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TOPICS CARRIED IN THIS EDITION

GOVERNOR'S FOREWORD: REFORMING THE INSURANCE INDUSTRY

Section 8 of the New Financial Institutions Act of 1999 categorizes insurance companies as non-bank financial institutions and states: *"In order to obtain a license to operate a non-bank financial institution in Liberia, a person shall apply in writing to the Central Bank…''.* Also, Section 4(6) of the CBL Act stipulates that: *"The Central Bank shall have functional independence, power and authority to regulate bank and non-bank financial institutions, as well as non-bank financial services institutions;''* additionally, Section 5(1) further stipulates: *"The powers of the Central Bank shall include, but not be limited to supervision of bank-financial institutions, non-bank financial and authorized non-bank financial services dealers and brokers;''.* Consistent with the aforementioned authority granted to the CBL, and realizing the challenges of the insurance sector, especially with respect to corporate governance and risk management, the Bank has begun taking steps that would make the sector a more vibrant part of the financial system. A stronger insurance sector has the potential to contribute to the growth and development of the Liberian economy, while giving better protection to consumers.

The CBL has conducted an assessment of the 21 insurance companies operating in Liberia, which drew attention to a number of structural and institutional challenges that needed to be addressed forthrightly. The assessment showed inadequate capitalization; weak corporate governance; lack of proper risk management systems; inadequate reinsurance coverage; and weak licensing arrangements.

Dr. J. Mills Jones
Executive Governor

The CBL has mandated that insurance companies should take some initial steps to qualify for a provisional license from the CBL. In this context, all insurance companies which have not concluded their 2010 audit are to do so by December 15, 2011. Also, they have been directed to comply with the existing minimum capital requirement of US$450,000 for Composite Insurance and US$300,000 for Life Insurance by end-January 2012.

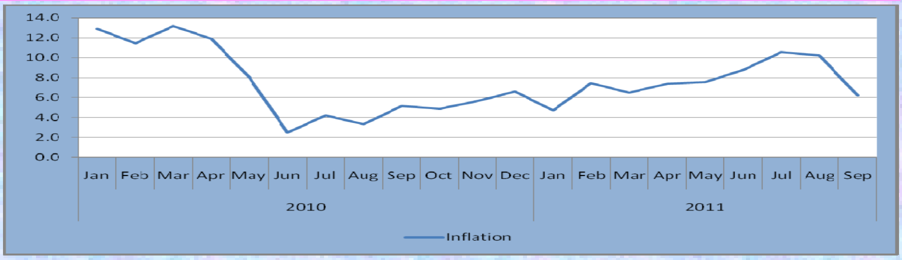
New requirements for capitalization will be instituted in 2012, as a critical element of the reform process. Essentially, for the next few months, the insurance companies are only being asked to satisfy the existing requirements put in place some thirty three years ago. Compliance with the directive on the underlined capitalization would serve as a necessary condition for an insurance company to be issued a provisional license from the CBL to operate as a non-bank financial institution.

The CBL welcomes the steps taken by a number of firms in the industry to co-operate in bringing about the necessary reform. Those which act to the contrary cannot expect to operate outside the confines of the law, and will not be allowed to do so. The CBL believes that its reform agenda is necessary and well-intentioned, not only for the companies within the industry but also for the general population who pay premiums to these companies to be protected financially against various unforeseen circumstances.

INFLATION

Inflationary pressures slowed down in the 9-month period to September 2011, with the rate of inflation at 6.2 percent, lower than the 10.6 percent and 10.3 percent recorded at end of July and August, respectively. The decline in general prices was largely driven by the downward trend in the global prices of food and fuel since July of 2011. The realization of a single-digit inflation for 2011 is largely contingent upon the movements in food and fuel prices during the last half of the year.

Year-on-Year Rate of Inflation
(2010-September 2011)
(December, 2005 = 100)



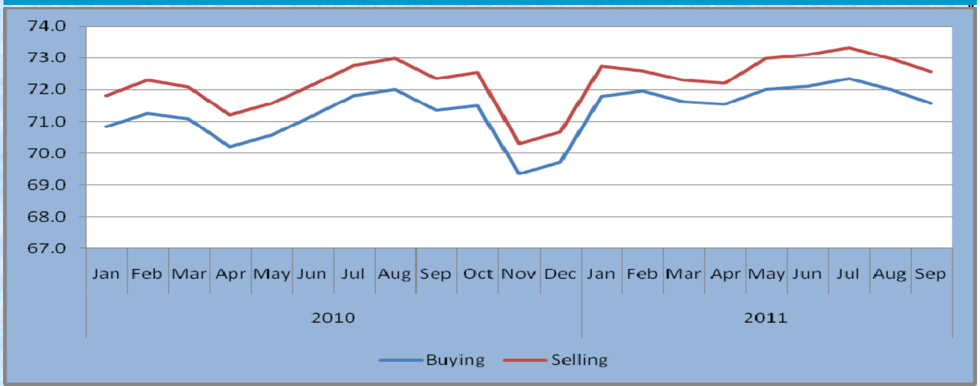
In comparison with selected countries of the West African Monetary Zone (WAMZ), headline inflation in Liberia was lower at end-August, compared with Sierra Leone, 16.4 percent; Nigeria, 9.3 percent; and Ghana, 8.4 percent; However, The Gambia recorded the lowest of 4.3 percent at the same period under consideration.

The CBL continues to monitor market developments with a view to pursuing policy measures aimed at stabilizing the value of the Liberian dollar which contribute to moderating the rate of inflation.

EXCHANGE RATE DEVELOPMENTS

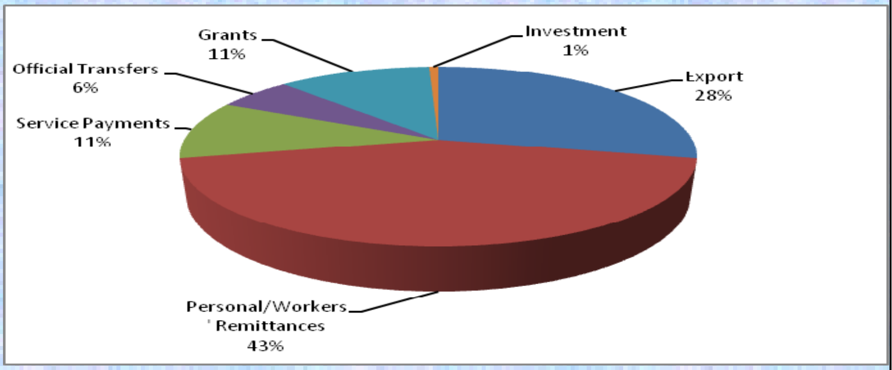
At end-September, 2011, the Liberian-US dollar exchange rate averaged L$71.88/US$1 and L$72.76/US$1 for buying and selling, respectively. Generally, the exchange rate remained stable during the period under consideration. The CBL's weekly intervention in the foreign exchange market between January and September, 2011 amounted to US$25.7 million. The growth in the reserve position of the Bank has helped to strengthen its ability for timely intervention in the market to help maintain broad stability of the exchange rate. It should be noted that the practical effect of such interventions is to help meet the foreign exchange needs of major importers of goods and services into the economy. This contributes to economic growth in a stable macroeconomic environment, necessary conditions for fighting poverty.

Monthly Averages: Buying and Selling Rates of Liberian Dollar
Per US dollar
(2010 – September, 2011)



STRONG GROWTH IN REMITTANCES

Remittance inflows in the 8-month period to August, 2011, increased by US$187.2 million or 30.3 percent to US$805.1 million, compared with US$617.9 million for the same 8 months of 2010. Remittance inflows are among the important sources of US dollars supply to the economy that is helping to stabilize the exchange rate. Of the aggregate inflows for the period, workers' remittances accounted for 43.0 percent.



THE BANKING SECTOR RECORDS IMPROVED PROFITABILITY

For the period under review (June-August, 2011), the banking sector recorded gross earnings of L$3,023.0 million, reflecting a 34.8 percent increase. There were also marginal increases in total assets by 2.25 percent; total loans by 2.28 percent; and total deposits by 1.24 percent.

On a year-on-year basis (i.e. from August 2010 to August 2011), total assets increased by 40.54 percent and total deposits by 39.82 percent. For the same period, total loan and capital went up by 33.35 percent and 40.32 percent respectively. Gross earnings also increased by 36.02 percent. However, relatively high non-performing loans remain a major challenge to the profitability of the sector. For the period under review, non-performing loans as a ratio of total loans was reported at 20.0 percent, which reflects an increase of 1.5 percentage points for the period under review.

While the CBL continues to exert efforts to create the enabling environment for commercial banks to become profitable, it is critical that the public, particularly delinquent borrowers, buttress these efforts by paying on their obligations to the banks. As further steps to address the issue of poor credit culture in the country, the CBL has been in the forefront in working with the relevant Government authorities to ensure that the newly-established commercial court becomes fully operational as soon as possible. Also in keeping with its 2011 Policy Statement, the CBL will support alternative approaches undertaken by the commercial banks aimed at improving collection of non-performing loans, including the publication of names of severely delinquent borrowers.

It can be recalled that the CBL recently took a number of measures to enhance the profitability of the banking sector. The Bank is committed to this endeavor, and it intends to work with the Government in achieving this goal.

MOBILE MONEY SERVICES INTRODUCTED: A BOOST TO THE FINANCIAL SECTOR

The Central Bank officially launched the mobile money services on September 2, 2011, as part of its commitment to enhance and promote financial inclusion in the country. Mobile money services, as a retail payment system using GSM technology, has gained momentum around the world, particularly in developing countries. It is being considered as one of the most effective means of achieving financial inclusion and enhancing the payment system. The introduction of mobile money services will add value to the modernization of the Liberian financial system and promote easy and affordable access to financial services in the country, particularly the rural areas.

In launching the program, the Executive Governor pointed out that mobile money product is a banking product, and not a product of a telecommunication operator. As such, only banking institutions will be granted permission to provide mobile money services, which will continue to operate under the supervisory regime of the Central Bank. He added that the mobile money product is not a monopoly of any one banking institution, in partnership with any one GSM company in the country. Accordingly, the Central Bank will not allow any exclusivity clause with any telecommunication operator.

The Executive Governor further expressed his confidence that the mobile money product can be a winning proposition for all stakeholders – the banks, the GSM companies and the Liberian people, especially those in the rural areas not being served by the bank branches. This means that the mobile money product will provide new business opportunities for both the commercial banks and the GSM companies and at the same time facilitate easy and affordable access to financial services by the rural poor.

The CBL has already granted permission to Ecobank to roll out the mobile money services, and consideration is being given to requests of other commercial banks.

NEW MEASURES TO PROMOTE COMPETITION IN INTERNATIONAL MONEY TRANSFER OPERATIONS

In order to promote competition among international money transfer operators and reduce the cost of money transfer services in the country, the Central Bank of Liberia (CBL) has issued a directive to commercial banks to expunge exclusivity clauses from their agreements with international money transfer operators and inform their respective international money transfer partners of the new directive. The new directive, which takes effect from October 17, 2011, further requires local money transfer agents to similarly expunge exclusivity clauses from agreements with their local money transfer subagents. The CBL has already formally communicated this decision to Western Union International, MoneyGram International and RIA Financial Services, all of which are presently providing remittance services in Liberia.

This policy means that a bank or its sub-agent will be able to provide money transfer services provided by several money transfer operators at the same place. For example, there can be both a Western Union desk and a MoneyGram desk in a given place or with any given bank branch. In addition to promoting competition and providing convenient means for consumers to receive or transfer funds from a single location, this policy action is also expected to: (1) provide more business opportunities for domestic money transfer agents; and (2) drive the cost of transfers down and promote better quality services for the public.

The CBL's decision is based on Section 37 (2) of the new FIA of 1999, which prohibits anti-competitive arrangements or monopoly practices in the provision of financial services in Liberia. Furthermore, the decision is in keeping with the wider CBL's policy objective to promote transparency in the financial sector and provide more options in financial services to the public at affordable cost.

CBL TAKES ANOTHER STEP TO STRENGTHEN CONFIDENCE IN THE FINANCIAL SYSTEM: ESTABLISHES A CONSUMER PROTECTION UNIT

The Central Bank has established a Consumer Protection Unit (CPU) in the Regulation & Supervision Department of the Bank for the purpose of promoting ethical and efficient practices in the provision of financial services in the country. The Unit will also provide a formal channel for redress and recourse for the public and consumers of financial services.

The establishment of the Unit is part of the CBL's efforts to enhance confidence in the financial system and ensure better quality financial services to the public. The operational framework, including the general guidelines for the commercial banks and their clients, is being developed. The guidelines are expected to be concluded and issued by early next month, November. Under the framework, commercial banks will be required to give due attention and redress to complaints from their customers, with full accountability to the Central Bank.

THE CBL AND THE CENTRAL BANK OF NIGERIA (CBN) CONDUCT JOINT EXAMINATION

In keeping with the Memorandum of Understanding (MOU) signed by the Central Bank of Nigeria (CBN) and Central Bank of Liberia (CBL) in 2009 and the Charter of the College of Supervisors of the West African Monetary Zone (CSWAMZ), the CBN and CBL recently concluded joint examinations of banking institutions operating in Liberia whose parent companies are Nigerian Institutions. Similar exercises were conducted in other WAMZ member countries as part of the initiative and commitment of the Zone to ensure effective supervision, monitoring and harmonization of regulatory practices of the financial sectors of the Zone.

The exercise, which took two weeks, facilitated the sharing of supervisory practices and knowledge between examiners of both central banks. The exercise further concretizes the supervisory cooperation and exchange of information between the two central banks with the benefit of reducing regulatory arbitrage and strengthening financial stability in both countries.

REFORMING THE INSURANCE SECTOR: INITIAL DIRECTIVES ISSUED

The Central Bank has completed a comprehensive assessment of the insurance sector in its drive to reform and strengthen the sector to enable it play a more meaningful role in the Liberian economy. The assessment revealed a number of challenges facing the sector, which need to be urgently addressed in the interest of the industry and the general population who pay premiums to insurance companies to be protected financially against various unforeseen circumstances.

The challenges identified call for appropriate capitalization, strong corporate governance and risk management and proper reinsurance cover, among others. The study further revealed the urgent need for strong regulatory and supervisory oversight if the sector is expected to be productive and viable.

Against this background, the CBL has developed an action plan to guide the reform of the sector, under the authority of Section 8 of the new FIA of 1999 and Sections 4 (6) and 5 (1) of the CBL Act of 1999. Accordingly, in September, 2011, the CBL announced a number of measures constituting the first phase of the reform process, including the following:

1. Insurance companies that have not concluded their 2010 audits are required to submit to the CBL the name of their external auditors by September 9, 2011 and conclude their audits by December 15, 2011. These companies are in breach of the Insurance Act of 1973 which requires audited statements for the previous year to be submitted by the end of the first quarter of the succeeding year.

2. All existing insurance companies must apply to a registry established by the Central Bank of Liberia to be recognized as insurance companies operating in Liberia by September 12, 2011, clearly stating the company's intention to be granted license by the CBL to operate as a non-bank financial institution in Liberia, a definition that applies to insurance companies in Section 2 (16) and Section 8 of the new FIA and Sections 2(m) and 4(6) and 5(1) of the CBL Act of 1999.

3. All insurance companies must comply with the existing minimum capital requirement of US$450 thousand for composite insurance and US$300 thousand for life insurance by January 31, 2012. This requirement is only calling on insurance companies to comply with the capitalization mandate specified in the 1978 Insurance Act, which in the present economic environment is significantly inadequate. Many companies are operating below this 1978 minimum requirement.

4. Only insurance companies that are in compliance with the above-listed requirements shall be issued provisional license by the CBL to operate as legally recognized insurance companies (i.e. part of the non-bank financial institutions) in Liberia.

In addition, all insurance companies have been informed of the requirement to submit specified monthly returns to the Central Bank, beginning November 15, 2011, to facilitate effective monitoring and supervision of the sector.

These measures are expected to set the stage for further reforms in 2012 .

NEW REPORTING SYSTEM INTRODUCED FOR FINANCIAL INSTITUTIONS

In an effort to improve the monitoring and surveillance of the financial system of Liberia, the Central Bank recently introduced e-returns, an electronic reporting platform. The platform allows commercial banks to submit their returns electronically directly to the Central Bank. This new platform is expected to bring several benefits, including reducing costs to the commercial banks in filing their returns with the CBL and facilitating the consolidation and processing of data by the CBL leading to reports on the financial sector being compiled by the CBL on a more efficient and timely basis. The e-returns software will also help the CBL to easily track late submission by delinquent banks. This recent development is part of the greater effort of the CBL to fully automate its monitoring and surveillance of the financial system.

The Central Bank organized a one-day workshop for the staff of the commercial banks to give them an appreciation and understanding of the operation of the new reporting system.

THE BANKING INSTITUTE OF LIBERIA (BIL) LAUNCHES THE SECOND SERIES OF TRAINING PROGRAMS FOR COMMERCIAL BANKS

The Banking Institute of Liberia (BIL), jointly owned and sponsored by the Central Bank of Liberia (CBL) and the Liberia Bankers Association (LBA), launched the second series of its training programs for commercial banks on October 3. The training program will last for three weeks and will cover various topics including credit risk management, audit and compliance, and banking operations.

It can be recalled that the CBL and the LBA in August, 2010, launched the pilot phase of the Banking Institute of Liberia for the purpose of building capacity in the banking sector and providing training for local college graduates desirous of seeking employment in the banking sector. The current focus of the Institute is on providing training for existing staff of the commercial banks. One hundred and thirteen participants (113) benefitted from the first phase of the training program while about 70 participants are currently undergoing the second phase of training.

Meanwhile, the CBL and the LBA are working on a project document intended to ensure the sustainability of the Institute. In addition to the strong commitment of both institutions to provide the necessary financial support to the Institute, donor and Government assistance will be helpful, as the project should be seen as part of the capacity building initiative of the country.

MICROFINANCE IS MAKING A DIFFERENCE FOR THE BENEFIT OF THE POOR

1. Realizing the impact of credit unions on making available financial services to the low income population, the CBL is working closely with development partners and the CDA to revitalize the credit union movement in the country. In this regard, the CBL chaired the first meeting of the 7 member follow-up committee (Liberia Credit Union as National Development Agency (CDA), Ministry of Gender and Development, Help Yourself Credit Union and Zorzor United Credit union) established at the workshop held in Ganta, Nimba County, June 16-17, 2011. In accordance with its mandate to strengthen the visibility and image of credit unions in Liberia, a sub-committee was formed with the responsibility to network with colleagues from other African countries, conduct research and present a draft proposal, prior to the next meeting, on the way forward for revitalizing and modernizing Credit Unions in Liberia.

2. With an objective of improving the performance of Microfinance Institutions in Liberia, a capacity needs assessment of the Liberian microfinance sector is being undertaken to completion of a comprehensive questionnaire and an interview component. It involves ten microfinance institutions registered with the CBL as well as other support institutions such as policy makers, educational, financial, technical and professional service providers. A number of field visits have already been conducted to registered microfinance institutions which are presently located in Montserrado, Grand Cape Mount, Margibi, bong, Lofa and Nimba counties. Once completed, the CBL will have both a comprehensive report on the capacity needs and a database of financial inclusion players in Liberia, which information can be utilized to develop a framework of meeting the training needs of the sector.

ENHANCING THE CAPACITY OF INTERNAL AUDIT STAFF

Consistent with the CBL's staff training policy aimed at enhancing the capacity of its staff, the Management of the CBL in August, 2011, sponsored four (4) of its staff members to undergo training in internal auditing at the Management Development and Productivity Institute (MDPI), Accra, Ghana. Additionally, arrangement is underway to acquire internal audit software, the Audit Command Language (ACL), a risk management and data interrogation software, to enable the Internal Audit Department adopt a modern risk-based approach, improve on its monitoring and reporting systems.

CBL LAUNCHES THE NATIONAL COMPETITIVE BID FOR THE PAYMENTS SYSTEM DEVELOPMENT PROJECT

On September 12, 2011, the Central Bank of Liberia launched the National Competitive Bid for the infrastructure upgrade component of the National Payments System Project. The invitation for the bids include: the procurement for the Reconfiguration and Network Upgrade, IT Rooms and Energy Upgrade and the Internet and Metropolitan Area Network (MAN).

The Pre-Bid Conference for the Payments System Project was held on Monday, October 10, 2011 in the CBL's Board Room to discuss the technical, commercial and contractual conditions within the bid document. The purpose of the pre-bid conference was to give bidders the opportunity to comment on any ambiguity, omission, or any specifications or conditions within the document which are unclear. The conference was attended by representative from the West African Monetary Institute (WAMI), senior staffs from the Central Bank and bidders.

The bids will be evaluated during the second week of November and contract awarded to successful bidders subsequently. The completion of the civil works on the Infrastructure project, which is expected to be delivered by End October 2011, will coincide with the awards of the infrastructure upgrade contract thereby enabling the CBL to expedite project implementation timely.

CHANGE YOUR MUTILATED LIBERIAN DOLLAR BANK NOTES ("TEAR-TEAR MONEY")

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 ANY COMMERCIAL BANK.

KNOW THE RATES CHARGED BY COMMERCIAL BANKS

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

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 WARREN 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 AND FIRST PART OF 2011.

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.