervise Providers and Operators of e-payment schemes and promote financial inclusion without risking the safety and soundness of the financial system and address issues that though peculiar to payments system in general, may be amplified using electronic media;

Amended Regulation No. CBL/RSD/005/2020 for the Licensing and Supervision of Foreign Exchange Bureaux- This Regulation was gazetted on January 8, 2020 revising Regulation No. CBL/RSD/002/2011. *Key amendment-* to incorporate and formalize the operations of small Liberian foreign exchange operators who are categorized as Category “C” foreign exchange operators, and to ensure order in the conduct of the foreign exchange market. This Regulation was gazetted, pending issuance;

Directive No. CBL/RSD/DIR/005/2020 Lifting of Moratorium on Rules on Asset Classification and Provisioning. The Directive lifted the moratorium on the temporary suspension of the rules on asset classification and provisioning on loans extended to the aviation, hospitality, tourism, agriculture subsectors as well as small and medium businesses that was introduced by the CBL as part of its policy response to ease the impact of the COVID-19 on the Liberian economy; and

CBL Directive Concerning No Objection of Fees, Charges and Commission of Financial services or Products issued September 17, 2020. This directive is intended to promote transparency in the pricing of financial services and products, which directs all financial institutions wishing to introduce new charges, fees and/or commissions on any financial service or product, to seek a ‘No Objection’ from the CBL.