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TOPICS CARRIED IN THIS EDITION

GOVERNOR'S FOREWORD:

INCLUSIVE ECONOMIC GROWTH THROUGH

Within the last three years, the CBL, through its collaboration with commercial banks and non-bank financial institutions including credit unions, microfinance institutions and village savings loans association, has been working to build an inclusive financial system. This will help create a broad-based sustained economic growth and accelerate the development of the Liberian economy.

The financial inclusion focus of the CBL is in support of the Government's medium-term development agenda for economic transformation, a critical first step towards achieving the country's goal of becoming a middle income country by 2030.

To accelerate the process of economic transformation, we will require a greater use of national resources for agro-industrial development with emphasis on the promotion of value-chain production. The private sector has to scale up its activities from being mainly importers of goods and services to redirecting resources to domestic manufacturing and value-added business activities. This needs to be encouraged by public policy. Also, collaboration between local businesses and foreign investors is highly important, including giving Liberian entrepreneurs opportunities to obtain contracts to provide goods and services that may be needed by large foreign investors.

Over the medium term, the vision of the CBL is to produce a significantly changed landscape of the financial sector, one that is stronger, vibrant, stable and more capable of being in the vanguard of supporting broad-based economic growth and development.

The past few years have been a period of economic progress, but there is a need for additional efforts towards the creation of a more enabling environment for

Dr. J. Mills Jones
Executive Governor

enhancing Liberian entrepreneurship and for the growth and development of the Liberian economy. There can be no argument that development does not just happen. It requires the will to make it happen and the people who care enough to make it happen. Moreover, fighting poverty by creating wealth and building a more inclusive society holds the key to economic stability and creating a nation that is at peace with itself.

Inclusive economic growth and development should be our priority. The CBL remains committed to being an active player in such an endeavor.

EXCHANGE RATE DEVELOPMENTS

The average Liberian-US dollar exchange rate in the 6-month period to June ending 2013 depreciated by 3.5 to L$76.54/US$1, fromL$73.96/ US$1 at end-January. Similarly, the Liberian dollar end-of-period exchange rate relative to the

US dollar weakened by 2.7 percent to L$76.50/ US$1, from L$74.50/US$1.00 for the same period. Compared with June ending of 2012, the average and end-of-period exchange rates depreciated by 1.3 percent and 2.7 percent, respectively.

The structure of the economy (i.e., highly import -dependent and still reliant on the traditional enclave sector comprising mainly iron ore, rubber and timber) makes the economy vulnerable to external shocks which has implication for the stability of the exchange rate coupled with rising foreign exchange demand over limited supply accruing to the economy. The slow recovery of the global economy has fed into weak external demand for primary commodity exports from the developing countries. This has, in turn, led to falling prices of Liberia's major exports, iron ore, timber and rubber, which largely translates into reduction in foreign exchange earnings by the economy. Over the short- to medium-term as the CBL remains committed to ensuring broad exchange rate stability, the is a need for concrete measurable actions by the Government to reposition the economy away from being largely reliant on imports to being producers and suppliers of goods for domestic market and exports; thus, helping to significantly reduce the outflows of foreign exchange from the economy, especially those arising from rice, fish, and poultry imports.

It is also important to note that whereas trade with North America and Europe is usually done through the banking system, most trade with Asia, our major trading partner currently, is primarily done on a basis of cash with individuals travelling with physical cash. This development is exerting enormous demand for foreign exchange which is resulting into the build-up of pressure on the Liberia dollar.

A review of currencies movement across countries within the West African Monetary Zone (WAMZ) relative to the US dollar shows a were mixed performance. For the period January ending to end-June, 2013, the Ghanaian Cedi depreciated by 4.7 percent, followed by The Gambian Dalasi, 4.0 percent; the CFA Franc and Cape Verdean Escudo, by about 3.9 percent; the Liberian dollar, by 2.7 percent; and the Guinea Franc, by 2.3 percent. On the other hand, the Nigerian Naira and the Sierra Leonean Leone remained relatively stable during the period (Table 1).

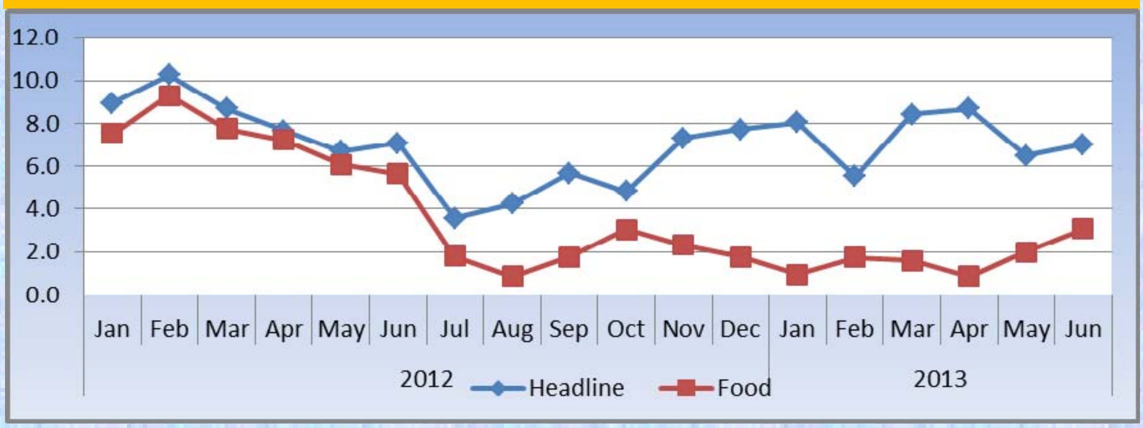
Table 1: Comparative Analysis of WAMZ Countries Currencies with the US Dollar (June, 2012—June, 2013)

Movements in Currencies of ECOWAS Sub-Region				
CURRENCY	**Jun-12**	**Jan-13**	**Jun-13**	**Rate of Change (Jan-Jun, 2013)**
FCFA	528.23	484.42	503.34	**3.90**
Escudo	88.80	81.43	84.61	**3.91**
Dalasi	30.75	34.17	35.53	**4.0**
Cedi	1.90	1.90	1.99	**4.7**
GNF	6,999.58	6,944.65	6,783.27	**2.3**
Liberian Dollar	75.00	74.50	76.50	**2.7**
Naira	155.41	155.24	155.25	**0.0**
Leone	4,328.23	4,325.90	4,328.61	**0.0**

INFLATION REMAINS IN SINGLE DIGIT

Inflationary pressure moderated and remained in single digit at end-June, 2013; mainly driven by a reduction in food and transport inflation. Inflation stood at a 7.0 percent at end-June, 2013,down from 7.8 percent at end-June, 2012. Food prices remain largely stabilized at around 11.0 percent while transport inflation fell markedly to 0.3 percent, from 1.2 percent during the review period. However, an upward trend into the higher single-digit range has begun showing since the last quarter of 2012, occasioned mainly by movements in the world price of oil and low domestic production of food.

Inflation from January, 2012 to June, 2013 (December 2005=100)



A comparison of inflation rates within selected countries of the West African Monetary Zone (WAMZ) at end-June, 2013, shows Sierra Leone with 10.8 percent; Ghana, 11.2 percent; Nigeria, 8.4 percent; Liberia, 7.0 percent and The Gambia, 4.0 percent.

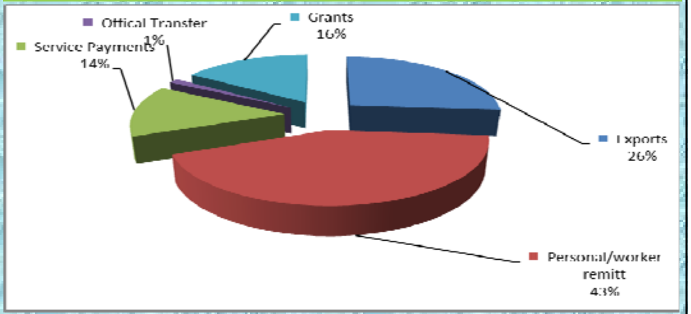
In terms of inflation outlook, the realization of a single digit inflation during the last half of 2013 will depend largely on movements in global food and fuel prices, the Liberian-US dollar exchange rate, and domestic production of key food items including rice, cassava, and fish.

INWARD REMITTANCES SLOWDOWN

Inward remittances during the first half of 2013 amounted to US$393.0 million, reflecting a decline of 42.5 percent over US$683.7 in the preceding 6-month period. The slump was predominantly occasioned by a 44.1 percent fall in workers' remittance inflows on the back of slow recovery of the US economy as stronger fiscal contraction weighed on improving private demand (WEO Update July 9, 2013). On a year-on-year basis, total inflows also fell by 44.2 percent, from US$704.5 million. For the reporting period, workers' remittance inflows account for the largest share followed by export receipt (see Chart below).

On the other hand, outward remittances for review period remained relatively stable (only increasing in the margin by 0.3 percent) to US$584.4 million, from US$582.9 million for the second of 2012.

Percentage Distribution of Inward Remittances
1st Half of 2013
(In Millions of US$)



GLOBAL COMMODITY PRICE DECLINING: IMPLICATIONS FOR LIBERIA'S GROWTH PROJECTIONS

Over the period, 2012 to 2015, real GDP growth of the Liberian economy is expected to average 7.4 percent. However, the declining trend in the global prices of commodities present a risk to this steady projected growth outlook that assumes strong export performance driven mainly by iron ore, rubber, and timber exports. It is important to note that such projections are subject to the behavior of demand for and prices of Liberia's primary commodity exports on the global market and key supportive domestic policy actions including the provision of relatively cheap electricity supply, improved road network, sea and air ports.

However, for the first half of 2013, rubber and iron prices were on the decline, falling by 7.5 percent and 7.4 percent at end-June 2013, respectively. Though export receipts during the second quarter expanded by 34.4 percent over the previous quarter, the rise was on account of increased export volume arising from build-up of inventory. With global commodity demand, especially from emerging market economies (mainly China) still on the downward trend, the declining trends of iron ore and rubber prices may continue to persist at the moment. This development has adverse implications for domestic rubber and iron production as well as the country's growth outlook.

Subsequently, further declines in export receipts, combined with increasing demand for imports do have the potential of exerting upward pressure on the Liberian dollar, which would translate into higher inflation.

GOVERNMENT OF LIBERIA'S T-BILLS PROGRAM BEGINS

For the first time in the history of Liberia's financial system, the CBL, on Thursday, May 2, 2013,on behalf of the Government of Liberia, commenced the Government of Liberia Treasury bills (T-bills) Program. The 91-day T-bills Program is held on the first Thursday of every month. The amount offered during the launch of the Program was L$149.0 million, which was overly subscribed. The outcome from the bidding process yielded a lowest interest bid rate of 1.09 percent and the highest bid rate of 5.0 percent. The market-determined interest rate was 3.0 percent and the percentage allocated at the market rate was 48.89 percent. The weighted average discount rate and the average effective yield was 2.19 percent and 2.22 percent, respectively. The maturity date for the May 2, 2013 Auction is August 1, 2013.

Similarly, the second T-bills auction took place on June 6, 2013 with maturity date set at September 5, 2013. The amount of L$228.0 million was auctioned for which the lowest and highest interest bid rates were 1.75 percent and 4.5 percent, respectively. The market interest rate was 2.95 percent and the percentage allocated at the market rate was 57.2 percent. The weighted average discount rate and the average effective yield was 2.31 percent and 2.34 percent, respectively.

Treasury bills are short-term marketable debt instruments of the Government and are widely regarded to be the safest investment instrument. The T-bills are issued through a competitive bidding process at a discount from par, which means rather than paying fixed interest payments like conventional bonds, the appreciation of the bond provides return to the holder.

The start of the T-bills program is a step forward in the development of the money market; means through which the Government of Liberia can now raise funds needed to finance its short-term operating and cash management needs and also provides an additional instrument to the CBL for liquidity management. That, it has enabled the CBL to fulfill one of its major functions of issuing government securities to finance its operations to private sector through a transparent and equitable manner as well as supporting the implementation of monetary policy.

It is expected that the successful launching of the Treasury bill program will bring serendipitous benefits. Not only does the CBL have an additional monetary policy tool to regulate liquidity, secondary financial market type transactions are certain to evolve. The existence of an efficient market for Government securities will help to facilitate the successful development of a capital market.

CBL PROVIDING FINANCIAL INCLUSIVE ECONOMIC EMPOWERMENT FOR LOW-INCOME EARNERS

The CBL, in its drive to promote financial inclusion through its Loan Extension Availability Facility (LEAF), on Thursday, January 31, 2013 in Ganta, Nimba County, awarded over L$118.0 million to 262 non-bank financial service providers, including microfinance institutions, credit unions, village saving and loan associations (VSLA) and other financial self-help groups across Liberia. The LEAF program provides access to finance for low income and poor people particularly in the rural area, where there is little or no financial services. The award program was attended by over 300 persons from the 15 counties, including members of the Board of Governors of the CBL, some members of the Legislature, other officials of Government, and the superintendent of Nimba County. In his address, the Executive Governor of the CBL, Dr. J. Mills Jones, re-affirmed the Bank's commitment to addressing the challenges posed by inadequate access to financial services in the country.

In this regard, several mass-based self-help groups and trade organizations have begun holding discussions with the CBL on how they can access finance. In view of this and in line with its mandate to accelerating all inclusive growth and sustained economic development, the CBL, has assisted these groups in organizing themselves into financial credit unions. Among the groups involved are:

1. Liberian United for Sustainable Development (LUSD) Credit Union
2. Liberian Marketing Association (LMA) Credit Union
3. Liberia nation Tailor, Textile, Garment Allied Workers Union (LNTTGAWU) Credit union
4. National Petty Traders Union (NAPETU) Credit Union
5. Genuine Transport Union (GTU) Credit Union
6. Liberia Furniture and Carpentry Development (LFCD) Credit Union

Two capacity building training workshops were held for the groups on the fundamentals of credit union operations and management of credit unions. Additionally, during the second round of LEAF, 4 of these self-help groups were awarded loans to enable them provide business loans and encourage savings among their members.

Also, the CBL, in collaboration with international partners, continued to implement activities towards strengthening the Liberia Credit Union National Association (LCUNA) and improve Credit Unions operations in Liberia. On January 4, 2013, a 1-day workshop was held at the Market Place Conference Center on the fundamentals of Credit Union Operations. Additionally, a consultant from the Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) carried out a 3-month assignment to standardize Credit Union By-Laws, Policies and Procedures, and finalize the draft of Credit Unions Foundations and West African Credit Unions against Poverty to determine the capacity building and technical assistance needs the project can offer LCUNA and personnel.

Also, in partnership with LCUNA, the CBL carried out an assessment of credit unions across the country for purposes of identification, data collection and database management. Activities to update the National Strategy for Financial Inclusion began with a knowledge exchange visit to the Central Bank of Nigeria. A National Baseline Survey to collect financial inclusion data is currently underway. The project is being funded by the Alliance for Financial Inclusion (AFI). It is important to note that CBL's leadership role in the activities of LCUNA has led to the award of a grant of US$2.5 million over a 5-year period from the UN Capital Development Fund Microlead Program to LCUNA, which is being implemented by the World Council of Credit Union. This process is currently underway and 4 regional credit unions are being established in Liberia.

FINANCIAL INCLUSION NATIONAL BASELINE SURVEY CONDUCTED IN THE 15 COUNTIES: MICROFINANCE INSTITUTIONS (MFIs) GET CAPACITY BUILDING BOOST FROM THE CBL

In June 2013, the CBL completed a Financial Inclusion National Baseline Survey. The 4-month survey commenced in March 2013 and covered all 15 counties. It was implemented by Top Consulting Incorporated, a local consulting firm. Thirty interns were recruited from the major universities, trained in field data collection and contracted to work as enumerators on the National Baseline Survey. Close to 6,000 interviews were conducted over the 4-month period and a team of data analysts are now in the process of compiling and analyzing the data in the financial inclusion data center. Also, a 1-day workshop was held for MFIs. The workshop was intended to refresh MFIs in the compilation and submission of reports/ returns. A total of 33 MFIs' staff attended the workshop.

CBL RECEIVES A "NO OBJECTION" FROM AfDB TO COMMENCE THE PAYMENTS SYSTEM PROJECT

Following the submission of the evaluation report on the bids for the infrastructure upgrade of the Payment System Development Project in Liberia, the CBL received a "No Objection" from the AfDB to proceed with contract negotiation for the infrastructure upgrade of the payments system project. Two companies were recommended as the best evaluated entities: 1) Resourcery PLC, winning two of the three lots; lot 1: Procurement for Network Upgrade and Reconfiguration, and Lot 3: Procurement for IT Rooms and Energy Upgrade; and 2) Unique Solution, won lot 2: Procurement of Internet and metropolitan Area Network (MAN).

A three-man Project Implementation Team from the Central Bank of Liberia represented the Bank at a contract negotiation meetings held with vendors in Accra, Ghana. As a result of the discussions held during the meetings, the final negotiated contract agreement was signed on March 21, 2013 between WAMI (the implementing institution of the payments system project within the WAMZ on behalf of the AfDB) and the respective vendors.

The primary goal of the infrastructure upgrade of the Payment System Development Project in is to provide efficient, reliable, secure, and cost-effective use of shared networks of ATMs and POS terminals as well as interbank electronic funds transfers and clearing services within the Liberian banking industry in line with international standards.

NATIONAL PAYMENTS SYSTEM PROJECT GETS UNDERWAY

Following a prolonged period of delays in the Payments System Development Project, actual implementation of the Project officially kicked-off in Monrovia on June 10, 2013. The start of the project was marked by an indoor ceremony and a visit to each commercial bank to meet with members of their Project Implementation Team (PIT).

In attendance at the kick-off ceremony were top officials of the CBL, the West African Monetary Institute (WAMI), the commercial banks, members of the National Payments System Committee, the 2 solution providers (i.e. contractors) for the Infrastructure Upgrade (Unique Solutions and Resourcery Plc.), and BFI (ACP/ACH Solution Provider).

The opening session for the implementation of the Payments System brought a re-awakening of the expected economic benefits of the project to the CBL, the commercial banks, and the entire economy. The modernization of the payments system in the country has long been the aspiration of all the banks as it will help the banks to provide more efficient electronic banking services to their customers which will help reduce the high volume of cash transactions in the Liberian economy.

The actual implementation of the project commenced with infrastructure upgrade which includes Network upgrade and reconfiguration, the building of the Internet and Metropolitan Area Network (MAN) and IT Room and Energy Upgrade at the Primary and Disaster Recovery sites, which are expected to be completed by October 2013. This will be followed by the implementation of various electronic processing systems including the Real time Gross Settlement System (RTGS), the Automated Clearing House (ACH) and Automated Check Processing (ACP) systems, and the Core Banking Application (CBA).

SEVERAL ACTS COVERING ANTI MONEY LAUNDERING AND OTHER RELATED OFFENCES PASSED INTO LAW BY THE NATIONAL LEGISLATURE

The CBL, along with the Government's Technical Committee, has secured the passage into law through the National Legislature seven Acts covering Anti Money Laundering and other related offences. The composition of the various Acts include the Remedies for Proceeds of Crime Act, 2012; the Financial Intelligence Unit Act, 2012; the Distribution of United Nations List of Terrorists and Terrorists Group Act, 2012; the Fraud Act, 2012; the Anti Money Laundering and Terrorist Financing Act, 2012; the Extortion, Environmental Crime, and Illicit Trafficking in Human Beings and Migrant Smuggling Act, 2012; and the Mutual Legal Assistance in Criminal Matters Act, 2012.

These laws have been passed into law to address deficiencies highlighted during the mutual evaluation undertaken by the Intergovernmental Action Group against Money Laundering and Terrorist Financing (GIABA -ECOWAS) in 2010 on Liberia's legal framework regarding economic transactions.

In the wake of the CBL's determination to improve the Liberian economy in general, and at the same time create a sound and enabling environment for all economic actors, the CBL is currently working on other landmarked legal instruments, including:

- The Insurance Act
- The Payments System Act and
- The Capital Market Act

Additionally, the CBL's focus on economic growth vis-à-vis the role of the financial system remains overriding. In pursuit of this objective, the CBL has also concluded several legal documents governing placements in commercial banks, intended to provide uncompromised access to credit so as to achieve a sustained, orderly, and balanced inclusive economic growth and development.

THE BANKING SECTOR CONTINUES TO GROW

The Liberian banking sector continues to play significant role in the national development process in terms of size and its attending implications for competition and access to finance from banks, the establishment of specialized banks, and the modernization, processes and kinds of banking services they provide to customers.

Given that the banking sector is one of the backbones of the Liberian economy and plays an important role in financial intermediation, its vibrancy is, therefore, very critical to the health of the economy at large.

In continuation of recent trends, the banking sector, for the first half of 2013, recorded steady growth in key balance sheet and financial indicators. Total deposits rose by 15.26 percent; loans by 21.31 percent; and assets by 15.26 percent; compared with 12.82 percent, 28.15 percent, and 7.23 percent, respectively, for the same period a year ago. Similarly, the banking industry Capital Adequacy Ratio (CAR) for the first half of 2013 was 25.0 percent, compared with 20.8 percent and 22.4 percent for the first half of 2012. The level of non-performing loans (NPLs) in the sector, though still high, has also shown some improvements at 18.8 percent for the first half of 2013, compared to 19.6 percent and 24.9 percent for the first half of 2012 and December 2012, respectively.

It is important to note that credit to the private sector as a ratio of GDP has risen to around 16.0 percent at end-June 2013, from 14.2 percent a year ago. This shows the significance of banking sector contribution to the growth of the economy; due, in part, to CBL's credit stimulus initiatives.

SUPERVISORY COOPERATION WITH CBN TAKES ANOTHER STEP FORWARD: ANOTHER PAIR OF JOINT EXAMINATIONS TAKES PLACE

Pursuant to the 2009 Memorandum of Understanding between the Central Bank of Liberia (CBL) and the Central Bank of Nigeria (CBN) and in keeping with the Charter of the College of Supervisors of the West African Monetary Zone (CSWAMZ), a joint examination team from the CBL and the CBN conducted joint examinations of two subsidiaries of Nigerian banks operating in Liberia. Banks examined are the United Bank for Africa Liberia Limited (UBAL) and the Global Bank Liberia Limited (GBLL).

The joint examination is one of the many initiatives of the WAMZ countries intended to foster effective supervision, monitoring and harmonization of financial legislations and regulatory practices across the region. The joint examinations, which were risk-focused, lasted for two weeks each and were focused on key risks areas such as market risk, operational risk, credit risk, interest rate risk, internal controls, among others. The exercise has been very useful in promoting financial stability in the Zone as well as in cultivating knowledge and experience sharing among supervisors across the Zone.

MONETARY POLICY AND THE ROLE OF THE CENTRAL BANK IN STIMULATING ECONOMIC GROWTH

In the wake of the ongoing national debate on the legality of the CBL's Economic Stimulus Initiatives, it behooves the CBL to provide further clarity for the public on the role of the Bank in conducting monetary policy as per the power and authority given it as contained in the 1999 Act creating the institution and in strict compliance with internationally accepted central banking practice.

As provided for under **Part III, Section 5 of the CBL Act of 1999**, the principal monetary policy objective to be pursued by the Bank is to achieve and maintain price stability in the Liberian economy for which the formulation and implementation of monetary policy exclusively lies with the Central Bank. This is the standard and legal central banking practice in the sub-region and the world over.

Towards the achievement of their mandate, central banks design and pursue policies deemed appropriate as dictated by the prevailing conditions in the macroeconomy. Exclusive control over a country's money supply, including the printing and minting of new currency banknotes and coins, is part of a central bank's functions in the conduct of monetary policy. The conduct of monetary policy in Liberia is along the same path and though constrained by limited policy tools, the CBL has fostered the achievement and maintenance of price stability while remaining supportive of the national economic transformation agenda. Over the last few years, inflationary pressure has remained largely contained, with Liberia recording single-digit inflation and better real GDP growth performance compared with countries in the sub-region.

Consistent with the spirit and intent of the law (the CBL 1999 Act and Article 34, section D, sub-section H of the 1986 Constitution) the CBL has the legal right and authority to print/mint currency and coins and issue or authorize their issuance.

As per the 1999 Act, the CBL has general corporate powers, among others, to stimulate economic growth through the use of monetary instruments, and devise and pursue policies designed to foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development. While the CBL does not have goal independence, that is, the ability to change its statutory mandate, the CBL has instrument independence. This means, towards the achievement of price stability, the Bank has the discretionary power to decide the mix of policy tools to use depending on the specific circumstances in the economy.

Furthermore, the constitutional entrenchment of central bank independence and macroeconomic performance, especially inflation performance, has been proven to be highly correlated, with several empirical findings recommending that countries should consider enhancing the credibility and goal-performance of their monetary authorities by increasing constitutional independence.

Under a bridge-financing approach, facilitated through the formal banking system, loans extended under the program are channeled through commercial banks with the interest rate cap of 8.0 percent, with most businesses obtaining credit at as low as 6 percent. Targeted towards Liberian-owned SMEs with huge potential for job-creation and poverty reduction, the Loan Extension Assistance Facility (LEAF) for micro-finance institutions, credit unions and Village Savings& Loans Associations (VSLA) was launched in 2010. This is in accordance with the objectives set forth in the Liberia Financial Inclusion Strategy and the CBL's objective of ensuring that financial services are brought to all. Also, as contained in the Agenda for Transformation under the Private Sector Development pillar, the lack of affordable credit to Liberian-owned SMEs was identified as a major constraint.

While the CBL management simply sees the ongoing debate as a platform to further educate the Liberian populace on the changing dynamics of central banking and the need for more autonomy in the formulation and conduct of monetary policy, it must be made clear that the power and authority to formulate and implement monetary policy, including the printing and minting of currency and coins and decisions on how and by what means economic growth can be stimulated through monetary instruments, lie with the CBL.

CBL TAKES FURTHER ACTIONS TO ADDRESS THE ISSUE OF DELINQUENT LOANS IN THE BANKING SECTOR

In a continuing effort to address the problem of delinquent loans in the banking sector, a process which took on a greater intensity in mid 2012, the CBL during the first half of 2013 issued a directive, **CBL/RSD/DIR/002/2013**, to all commercial banks that details specific instructions on how banks are expected to conduct business with individuals and institutions who have current or relatively recent bad loans with the commercial banking sector.

It can be recalled that the CBL, on August 7 2012, issued an official public announcement urging all existing delinquent borrowers with loan obligations that were past due for 180 days or more, as defined by CBL Prudential Regulation No. **CBL/SD/004/2010**, to immediately contact banks that they are delinquent to in order to reach an agreement on the servicing of their obligations. The CBL granted a dispensation on the full payment of all accrued delinquent interests, as required by Section 3.15 of Prudential Regulation **# CBL/SD/007/2011**, as a means of helping delinquent borrowers to establish a new debt servicing arrangement within the stipulated timeframe, which was a thirty (30) day period, that expired on September 22, 2012, to take advantage of this offer. Delinquent borrowers failing to comply with this dispensation where then warned of further actions from the CBL.

This new directive, therefore, is in fulfillment of that earlier warning to non-compliant delinquent borrowers. Specifically, it requires, among other things, that all commercial banks, as well as all other financial institutions regulated by the CBL, desist from doing business in any form or manner in the course of their operations. Activities that delinquent borrowers are prohibited from engaging in including making payments, maintaining existing accounts or operating new accounts, on behalf of, or with individuals or institutions who failed to take advantage of the dispensation granted by the CBL to come to understanding on new debt-servicing arrangements of their obligations to their respective banks.

Additionally, because they allowed their loans to reach non-performing status and failed to take advantage of their CBL's dispensation, non-compliant delinquent borrowers who subsequently pay off or restructure their facilities as a result of being affected by this new directive, would be subject to further restrictions. These additional restrictions, which would be in place for a period of six months to a year, depending on the particular circumstances, include: limited access to banking services, specifically, transfer and payment services, only for the purpose of servicing their delinquent obligations and full access to banking services, but limited access to new credit, subject to series of conditions.

CBL UPDATES ITS SUPERVISORY CAPABILITIES: PARTICIPATES IN INTERNATIONAL SUPERVISORY FORA

The CBL, during the first half of the year, participated in major international supervisory for a, including the 11th Meeting of the College of Supervisors of the West African Monetary Zone (CSWAMZ); the 8th High Level Meeting on Financial Sector Supervision; the 5th Meeting of the Consumer Empowerment and Market Conduct (CEMC) Working Group; and the 12th Meeting of the CSWAMZ.

The 11th Meeting of the CSWAMZ highlighted preparation of the June 2012 edition of the zonal financial stability report; update on the action plan for the implementation of Risk Based Supervision (RBS), Basel II and IFRS; supervisory concerns across banks in member countries of the WAMZ, update on joint examination exercise; revised framework for information sharing; AML/CFT, guidelines for the supervision and regulation of microfinance institutions (MFIs); implementation of e-FASS/V-RegCoSS and challenges facing the financial landscape. Knowledge transfer, capacity building and harmonization of supervisory processes were also discussed.

The 8th High Level Meeting was held in Cape Town, South Africa, from January 24-25, 2013 The meeting, which was attended by participating central banks from across sub-Saharan Africa and other countries from outside the continent, deliberated on Banking Supervision in a Challenging Economic Environment; Basel Committee Work on Consistent Implementation of Basel III; Recovery and Resolution Plans; Developments in Systemic Risk Assessment; Consolidated Supervision; Current Activities of Supervisors in the African Region; and Supporting Financial Inclusion within Supervisory Frameworks, among others.

The 5th meeting of Consumer Empowerment and Market Conduct (CEMC) Working Group of the Alliance for Financial Inclusion (AFI) was held in Lima, Peru, from March 19 -21, 2013, and the CBL was represented by the Director of RSD, who is presently the Chairperson of the Help and Redress sub-Working Group, one of the sub-working groups of the CEMC. The CBL continues to play an active role in AFI, which is presently the most effective and prominent advocate for financial inclusion worldwide. AFI currently has 100 institutions from 83 countries, including Liberia, represented in the Alliance. This level of active participation by the Central Bank of Liberia in AFI is an indication of its commitment to the objective of promoting financial inclusion.

At the meeting of the CEMC, the working group finalized four guidelines covering the consumer protection issues such as sales and marketing practices; help and redress mechanism; disclosure and transparency practices; and financial literacy and education. These guidelines, which are expected to be issued by end-April, 2013, will provide guidance to member countries in developing effective consumer protection frameworks for their financial system. Additionally, during the recent meeting, the working group set out the following goals for 2013:

- To promote the adoption of evidence-based policy and regulatory solutions for empowerment and protection of financial consumers, which is also correlated with improving access to finance and the quality of financial inclusion;
- To develop a set of core principles for financial consumer empowerment and protection policymaking; and
- To support the design and validation of tools for policy analysis (e.g. diagnostic and demand side assessment tools) and policymaking (e.g. framework of minimum standards) for use by working group member countries.

The CBL attended the 12th meeting of the College of Bank Supervisors of the West African Monetary Zone was held in Accra, Ghana, from April 29 to May 1, 2013. Issues discussed at the meeting included the finalization of the December 2012 Edition of the zonal Financial Stability Report (FSR); countries' action plans for the implementation of RBS, Basel II and IFRS; 2013 Joint Examination Exercise with Central Bank of Nigeria (CBN); update on the Implementation of the Vaultech Regulatory Compliance and Surveillance System (V-RegCoSS); bilateral Memoranda of Understanding (MoUs) between Commission Bancaire and Member Countries of the WAMZ; developments in the banking sector of member countries; presentation by WAMI on the Revised Basel Core Principles (BCPs) and its implication for Banking Supervision in the Zone; Bank of Ghana's experience in undertaking self-assessments of compliance with the BCPs; and Central Bank of Nigeria's presentation on the "Elements of the Regional Crisis Resolution Framework."

Like previous meetings, this gathering provided an opportunity to the CBL's staff to collaborate with experienced peer-level authorities from around the region to gain practical experience related to supervisory tools and processes and to explore ways to integrate these practices into our operations; exchange ideas on current trends in regulation and supervision; discuss the range of tools and operations available to regulators in managing the banking sector in a safe and sound manner; learn from country-specific experiences on how to resolve challenges related to the banking sector; and build connections with other regional regulatory, compliance and enforcement institutions.

CAPACITY BUILDING REMAINS PARAMOUNT AT THE CBL

The CBL recognizes that well-trained, qualified and forward looking employees are key determinants of the CBL's success and are critical to the achievement of the bank's role in the macroeconomic management of the Liberian economy. In this direction, 5 newly recruited staff of the Regulation and Supervision Department (RSD) participated in a 2-week Regional Course on Foundation Banking Supervision, sponsored by the West African Institute for Financial and Economic Management (WAIFEM) in Lagos, Nigeria. The curriculum of the course included: the Role of Central Bank and Deposit Money Banks; The Impact of Bank Failure; Concept of Bank Examination; Basic Bank Accounting; Internal Control Measures; among others. Also, 4 staff of the RSD successfully completed Diets 1 and 2 of the Specialized Bank Examiner training program and 2 staff underwent training in International Financial Reporting Standards (IFRS) at the Central Bank of Nigeria Training Center in Lagos, Nigeria. It is important to note that the CBL has set a deadline of December 2013 for all banks to transition to IFRS as the financial reporting standard of the Liberian banking sector. In a related development, 3 other staff of the RSD obtained professional certifications as Certified Fraud Examiners (CFE).

Moreover, 2 staff of the RSD returned with Master of Art Degrees in Policy Economics. With the return of these staff, the RSD now has at least 28 percent of its professional staff with Master Degrees in various disciplines. Currently, there are 4 other staff pursuing Master Degrees in Australia, Uganda, and Brazil and their return will further widen the pool of qualified professionals at the CBL.

Towards enhancing the analytical skills of staff in the Research, Policy and Planning Department, a number of personnel attended various specialized courses in the West African sub-region and United States of America during the first half of 2013. Areas of training include the Regional Course on Financial Programming and Policies, Regional Course on Financial Management (Budgeting & Planning), Specialized Report Writing Skills and Presentation Techniques in Freetown and a Course on Balance of Payments and International Investment Position (IIP) in Washington D.C. USA.

CBL LICENSES INSURANCE COMPANIES

In continuation of the reform of the insurance sector, the CBL has issued operating licenses to eighteen (18) insurance companies to conduct insurance business in Liberia. These companies were licensed after having met the requirements of CBL in keeping with the first phase of the insurance sector reform plan. Those licensed were: Atlantic Life and General Insurance Company(ALGIC); Activa International Insurance Company (AIIC); Accident and Casualty Insurance Company (ACICO); American Underwriter Group (AUG); Capital Express Assurance Company (CEAC); International Insurance Company Liberia (IICL); Medicare Insurance Company (MIC); Palm Insurance Company (PIC); SAAR Insurance Company (SIC); Secure Risk Insurance Company (SRIC); Sky International Insurance Company (SIIC); Omega Insurance Company (OIC); African Insurance Corporation of Liberia (AICOL); Continental General & Life Insurance Company (CGLIC); Blue Cross Insurance Company (BCIC); Global Trust Assurance Company (GTAC); Mutual Benefits Assurance (MBA); and Insurance Company of Africa (ICA).

The names of companies issued license were also published in an official gazette issued by the ministry of Foreign Affairs. Additionally, six companies were not issued license due to their inability to meet up with the licensing requirement as prescribed by the sector's reform plan. These companies have been placed under close supervision and monitoring by the CBL and appropriate strategy for resolving each case is being developed by the Bank. These companies are: United Security insurance Company (USIC); Family Dollar Insurance Company (FDIC); Providence International Insurance Company (PIIC); Homeland Insurance Company (HIC); Kapex Insurance Company (KIC); and National Insurance Corporation of Liberia (NICOL).

CBL PARTICIPATES IN STATUTORY MEETINGS OF THE WEST AFRICAN MONETARY ZONE

The Central Bank of Liberia participated in two Statutory Meetings of the West African Monetary Zone (WAMZ) in January and July of 2013, respectively. The 2012 end-of-year Statutory Meeting of the WAMZ was hosted by Nigeria from January 11-18, in Abuja, while Ghana hosted the 2013 mid-year Meeting in Accra from July 22-26, 2013. The purpose of the meetings was for Governors of Central Banks and Ministers of Finance and Trade of the member countries of the WAMZ to review and deliberate on the Macroeconomic Developments and Convergence Reports on the performance of the economies of the WAMZ during 2012 under the WAMZ single currency program. In attendance were all of the Central Banks, Ministries of Finance and Trade of the WAMZ member countries, including The West African Institute for Financial and Economic Management (WAIFEM), West African Monetary Agency (WAMA), West African Bankers Association (WABA), ECOWAS Court of Justice, ECOWAS Bank for Investment and Development (EBID), UNION Economique et Monetaire-ouest Africaine (UEMOA), Banque Centrale des Etats de I'Afrique de L'Ouest (BCEAO), African Development Bank (AfDB), Association of African Central Banks (AACB), International Monetary Fund (IMF), some members of parliament of the Republic of Liberia and Ghana as well as the Minister of Finance and Economic Affairs of Burkina-Faso as observers.

At the Abuja Meeting of the Committee of Governors, Dr. J. Mills Jones, Governor of the Central Bank of Liberia and Outgoing Chairman of the Committee of Governors, welcomed the Governors and other participants and expressed gratitude to the Government and people of the Federal Republic of Nigeria for their hospitality and the excellent facilities made available for the meeting. He also expressed appreciation to the Governors of the Central Banks of the WAMZ countries for the invaluable support accorded him during his tenure as Chairman of the Committee of Governors. Also speaking was the Governor of the Central Bank of Nigeria and incoming Chairman of the Committee of Governors, Mallam Sanusi Lamido Sanusi, CON, who welcomed the delegates to the City of Abuja. He commended the Governor of the Central Bank of Liberia out-going Chairman, Dr. Jones, for his able leadership skills in piloting the activities of the Committee during his tenure.

On assessment of the status of macroeconomic convergence relative to meeting the primary and secondary criteria by the member countries, the WAMZ Macroeconomic Developments and Convergence Report indicated that for the first half of 2012, Liberia's performance on the WAMZ macroeconomic convergence scale was largely satisfactory, sustaining achievements made during the second half of 2011. Liberia satisfied 4 criteria, 3 primary and 1 secondary. The primary criteria satisfied include the budget deficit/ GDP(0.7 percent), central bank financing of government budget deficit relative to previous year's tax revenue (0.0 percent) and a single digit inflation (7.1 percent). The country slipped off the gross external reserves criterion. On the secondary criteria, it satisfied the tax revenue/GDP criterion (23.6 percent). A comparison with other member countries of the WAMZ shows that Ghana satisfied a total of 2 convergence criteria, Sierra Leone, 4, Guinea, 5, The Gambia, 5 and Nigeria, 5 during the first six months of 2012.

The mid-year Statutory meeting of the WAMZ which took place in Accra, from July 22-26, 2013 was conducted in similar fashion as the Abuja meeting with all of the Governors of the Central Banks of the WAMZ member countries in attendance.

Liberia's performance as it relates to the macroeconomic convergence under the WAMZ single currency program was mixed during the second half of 2012. According to the WAMZ Macroeconomic Developments and Convergence Report which was discussed at the meeting, the slowdown in the global economic recovery in 2012 presented mixed economic outcomes in Liberia with less-than-projected export receipts and rising import bills that presented up-side risk to price and exchange rate stability.

An assessment of Liberia's performance on the quantitative macroeconomic convergence scale for the second half of 2012 showed that the country satisfied three primary convergence criteria, same as in 2011. The primary criteria met were inflation, fiscal deficit/ GDP, and central bank financing of budget deficit. The country missed the gross external reserves criterion. On the secondary convergence scale, the country met the tax revenue/ GDP criterion. A comparison of Liberia's performance on the quantitative macroeconomic convergence scale shows that Sierra Leone met a total of 3 convergence criteria, Ghana, 3, Guinea, 4, The Gambia, 5, and Nigeria, 6.

Liberia had ratified the ECOWAS Trade Liberalization Scheme (ETLS) but is yet to start implementing the scheme. The authorities, however, expressed their interest in the scheme and were planning to adopt the scheme concurrently with the ECOWAS Common External Tariffs (CET). The country also made progress on the implementation of the ECOWAS protocol relating to free movement of persons, right of residence and establishment.

The meetings ended with a number of recommendations including encouraging monetary authorities across member countries to pursue appropriate policies to contain inflation, strengthen fiscal consolidation in order to contain the budget deficits within approved targets, contain rising wage bill by rationalizing the size of the public sector, put in place formal coordination platforms between monetary and fiscal authorities, among others; aimed at helping to improve the economies of the member countries of the WAMZ and to enhance the efforts of the authorities to meet and sustain the macroeconomic convergence criteria in the context of the WAMZ program. The next meeting will be hosted by The Gambia in six months time.

CBL/RSD/DIR/001/2013

DIRECTIVE BARRING COMMERCIAL BANKS AND OTHER REGULATED FINANCIAL INSTITUTIONS FROM PROVIDING FINANCIAL SERVICES TO DELINQUENT BORROWERS THAT FAILED TO RESOLVE THEIR DELINQUENT STATUS

1.0 INTRODUCTION

THE CENTRAL BANK OF LIBERIA (CBL) HAS OVER THE YEARS MADE SIGNIFICANT EFFORTS TO IMPROVE THE GENERAL CREDIT ENVIRONMENT AND STRENGTHEN THE INTERNAL RISK MANAGEMENT PRACTICES OF COMMERCIAL BANKS. HOWEVER, IT HAS BEEN OBSERVED THAT SOME DELINQUENT BORROWERS, CORPORATES AS WELL AS INDIVIDUALS, CONTINUE TO RENEGE ON SERVICING THEIR OBLIGATIONS TO THE BANKS. SUCH INDIVIDUALS AND ENTITIES CANNOT CONTINUE TO ENJOY THE BENEFITS OF THE BANKING SYSTEM, ON THE ONE HAND, WHILE UNDERMINING ITS VIABILITY THROUGH THEIR ACTIONS, ON THE OTHER.

IN VIEW OF THE FOREGOING AND PURSUANT TO SECTION 39 (1) OF THE NEW FINANCIAL INSTITUTIONS ACT (NEW FIA) OF 1999, WHICH GIVES THE CBL THE AUTHORITY TO ISSUE REGULATIONS AND DIRECTIVES, AND SECTION 39 (2), WHICH GIVES THE CBL THE AUTHORITY TO GOVERN AND REGULATE ACTIVITIES AND RELATIONSHIP BETWEEN FINANCIAL INSTITUTIONS, THEIR CUSTOMERS, CREDITORS AND DEBTORS, THE CBL HEREBY ISSUES THIS DIRECTIVE TO ALL COMMERCIAL BANKS AND OTHER REGULATED FINANCIAL INSTITUTIONS:

EFFECTIVE APRIL 16, 2013, ALL COMMERCIAL BANKS AS WELL AS ALL OTHER FINANCIAL INSTITUTIONS REGULATED BY THE CBL, ARE HEREBY DIRECTED TO DESIST FROM DOING BUSINESS IN ANY FORM OR MANNER IN THE COURSE OF THEIR OPERATIONS, INCLUDING MAKING PAYMENTS, MAINTAINING EXISTING ACCOUNTS OR OPERATING NEW ACCOUNTS, ON BEHALF OF OR WITH INDIVIDUALS OR INSTITUTIONS WHO FAILED TO TAKE ADVANTAGE OF THE DISPENSATION GRANTED BY THE CBL TO COME TO AN UNDERSTANDING ON A NEW DEBT-SERVICING ARRANGEMENTS OF THEIR OBLIGATIONS TO THE RESPECTIVE BANKS.

GOING FORWARD, THIS DIRECTIVE SHALL BE APPLICABLE TO ALL BORROWERS, INCLUDING THEIR SHAREHOLDERS/PRINCIPALS AND RELATED COMPANIES, THAT MEET THE BELOW DESCRIBED CHARACTERISTICS:

AN INDIVIDUAL/INSTITUTION WHOSE OBLIGATION (S) TO ONE OR MORE COMMERCIAL BANKS ARE ADVERSELY CLASSIFIED (I.E. EITHER PRINCIPAL OR INTEREST PAYMENT IS OVERDUE FOR AT LEAST 180 DAYS);

THE INDIVIDUAL/INSTITUTION HAS PREVIOUSLY RECEIVED AT LEAST THREE (3) NOTIFICATIONS FROM THE BANKS ON THEIR DELINQUENT STATUS AND ADVISED OF THE STEPS HE/SHE NEEDS TO TAKE TO COME TO A NEW DEBT-SERVICING ARRANGEMENTS; AND

THE INDIVIDUAL/INSTITUTION, AFTER RECEIPT OF THE ABOVE-MENTIONED NUMBER OF NOTIFICATIONS, HAS FAILED TO TAKE ADEQUATE STEPS TO RESOLVE THEIR OBLIGATION TO THE BANK (S).

INDIVIDUALS/INSTITUTIONS AFFECTED BY THIS DIRECTIVE SHALL REMAIN SO UNTIL SUCH DELINQUENT BORROWERS CAN RESOLVE THEIR DELINQUENT STATUS WITH THE BANKS THAT THEY ARE INDEBTED TO.

2.0 PENALTY FOR NON-COMPLIANCE

ANY FINANCIAL INSTITUTION FOUND IN VIOLATION OF THIS DIRECTIVE SHALL BE SUBJECT TO A FINE OF NOT LESS THAN L$200,000 FOR EACH DAY OF VIOLATION AND/OR OTHER SUPERVISORY SANCTIONS AS MAY BE DETERMINED BY THE CBL.

3.0 EFFECTIVE DATE

THIS DIRECTIVE TAKES EFFECT AS AT THE DATE OF ITS ISSUANCE AND SHALL REMAIN IN FORCE UNTIL OTHERWISE ADVISED BY THE CBL.

SIGNED: CENTRAL BANK OF LIBERIA

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

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

THE PUBLIC CAN COME DAILY WITH MUTES IN EXCHANGE FOR BETTER QUALITY LIBERIAN DOLLAR BANKNOTES AT THE CENTRAL BANK OF LIBERIA. THIS CAN ALSO BE DONE AT COMMERCIAL BANKS. PLEASE REPORT ANY COMMERCIAL BANK REFUSING TO CHANGE YOUR MUTES TO THE CBL THROUGH ITS REGULATION AND SUPERVISION DEPARTMENT.