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GOVERNOR'S FOREWORD: INTENSIFYING OUTREACH TO LIBERIAN SMALL AND MEDIUM-SCALE ENTERPRISES (SMEs)

A key characteristic of a flourishing and growing economy is a strong SME sector. SMEs play an important role in the development of a country. The benefits SMEs provide are easily noticeable: they contribute to the economy's output of goods and services; create jobs at relatively low cost; provide a vehicle for reducing income disparities; create opportunities for developing and adapting appropriate technology; engender entrepreneurial and managerial talent, the absence of which is often an impediment to economic development, etc.

The Liberian SME sector, with the proper support, has the potential to reinforce growth outside of the enclave sector and strengthen the basis for the private sector to serve as the engine of growth for the economy.

It is recognized that a major challenge facing micro, small and medium-scale enterprises is access to credit. The CBL has been trying to deal with this problem. Being mindful of its responsibility to help promote sustained economic growth, the CBL established the Microfinance Unit and recently launched the US$5.0 million medium-term stimulus package in support of Liberian-owned businesses.

Efforts by the CBL to improve access to credit for SMEs need to be complemented by actions on the part of other government agencies and other partners in the area of capacity building for such enterprises, the limitation of which is a major stumbling block to the development of this sector.

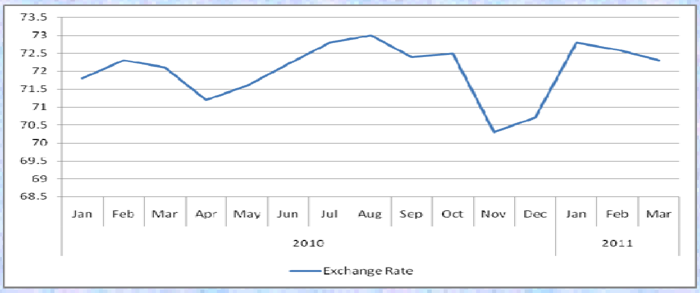
Meanwhile, it should be noted that there is steady progress with the microfinance sector. The loan portfolio of microfinance institutions now stands at more than US$13 million, and the client base has grown from about 8,000 in 2007 to about 59,324. The employment effect in the informal sector is significant. Encouraged by this experience, we are looking to see what the CBL can do to increase financing for micro businesses at reasonable cost.

Dr. J. Mills Jones
Executive Governor

The CBL has reached out to representatives of the Concern Liberians International Business Organization (COLINBO), the Fulla Business Association and the Liberian Business Association (LIBA). The CBL has also opened communication with some of the furniture makers. There is a need for unity among the various business associations to be able to more effectively present their concerns and ideas to the government and development partners, as well as develop programs for themselves for capacity building.

EXCHANGE RATE CONTINUES TO BE BROADLY STABLE: CBL INTERVENTION IN FIRST QUARTER OF 2011 TOTALED US$8.6 MILLION

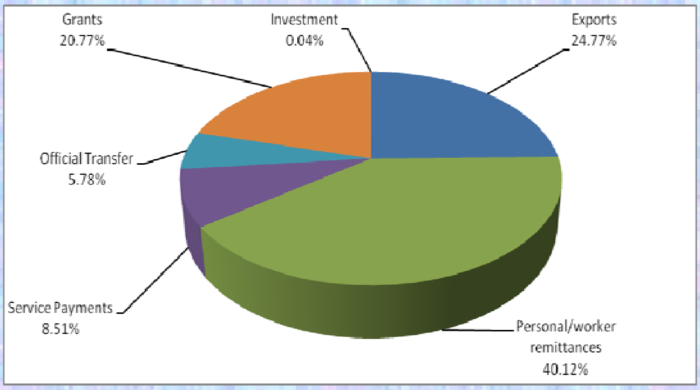
The broad exchange rate stability experienced during 2010 continued into the first quarter of 2011, with the buying rate standing at L$71.8/US$1 and L$72.7/US$1 for selling. This trend of exchange rate stability is driven, in part, by CBL's intervention in the market for foreign exchange where the amount of US dollars offered by the Bank through the auction increased by US$12.8 million to US$US$44.6 million at end-December, 2010, from US$31.8 million in 2009. The CBL's Research Department monitors the exchange rate on a daily basis in order to keep track of ongoing developments in the foreign exchange market. A liquidity monitoring framework has been developed, to inform decision making relative to the level of intervention in the market. The framework has provided the basis for forecasting liquidity. Continued efforts will be made by the CBL towards enhancing its forecasting ability.



The level of CBL's intervention in the market for the first quarter of 2011 totaled US$8.6 million, US$9.0 million less than the amount offered for the same period in 2010. The reduction in the amount offered can be primarily ascribed to the broad stability in the exchange rate.

REMITTANCES ON THE RISE

Aggregate remittance inflows at end- March 2011 totaled US$274.9 million, rising by US$40.1 million or 17.1 percent over the level recorded at end- March 2010. This increase in US dollar flows to the economy is one of the factors that have been contributing to the stability of the exchange rate. Of the aggregate remittance inflows for the first quarter of 2011, US$110.3 million is accounted for by workers' remittance inflows.



INFLATION: DATA FOR FIRST TWO MONTHS OF 2011 COMPARE FAVORABLY WITH COUNTRIES OF THE REGION

Consumer Price developments indicate a relatively stable inflationary condition as the quarterly, average rate of inflation for the quarter ending March 31, 2011, marginally increased by 0.5 percentage point to 6.2 percent, from 5.7 percent in the preceding quarter. Sub-groups that contributed to the slight increase in movement of the general price during the first quarter, 2011 included Food & Non-Alcoholic Beverages (9.03 percent); Alcoholic Beverages, Tobacco and Narcotics (11.01 percent); Furnishings, Household Equipment and Routine Maintenance of the House (-3.09 percent); Transport (10.86 percent); Recreation and Culture (1.60 percent).

Inflation in the economy, during the quarter, was driven by Transport (which has as its components diesels, gasoline, taxi fare, bus fare, and wheelbarrow transport), and Food and Non-alcoholic Beverages. Key factors influencing the moderate inflationary condition are mainly the global increase in the price of oil and food prices.

Inflation rate in 2011 will depend mainly on current developments relative to the prices of food and oil on the world market. A continued rise in prices of these items has implication for higher inflation, given the domestic economy's heavy reliance on these imported items.

Inflation in Liberia stood at 7.5 percent at end -February 2011, compared with Ghana, 9.2 percent; Sierra Leone, 16.6 percent; and Nigeria, 11.1 percent. However, The Gambia showed a lower rate of 5.4 percent for the same period.

Table 5: Year-on-Year Rates of Inflation (January, 2010– March, 2011) (December 2005 =100)

Month	2010	2011
January	12.9	4.7
February	11.5	7.5
March	13.2	6.5
April	11.9	
May	8.0	
June	2.5	
July	4.2	
August	3.3	
September	5.2	
October	4.9	
November	5.7	
December	6.6	
Average Rate of Inflation	7.5	

LIBERIA MEETS ALL FOUR PRIMARY CONVERGENCE CRITERIA OF THE WEST AFRICAN SINGLE CURRENCY PROGRAM IN FIRST HALF OF 2010—ONLY COUNTRY IN THE ZONE TO DO SO

The 24th Meeting of the Committee of Governors and the 27th Meeting of the Convergence Council of Ministers and Governors of central banks of the West African Monetary Zone (WAMZ) were held in Abuja, Nigeria, on February 10 – 11, 2011. The purpose of the meetings, among other things, was for participants to review and deliberate on the status of Performance Report prepared by the West African Monetary Institute (WAMI) on individual member countries of the WAMZ with regard to meeting and sustaining the various primary and secondary convergence criteria as required under the implementation plan of the single currency program, as well as to assess the macroeconomic performance of the WAMZ countries as a zone in the context of the program during the first half of 2010.

The WAMZ Macroeconomic Developments and Convergence Report was the focus of the deliberations during the meetings. On the assessment of the WAMZ countries, the Report indicated that, of the six countries of the WAMZ, Liberia was the only country that met all of the four (4) primary convergence criteria relative to the single currency program during the first half of 2010. These criteria include (1) a single digit inflation, (2) fiscal deficit/GDP ratio less than or equal to 4 percent, (3) central bank financing of fiscal deficit less than or equal to 10 percent of the previous year's revenue and (4) gross external reserves position relative to months of import cover must be equal to or greater than 3 months of import cover. In addition, according to the Report, Liberia also met two (2) secondary criteria from amongst a total of six (6). The 2 secondary criteria met include tax revenue/GDP ratio greater than 20 percent and salary mass/total tax revenue ratio less than 35 percent. This means that Liberia met 6 of the total number of 10 convergence criteria during the first half of 2010, compared with Sierra Leone, 2; The Gambia, 5; Ghana, 4; Guinea, 2, and Nigeria, 7.

In conclusion, the Report highlighted the following: that the Liberian authorities took necessary steps to sustain the momentum of economic reforms that aim at achieving poverty reduction and other millennium development goals; the government embarked on reconstruction and rehabilitation of socio-economic infrastructure destroyed during the civil conflict, and that the various initiatives by the CBL to promote financial system soundness and growth are in the right direction; efforts made towards the establishment of the commercial court and development of a framework for a credit reference bureau are quite commendable; prudent monetary and disciplined fiscal behaviors of the authorities made it possible for the country to attain and sustain all the four primary and two secondary criteria, and that, in the medium term, Liberia is likely to maintain its performance on the primary criteria. However, the Liberian economy still faces significant challenges that must be addressed, according to the Report.

The meetings were organized by WAMI in collaboration with the Central Bank of Nigeria. WAMI is a specialized agency of ECOWAS which focuses on issues relative to the implementation of the West African single currency program. Attending the meetings were the Governors of the Central Banks of Liberia, Sierra Leone, Guinea, Nigeria, Ghana and The Gambia. Also in attendance were the ministers of Commerce and Industry of Liberia and Nigeria, Ministers of Finance and Economic Affairs of The Gambia, Ghana, Guinea, Nigeria and Sierra Leone. Those attending as observers included representatives of the ECOWAS Commission, WAMA, WAIFEM, BCEAO and UEMOA.

CBL EXTERNAL AUDITORS EXPRESS AN UNQUALIFIED (CLEAN) OPINION ON THE 2010 FINANCIAL STATEMENTS

CBL external auditors from PricewaterhouseCoopers-Ghana have completed the audit of the Bank's 2010 IFRS financial statements. In the auditors' opinion "the financial statements give a true and fair view of the position of the Central Bank of Liberia as at December 31, 2010 and of its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards". Additionally, in the management report submitted to the Board Audit Committee, the auditors mentioned that "nothing came to our attention that indicates any suspected or actual fraud during the audit". Copies of the audited financial statements have been submitted to the Government of Liberia through the office of the President of Liberia. The financial statements will also be posted on the Bank's website at www.cbl.org.lr.

MICROFINANCE LOAN PORTFOLIO EXCEEDS US$13.0 MILLION WITH ACTIVE CLIENTS OF MORE THAN 59,000

The number of active clients benefiting from Microfinance services as at December ending 2010 was 59,327, while the outstanding loan portfolio stood at US$13,374,364.00 up from US$8,117,483.00 as of September 2010. Of this amount, AccessBank accounted for US$8,742,834.00 or 65.4 percent and 8 credit-only microfinance institutions accounted for US$4,562,116.00 or 34.6 percent. The average loan size for the credit-only institutions is US$96.00. Microfinance is therefore having a significant impact on employment in the informal sectors because these active clients are not only provided with a means of income, but in many cases they have employed other family members and friends to work with them.

Meanwhile, the Central Bank of Liberia (CBL) has embarked on taking positive steps in order to make Microfinance Institutions (MFIs) in the country self-sustainable. The Microfinance Unit of the CBL has begun a series of institutional assessments of all registered microfinance institutions that would provide diagnostics of their operations, performance and service delivery in order to identify problems and necessary actions needed for them to become self-sustaining. The Unit has so far conducted preliminary assessments on Local Enterprise Assistance Program (LEAP) and BRAC Liberia Microfinance Company. The process is ongoing.

Also, the reactivation and modernization process of the credit union movement in Liberia is underway, seeking to reorganize and modernize the Liberia Credit Union National Association (LCUNA); and affiliated credit unions in the country to make them viable and sustainable. In the process of restructuring, a revitalization workshop is scheduled to be held in Ganta, Nimba County, to draw up a 3-year business plan promoting the credit union model, seeking to support a strategic approach to increase access to financial services, and to develop an appropriate regulatory and supervisory framework.

The Head and Deputy Head of the Microfinance Unit along with a Bank Examiner from the Supervision Department and the Chief Technical Advisor on Microfinance undertook a week-long study tour to Malawi, where they obtained a better understanding of both regulating and supervising Microfinance Deposit Taking Institutions and Credit Unions. The team also studied issues related to the establishment of a vibrant financial infrastructure, including the Credit Reference Bureau, Microfinance Network, Village Savings Loan Associations (VSLAs) and Branchless Banking.

PERFORMANCE OF THE BANKING SECTOR: PRIVATE SECTOR LENDING UP BY 30.6 PERCENT FROM FEBRUARY 2010, BUT CONCERN ABOUT NON-PERFORMING LOANS REMAINS

The banking sector continues to record steady growth in total assets, loans, deposits and capital. During the first two months of 2011, the deposit base increased by 3.0%, gross loans increased by 7.5% and total assets increased by 4.0% when compared to the December 2010 data. From February 2010 to February 2011, total assets increased by 34.4%, total deposits by 38.2% and capital up by 23.9%. For the same period, loans, 99% of which is private sector lending, went up by 30.6% from February 2010. In terms of liquidity ratio and capital adequacy ratio (CAR) as at February 28, 2011, the industry recorded 46.9% and 28.5%, respectively.

These growth rates show that the banking system continues to be resilient and stable, and is contributing to economic growth and development of Liberia. However, ratio of non-performing loans (NPLs) to total loans as at February 2011 was reported at 28.5%, representing an increase of 17.5 percentage points over February 2010 data. The issue of NPLs, though improved over the years, remains one of the key challenges in the banking industry, impeding the profitability of the sector and posing a potential threat to the growth of lending to the private sector.

With the improvement in the risk management systems in the commercial banks coupled with the establishment of a special Commercial Court to ensure a timely adjudication of financial contracts, and the new Commercial Code, it is hoped that there will be some improvement in the credit environment and culture in the Country. This would help in enhancing the profitability of the sector and promote lending to the private sector.

PROMOTING GREATER DISCLOSURE BY COMMERCIAL BANKS TO PROTECT CUSTOMERS

The CBL has amended its existing directive "Concerning Display of Interest Rates and Computation of Lending Rates." This directive is intended for banks to display lending and deposits rates at conspicuous locations within their banking premises so as to provide customers with adequate information to enable them make the right decisions with regard to the cost of borrowing and returns on savings. It is also intended for banks to provide their loan customers with a complete repayment schedule, indicating the amounts and due dates of periodic payments. These efforts are geared toward promoting transparency and competition in the banking system.

EXPANSION OF BANKING SERVICES CONTINUES: NUMBER OF BRANCHES AROUND THE COUNTRY NOW STANDS AT 72, COVERING 10 COUNTIES

In continuation of its drive to encourage the expansion of banking services to all parts of the country, the CBL has given approval for a commercial bank to commence construction activities in Buchanan, Grand Bassa County, a county that already enjoys the presence of four other banks. Banking services have commenced in Sinoe County in addition to the CBL existing payment center in the county. Like other bank branches, the branch in Sinoe and the proposed branch in Buchanan, will provide a range of financial services to the local population covering the direct deposit scheme, money transfers, credit extension and deposit mobilization. The approval of bank branches throughout the country is in keeping with the CBL's policy to promote access to financial services to all segments of the population and to support the Government's poverty reduction strategy. These new branch operations will bring the total number of bank branches around the country to 72 and the number of counties with bank presence to 10. These include: Montserrado, Cape Mount, MarGibi, Grand Bassa, Bong, Lofa, Nimba, Grand Gedeh, Maryland and Sinoe counties.

PROMOTING FINANCE LEASE IN THE COUNTRY

The CBL, in collaboration with the International Finance Corporation (IFC), hosted two series of workshop in February and March with the objective of developing the skills of staff of the commercial banks and the CBL in finance lease activities. The workshops were part of the technical assistance that the CBL continues to receive from the International Finance Corporation (IFC) in developing the leasing market in Liberia as a complementary financial product to traditional bank loans. The CBL has already developed a finance lease regulation that will provide the general framework for the commercial banks to engage in finance lease. Finance lease will allow banks to directly finance the purchase of needed equipment and physical capital critical to the development of the SME sector and support the reconstruction of the country.

REFORMING THE FOREIGN EXCHANGE SECTOR

The CBL has developed a reform agenda for foreign exchange activities in the Country, following a series of consultative meetings with the leadership and members of the Foreign Exchange Bureau Association and other interested parties, with the aim of modernizing the activities of foreign exchange bureaux.

Part of the reform is the now-completed restructuring of the Association of Foreign Exchange Bureaux of Liberia (AFEBL) to make it more representative and broad-based. In addition, the CBL has developed a reform agenda for the sector with the objective of building strong and viable foreign exchange bureaux in the country. The reform agenda include (1) upgrading the existing guidelines for regulating and supervising foreign exchange business; (2) re-licensing all existing bureaux in keeping with the new guidelines and requirements effective May 1, 2011; and (3) the classification of foreign exchange operators into two categories with separate minimum deposit requirements and incentive packages for each category. The reform measures will be implemented in stages within specified timeframes up to end-January, 2012.

CBL HOSTS WORKSHOP ON CUSTOMER PROTECTION IN COLLABORATION WITH THE UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

The Microfinance Unit of the Central Bank of Liberia, in collaboration with the United Nations Capital Development Fund (UNCDF), conducted a two-day workshop on Client protection from April 7-8, 2011.

The workshop, which was designed to enhance participants' understanding of the mechanics and importance of customer protection in the microfinance sector of Liberia, included participants from CBL, Liberty Finance, LEAP, Combined Effort to Assist Liberians (CEAL), Foundation for Women-Liberia (FFWL), Community Livelihood Assistance Program (CLAP), BRAC Microfinance Company, Liberia Entrepreneurial & Assets Development (LEAD), MoF and UNCDF. Topics covered were: over-indebtedness; transparency and responsible pricing; appropriate collection practices; ethical staff behavior; complaints handling and resolution; privacy of client data; and other dimensions of client protection.

CBL TO BENEFIT FROM TECHNICAL ASSISTANCE FROM FIRST INITIATIVE/WORLD BANK

The FIRST Initiative has approved a technical assistance package to develop a regulatory and supervisory framework for non-bank financial institutions in Liberia. The technical assistance which is expected to be implemented soon will cover the insurance sector, specialized credit institutions, deposit-taking MFIs, etc. The assistance will also cover hands-on training of staff of the CBL. Technical assistance package has also been approved by the FIRST Initiative for the development of a capital market in Liberia.

THE CBL ENGAGES COMMERCIAL BANKS TO ENHANCE THE CREDIT STIMULUS INITIATIVE

The CBL recently met with the commercial banks to discuss the framework for enhancing the credit stimulus initiative and to emphasize the need to reach out to the priority sectors, which include soap-making, shoe-repairing, carpentry/furniture-making, small holder farmers and farming cooperatives, fishery, etc.

The CBL has also requested the banks to increase their outreach with regard to the credit stimulus initiative to other parts of the country, particularly the leeward counties. Some of the banks have commenced granting credits to the above-named sectors, while others have received and are reviewing applications.

The intent of CBL's focus to these sectors is to enable them to have access to finance as a way of enhancing their domestic production capacity. It can be recalled that a few months ago, in an effort to address one of the many challenges facing micro, small and medium-sized enterprises, the CBL launched the SME Credit Stimulus Initiative with a view to creating a better maturity structure for loans to Liberian-owned SMEs and to making the cost of credit to such SMEs more affordable.

CBL IS POISED TO COMPLETING THE INSTALLATION OF A NEW FINANCIAL REPORTING SOFTWARE

The installation of Microsoft Dynamics Great Plains Financial Reporting Software is in progress. In January 2011, members of CBL Core Software Implementation Team completed a two-week training at Rhema Headquarters in Accra, Ghana. At the end of the training, a Gap Analysis conference was held to evaluate the needs of the Bank using the standard Microsoft Great Plains Workflow Analysis. The Gap analysis discussions did not identify any unsupported area for the installation of the software.
Additionally, all the migration templates have been completed and loaded in the software which has been installed on a new 2008 server and also deployed on several work stations in the Finance Department, Internal Audit, Human Resource Management Section and General Services Section. This is to be followed by a full data migration process and end users training. According to the project implementation plan, the entire installation exercise is expected to be completed in May 2011.

CBL'S PAYMENTS SYSTEM DEVELOPMENT PROJECT

Following the launching of the payments system development project in December 2010, the CBL sponsored a study tour in the West African Monetary Zone countries where similar initiatives are ongoing for staff who will be responsible for managing core components of the project. The CBL also identified key locations in Monrovia and its environs which will be used to build the infrastructure that will serve as the main and backup sites for the payments system. An important next step will be to set up a Payments System Unit within the Bank.

Meanwhile, the project governance structure includes the Steering Committee, Project Coordinator, Heads of Various Project Components, and the National Payments System Committee, all of which have already been set up.

CBL ENSURES BETTER QUALITY BANKNOTES IN CIRCULATION—NO NEED FOR THE PUBLIC TO DISCOUNT MUTILATED NOTES

A Currency Management Unit has been established in the Banking Department that has the responsibility, among others, to ensure that better quality Liberian dollar banknotes are in circulation. The CBL has also maintained its windows to the general public from Monday to Friday weekly to exchange mutilated banknotes for cleaner notes at no cost to the holders. Mutilated Liberian banknotes can also be deposited at commercial banks for cleaner notes at face value at no costs or fees. The exercise is intended to retrieve the quantity of mutilated banknotes (or tear-tear money) in circulation and help to strengthen public confidence in the domestic currency. The public is advised to take their mutilated banknotes to the CBL or commercial banks.

AFRILAND FIRST BANK BEGINS OPERATION

The Central Bank of Liberia on March 7, 2011, granted a final license to Afriland First Bank Liberia Limited (AFBLL), a subsidiary of Afriland First Group, a financial holding company registered in Switzerland, and has several subsidiaries and business offices in Cameroon, Equatorial Guinea, Democratic Republic of Congo, Sao Tome & Principe, and Zambia, and two business offices in Paris, France and in Beijing, China. The entry of AFBLL in the banking system brings to 9 the total number of commercial banks operating in Liberia.

The licensing of Afriland First Bank Liberia Limited is in furtherance of the CBL's policy to improve access to financial services to all viable sectors of the economy and to put the banking sector in a stronger position to meet the genuine financing needs of the economy. In addition to providing normal commercial banking services, ABLL will also focus on lending to the agricultural and SME sectors.

STRENGTHENING CAPACITY FOR TIMELY AND IMPROVED COMPILATION OF BALANCE OF PAYMENTS STATISTICS

The CBL, in its quest to strengthen the capacity of relevant staff of the Bank for timely and improved compilation of the Balance of Payments (BOP) Statistics, requested and received an IMF BOP Statistics Mission from March 28 – April 9, 2011. The main objectives of the mission were to enhance capacity of the staff of the BOP Unit relative to appropriate BOP data sources, methodology, BOP statistics compilation practices, identification of areas for improvement such as quality of data collected on services, foreign direct investment, import of goods associated with foreign direct investment projects, remittances, investment income, development aid and associated flows, and the overall coverage of the financial account, as well as discuss with the staff of the Research Department the merits of international transaction reporting system (ITRS), including issues relating to coverage and implementation.

At the end of the mission, the CBL and the mission agreed that henceforth, the Bank will compile the BOP statistics on a quarterly basis prior to the annual submission to the IMF. This will further enhance the capacity of staff of the BOP Unit of the Research Department and take the BOP statistical compilation process in a new direction for improving accuracy and timely delivery. The CBL has been compiling BOP statistics on an annual basis.

Liberia's BOP was compiled for the first time in 2008, after a period of 21 years as a result of the civil conflict. This means that the BOP compilation system and practice are still developing, and while significant progress has been made, more work needs to be done relative to the timely collection of data from data providers, addressing issues of methodology in the context of classification of some items, and improving the compilation framework.

CHANGE YOUR "TEAR-TEAR MONEY"

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

PARTICIPATE IN THE CBL'S WEEKLY FOREIGN EXCHANGE SALE AUCTION

THE CENTRAL BANK OF LIBERIA CONDUCTS A WEEKLY FOREIGN EXCHANGE SALE AUCTION AT 10:00 A.M. ON EVERY WEDNESDAY AT ITS TRAINING CENTER AT THE CORNER OF WARNER AND CAREY STREETS. THE AUCTION IS PRINCIPALLY INTENDED TO HELP ENSURE STABILITY OF THE EXCHANGE RATE BY PROVIDING FINANCIAL RESOURCES TO THE NATIONAL ECONOMY, PARTICULARLY IN HELPING TO FACILITATE IMPORTATION OF GOODS AND SERVICES AND TO PROMOTE ECONOMIC GROWTH AND DEVELOPMENT. AS IN RECENT YEARS, THE CBL FOREIGN EXCHANGE AUCTION HAS HELPED TO MAINTAIN BROAD STABILITY OF THE EXCHANGE RATE FOR MOST PART OF 2010.

ANYONE OR INSTITUTION WISHING TO PARTICIPATE IN THE WEEKLY AUCTION CAN DO SO BY SUBMITTING A BID OR APPLICATION TO THE CENTRAL BANK'S DEPARTMENT OF BANKING THROUGH ANY OF THE COMMERCIAL BANKS WITH WHICH THE PARTICIPANT OR APPLICANT MUST HAVE AN ACTIVE OR FUNCTIONAL LIBERIAN DOLLAR ACCOUNT TO FACILITATE SETTLEMENTS ARISING FROM THE AUCTION.