

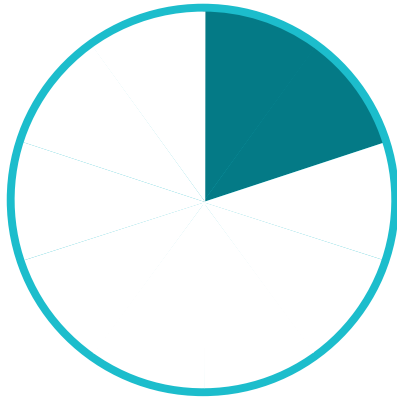


Strategic Plan

2021/22 2025/26

Project
Implementation
Update
YEAR 1
Half Year 2

Central Bank of Trinidad & Tobago Strategic Plan 2021/22 – 2025/26: Progress from April 1, 2022 –September 30, 2022



Project Implementation Year 1 : 2021/2022 HY2

The second half of year 1 of the Bank's current Strategic Plan was marked by the achievement of a number of significant milestones, solidifying the momentum established over the prior six months. The backdrop included a great deal of uncertainty on the macroeconomic front in the context of soaring global inflation, interest rate hikes by many central banks and geopolitical manoeuvres that affected trade and financial flows; a gradual domestic economic recovery alongside imported inflation; and adaptation to a slowing but lingering pandemic.

To a large extent, attainment of the major milestones represented in some cases the culmination of many years of effort. It also reflected the maturing of Strategic Plan management over the course of the earlier Plan (2016/17—2020/21) and the first year of the current one.

The achievements highlighted below were broad-based, spanning electronic payments, investment of international reserves, streamlining of currency management, surveys to fortify the basis of human resource management and financial literacy interventions, and much stronger public outreach.

While there was a greater onsite presence of staff with the lifting of national pandemic restrictions, there were still meaningful challenges in managing the Bank's human resources. Nonetheless, staff rose to the occasion and consistently delivered high quality output, a sign of the capacity of the Bank's personnel to adapt to altered circumstances. At the same time, the very slow progress in moving forward the upgrade of the Information Technology Data Center pointed to a gap in coordination of project management across departments that needs to be addressed.

Key Achievements

- (i) **The Central Bank registered the first company (other than a bank or nonbank financial institution) allowed to issue electronic money in Trinidad and Tobago.** This was a significant step in advancing fintech solutions in the country. The current framework regarding e-money centers around the E-Money Issuer Order of 2020 but is dynamic. The Central Bank recognizes that the traditional approach to supervision must be modified to cater to the rapidly evolving nature of fintech offerings. Our recently established Payments and Financial Markets Infrastructure Department (PFMID) is being staffed and shaped to deal with the fresh demands in promoting safe and reliable payment applications.
- (ii) **As a concrete expression of our commitment to address climate change, the Bank made an initial investment in ‘Sustainability Bonds’ issued by the World Bank.** This followed approval by the Board of Directors of a policy change to allow for investment of up to 2% of international reserves in ESG (environment, social and governance) instruments. The change also allowed the Bank to invest in ETF (exchange traded funds) instruments. This move provides greater flexibility to investments without additional risk or compromising liquidity; the first investment in ETFs was executed in July 2022.
- (iii) **The introduction of fees for the processing of banknotes has contributed to the ongoing streamlining of currency operations.** While the long term objective remains reducing the use of cash in Trinidad and Tobago, the Central Bank has taken several measures over the years to simplify and lower the cost of minting, printing and processing notes and coins. These included demonetization of the 1 cent coin, adjusting the metallic composition of other coins, and replacing cotton-based banknotes with more durable polymer-based

notes. The processing fee introduced on July 1, 2022 has created an incentive for commercial banks to lower the amount of fit notes (notes that qualify for recirculation to the public) that they send to the Central Bank.

- (iv) **Two critical surveys were completed, providing strong empirical backing for the Bank’s work on financial literacy and addressing the concerns of our staff.** Main findings of the literacy survey included that many people remain unaware of the National Financial Literacy Program (NFLP) run by the Central Bank and lack basic financial education. The staff survey was a follow up to the exercise conducted in 2018. While the response rate in 2022 was much higher than in 2018, the results on staff perception on internal communication, collaboration among Departments and trust in leadership point to areas for improvement.
- (v) **Despite, and sometimes due to, the constraints on physical gatherings imposed by the pandemic, the Bank significantly extended its public outreach.** Over the 2 years since COVID-19 was declared a pandemic, the Bank was able to hone its outreach to concentrate on online activities such as webinars, social media interactions, virtual tours of the museum and exhibitions etc. By the time the museum and auditorium were reopened in May and August 2022 respectively, the Bank had already attracted a much larger following from our online presence. This hybrid engagement has allowed the Bank’s work and messages to get to a wider audience—for example, in September 2022 for the first time the Bank live-streamed to the public a feature address at a regional conference it was hosting—the perspectives of Trinidad and Tobago’s Principal Medical Officer on the human resource aspects of the pandemic were thereby not confined to conference participants but were made available to the national and regional publics.

What's ahead for the next 6 months?

The principal activities during the first half of year 2 of the Strategic Plan will center on boosting cybersecurity of the Bank's operations; solidifying supervision of fintech firms; firming up the Bank's financial inclusion role with respect to education, redress and market conduct, further streamlining currency operations and exiting from emergency control over 2 insurance companies. Meanwhile, on the internal front, actions will be directed to matters emerging from the staff survey and to beefing up project management capacity. The following are the main elements of the highlighted upcoming milestones:

- (i) **The upgrade to vault operations will culminate in the acquisition of new processing machines.** More generally, the Bank will continue to examine other ways of further economizing on the national cost of currency operations. This includes promoting greater use of the 50 cent coin and 50 dollar note, examining the pros and cons of removing lower denomination coins from circulation, or introducing a new denomination note. These projects and studies will take place alongside focus on the longer term goals of stimulating less cash use in the society, through automated cheque clearing and wider use of electronic methods for payments.
- (ii) **The supervisory apparatus for fintech operations will be completed.** This includes finalizing the staffing and operating procedures of the Payments and Financial Market Infrastructure Department and building up communication with market participants. A technical assistance project with the International Monetary Fund (IMF) will commence early in the new financial year that will bring to bear best international experience in conducting supervision of fintechs.
- (iii) **Two major projects will be launched to strengthen the cybersecurity of Central Bank operations and the Bank's capacity to conduct supervision of cyber activities at licensees.** In both these areas, Bank personnel from a range of Departments will work closely with IMF staff as part of technical assistance programs. While the Bank already has a fairly robust cybersecurity framework and some capacity in cyber supervision, the interaction with the IMF is expected to add significantly to our understanding of how other Central Banks shore up their defenses and conduct supervision.
- (iv) **In response to the financial literacy survey, the Bank will further strengthen and coordinate its market conduct, NFLP and Office of the Financial Services Ombudsman (OFSO) activities.** The Bank already does considerable work in these 3 areas via our onsite presence in several parts of the country, media campaigns and training. The focus will be on extending the scope of such activities and concentrating on gaps unearthed by the survey. Additional resources will be devoted to this priority.
- (v) **The Central Bank is expected to exit from its emergency control of Colonial Life Insurance Company (Trinidad) Ltd. (CLICO) and British American (Trinidad) Ltd. (BAT).** These insurance companies came under the control of the Bank in 2009 in part due to the potential systemic impact of the financial difficulties that they faced at the time. Over the years, the threat to the financial system has receded and the Bank is preparing to exit from control over these institutions.



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