



ANNUAL REPORT 2016



On the Cover:
The Bank produced commemorative
coins in honour of the 50th
Anniversary of the Independence
of Barbados. They are depicted
along with a photo of the Bank's
headquarters, the Tom Adams
Financial Centre.



CENTRAL BANK OF BARBADOS

2016 ANNUAL REPORT



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LETTER OF TRANSMITTAL



CENTRAL BANK OF BARBADOS
www.centralbank.org.bb

March 31, 2017

The Hon. Christopher Sinckler, MP
Minister of Finance and Economic Affairs
Government Headquarters
Bay Street
St. Michael

Dear Minister

In accordance with Section 52(2) of the Central Bank of Barbados Act, Cap 323C, Laws of Barbados, I have the honour to submit to you in your capacity as Minister of Finance, the Bank's Annual Accounts for the year ended December 31, 2016 as certified by the External Auditors in accordance with Section 51 of the Act, together with the Report on its operations during 2016.

The original of the Auditors' Report and Certificate was forwarded to you with my letter of March 28, 2017.

Sincerely,

A handwritten signature in dark ink, appearing to read "C. Haynes", is written over a circular stamp or seal.

Cleviston L. Haynes
Governor (Ag.)

OUR VISION

The Vision of the Central Bank of Barbados is to create and maintain a caring, happy, dynamic, world-class organisation nurtured within a cooperative culture.

MISSION STATEMENT

The Mission of the Central Bank of Barbados is to foster an economic and financial environment conducive to sustainable economic growth and development.

CORPORATE PROFILE

The Central Bank of Barbados, set up by the government in 1972 as a statutory organisation, is responsible for:

- regulating the issue, supply, availability and international exchange of money;
- promoting monetary stability;
- promoting a sound financial structure;
- fostering development of the money and capital markets; and
- fostering credit and exchange conditions conducive to the orderly and sustained economic development of Barbados.

OUR VALUES

The Bank's pursuit of its mission is guided by a set of fundamental principles and values. These define the approach to be taken by management and staff in the performance of their duties and in their interaction with each other, and with the Bank's several publics.

These principles and values are as follows:

INNOVATION AND HIGH PERFORMANCE

We believe that new ideas, the promotion of critical thinking, inquisitiveness, nimbleness and flexibility will enhance our ability to achieve high performance in all of our endeavours.

INTEGRITY AND TRANSPARENCY

We acknowledge that our performance, success and reputation hinge on the highest standards of ethical behaviour. We therefore promise to provide open communication and to be consistent in our application of policies across the organisation. We will always practise honesty and fiscal responsibility in all of our undertakings as a way of building trust among our stakeholders and getting public support for our policy initiatives.

RESPECT AND EMPATHY

We are committed to building relationships through respect for each other, respect for diversity and open dialogue. We will promote and acknowledge behaviours that demonstrate genuine care and concern for the well-being and welfare of others.

ACCOUNTABILITY

We will be accountable to all of our stakeholders by being timely, open and accurate with our information and data, and in our actions. We will ensure the safety and security of all assets and resources under our responsibility, so as to engender the peace of mind of all our publics.

DEVELOPMENT AND INCLUSIVENESS

We value the development of our staff through education, training and shared knowledge and experiences. We also encourage their participation and involvement in the decision-making process.



Mr. Cleviston L. Haynes
Governor (Ag.)

GOVERNOR'S MESSAGE

MACRO-ECONOMIC DEVELOPMENTS

The past year was challenging for the Barbados economy. The economic growth rate improved to 1.6 percent from 0.5 percent the previous year on the basis of the strengthening of tourism activity. However, delays in anticipated investment projects and weak private sector credit demand contributed to subdued overall growth. Against the backdrop of sluggish capital inflows, the foreign exchange buffer deteriorated at a faster pace than the two previous years. The fiscal deficit for the first nine months of Fiscal Year 2016/17 was above target and Government's finances were under increasing pressure as access to funding from the private sector in the domestic market waned.

The Bank continued to enunciate the need for further fiscal consolidation in support of the exchange rate peg and overall macroeconomic stability but maintained an accommodative monetary stance through increased purchases of government paper. While commercial banks lowered interest rates because of substantial excess liquidity in the banking system, the Bank maintained unchanged its instruments of monetary policy. The discount rate remained at 7 percent, while the securities reserve requirement stayed at 10 percent. The cash reserve requirements were 5 percent and 2 percent for domestic and foreign currency deposits, respectively.

The forecast for growth in 2017 under the current policy framework remains positive, principally on the basis of a continued uptrend in tourism arrivals and significant investment in tourism infrastructure. However, sustainable growth over the medium term requires continued focus on private sector

investment and fiscal consolidation that contribute to the rebuilding of international reserves and the containment in the growth of public sector debt.

OPERATIONS

The Bank, in conjunction with the Financial Services Commission (FSC), prepared its annual 2016 Financial Stability Report. The Bank also contributed to the production of the Regional Financial Stability Report, the first of its kind in the Caribbean, and made significant contributions to the dialogue on de-risking as it relates to Barbados and the wider region. In addition, significant resources were devoted to preparation for the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation of Barbados. This was designed to evaluate technical compliance with Financial Action Task Force (FATF) Standards and the level of effectiveness of the national framework to combat money laundering/financing of terrorism.

The Bank was active in terms of its ongoing engagement with the international community. This included ongoing collaboration with international banking supervisors and standard setting bodies, as well as participation in IMF/World Bank meetings and CARICOM working groups. The Bank also engaged the International Monetary Fund (IMF) during the usual annual staff visit and participated in follow-up meetings to discuss the progress of Government's fiscal consolidation programme.

The Bank continued its focus on risk management by upgrading its physical plant and equipment as well as its emergency response procedures. Notably, there were improvements in the area of health and safety, including shelter-in-place procedures in the event of an earthquake.

The Bank continued its ongoing initiatives to apply modern technology to improve operational efficiency and the greening of information technology as a means of reducing paper usage in the Bank. Of note was the implementation of new applications in human resources, pensions, currency and statistics. In addition, the Bank's messaging strategy continued to evolve through the use of varied technologies and social media platforms.

CENTRAL BANK INCOME

The Bank recorded a profit of BDS \$27.1 million during 2016. While the Bank's foreign income was depressed by low coupons and the decline in foreign exchange reserves available for investment, revenue from domestic securities more than compensated. This performance enabled the Bank to eliminate its carried forward deficit and to substantially repay securities transferred to the Bank under Section 7(4) of the Central Bank of Barbados Act.

2017 OUTLOOK

The Bank, in conjunction with economic stakeholders, will maintain its focus during 2017 on strengthening the macroeconomic framework. In furtherance of these objectives, the Bank will support its policy thrust through an active research agenda on macroeconomic issues and financial stability. At the same time, the Bank will seek to enhance operational efficiency within the organisation, improve systems of governance and risk management and facilitate an environment that caters to the continued growth of its staff.



An aerial view of the Bank's headquarters and environs.

BOARD OF DIRECTORS



Mr. Cleviston L. Haynes
M.A. (Econ.)
Governor (Ag.)



Mr. Cecil McCarthy
LL.B., L.E.C., Q.C.



Dr. Justin Robinson
M.Sc., Ph.D.



Ms. Onika Stewart
LL.B., LL.M., L.E.C.



Mr. Bjorn Bjerkhamn
SCM, B.Sc. Eng. (Hons),
MBAPE



Dr. Louis Woodroffe
M.Sc., LL.M., MA., Ph.D.



Mr. Peter Carter
B.Com., M.A., F.C.C.A.



Ms. Sadie Dixon
LL.B., LL.M., L.E.C.
Bank Secretary (Ag.)

SENIOR MANAGEMENT



Mr. Cleviston L. Haynes
M.A. (Econ.)
Governor, (Ag.)



Mr. Michael D. Carrington
M.B.A., F.C.C.A.
Deputy Governor (Ag.)



Mr. Elson Gaskin
LL.B., L.E.C., M.B.A.,
MICBS
Deputy Governor (Ag.)



Mrs. Marlene E. Bayne
M.B.A.
Director, Bank Supervision



Mr. Charles Briggs
M.B.A., C.Eng.
Director, Facilities
Management



Mr. Ian Collymore
J.P., M.Sc.
Director, Foreign Exchange
And Export Credits (Ag.)



Ms. Sadie Dixon
LL.B., LL.M., L.E.C.
Bank Secretary (Ag.)



Mrs. Michelle Doyle-Lowe
M.Phil., CFA.
Director, Research and
Economic Analysis



Ms. Janice D. Marshall
M.B.A.
Director, Management
Information Systems



Mrs. Janis O. Marville
M.Sc., FCIPD
Director, Human Resources



Mr. Philmore Thorne
M.B.A., F.C.C.A., FCA.
Financial Controller (Ag.)



Mr. Steve A. Vaughn
F.C.C.A., C.I.A.
Director, Internal Audit



Mrs. Julia Weekes
B.Sc., CFA.
Director, Banking,
Currency and
Investments



Mr. Peter H. Whitehall
B.Sc., M.P.A.
Adviser to Governor



Ms. Celeste J. Wood
M.Sc., M.B.A.
Adviser to Governor

OTHER SENIOR OFFICERS

Ms. Pamela Arthur, M.Sc.

Assistant Director, Governor's Office

Mr. Anton D. Belgrave, M.A. (Econ)

Deputy Director, Research and Economic Analysis

Ms. Wilma Belgrave, B.Sc., A.C.I.S.

Assistant Director, Bank Supervision

Ms. Debbie Briggs, B.Sc., A.C.C.A.

Deputy Director, Banking, Currency & Investments

Ms. Novaline Brewster, J.P., M.Sc.

Public Affairs Officer, Governor's Office

Mr. Darrin Downes, M.A.(Econ), LL.B., L.E.C.

Chief Research Economist, Research and Economic Analysis

Ms. Octavia O. Gibson, J.P., M.Sc.

Deputy Director, Banking, Currency & Investments

Mrs. Cheryl A. Greenidge, M.B.A.

Deputy Director, Bank Supervision

Mrs. Josephine Haywood, B.Sc., C.G.A.

Assistant Director, Management Information Systems

Ms. Tamara Hurley, M.B.A.

Risk Assessment Analyst, Bank Supervision

Mr. Hartley O. Jordan, M.B.A.

Deputy Director, Facilities Management

Mrs. Sheryl A. Peter-Kirton, M.Sc.

Deputy Director, Research and Economic Analysis

Mr. Peter deC. Rochester, M.B.A.

Deputy Director, Management Information Systems

Ms. Angela Skeete, M.A.

Assistant Director, Research and Economic Analysis

ADMINISTRATION

BOARD OF DIRECTORS

The Board of Directors of the Bank has been entrusted, pursuant to Section 10 of the Central Bank of Barbados Act Cap. 323 C of the Laws of Barbados, with the overall responsibility for the policy and general administration of the Bank. The Board is empowered by the Act to make by-laws regulating the conduct of the Bank's business and may also make regulations and issue orders for the purpose of giving effect to the provisions of the Act.

The Board has delegated some of this responsibility to the Governor and senior officers of the Bank who are tasked with the daily responsibility of executing the policies established by the Board.

COMPOSITION OF THE BOARD

The Board consists of the Governor as Chairman, the Director of Finance and Economic Affairs and five (5) other Directors who are persons of recognised experience in the areas of law, economics, finance and business. At present the members of the Board are: Mr. Cleviston Haynes, acting Governor (Chairman), Mr. Cecil McCarthy Q.C., Dr. Justin Robinson, Ms. Onika Stewart, Mr. Bjorn Bjerkhamn, Mr. Peter Carter and Dr. Louis Woodroffe, Acting Director of Finance and Economic Affairs. Dr. Woodroffe, who joined the Board of Directors on August 3, 2016, replaces Mr. Martin Cox, Director, Economic Affairs, who retired from the public service.

The Bank Secretary is the officer chiefly responsible for Board administration. The two Deputy Governors of the Bank also attend all Board meetings but are only entitled to vote if, in the absence or disability of the Governor, one of them is chairing a Board meeting. Deputy Governor Mr. Harold Codrington retired on November 19, 2016. Effective November 21, 2016, Mr. Elson Gaskin, Bank Secretary, was appointed to act as Deputy Governor, and Ms. Sadie Dixon was appointed to act as the Bank Secretary. On February 24, 2017, Deputy Governor Mr. Cleviston Haynes was appointed to act as Governor, replacing Dr. DeLisle Worrell, and Mr. Michael Carrington, Financial Controller, was appointed to act as Deputy Governor.

SUB-COMMITTEES OF THE BOARD

There is one sub-committee of the Board, namely the Audit Committee. This committee addresses matters pertaining to the internal audit functions of the Bank and reviews the draft audited financial statements of the Bank, in conjunction with the external auditors, prior to the said statements being approved by the Board. Apart from the Audit Committee, a member of the Board also sits on the Committee of Management of the Staff Pension Fund.

During the year under review a new charter to govern the functions of the Audit Committee was approved by the Board.

MEETINGS OF THE BOARD

The Board is statutorily mandated to meet as often as the business of the Bank requires but not less frequently than ten (10) times in each year: not more than two (2) months must elapse between one meeting of the Board and the next meeting.

Four Directors, of whom one must be the Governor, or in case of his absence or disability, a Deputy Governor, form a quorum at any meeting, and decisions are adopted by a simple majority of the votes of the members present. In the event of an equality of votes, the Chairman may exercise a second or casting vote.

The Bank's by-laws provide for regular meetings, for which no notice is necessary and for special meetings, to be convened at the written request of the Governor or any two Directors. In the latter case, however, notice is required.

The Board met in eleven (11) regular sessions in 2016. Among the matters considered in the year under review were regular periodic reporting, the administrative budget, human resource issues and economic developments.

INTERNAL AUDIT AND RISK MANAGEMENT

Revisions to the Audit Committee Charter and Internal Audit Charter were reviewed by the Audit Committee and submitted to the Board for approval. Reports for assurance and consulting audits of activities related to the Currency, Facilities Management, Banking and Investments, Human Resources, Accounts and Management Information Systems Departments were issued in 2016 to the Audit Committee of the Board. Audits of activities in the MIS, Research and Economic Analysis, Bank Supervision, Banking and Investments, Foreign Exchange and Facilities Management departments, and Security section were in progress at year-end.

INFORMATION SECURITY

A heightened focus on cyber defense was necessitated following the February 2016 attack on the Central Bank of Bangladesh using the Society for Worldwide Interbank Financial Telecommunication (SWIFT) infrastructure as an attack vector. SWIFT is a global provider of secure financial messaging services used by millions of financial institutions. A committee was formed at the Central Bank of Barbados to determine our vulnerability to a similar attack and to put mitigation procedures in place.

The SWIFT attack highlighted the need for real-time communications among persons tasked with information security responsibilities at the regional central banks. In November 2016, CARICOM central bank Governors authorised the creation of a Cyber Security Information Sharing Framework.

BUSINESS CONTINUITY AND PHYSICAL DEVELOPMENT

Business Continuity

During the year, the Bank strengthened its business continuity, emergency management operations and procedures. The Emergency Response & Management Team (ERMT) focused most of its attention on updating emergency procedures and systems relating to Health and Safety.

Efforts were made to sensitise staff to new shelter-in-place procedures, with particular regard to tsunamis and earthquakes. In addition, there was a panel discussion featuring the Bank's Structural Engineer and other officers, along

with representatives of the Caribbean Disaster Emergency Management Agency (CDEMA) and the Department of Emergency Management (DEM). These efforts set the stage for the introduction of an earthquake procedure which was then disseminated and simulated, following training of emergency groups. As a temporary measure, the current fire alarm system was also modified following best practice guidelines to facilitate the broadcast of an earthquake alarm to all building occupants.

The Bank's Emergency Management Plan was completed and published in the "BCP Corner" (Business Continuity Programme) on the Intranet, which was periodically updated with emergency information, training opportunities for staff, and related quizzes. During the latter part of the year, the business continuity procedures reviewed included a new air conditioning emergency procedure, considered vital to the continuity of the Bank's operations.

PHYSICAL DEVELOPMENT

A Services Help Desk was established to better track issues related to the work environment and facilitate feedback to internal customers. The Bank also completed several projects to improve safety and security in the Tom Adams Financial Centre (TAFC) and The Exchange Museum building.

Major attention was paid to the air conditioning situation of the Bank, particularly the TAFC and the Governor's residence. The final phase of the installation of a new chiller was undertaken. This second chiller system is an innovation, running in parallel as an alternative to the existing system to allow the maintenance of the older chiller to be scheduled, while the new chiller takes on the work load.

The Grande Salle was also outfitted with a new chiller, replacing a system that was reaching the end of its functional life. This system also has the capacity to power an additional floor in the TAFC if necessary.

Temporary quarters were set up for two departments during 2016 in preparation for the refurbishment of those departments, continuing a general Bank-wide upgrade project which has spanned several years. In addition, a number of smaller projects were completed on various floors, improving aesthetics

and for the general comfort, health and safety of staff.

At “Newlands”, the official residence of the Governor; as part of a major renovation project, the air conditioning system was also upgraded to a more energy efficient inverter system, complementing the cost-effective photovoltaic system installed at the residence a few years ago.

2017 PRIORITIES

- Ongoing review of contingencies for critical systems.
- Ongoing training in emergency health and safety procedures.
- Complete renovation projects at “Newlands”, the official residence of the Governor, and the Tom Adams Financial Centre (TAFC).

CENTRAL BANK OPERATIONS

1. BANKING SUPERVISION AND REGULATION

The regulation and supervision of institutions licensed under the International Financial Services Act (IFSA) and the Financial Institutions Act (FIA), remain a critical element of the Bank's mandate of maintaining and promoting financial stability. The Bank Supervision Department continues to enhance its regulatory framework through various initiatives in response to emerging developments, including updates to existing legislation and guidelines. The Bank continued work with other domestic regulators and stakeholders on various national issues, including the Global Forum on Transparency and Exchange of Information for Tax Purposes, Peer Review and Financial Action Task Force initiatives.

Banking Regulation Framework

In furtherance of its mandate to maintain and promote financial stability, the Bank continued to enhance its framework for the regulation and supervision of institutions licensed under FIA and IFSA, through various initiatives in response to emerging developments.

At year-end, the Bank was responsible for the supervision of five (5) commercial banks, a bank holding company, thirteen (13) domestic near banks

and twenty-five (25) international banks. In 2016, no new entities were licensed and three international banks completed the winding-up process. One application for a licence was pending under the IFSA and another under Part III of the FIA.

Despite signs of economic recovery, credit growth in the banking system remained sluggish. This reduced appetite for new commercial bank credit contributed to high levels of liquidity in 2016. The financial system remained well capitalised in spite of changes in the computing methodology. The non-performing loan ratio continued to improve, while banks' provisions against losses remained in surplus. Moreover, banks recorded higher levels of profit in 2016 due to a further widening of the interest rate spread.

Financial Stability

The Bank, in conjunction with the Financial Services Commission (FSC), prepared its annual 2016 Financial Stability Report. The FSR evaluates the current trends in the financial system and assesses whether there are key risks that pose a threat to the stability of the system. In addition, stress test analysis is conducted to assess the resilience of the financial system to imposed macroeconomic and other negative exogenous shocks. The results

Financial System: Licensed Financial Institutions

Type of Institution	2009	2010	2011	2012	2013	2014	2015	2016
Domestic								
Commercial Banks	7	7	7	6	6	6	5	5
Bank Holding Company	1	1	1	1	1	1	1	1
Part III Companies	14	13	13	12	12	12	13	13
Total Domestic	22	21	21	19	19	19	19	19
International	50	45	45	46	40	36	28	25
Total Licensed Institutions	72	66	66	65	59	55	47	44

suggested that while most domestic banks are able to withstand a range of shocks, specific vulnerabilities could emerge under severe stress.

Working Groups

The Bank remained active in regional and international fora, (such as the Caribbean Group of Banking Supervisors, the Caribbean Financial Action Task Force, the Association of Supervisors of Banks of the Americas and the Group of International Finance Centre Supervisors) where matters pertinent to global standards and international financial issues are discussed. The Bank was represented on regional regulatory working groups to discuss Basel II/III, loan classification and provisioning standards, financial stability and other matters. In addition, the Bank continued to participate in the Joint Policy Working Group established by the Ministry of Industry, International Business, Commerce and Small Business Development to examine initiatives to strengthen the competitiveness of the sector.

The Bank was also represented on the following Technical Working Groups (TWGs) under the umbrella of the CARICOM Secretariat, namely the Credit Reporting Working Group and the Deposit Insurance Working Group. Both of these TWGs are charged with developing a regional harmonized Policy and Law in these respective areas.

2017 PRIORITIES

- Further enhancement of the regulatory and supervisory framework for licensees.
- Continuation of the work on Basel II/III implementation.
- Continuation of dialogue with the domestic, regional and international banking sectors and regulators towards strengthening home-host relationships and consolidated supervision.

2. INTERNATIONAL RELATIONS

IMF/World Bank

The Bank was represented on the Barbados delegation at both the Spring and Annual Meetings of the International Monetary Fund and the World Bank held in Washington, D.C. Events included meetings of Commonwealth Finance Ministers, Commonwealth Central Bank Governors and meetings of the Financial Stability Board and The

Bretton Woods International Council. Caribbean Governors met with IMF Managing Director Madame Christine Lagarde and participated in fora discussing various regional and international economic and financial issues, including the slowing of global growth, climate change and de-risking by international banks.

A team from the International Monetary Fund (IMF) visited Barbados to conduct discussions for the 2016 Article IV Consultation as part of its usual monitoring of economies worldwide. The team met with officials from the Ministry of Finance and Economic Affairs, the Central Bank, labour unions and the private sector.



The Regional Financial Stability Report launch event featured remarks from (left) Dr. Dave Seerattan, Chairman of the Caribbean Centre for Money and Finance; Dr. Gobind Ganga, Governor, Bank of Guyana; Dr. Brian Langrin, Head of Bank of Jamaica's Financial Stability Department, and Mr. Cleviston Haynes, currently Governor (Ag.), Central Bank of Barbados.

Regional Relations

The Bank worked with the CARICOM Group of Central Bank Governors and the Inter-American Development Bank (IDB) to develop a project on Financial Risk Assessment in the Caribbean. As a result, the Regional Financial Stability Report (RFSR) was produced by a regional committee under the chairmanship of Cleviston Haynes, one of the Bank's Deputy Governors at the time. The RFSR culminated in recommendations for the development and enhancement of the architecture for financial stability in the Region, including upgrading the national financial stability systems. Formally launched in the Frank Collymore Hall on March 10th, 2016, the report complements the region's national financial stability

reports and sensitises readers to issues relevant to the stability of the regional financial system.

Regulatory Agencies

The Bank continued its work with well-recognised financial oversight bodies, including the Association of Banks of the Americas, the Caribbean Group of Banking Supervisors, the Group of International Finance Centre Supervisors and the Financial Action Task Force, together with its regional body, the Caribbean Financial Action Task Force.

Mission to Canada

In September, the Bank conducted its seventh annual visit to Canada and met with Canadian banks, regulatory authorities and other stakeholders in Toronto and Ottawa to discuss matters related to the international business and financial services (IBFS) sector. The team, led by then Governor Dr. Delisle Worrell, also included Randy Graham, CEO of the Financial Services Commission (FSC).

FSB/RCG_A Meeting

The Regional Consultative Group for the Americas (RCG_A) is one of six such bodies established under the charter of the Financial Stability Board (FSB), the institution which coordinates work around the globe to promote international financial stability. Governor Dr. Delisle Worrell shared the chair of the Americas group with Carolyn Wilkins, Senior Deputy Governor at the Bank of Canada, for the period 2015-2017. With his departure, Cleviston Haynes, acting Governor, has taken up the co-chair.

At an RCG_A meeting in Montreal on May 27, Governor Worrell moderated a panel which stimulated dialogue on the strategies that banks have taken in response to global initiatives designed to reduce the riskiness of international finance. The audience included bank regulators, representatives of the International Monetary Fund (IMF), World Bank, CARICOM and other institutions, along with representatives of the US Treasury, Federal Reserve Board and commercial banks. The meeting was an opportunity to share experiences and deepen understanding about the factors that have motivated the actions of all players and the evolution of de-risking strategies.

De-risking is widely viewed as a truly global

phenomenon, which is still evolving, and the common objective going forward is to maintain a level playing field internationally, to avoid distortions in international financial markets, and to encourage international competition and efficiency.

3. FINANCIAL MARKET ACTIVITY

Liquidity Management

The high level of excess liquidity in the banking system in 2016 resulted in no borrowings by the commercial banks from the Central Bank. During the year, commercial banks discounted \$30.0 million in Treasury Bills and purchased \$57.0 million in Treasury Bills from the Bank. The Bank maintained its active stance in the primary market, with new purchases of \$643.4 million in Treasury Bills during the year and a switch of \$205.0 million from its Treasury Bill holdings into medium-term securities. At year-end, the Bank's holdings of Treasury Bills stood at \$1.1 billion.

Trading in Foreign Currencies

In 2016, the Bank was a net seller of foreign exchange from the banking system as foreign exchange outflows outstripped inflows during the year. Higher sales of foreign currency to the commercial banks, together with lower purchases from commercial banks resulted in net sales of \$60.3 million in 2016, compared to net purchases of \$8.7 million in 2015. Foreign exchange purchases from banks declined from \$175.0 million in 2015 to \$65.2 million in 2016. During the year, \$91.6 million in foreign notes were also purchased, compared to \$110.8 million in 2015.

Government Bond Market

The Bank issues Government Savings Bonds and Barbados Government Treasury Notes and Debentures on behalf of Government as a means of financing the deficit and managing domestic liquidity. Five issues of Treasury Notes and six issues of Debentures with a nominal value of \$1.175 billion, in 2016 were offered to the public with maturities ranging from two (2) years to twenty (20) years at a weighted average coupon of 6.48 percent per annum. Rollover of security issues maturing in the year totalled \$538.7 million, resulting in the net issuance of \$636.3 in new debt. During 2016, \$1.118

billion of securities, including securities issued before 2016, were sold.

During the course of 2016, four (4) Savings Bond issues totalling \$40.0 million were offered to the public. Two (2) Savings Bond issues of nominal value \$14.97 million matured during the year and as at December 31, 2016, certificates presented for redemptions for those issues totalled \$9.248 million. During the reporting period, redemptions from prior saving bonds issues totalled \$14.9 million resulting in an outstanding balance for savings bonds of \$172.2 million at the end of 2016.

Export Credits & Guarantees

The number of small and medium-sized enterprises using the collateral support provided by the credit guarantee scheme remained unchanged at the end of the year. At the end of 2016, there were fifty-one (51) guarantees outstanding. However, the maximum liability of \$4.5 million at December 31, 2016 was marginally higher than the previous year. No change was recorded in the total lines of credit which were \$5.8 million at year end. During the year, the total maximum liability for insurance business under the Export Credit Insurance was \$600,000. Export Finance Guarantees totalling \$1.0 million for lines of

credit totalling \$1.2 million were made available for post-shipment finance purposes. No tourism loan guarantees were provided by the facilities.

Enhanced Credit Guarantee Fund

The Enhanced Access to Credit for Productivity Project, funded by the Inter-American Development Bank and the China Co-Financing Fund, was successfully launched in January 2016. Since then, the Enhanced Credit Guarantee Fund was accessed by three financial institutions seeking coverage for loans provided to eleven (11) businesses.

During 2016, sixteen (16) guarantees were approved totalling 13.4 million and the fund received foreign currency Capital Contributions totalling 17.4 million.

Trade Receivables Liquidity Facility

During the year, three (3) small businesses obtained financing under the Trade Receivables Liquidity Facility compared to four (4) small businesses which used the facility in 2015. The value of the guarantees issued in 2016 amounted to \$0.5 million, some 61.4 percent lower than a year ago. At the end of the year, there was one (1) guarantee outstanding.

Marketing of Enhanced Credit Guarantee Schemes

The Bank assisted in the rebranding, relaunching and marketing of the Enhanced Credit Guarantee Fund (ECGF), a joint venture between the Government of Barbados and the Inter-American Development Bank (IDB) with the Central Bank acting as Fund Trustee. The revitalised scheme introduced new features that increased its attractiveness to banks and other financial institutions, and was expanded to include new areas of business activity. Since access to finance has been identified as one of the three biggest obstacles to doing business in Barbados, the 2016 performance of the ECGF has been heartening. The scheme provides a form of development financing, benefitting small and medium-sized enterprises that are incorporated and registered to operate in Barbados.

Industrial Credit Fund

The reduced demand for credit and the associated high liquidity in the banking sector continued to impact negatively on the performance of the Industrial Credit Fund (ICF). The ICF received no loan applications and the level of disbursements declined during 2016. No new applications were approved by the ICF compared to seven (7) applications totalling \$0.8 million in 2015. The balance of loans approved but undisbursed was \$11.6 million at year-end.

The income of the fund declined during 2016 reflecting the lower deposit rates in the market, the reduction in assets by \$23.1 million and the reduced loan portfolio. The ICF income for 2016 is estimated at \$1.3 million compared to \$1.4 million for the previous year.

Housing Credit Fund

The Housing Credit Fund made no loan approvals in 2016, compared to two (2) loan approvals totalling \$1.05 million during 2015. There were also no disbursements during the year.

Net income declined during 2016 largely as a result of the reduction of the Fund's capital and the low investment yields prevailing in the market. Net Income of 1.3 million represents a 50 percent decline compared to the previous year.

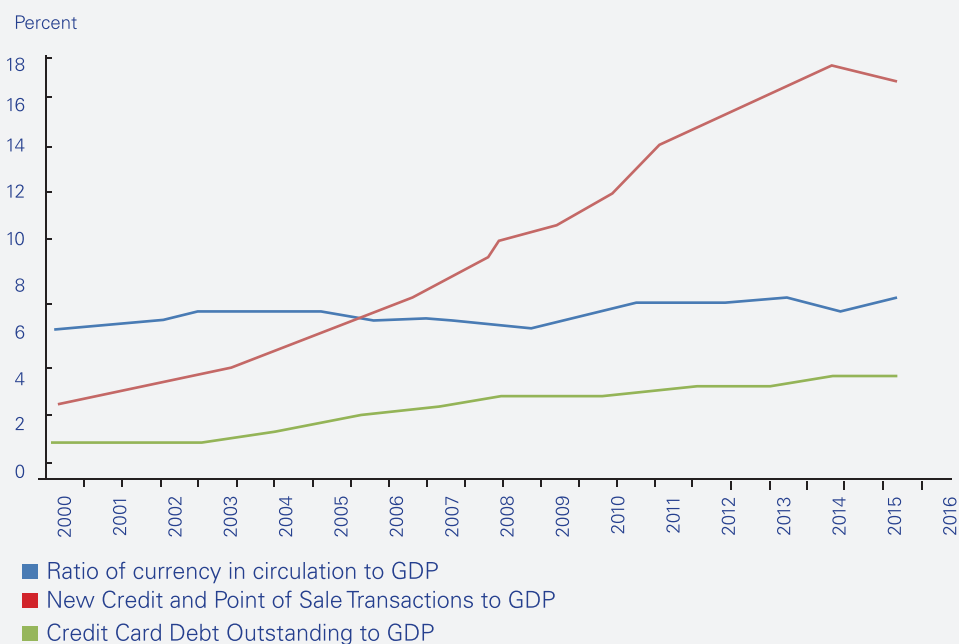
4. CURRENCY MANAGEMENT

Currency Circulation

As at December 31, 2016, the value of currency in circulation was \$730.3 million, \$61.9 million more than at the end of 2015. Bank notes in circulation grew by \$59.8 million and accounted for 92 percent of the total value of currency in circulation, while coins in circulation increased by \$2.1 million and accounted for 8 percent of total currency in circulation.

Cash continues to be an important means of payment despite the growing use of credit and debit cards for payment of goods and services, as illustrated below in the chart, Ratio of Value of Currency in Circulation and Credit/Debit Card Use as a proportion to GDP. Currency as a proportion to GDP grew to

Ratio of Value Of Currency in Circulation and Credit/Debit Card Use to GDP



8.0 percent in 2016 after declining to 7.6 percent in 2015. Commercial banks have indicated that more customers prefer to use cash payments to reduce the credit outstanding on credit cards, as compared to in-bank or online transfers.

Currency Issue

The value of currency issued to the public in 2016 expanded by \$43 million after falling two consecutive years by \$48 million in 2015 and by \$23 million in 2014. Of the currency issued to the public, notes accounted for 99 percent while coins represented the other 1 percent. The volume of notes issued to the public grew by 5 percent, with all denominations registering an increase except for the \$2 note which decreased by 2 percent. The \$20 remains the most widely issued of all the denominations.

During 2016, coins issued to the public were reduced by 13 percent, a turnaround of the 10.1 percent growth in coins seen during 2015 when a surge in demand was experienced following the phasing out of the one cent coin in 2014. All denominations issued to the public decreased except for the 10 cent coin which increased by 0.1 million pieces; 3.9

million fewer twenty-five cent coins were distributed in 2016, partly because the Bank asked commercial banks to encourage their customers to deposit coins and also encouraged the public to stop hoarding coins.

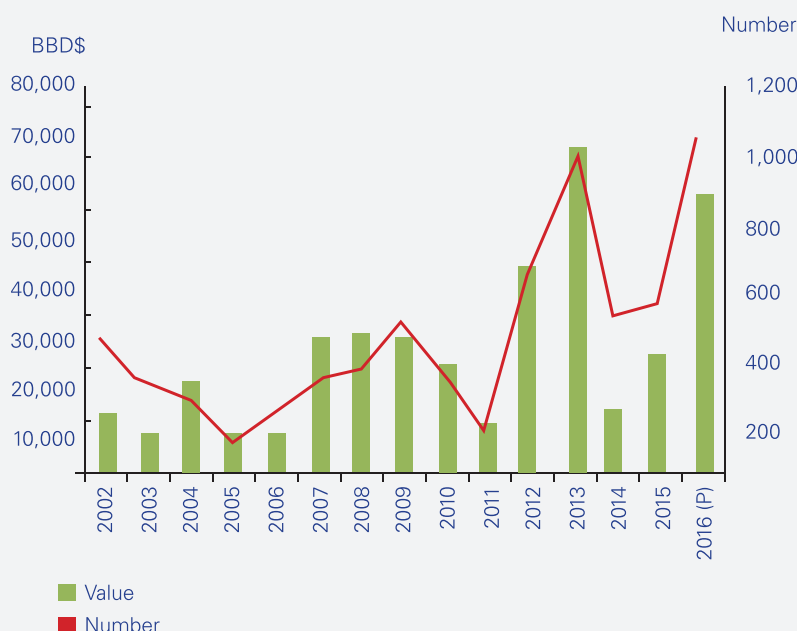
Deposits

Currency deposited with the Bank fell by \$37 million during 2016. Notes redeemed accounted for 99 percent of currency deposited.

Of the notes redeemed, the \$20 note remained the most widely deposited, followed by the \$50 note, the \$100 note and then the \$2 note.

Coins redeemed during the year declined by 13 million pieces, similar to the reduction in 2015. The redemption of the five cent, ten cent and one dollar coin continue to decline, falling by 0.3 million, 0.8 million and 1.6 million, respectively. The deposit of twenty five cent coins fell by 5.2 million pieces after increasing by 1.5 million pieces the year before.

Number of Counterfeit Notes

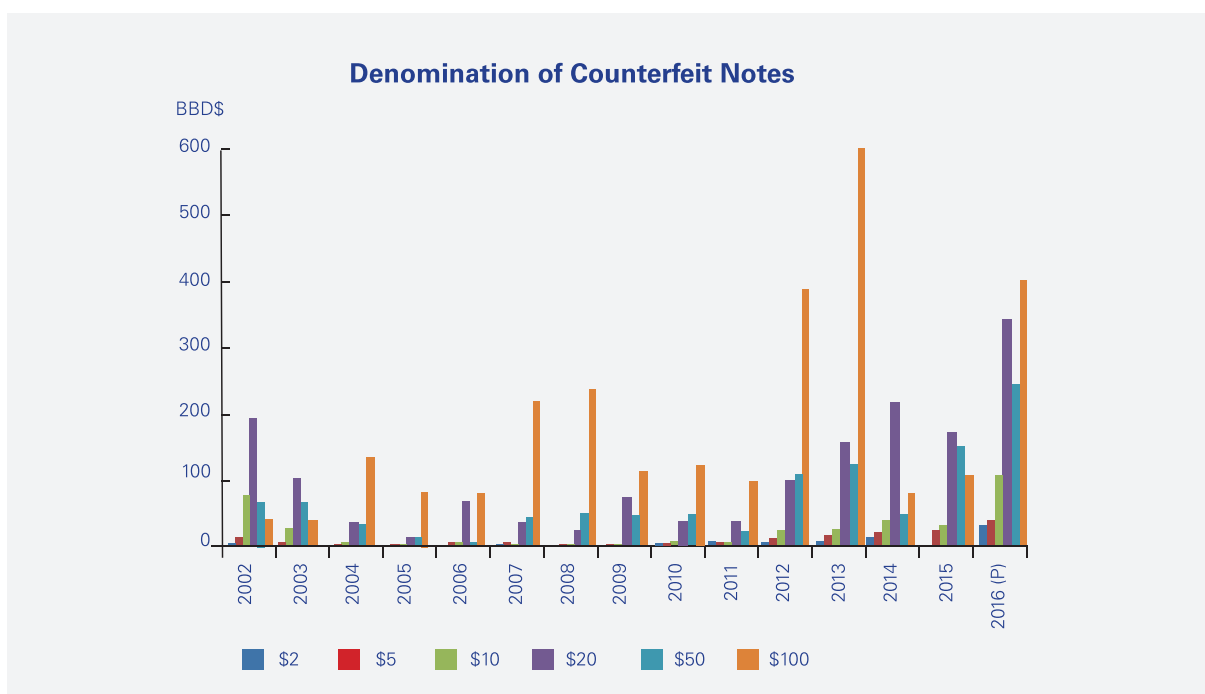


Source: Central Bank of Barbados

Counterfeit Deterrence

Provisional data indicate that 1,128 counterfeit notes were removed from circulation during 2016, doubling the number removed from circulation last year. Fake notes of the 2007 series accounted for 45 percent of counterfeits, an increase from the 37 percent discovered in 2015. Of the older series, 70 percent of the counterfeits were \$100 notes also representing 31 percent (353 counterfeit notes) of

total counterfeits removed from circulation. 618 counterfeits of the newer series were removed from circulation in 2016 compared to 341 removed in 2015. 53 percent of the 2013 series counterfeits were \$20, followed by \$10 notes with 17 percent being removed from circulation. These statistics indicate that counterfeiters, while targeting both series, are concentrating on the \$100s from the older series and the \$20 note from the 2013 series.



Source: Central Bank of Barbados

Repatriation of Foreign Currency

During 2016, foreign currency repatriated totalled \$80 million, \$38 million below the amount repatriated in 2015. Income gained from repatriations declined, mainly due to fewer repatriations of the Great Britain Pound (BBD \$20 million less than in 2015) as the pound remained relatively depressed during 2016. Trading in the USD also fell by BBD \$27 million.

Processing of Re-issuable Banknotes

The Bank introduced a system where all re-issuable notes deposited at the Bank were processed and authenticated by the DLR 7000, a new currency sorting machine, prior to being recirculated. The new equipment aids the department in ensuring that only genuine, clean notes were being returned to circulation, and also efficiently purges the system of mutilated notes.

Installation of New Enterprise Cash Management System

In 2016, work continued on the Cash Portal, the accounting interface and customisation of reports. The Bank also replaced its Currency Inventory system with a more comprehensive cash management system, the Inventory Supply Accounting (ISA) software system.

Numismatic/Royalty Program

The Bank negotiated two (2) royalty agreements during 2016. Two special coins were also struck to commemorate the 50th Anniversary of the Independence of Barbados. Commemorative \$50 banknotes were also printed and went into circulation in late November 2016. Commemorative paper weights carrying specimens of the \$50 commemorative banknotes were also produced.

Training/Workshops/Seminars

During 2016, the Bank organised 'Know Your Money' training sessions for retailers and enhanced the knowledge of its senior staff. Skills were also upgraded as a result of training in such topics as counterfeit detection and circulation coins, organised by De La Rue and the Royal Canadian Mint, respectively. During 2016, currency staff also conducted seven (7) training sessions for the cash handling operations of a variety of public and private sector organisations, focusing on the features of the 2007 and 2013 series banknotes. Trainees were also educated about counterfeit notes and the procedures to take if suspect notes were presented to them.

2017 PRIORITIES

- Launching an app for mobile devices to assist with the authentication of banknotes, with the assistance of our notes printer, De La Rue.
- Placing more emphasis on education and training for smaller entities, government agencies, schools and persons selling at large public events.
- Management of our Royalty Agreements.
- Refreshing our numismatic programme.
- Producing the "History of the Printing and Minting of Currency by the Central Bank of Barbados, 1972- 2016"



Introduction of the DLR 7000, a new sorting machine, has increased efficiency and productivity within the Currency Department.

5. INFORMATION TECHNOLOGY

The Bank continued to implement measures to improve operational efficiency in the Bank through the use of information technology in a “green” environment. The broadening of the utilization of multifunctional devices facilitated the use of network-scanning services across the Bank, and this improved the efficiency of business operations. Also advancing the Bank’s policy of ‘Greening IT’, the roll out of database and application server consolidation project continued, and an additional work flow application was created to further reduce paper usage in the Bank. Additionally, enhancements were done to the Public Debt application to facilitate the emailing of Advices.

Having completed the reconstruction of the Bank’s main website and that of the Frank Collymore Hall, work commenced on upgrading the Bank’s internal website, the Intranet.

The final phase of the project to replace the statistical database AREMOS was completed with the deployment of the BankSearch Straight-Through Processing (STP) Application. The Ingres clients/Open Road environment was upgraded in preparation for the overall enterprise upgrade. The remote access facility was expanded to provide access to additional financial institutions for Electronic Data Interchange (EDI). In addition, the provision of portals and associated infrastructure were provided to commercial banks to facilitate Cash Management.

The use of a virtual server environment in combination with Storage Area Network (SAN) storage has drastically reduced the lag-time and cost to deploy ICT infrastructure and services, offering an agility that benefits operations across the Bank. Other modern technology introduced included the use of Microsoft Windows Server 2012 systems, Windows 10 at the desktop, and advances in Blade Server, Storage Area Network and 64-bit technologies.

2017 PRIORITIES

- Intranet completion – expected to be completed in early 2017.
- Strengthening of the SWIFT environment.
- Development of an application to facilitate online Exchange Control approvals.

6. SOCIAL AND CULTURAL INITIATIVES

Frank Collymore Hall (FCH)

The Frank Collymore Hall (FCH) and its ancillary facilities continued to live up to its reputation of cultural excellence. Numerous noteworthy events were held at the FCH venues in 2016, organised by the Bank and by external clients.

The series of Free Sunset and Lunchtime concerts continued, presenting local, regional and international artistes showcasing many instruments and art forms such as classical and folk music, calypso, jazz, steelpan and dance. Cultural exposure to international artistes and film through collaborative efforts with the Embassies of Japan, and Argentina was also achieved.

Youth Pan Project (YPP)

This year marked the 15th year of the Youth Pan Project (YPP), the summer steel pan workshop co-sponsored by the Bank and the National Cultural Foundation, which caters to school children from 9 to 18 years of age. This year's focus was on "Rhythm & Mass: One Caribbean".

Crop Over Visual Arts Festival

This year also marked the Bank's 24th consecutive year of sponsoring the Crop Over Visual Arts Festival, coordinated by the National Cultural Foundation, with the chosen theme: "Strict Guardians of our Heritage; Firm Craftsmen of Our Fate". This theme reflected Barbados' 50th Anniversary jubilee celebrations and participants were charged with researching, creating and developing traditional and contemporary artistic concepts with a focus on



Simone Asia Padmore explains her award-winning piece, "Independence Square."

the incorporation of "Barbadiana" in the production of their pieces. The Festival events included a craft symposium and workshop, which preceded the Exhibition mounted at two core exhibition sites, one of which was the Grande Salle. The Governor's Award was won by Simone Asia Padmore for her piece, "Independence Square"; while Omowale Stewart's "Indomitable, Indelible" received the Best Depiction of Theme Award.

Frank Collymore Literary Endowment (FCLE)

The Frank Collymore Literary Endowment (FCLE) Committee once again coordinated their "Writers Helping Writers" workshops. Overall, some forty (40) seasoned and budding writers benefited from three highly interactive sessions, two of which were facilitated by FCLE Committee member Andy Taitt, and one by visiting Caribbean author, Ms. Oonya Kempadoo. The 19th Annual FCLE Awards Ceremony was held on Saturday, January 07, 2017 in the Grande Salle, with Dr. Karen Lorde delivering the feature address on the topic, "Hobby, Profession, Industry: On Being and Becoming A Writer." The Endowment and the awards have been sponsored by the Central Bank of Barbados, since 1997.

The Committee awarded prizes to six Barbadian writers:

1st Prize	Kerry Andre Belgrave	"@bb.now/tek culture?"	Poetry
2nd Prize	Linda Deane	"Bridgetown"	Poetry
3rd Prize	Carlyon Blackman	"Sons and Lovers"	Poetry
Prime Minister's Award	Linda Deane	"Bridgetown"	Poetry
Honourable Mention	Christine Barrow	"Black Dogs and the Colour Yellow"	Prose Fiction
Honourable Mention	Justin Holder	"Heaven Hound"	Prose Fiction
Honourable Mention	Peter Laurie	"Dancing to the Music at the End of Time"	Novel

7. COMMUNICATIONS OUTREACH

During 2016, the Central Bank continued to fine-tune its communications strategy, building on past successes while seeking new and innovative ways to engage with the public.

All quarterly economic reviews were released in video, electronic and print format to reach a larger cross section of the Barbadian public. Similarly, in a new initiative, the publication of the Financial Stability Report was supported by five short podcasts: one that gave an overview of the report and four that summarized the key findings in each of the main areas (commercial banks, credit unions, insurance companies, and mortgages.) These podcasts were broadcast on local radio as well as posted on the Bank's website.

The Bank also produced a 13-part educational television series titled "It Matters Fiscally," which examined the link between the taxes Barbadians pay and the social services they receive. The series explored issues such as the fiscal deficit, the foreign reserves, and the paths Barbados must take to achieve fiscal sustainability.

Internationally, the Bank published its second major Euromoney Guide in six years, offering potential investors information on Tourism, the International Securities Market, Banking and Business, and Renewable Energy. The guide also included the latest Euromoney Country Risk rankings for Barbados, which showed improvement over the previous year.

Economic Insight.bb

The Bank successfully launched its new magazine, **Economic Insight.bb**. The first issue had "Excellence" as its theme, using examples such as Rihanna (the cover story), the Barbados Fertility Centre, and St. Nicholas Abbey to show how a commitment to excellence can make Barbados globally competitive.



Economic Insight.bb

Launched in September, **Economic Insight.bb**, the new bi-annual magazine published by the Bank, has come in for praise from readers, with many commenting on its attractive cover and other visuals, its readability, and its tackling of topical issues. The magazine is intended to educate the public about Barbados' economy and how it works in a non-technical, innovative way using an approach that demystifies economics, as well as employing straightforward language and dynamic images and illustrations. Since its launch, the magazine has been well-received. It is available on the Bank's website, and copies were also distributed across the island and at major events.

Sir Winston Scott Memorial Lecture

The Bank's signature public event focused, fittingly, on the island's 50th anniversary of independence. Caribbean-born historian, Dr. Richard Drayton, delivered a well-received lecture on "The Time of Sovereignty: The History of Political Independence and its Future" to a capacity audience in the Frank Collymore Hall.

The 2016 Sir Winston Scott Memorial Lecture activities also included a Schools' Essay Competition, which challenged 14 to 18-year old secondary and tertiary level students to explain "What is the Meaning of Independence to Barbados? What have we achieved? What should we aim for?" That competition was won by Lazaro Jackson, a 17-year old student of the Barbados Community College.

Annual Review Seminar

Under the theme “Identifying and Capitalising on the Engines of Economic Prosperity in the Caribbean”, the 2016 Annual Review Seminar began with a welcome address by Governor, Dr. DeLisle Worrell, followed by a keynote address from the Executive Director of the World Bank Group, Allister Smith, who asserted that efforts geared towards the ease of doing business should be led by governments whereas growth should be driven by the private sector. The topics discussed, which were well received by attendees, included issues surrounding economic growth, fiscal policy, energy and financial sector developments. Participants were also exposed to a technical workshop on modelling economic relationships.

Distinguished Visiting Fellow Programme

The Bank hosted Dr. Simon Johnson of the MIT Sloan School of Management and Senior Fellow at the Peterson Institute for International Economics at its third Distinguished Visiting Fellows programme.

During his visit, Dr. Johnson met with several Government ministers, officers from the public sector, and Central Bank staff. He also delivered the keynote address at the Caribbean Regional Technical Assistance Centre (CARTAC) crisis management conference where he predicted that there would be another financial crisis of global proportions due to what he calls the “doomsday cycle” of increased regulation post crisis, followed by successful lobbying for deregulation, followed by bailouts when crises do occur.

Officers from the Bank’s research department also benefitted from special presentations made by Dr. Johnson on “The Effectiveness of Macro Prudential Policies in Micro States / Small Open

Economies”, and “Digital Currencies and Central Banks: What They Need to Know”.

Conferences

The Bank again hosted two conferences, the International Business and Financial Services Sector (IBFS) Conference in March and the Domestic Financial Institutions Conference in September. These gatherings greatly facilitated discussion of significant trends and issues, both domestic and international in origin, which have the potential to impact and influence our local sectors.

Sponsorship support was also given to the International Business Week Conference, organised by the Barbados International Business Association (BIBA) and Invest Barbados, and to a conference organised by the Barbados Renewable Energy Association (BREA).

Stakeholder Meetings and Presentations

Governor Dr. DeLisle Worrell updated stakeholders on the performance of the local economy. The presentations to businesspeople and public and private sector organisations focused on the importance of reducing the deficit to maintain economic stability, in terms of protecting the foreign reserves and safeguarding our exchange rate.

Savings Bonds Campaign

The Bank’s promotion of savings bonds continued throughout 2016. In addition to traditional advertising and social media, the Bank took its message to the Barbadian public, speaking at several fora, including the Diaspora Conference and other financial expositions.



The Annual Review Seminar attracts researchers from across the region for an intense four-day programme of presentations and discussions on economic issues.

Fish and Dragon Festival

The second annual Fish and Dragon Festival took place early in 2016. The event, a collaboration of the Central Bank, the Embassy of the People's Republic of China, and the Barbados China Cultural Centre is intended to bolster relations between Barbados and the world's emerging superpower and showcases the culture of both countries.



CBB News features presenters and reporters drawn from the Bank's cadre of employees.

Internal Communications

Internally, the Bank continued to produce a monthly programme, "CBB News", to keep staff abreast of the different activities happening in the organisation. "CBB News" covers a mixture of hard news about local and regional events; coverage of Central Bank of Barbados activities such as conferences, launches and presentations; and human interest stories about staff members and their families.

2017 PRIORITIES

- Organising celebrations to mark the Central Bank's 45th Anniversary.
- Increasing our social media presence to educate the public about economic and financial matters, while also promoting our products and events.
- Hosting the Official Monetary and Financial Institutions Forum (OMFIF) meeting of international public and private sector experts on economic and financial issues.

8. PEOPLE AND PROGRAMMES

Leadership continued to take centre stage in 2016 as the Bank maintained its strategic focus and challenge to upgrade its leadership capacity towards internationally recognised standards of excellence, and sustaining outstanding performance.

Under the theme, "The Leadership Challenge, 2020 Vision, the Bank engaged the services of International Executive Coach Bruce Leamon to facilitate the three-day Leadership Challenge Workshop for the Bank's senior leaders early in the year. This was complemented by a two-day Seminar in the last quarter, that built on concepts gained in the earlier Workshop.

More specifically, emphasis was placed on three (3) key areas: - The Five Practices of Exemplary Leadership, Emotional Intelligence and The Five Behaviours of a Cohesive Team. One of the highlights was the introduction of The Everything Disc Model, which not only provided insight into the participants' styles as individuals, but also heightened awareness of how those basic styles influenced interactions as a leadership group.

Members of the Bank's Occupational Health & Safety Committee attended a Seminar, facilitated by the Barbados Employers Confederation (BEC). That enlightened the Committee on the Safety & Health at Work Act (SHAW) and facilitated discussion of the moral/social, legal and economic implications of Occupational Safety and Health (OSH) to the Bank.

A new Human Resources Management System, NuView, became fully operational in November, replacing the HR Information System that was previously used. This upgrade will assist the Bank in its goal of becoming a paperless environment and will ultimately enhance the effectiveness of the organisation. This focus on modernisation was also reflected in the launch of an Automated Pension System, aimed at greater accuracy and efficiency, while facilitating the more proficient administration of both monthly and ad hoc payments.

The strengthening of the Bank's Wellness Programme continued, with interested staff benefitting from regular consultations with a certified Nutritionist and health checks by a Registered Nurse. The gym continued to be heavily used by staff, who benefit from the presence of trained gym instructors during specified hours.

Education and Certification

During the year, Mr. Philmore Thorne was awarded the Master of Business Administration (Chartered Banker) programme with Distinction by Bangor University. Mr. Rudolph Browne was awarded the Masters of Science in Economics and Econometrics by the University of Nottingham.

Mr. Fabian Farrell, Mr. Runako Brathwaite and Miss Linda Boyce acquired an Executive Masters in Business Administration (International Business), a Master of Science degree in Banking & Finance and a Master of Science degree in Human Resources Management, respectively, from the University of the West Indies, Cave Hill Campus. Mr. Andre Burgess successfully completed the Bachelor of Science in Economics (Special) at the University of the West Indies, Cave Hill Campus.

Other members of staff completed certification in varied programmes such as the Associate Degree from the Barbados Community College, a diploma from the Barbados Institute of Management and Productivity and areas such as Money Laundering, Armament Systems and Procedures, Leadership, Project Management, Business Communications and computer applications.

Staff Movements

Three persons joined the Bank's permanent establishment during the year, seven persons resigned and thirteen persons retired. At the end of December 2016, the staff complement stood at 255, of these, 228 were permanent employees.

The retirees included Mr. David Bowen, Senior Exchange Control Officer II, Ms. Pauline Richards, Senior Banking Officer, Ms. Hazel Weir, Senior Exchange Control Officer, Ms. Anele Weekes, Senior Administrative Assistant, Mr. David Boyce, Deputy Director, Ms. G. Eleanor Newsam, Senior Accounting Officer, Mr. Harold Codrington, Deputy Governor, Mrs. Betty Maul, Accounting Officer and Mr. Carlisle Best, Administrative Officer. All of these persons were with the Bank for over 30 years.



Retiree Maureen Hoyte (left) and Wilma Belgrave, Assistant Director, Bank Supervision, enjoy the atmosphere during the 2016 outing to the Animal Flower Cave.

Retirees' Programme

During 2016, further progress was made towards the establishment of a formal Retirees' Association for former Central Bank of Barbados employees. The Bank maintains a strong relationship with its retirees, planning annual outings, enabling participation in the Group Health/Life Insurance scheme and assigning "nieces and/or nephews" to each retiree, helping them maintain a personal connection with the Bank once they demit office.

This year's annual retreat and luncheon was held at the picturesque Animal Flower Cave.

2017 PRIORITIES

- Expansion of NuView to offer both Employee Self Service and Manager Self Service in the future.
- Further development of the Retirees' Programme.

Promotions

Twenty-one members of staff attained promotions during the year:

	Department	Post Attained
Mr. Laron Alleyne	Research & Economic Analysis Department	Economist
Miss Sherri Bishop	Banking Currency & Investments Department	Senior Currency Officer
Mr. Lennox Callender	Governor's Office	Senior Security Officer
Mrs. Jan Carrington	Banking, Currency & Investments Department	Administrative Assistant
Ms. Janette Carter	Banking Currency & Investments Department	Administrative Assistant
Mrs. Dale Christie-Bourne	Foreign Exchange & Export Credits Department	Administrative Assistant
Mr. Ian Collymore	Foreign Exchange & Export Credits	Deputy Director
Mrs. Jeanell Griffith-Wood	Bank Supervision Department	Examiner
Mrs. Tiffany Grosvenor-Drakes	Research & Economic Analysis Department	Senior Economist
Mr. Bradley Harris	Research & Economic Analysis Department	Statistical Officer
Miss Roxanne Hinds	Research & Economic Analysis Department	Administrative Assistant
Miss Alexis Lescott	Research & Economic Analysis Department	Senior Economist
Miss Alicia Miller	Banking, Currency & Investments Department	Banking Officer
Mrs. Samantha Norville	Human Resources Department	Human Resources Officer
Ms. Yvonne Parris	Governor's Office	Senior Administrative Officer
Miss Gwendolyn Rosemond	Bank Supervision Department	Examiner
Miss Danielle Skeete	Facilities Management Department	Administrative Assistant
Mr. Anthony Small	Accounts Department	Senior Accounting Officer
Mr. Carlon Walkes	Research & Economic Analysis Department	Senior Economist
Miss Shamika Walrond	Research & Economic Analysis Department	Economist
Mrs. Eurcil Weekes	Research & Economic Analysis Department	Administrative Assistant

PUBLICATIONS AND PAPERS

PUBLICATIONS

Belgrave, Anton, Tiffany Grosvenor and Shane Lowe. (2016) "A Framework for Constructing a Housing Price Index-A Progress Report."
Central Bank of Barbados Working Papers.

Bollers, Elton and Tarron Khemraj. (2016) "Foreign Exchange Shocks and Economic Growth in Selected Small Very Open Economies."
Central Bank of Barbados Working Papers.

Kinch, Christopher and Winston Moore. (2016) "Greening Small Businesses in Small States: The Case of Barbados."
Central Bank of Barbados Working Papers.

Moore, Winston, Jamila Beckles and DeLisle Worrell. (2016) "Prosperity and the Exchange Rate Regime in Small Open Economies."
Central Bank of Barbados Working Papers.

Scott-Joseph, Ankie, Tracy Maynard, Nichelle Yearwood, and Jamila Beckles. (2016) "Analysis of Tax Buoyancies and Revenue Performance in Barbados."
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Wood, Anthony and Runako Brathwaite. "Exploring the Use of Digital Currencies as a Form of Payment in Barbados."
Journal of Payments Strategy and Systems vol 10, no 3 (2016): 300-311.

Worrell, DeLisle, Michael Brei, Lauren Cato, Sadie Dixon, Bradley Kellman and Shamika Walrond, Assisted by Ke-Anne Evans. (2016) "De-risking in the Caribbean: The Unintended Consequences of International Financial Reform."
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Worrell, DeLisle. (2016) "Economic Growth, Development and Stability in Small Very Open Economies."
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PAPERS PRESENTED AT CONFERENCES

Bollers, Elton and Tarron Khemraj. "Foreign Exchange Constraint and Economic Growth in Small Very Open Economies."
36th Central Bank of Barbados Annual Review Seminar, Barbados, July 26- 29, 2016.

Burke, Terry and Troy Digid. "The Day A Black Swan Landed at a Central Bank"
25th Annual Conference of Regional Central Banks Information Systems Specialists, Centrale Bank of Curaçao and Sint Maarten, June 20-22, 2016.

Codrington, Harold. "Barbados at 50: Lessons For Other Small Developing Countries"
29th Annual Conference of the Congress of Political Economists International, Madrid, Spain, July 6-11, 2016.

Mamingi, Nlandu, Jamila Beckles, Justin Carter and Nichelle Yearwood. "Health Expenditures in the Caribbean and Central America: Determinants and Policy Implications."
36th Central Bank of Barbados Annual Review Seminar, Barbados, July 26-29, 2016.

Moore, Winston and Shamika Walrond. "Rate of Return of Green Tax Incentives."
36th Central Bank of Barbados Annual Review Seminar, Barbados, July 26-29, 2016.

Moore, Winston, Mika Korkeakoski, Jyki Luukkanen, Laron Alleyne, et al. "Investigating the Optimal Energy Mix for Barbados Using the Long Run Model of Energy Development."
36th Central Bank of Barbados Annual Review Seminar, Barbados, July 26-29, 2016.

Moore, Winston, Nicholas Stapleton and Christopher Kinch. "Building a Green Frontier for Caribbean Business."
36th Central Bank of Barbados Annual Review Seminar, Barbados, July 26-29, 2016.

Moore, Winston, Nikita Bishop and Christopher Kinch. "Macroeconomic Impact of Greening Businesses in the Caribbean."
36th Central Bank of Barbados Annual Review Seminar, Barbados, July 26-29, 2016.

Walkes, Carlon, DeLisle Worrell and Nlandu Mamingi.
“Determinants of Investment in SvOEs.”

36th Central Bank of Barbados Annual Review Seminar, Barbados,
July 26-29, 2016.

Walkes, Carlon, DeLisle Worrell and Nlandu Mamingi.
“Determinants of Investment in SvOEs.”

48th Annual Monetary Studies Conference, Bahamas, November
9-11, 2016

Worrell, DeLisle, Ankie Scott-Joseph and Treshauna Turner. “Fiscal Sustainability Tool for Small Open Economies.”

36th Central Bank of Barbados Annual Review Seminar, Barbados,
July 26-29, 2016.

Worrell, DeLisle, Michael Brei, Lauren Cato, Sadie Dixon, Shamika Walrond and Bradley Kellman.
“De-risking and Correspondent Banking In the Caribbean.”

36th Central Bank of Barbados Annual Review Seminar, Barbados,
July 26-29, 2016.

Worrell, DeLisle, Michael Brei, Lauren Cato, Sadie Dixon, Shamika Walrond and Bradley Kellman.
“De-risking and Correspondent Banking In the Caribbean.”

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9-11, 2016.

Worrell, DeLisle, Nlandu Mamingi and Quinn Weekes.
“Financing Development in Small Open Economies.”

36th Central Bank of Barbados Annual Review Seminar, Barbados,
July 26-29, 2016.

Worrell, DeLisle, Nlandu Mamingi and Quinn Weekes.
“Financing Development in Small Open Economies.”

48th Annual Monetary Studies Conference, Bahamas, November
9-11, 2016.

ADOPTION OF FINANCIAL STATEMENTS 2016

The Central Bank of Barbados Act CAP 323C requires the Bank to promote the general well-being of the Barbados economy. In this respect, we seek to explain how the Bank uses its assets and liabilities to achieve its purposes. We also provide information on proposed changes to the Central Bank of Barbados' legislation and the accounting environment.

The Balance Sheet

The Bank's Balance Sheet increased by \$519 million in 2016, after expanding by \$384 million in 2015. Domestic assets grew significantly as the Bank provided liquidity funding to Government through the purchase of treasury bills, treasury notes and debentures. The statutory lending limit on advances to Government was \$264 million in accordance with Government's estimates of revenue for the fiscal year and amounts outstanding were within the statutory limit. Foreign reserves declined by \$239 million.

On the liability side, commercial banks' deposits at the Bank increased by \$423 million, reflecting increased available liquidity in the banking system. Notes and coins in circulation increased by 9%. Government deposits with the Bank increased by \$13 million.

Statement of Profit and Loss

The Bank continued its risk-averse approach to securities management and accordingly, investments are not held to maximize earnings but to maintain economic stability and support Government policy. Total income increased by \$25.7 million from \$54.9 million in 2015 due to earnings on the expanded portfolio of government securities. However, income from foreign sources declined by \$6.6 million as the yields on the Bank's investment portfolio remained low. The situation was adversely impacted by the need to liquidate securities because of the demand for foreign exchange.

A regional Government restructured an outstanding bond and there was an investment impairment recovery of \$471,000.

Operating Expenses

Total expenses remained flat at \$53.5 million and there were no unusual or non-recurring items. Administrative Expenses increased by \$0.3 million. Salaries and allowances and retirement benefits increased by \$1.5 million but there was a decline of \$2.4 million in the Printing of Notes.

Results for the Year

The Bank earned net income of \$27.1 million during the year and this liquidated the accumulated deficit of \$12.9 million at December 31, 2015. The outturn enabled repayment of \$7.1 million of the security transferred by Government to the Bank in 2016 and the balance of \$7.1 million was transferred to the Consolidated Fund.

Future Accounting Changes

The Bank's financial statements are currently prepared in accordance with the Central Bank Act and International Financial Reporting Standards (IFRS) with disclosure limitations. The Bank and the Ministry of Finance are in the process of revising the CBB Act and incorporating changes to the regulatory accounting and reporting framework. In the interim, the Bank will continue to identify key areas of differences between current reporting standards and IFRS.

The impact of adopting IFRS has not been determined at this time.

Adoption of Financial Statements

Annexed to this report are the Independent Auditors' Report, Balance Sheet as at December 31, 2016, the Profit and Loss Account, the Profit and Loss Appropriation, Statement of Cash Flows and explanatory notes to financial statements.

The Board of Directors, on recommendation of the Audit Committee adopted the Financial Statements for the year ended December 31, 2016.



CENTRAL BANK OF BARBADOS

Independent Auditors' Report to the Board of Directors Financial Statements - December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Central Bank of Barbados

Opinion

We have audited the financial statements of the Central Bank of Barbados (the "Bank"), which comprise the balance sheet as at December 31, 2016, the statements of profit and loss account, profit and loss appropriation account and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements are prepared in all material respects, in accordance with the Central Bank of Barbados Act, Cap 323C and the significant accounting policies stipulated in Note 1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the Central Bank of Barbados Act, Cap 323C and the significant accounting policies stipulated in Note 1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- In addition, we read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Accounts
Bridgetown, Barbados
March 2, 2017

Balance Sheet

December 31, 2016
with corresponding figures for 2015

Assets

	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
		BDS\$	BDS\$
RESERVE OF EXTERNAL ASSETS:			
Balances Held Abroad	2	30,377,431	142,420,169
Foreign Notes and Coins		34,331,714	23,708,143
Foreign Securities	3	<u>387,064,281</u>	<u>526,238,587</u>
		<u>451,773,426</u>	<u>692,366,899</u>
International Monetary Fund:			
Reserve Tranche	4	35,790,874	16,421,882
Holdings of Special Drawing Rights	4	<u>141,751,579</u>	<u>159,769,207</u>
		<u>177,542,453</u>	<u>176,191,089</u>
Total Reserve of External Assets		<u>629,315,879</u>	<u>868,557,988</u>
LOCAL ASSETS:			
Local Securities:			
Barbados Government Treasury Bills	5	1,136,313,807	731,641,400
Barbados Government Debentures	5	636,164,000	338,064,000
Other	5	<u>796,867</u>	<u>7,892,956</u>
		<u>1,773,274,674</u>	<u>1,077,598,356</u>
Advances:			
Government		264,430,000	232,072,000
Fixed Assets (Net)	6	96,167,558	96,106,505
Other Assets	7	<u>82,650,384</u>	<u>52,083,380</u>
Total Local Assets		<u>2,216,522,616</u>	<u>1,457,860,241</u>
		<u>2,845,838,495</u>	<u>2,326,418,229</u>

See accompanying notes to accounts

Balance Sheet

December 31, 2016
with corresponding figures for 2015

Liabilities, Capital and Reserves

	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
		BDS\$	BDS\$
LIABILITIES:			
Notes and Coins in Circulation	8	<u>730,326,502</u>	<u>668,425,328</u>
Deposits:			
Government		24,887,843	11,866,674
Banks		1,751,145,244	1,321,327,961
Financial Institutions		1,177,048	676,057
Other		<u>4,413,624</u>	<u>6,407,677</u>
		<u>1,781,623,759</u>	<u>1,340,278,369</u>
Other Liabilities:			
Allocation of Special Drawing Rights	9	183,504,223	182,091,315
Other	10	<u>131,884,011</u>	<u>129,954,310</u>
		<u>315,388,234</u>	<u>312,045,625</u>
Total Liabilities		<u>2,827,338,495</u>	<u>2,320,749,322</u>
Other Funds	11	<u>500,000</u>	<u>547,672</u>
CAPITAL AND RESERVES:			
Authorized Capital: BDS\$5,000,000			
Paid up Capital: Government of Barbados		2,000,000	2,000,000
Accumulated Deficit		-	(12,878,765)
General Reserve		<u>16,000,000</u>	<u>16,000,000</u>
Net Capital and Reserves		<u>18,000,000</u>	<u>5,121,235</u>
Commitments and Contingencies	12	<u>2,845,838,495</u>	<u>2,326,418,229</u>

See accompanying notes to accounts

Approved on behalf of the Board of Directors on March 2, 2017


.....Governor


.....Financial Controller

Profit and Loss Account

For the year ended December 31, 2016
with corresponding figures for 2015

	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
		BDS\$	BDS\$
INCOME:			
Commissions and Fees		8,234,730	9,793,718
Discounts:			
Treasury Bills		21,803,514	5,028,581
Interest:			
Advances		8,547,006	6,595,944
Deposits		265,911	131,366
Securities		40,901,122	25,086,006
Other Income	13	1,355,338	5,105,917
Foreign Exchange (Loss) Gain		(1,129,614)	2,384,830
Investment Impairment Recovery	3(b)	471,000	-
Gain on Disposal of Fixed Assets		32,168	59,434
Gain on Sale of Foreign Securities		134,416	675,521
Total Income		80,615,591	54,861,317
EXPENSES:			
Administrative Expenses		17,415,408	17,103,200
Depreciation	6	3,959,998	3,821,632
Interest		110,830	187,925
Minting of Coins		614,710	121,714
Printing of Notes		854,850	3,208,333
Retirement Benefits	14	2,001,188	2,358,712
Salaries and Allowances		28,587,665	26,735,366
Operating Expenses		53,544,649	53,536,882
Profit before Appropriation		27,070,942	1,324,435

See accompanying notes to accounts

Profit and Loss Appropriation Account

For the year ended December 31, 2016
with corresponding figures for 2015

	<u>2016</u>	<u>2015</u>
	BDS\$	BDS\$
Balance brought forward	(12,878,765)	(14,203,200)
Profit before Appropriation	<u>27,070,942</u>	<u>1,324,435</u>
Available for Appropriation	14,192,177	(12,878,765)
Repayment of Security transferred under Sec 7(4) of the Central Bank of Barbados Act, Cap. 323C (Note 5)	(7,096,089)	-
Transfer to the Consolidated Fund	<u>(7,096,088)</u>	<u>-</u>
Accumulated deficit carried forward	<u><u>-</u></u>	<u><u>(12,878,765)</u></u>

Note: The appropriation of profit has been made in accordance with Section 9 of the Central Bank of Barbados Act, Cap. 323C.

See accompanying notes to accounts

Statement of Cash Flows

For the year ended December 31, 2016
with corresponding figures for 2015

	NOTE	2016	2015
		BDS\$	BDS\$
Cash flows from operating activities			
Profit before appropriation		27,070,942	1,324,435
Adjustments for:			
Depreciation		3,959,998	3,821,632
Gain on disposal of fixed assets		(32,168)	(59,434)
Investment impairment recovery		(471,000)	-
Operating profit before working capital changes		30,527,772	5,086,633
Increase in other assets		(30,567,004)	(4,863,011)
Net movement in foreign securities		139,645,306	46,623,393
(Increase) decrease in reserve tranche		(19,368,992)	1,672,950
Decrease in holdings of special drawing rights		18,017,628	16,288,202
Increase in local securities		(695,676,318)	(461,237,979)
(Increase) decrease in government advances		(32,358,000)	20,428,000
Increase in deposits		441,345,390	383,352,222
Increase in other liabilities		1,929,701	39,698,163
Net cash (used in) from operating activities		(146,504,517)	47,048,573
Cash flows used in investing activities			
Purchase of fixed assets		(4,021,787)	(7,822,735)
Proceeds from sale of fixed assets		32,904	60,300
Net cash used in investing activities		(3,988,883)	(7,762,435)
Cash flows from financing activities			
Increase (decrease) in allocation of special drawing rights		1,412,908	(18,550,226)
Increase (decrease) in notes and coins in circulation		61,901,174	(17,676,011)
Decrease in other funds		(47,672)	(3,738,156)
Redemption of security transferred under Sec 7(4)		(7,096,089)	-
Transfer to Consolidated Fund		(7,096,088)	-
Net cash from (used in) financing activities		49,074,233	(39,964,393)
Net decrease in cash and cash equivalents		(101,419,167)	(678,255)
Cash and cash equivalents at beginning of year		166,128,312	166,806,567
Cash and cash equivalents at end of year		64,709,145	166,128,312
Cash and cash equivalents comprise:			
Current Account Balances	2	30,377,431	142,420,169
Foreign Notes and Coins		34,331,714	23,708,143
		64,709,145	166,128,312

See accompanying notes to accounts

Notes to Financial Statements

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The Central Bank of Barbados is incorporated under the Central Bank of Barbados Act CAP 323C (CBB Act) and is responsible for the administration of the Financial Institutions Act, CAP 324A and the International Financial Services Act, CAP 325. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all of the years presented.

Under the CBB Act, the Bank in preparing financial statements is subject to requirements of the Act. The financial statements comprise the Balance Sheet, the Profit and Loss Account, Profit and Loss Appropriation Account, Statement of Cash Flows and related notes.

The financial statements of the Bank have been prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standards (IFRS), except for the limitations noted below. Adopted IFRS and the CBB Act have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements, except for the measurement of unfunded pension liability and certain other limitations as outlined below.

As a result, the financial statements of the Bank disclose less detail of certain elements than would be required under adopted IFRS. Disclosure and measurement limitations include:

- Business segments
- Information on credit risk
- Non-consolidation of entities owned and or managed by the Bank
- Employee benefits
- Financial assets
- Numismatic coins

The financial statements have been prepared on the historical cost basis of accounting, modified to include financial assets that are available for sale. The measurement of certain foreign securities is considered as "Available for Sale" under IFRS with the resulting unrealized gains carried forward in the Balance Sheet.

Related party disclosure is limited as set out in Note 13.

OTHER SIGNIFICANT ACCOUNTING POLICIES:

(a) Use of Estimates and Judgement:

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(b) Income and Expenses:

Income and expenses are accounted for on an accrual basis except interest on the CRL Ltd., which is recognized when received.

Notes to Financial Statements

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Translation of Foreign Currencies:

Assets and liabilities designated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Gains and losses resulting from foreign currency translations and transactions are included in the Profit and Loss Account.

(d) Foreign Securities:

Treasury bills and unquoted securities are valued at amortized cost.

Other securities are valued at market and the resulting gains and/or losses on revaluation which are deferred pending realization, are included in other funds and/or other assets.

(e) Numismatic Coins:

The nominal value of numismatic coins sold is not included in 'notes and coins in circulation' while the net proceeds from sales are included in the Profit and Loss Account under Other Income.

(f) Local Securities:

Local securities are valued at amortized cost.

(g) Depreciation:

Furniture, equipment, motor vehicles and buildings including the Frank Collymore Hall are depreciated on the straight-line basis over their estimated useful lives.

(h) Retirement Benefits:

The Bank contributes to a defined benefit plan. The plan is funded by payments from the Bank, by taking account of the recommendations of an independent qualified actuary. The cost of providing retirement benefits is determined using the Projected Unit Credit Method. However, for financial reporting purposes, the contributions are charged against income as they are accrued.

(i) Impairment of Financial Assets:

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss (for securities carried at amortized cost) is calculated as the difference between the assets' carrying amount and the value of expected future cash flows discounted at the financial instruments' original effective interest rate. Impairment losses are recognized in the Profit and Loss Account.

(j) Amortized Cost:

All non-trading financial assets are measured at amortized cost, less impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective rate of the instrument.

Notes to Financial Statements, continued

December 31, 2016

2. BALANCES HELD ABROAD

Balances held abroad comprise:

	<u>2016</u>	<u>2015</u>
	\$	\$
Current accounts and deposits with foreign banks	<u>30,377,431</u>	<u>142,420,169</u>

3. FOREIGN SECURITIES

Foreign securities comprise:

	<u>2016</u>		<u>2015</u>	
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
Bonds/Debentures	389,270,294	386,750,934	525,905,064	525,925,240
Equities	<u>285,851</u>	<u>313,347</u>	<u>285,851</u>	<u>313,347</u>
	<u>389,556,145</u>	<u>387,064,281</u>	<u>526,190,915</u>	<u>526,238,587</u>

(a) The net unrealized loss of \$2,491,864 (2015: gain of \$47,672) arose on the revaluation of Securities and is included in Other Assets at Note 7 (2015: Other Funds at Note 11).

(b) Due to the restructuring of the Government of Grenada bond, the Bank reversed an impairment adjustment of \$471,000 previously recorded in the Profit and Loss Account.

4. RESERVE TRANCHE – HOLDINGS/ALLOCATION OF SPECIAL DRAWING RIGHTS

Special Drawing Rights (SDR) is an international reserve asset, created by the International Monetary Fund (IMF) and its value is based on a basket of four key international currencies.

The Reserve Tranche and Holdings of Special Drawing Rights pertain to the value of SDRs at December 31, 2016. The balances held at December 31, 2016 amounted to SDR 12,555,546 (2015: SDR 5,805,546) and SDR 49,726,879 (2015: SDR 56,482,409) respectively. The rate of translation of SDRs into Barbados dollars at December 31, 2016 is BDS\$1 = SDR 0.350803 (2015: BDS\$1 = SDR 0.353525).

Notes to Financial Statements, continued

December 31, 2016

5. LOCAL SECURITIES

Local securities comprise:

	2016		2015	
	Nominal Value	Cost	Nominal Value	Cost
	\$	\$	\$	\$
Barbados Government Treasury Bills	1,144,833,500	1,136,313,807	733,467,000	731,641,400
Barbados Government Debentures	636,164,000	636,164,000	338,064,000	338,064,000
Other	796,867	796,867	7,892,956	7,892,956
	<u>1,781,794,367</u>	<u>1,773,274,674</u>	<u>1,079,423,956</u>	<u>1,077,598,356</u>

Other represents a non-negotiable non-interest bearing security transferred to the Bank in accordance with CAP. 323C, Sec 7(4) and is redeemable in accordance with Sec 9(2) (a) of the Act. During the year ended December 31, 2016, the Bank allocated \$7,096,089 towards the repayment of the non-interest bearing security.

Notes to Financial Statements, continued

December 31, 2016

6. FIXED ASSETS (Net)

a) Fixed assets comprise:

	Freehold Land and Buildings	Furniture Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
<i>Cost:</i>				
January 1, 2015	105,704,237	63,497,253	768,112	169,969,602
Additions	2,965,264	4,857,471	-	7,822,735
Disposal/write-offs	-	(2,025,283)	-	(2,025,283)
December 31, 2015	108,669,501	66,329,441	768,112	175,767,054
Additions	1,722,601	2,299,186	-	4,021,787
Disposal/write-offs	-	(18,660)	(237,401)	(256,061)
December 31, 2016	110,392,102	68,609,967	530,711	179,532,780
<i>Accumulated Depreciation:</i>				
January 1, 2015	27,502,079	49,666,431	694,824	77,863,334
Charge for the year	1,632,854	2,153,705	35,073	3,821,632
Eliminated on disposals	-	(2,024,417)	-	(2,024,417)
December 31, 2015	29,134,933	49,795,719	729,897	79,660,549
Charge for the year	1,661,774	2,263,151	35,073	3,959,998
Eliminated on disposals	-	(17,936)	(237,389)	(255,325)
December 31, 2016	30,796,707	52,040,934	527,581	83,365,222
<i>Net Book Values:</i>				
December 31, 2016	79,595,395	16,569,033	3,130	96,167,558
December 31, 2015	79,534,568	16,533,722	38,215	96,106,505
December 31, 2014	78,202,158	13,830,822	73,288	92,106,268

b) The Government vested in the Bank certain parcels of land at Church Village, Bridgetown.
The Bank is in the process of finalizing title deeds to the land.

Notes to Financial Statements, continued

December 31, 2016

7. OTHER ASSETS

Other assets include:	<u>2016</u>	<u>2015</u>
	\$	\$
Accrued income	11,262,265	3,588,519
Cheques in process of collection	19,342,358	4,210,404
CRL Limited (a)	9,000,000	9,000,000
New Life Investment Company Inc. (b)	16,441,735	10,864,000
Prepayments	2,507,702	1,632,014
Staff advances	19,538,201	20,271,603
Unrealised loss on revaluation of Investments (Note 3)	2,491,864	-
Sundry balances	<u>2,066,259</u>	<u>2,516,840</u>
	<u>82,650,384</u>	<u>52,083,380</u>

(a) The CRL Limited loan, which bears interest at a rate of 6% per annum was originally due from the Barbados Development Bank. The Government of Barbados has issued a letter of comfort in respect of this loan. During 1998, the facility was transferred to CRL. The Government has undertaken to repay the debt on behalf of CRL Limited. At December 31, 2016, the cumulative interest not recognized was \$6,481,973 (2015: \$5,941,973).

(b) The advance to New Life Investment Company Inc., earns interest at the average Treasury bill rate and is guaranteed by the Government of Barbados. The advance is due for repayment on March 31, 2017, with the provision for annual roll over on approval of the Board.

8. NOTES AND COINS IN CIRCULATION

At December 31, 2016, the nominal value of numismatic coins sold, totaled approximately \$10.4 million (2015: \$10.4 million) and is excluded from 'Notes and Coins in Circulation' (See Note 1 (e)).

9. ALLOCATION OF SPECIAL DRAWING RIGHTS

This amount represents the liability to the International Monetary Fund in respect of Special Drawing Rights (SDRs) allocated by the Fund. This allocation does not change unless there are cancellations or further allocations. Accordingly changes arise from annual revaluations done by the Fund.

Notes to Financial Statements, continued

December 31, 2016

10. OTHER

This amount comprises:

	<u>2016</u>	<u>2015</u>
	\$	\$
Accounts payable	2,288,779	1,435,909
Contribution payable - UWI Fund re Chair in Banking	861,169	861,169
Debenture interest payment account	(253,814)	478,878
Deposit Insurance Company accounts	702,226	109,064
Domestic clearing	30,356,132	16,264,684
Dormant accounts (i)	27,414,616	22,038,807
Housing Credit Fund General account	21,520,369	11,006,085
Industrial Credit Fund	26,571,299	14,650,721
Redemption of Debentures account	18,320,620	14,177,620
Sinking Fund Contribution account (ii)	-	45,739,777
Staff Pension Fund	286,580	74,040
Staff Welfare Fund	6,066	6,066
Sundry balances	<u>3,809,969</u>	<u>3,111,490</u>
	<u>131,884,011</u>	<u>129,954,310</u>

(i) Dormant accounts comprise:

	<u>2016</u>	<u>2015</u>
	\$	\$
Banks – local and international (a)	17,251,223	14,339,382
Financial Services Commission (b)	<u>10,163,393</u>	<u>7,699,425</u>
	<u>27,414,616</u>	<u>22,038,807</u>

(a) Deposits made by Banks represent abandoned property for which no activity was evidenced for a period of 10 years and said property is deposited with the Central Bank of Barbados in accordance with Section 88 (3) of the Financial Institutions Act, 1997-16; and

(b) In accordance with the Financial Services Commission Act, this amount represents security deposits from insurance companies and abandoned property in the form of unclaimed matured insurance policies.

(ii) This account is set up in accordance with the Local Loans Act CAP 98, the External Loans Act CAP 94D and the General Loan and Stock Act CAP 95 and represents the uninvested funds held for the redemption of local and foreign debt.

Notes to Financial Statements, continued

December 31, 2016

11. OTHER FUNDS

This amount comprises the following balances:

	<u>2016</u>	<u>2015</u>
	\$	\$
Special Credit Trust	500,000	500,000
Unrealised gains on revaluation of investments (Note 3)	<u>-</u>	<u>47,672</u>
	<u>500,000</u>	<u>547,672</u>

The Special Credit Trust was established under Section 41 of the Central Bank of Barbados Act to provide for the holding of debt obligations and or equity instruments as the Board may determine.

12. COMMITMENTS AND CONTINGENCIES

(a) At December 31, 2016, the Bank had guaranteed settlement of approximately \$4,389,322 (2015: \$4,022,696) under the following schemes:

	<u>2016</u>		<u>2015</u>	
	<u>Value of Contracts</u>	<u>Guarantee</u>	<u>Value of Contracts</u>	<u>Guarantee</u>
	\$	\$	\$	\$
Credit Insurance Scheme for Small Businesses	4,543,005	3,748,725	4,868,210	3,748,725
Export Credit Insurance and Guarantee Scheme	600,000	600,000	-	-
Trade Receivables Credit Facility	<u>40,903</u>	<u>40,597</u>	<u>274,479</u>	<u>273,971</u>
	<u>5,183,908</u>	<u>4,389,322</u>	<u>5,142,689</u>	<u>4,022,696</u>

(b) Additionally, at December 31, 2016, the Bank had contracts for capital expenditure in the amount of \$5,994,836 (2015: \$2,777,586).

Notes to Financial Statements, continued

December 31, 2016

13. RELATED PARTY TRANSACTIONS

Other income includes management fees received as follows:	<u>2016</u>	<u>2015</u>
	\$	\$
Industrial Credit Fund	254,480	249,512
Housing Credit Fund	<u>462,158</u>	<u>473,246</u>
	<u>716,638</u>	<u>722,758</u>

At December 31, 2016, the Bank owned and/or managed certain entities. The gross assets as disclosed in the entities' financial statements are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Export Credit Insurance	11,440,499	11,261,888
Small Business Guarantee	9,954,514	11,453,705
Industrial Credit Fund	116,734,992	115,484,637
Housing Credit Fund	<u>133,271,601</u>	<u>130,605,268</u>
	<u>271,401,606</u>	<u>268,805,498</u>

The Bank received a dividend from the Industrial Credit Fund totaling \$Nil (2015: \$3,080,000). This amount is included in Other income.

Notes to Financial Statements, continued

December 31, 2016

14. RETIREMENT BENEFITS

The Bank has established a non-contributory retirement plan for the benefit of its employees. The plan is a defined benefit plan. The assets of the plan are held in separate trust administered funds. A full actuarial valuation is obtained from an independent valuer at least every three years and a review is done annually. The most recent valuation carried out at December 31, 2016 revealed the following:

	<u>2016</u>	<u>2015</u>
	\$	\$
Fair value of plan assets	155,219,857	149,693,509
Actuarial present value of liabilities	<u>145,113,826</u>	<u>143,718,390</u>
Surplus	<u>10,106,031</u>	<u>5,975,119</u>

The actuarial present value of the liabilities was determined using the Projected Unit Credit Method. The principal assumptions used in the latest valuation were:

	<u>2016</u>	<u>2015</u>
Rate of return of assets	6% per annum	6% per annum
Rate of salary inflation and promotional increases	4% per annum	4% per annum
Rate of escalation of NIS Ceiling	3% per annum	3% per annum
Rate of pension increases	2% per annum	2% per annum

The actuary has recommended that a funding rate of 11.03% (2015: 11.40%) of covered payroll be used for new benefits, less a rate of 3.78% (2015: 2.14%) to allow the amortization of the surplus over a period of fifteen (15) years. The total recommended funding rate of 7.25% (2015: 9.26%) of covered payroll should obtain until the next valuation.

15. TAXATION

The Bank is exempt from corporation tax in accordance with Section 56 of the Central Bank of Barbados Act, Cap. 323C.



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TOM ADAMS FINANCIAL CENTRE
CHURCH VILLAGE, BRIDGETOWN, ST. MICHAEL
TEL: (246) 436-6870
WWW.CENTRALBANK.ORG.BB