

The background of the slide features a silhouette of several construction cranes against a sunset sky. The sky transitions from a deep orange at the bottom to a clear blue at the top. A dark red horizontal band is positioned at the top of the image, containing the main title and subtitle. The cranes are of various sizes and are positioned across the frame, with the largest one on the right side.

Strategic Plan

2016/17 2020/21

Project
Implementation
Update
YEAR 4
Half Year 2

Central Bank of Trinidad & Tobago Strategic Plan 2016/17-2020/21: Progress from April 1, 2020-September 30, 2020



Project
Implementation
Year 4 : 2019/2020
HY2

The Central Bank of Trinidad and Tobago has successfully completed four years of its five year Strategic Plan, with major achievements in all areas. Low inflation, a stable financial system and greater transparency and efficiency in operations marked the outcomes of progress in monetary policy, financial stability and internal operations. Naturally, new issues arose over the period that had not been envisaged when the Plan was drawn up in early 2016. Fresh issues included the rapid demonetization of the \$100 cotton note, the technological strides that put fintech into the limelight, depressed energy prices, and most recently the global pandemic. All in all, the Bank has retained a clear focus on the original Strategic Plan's 3 themes, 10 objectives and 23 projects, modifying and adjusting priorities as appropriate to cater for new circumstances.

It is fair to say that the Covid-19 outbreak will have a meaningful influence on the conduct of the Strategic Plan in year 5 (October 2020—September 2021). On the **monetary policy** side, the Central Bank has already taken unprecedented action by significantly and simultaneously lowering the repo rate and reserve requirements. The Bank will need to be constantly evaluating rapidly changing financial reactions and be prepared to adjust policies, perhaps using unconventional instruments. With respect to **financial stability**, the Supervision Department is already in high alert mode, given the demonstrated history of the link between the macroeconomic situation and the health of financial institutions. The IMF/World Bank have completed the Financial Sector Assessment Program (FSAP) analyses and the findings will form a good, independent basis for strengthening of supervision. As regards **internal operations**, the Bank currently has about 25 percent of its staff on premises; we will continue to streamline activities, including wider work from home arrangements, to lower this ratio to 20 percent in the new financial year.

1. What were the major achievements over the past 6 months?

In the context of the global pandemic and the corresponding macroeconomic impact of the fall in oil prices, the Bank implemented major policy action. A historical review of monetary policy was completed and will be published in a book in FY 2020/21. At the same time, the unprecedented macroeconomic/health development has prompted the Bank to reassess its traditional instruments and this analysis will continue into the new financial year. Of particular relevance will be evaluation of the lags between monetary action and financial variables such as interest rates, credit and investment.

Given the heightened risks and challenges, the Bank increased its supervisory vigilance and financial sector engagement. Regulatory efforts were directed to identifying emerging risks and promoting early action. The Bank is gradually refining its systemic risk indicators and approach to stress testing. A Market Conduct guideline was developed for the Insurance industry as well as guidelines on corporate governance and risk. A summary of lessons derived from the still outstanding CLICO/BAT resolution was completed and published on our website. The Bank is ready to implement the new insurance legislation once this is proclaimed.

The findings of the recently completed joint IMF/World Bank Financial Stability Assessment Programme (FSAP) of the domestic financial system will guide the Bank's regulatory efforts. Two in-country missions assessed, among other things, the Central Bank's compliance with the Basel Core Principles on Banking Supervision; the adequacy of supervision on financial groups; the stress testing framework; crisis management; the payments system; and the securities/mutual funds industry. The intense collaboration on this exercise proved an important learning experience for staff at the Central Bank and other supervisory agencies in Trinidad and Tobago.

The Central Bank continued its progress in the fintech area. An E-money Issuer Order was enacted which establishes the legal and regulatory frameworks associated with e-money issuance and use. The Bank and other local regulators also developed an 'Innovation hub' which allows payment service providers to engage with regulators and submit applications for licenses.

In response to the pandemic, the Bank has radically changed its work practices while maintaining governance, efficiency, and key operations. Since the start of the outbreak locally, the Bank continued its work as an essential service via methods such as video conferencing, teleconferencing, online meetings, work from home and staff rotation. Our technology team facilitated the expanded electronic interface, while striving to maintain cyber and information security. The Bank progressively lowered its target for staff on premises (as a proportion of total staff) from one third to its current level of one quarter. The focus over the last few months has been on core activities, and several events such as the Vacation Internship Program, Eric Williams Memorial Lecture, auditorium and museum activities were postponed. Meanwhile business continuity plans have been activated, incorporating engagement with internal teams and financial sector counterparts.

2. What can we expect in the last year of the Strategic Plan?

Over the last four years, the Strategic Plan has become embedded into the Central Bank's operations, guiding the annual Work and Training Programs and the budget. The diligent project tracking and semi-annual reports on our website have helped to keep staff's attention on what the Bank is aiming to do and to shore up accountability to the public. This momentum is expected to be maintained in year five, while clearly influenced by the macroeconomic and global health situation.

In some areas, while projects have been completed (based on the original conceptualization), in keeping with the new environment we have added new activities. For example while we have finalized our information governance framework, in the new financial year we will review the implications of the more widespread electronic interface among staff and with external agencies. Moreover, an inter-departmental team will soon explore the fundamental changes to our work processes that are required if the pandemic extends deep into 2021.

Past episodes of systemic problems with financial institutions in Trinidad and Tobago (non-bank financial institutions, indigenous banks, insurance companies) have clearly shown the link with macroeconomic problems. In this regard, and as modeled in the recent FSAP stress tests, if unchecked the current pandemic could have meaningful impacts on parts of the local financial sector. As a result, our Supervision Department will be on high alert status in tracking developments, and in formalizing crisis management plans alongside other regulators.

The demonetization of the \$100 cotton note has highlighted the need for greater financial inclusion, public financial literacy and the need to move to more digital financial transactions. Starting in late October 2020, the rest of the polymer suite is scheduled to be put into circulation. Meanwhile, the Office of the Financial Services Ombudsman and National Financial Literacy Program will step up their educational efforts, particularly on safe electronic transactions. The Central Bank will continue to partner with the Trinidad and Tobago International Financial Centre, the Securities and Exchange Commission and Government Ministries to further advance the digitization drive and embrace fintech solutions. The Bank will also explore the potential for a Central Bank digital currency taking into account experiences in the Caribbean and elsewhere. International efforts, championed by the G-20, are underway to improve cross-border payments: the Central Bank will continue to follow these global developments while pushing for significant payments reform domestically.



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