



2015 Annual Report



**CENTRAL BANK
OF BARBADOS**
2015
ANNUAL REPORT

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	5
VISION, MISSION STATEMENT AND CORPORATE PROFILE	6
OUR VALUES	7
GOVERNOR'S MESSAGE	8
ECONOMIC REVIEW	10
BOARD OF DIRECTORS	13
SENIOR MANAGEMENT	14
ADMINISTRATION	15
• BOARD MATTERS	15
• INTERNAL AUDIT AND RISK MANAGEMENT	16
• INFORMATION TECHNOLOGY AND SECURITY	16
• BUSINESS CONTINUITY AND PHYSICAL DEVELOPMENT	17
CENTRAL BANK OPERATIONS	18
• BANKING SUPERVISION	18
• INTERNATIONAL RELATIONS	19
• MONEY, CREDIT AND CAPITAL MARKETS	20
• CURRENCY MANAGEMENT	21
• SOCIAL AND CULTURAL INITIATIVES	24
• COMMUNICATIONS OUTREACH	25
• PEOPLE AND PROGRAMMES	27
PUBLICATIONS AND PAPERS PRESENTED	29
ADOPTION OF FINANCIAL STATEMENTS 2015	32
FINANCIAL STATEMENTS AND REPORTS	34

LETTER OF TRANSMITTAL



CENTRAL BANK OF BARBADOS
www.centralbank.org.bb

R. DeLisle Worrell, Ph.D
Governor

Tom Adams Financial Centre
P.O. Box 1016, Spry Street
Bridgetown BB11126, Barbados, W.I.

March 30, 2016

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 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, 2015 as certified by the External Auditors in accordance with Section 51 of the Act, together with the Report on its operations during 2015.

The original of the Auditors' Report and Certificate was forwarded to you with my letter of March 24, 2016.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. DeLisle Worrell", on a light blue background.

R. DeLisle Worrell

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.

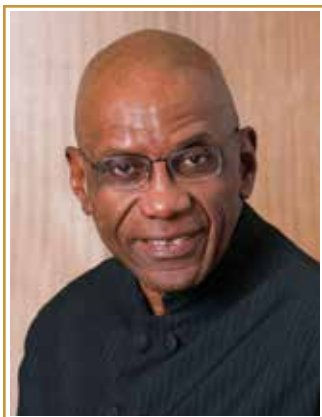
ACCOUNTABILITY

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.

"We acknowledge that our performance, success and reputation hinge on the highest standards of ethical behavior."



Dr. DeLisle Worrell, Governor

“The Bank focussed on effective communication, leveraging its capacity to issue economic information in print, video and electronic format...”

GOVERNOR'S MESSAGE

The Bank worked closely with the Ministry of Finance and Economic Affairs to maintain balance in the foreign sector using fiscal policy.

This involved continuing the supportive framework of monthly Economic Policy Review Committee meetings with the Minister of Finance, at which senior officers of the Bank and the Ministry of Finance and Economic Affairs provided updates on economic developments and the fiscal consolidation programme. This Committee's work is supported by the Cash Flow Committee, which is now chaired by the Governor. This committee meets before each Treasury Bill issue to determine the magnitude of the Bank's intervention, based on our forecast of Government's financing needs and the amount of financing available to Government from banks, insurance companies, pension funds and private sources. These two Committees, and the flow of information and analysis which reaches them, are critical components of Barbados' economic policy framework.

The Bank focussed on effective communication, leveraging its capacity to issue economic information in print, video and electronic format, thereby enabling a wider cross section of the Barbadian public to follow our activities. In a thirteen-part television series entitled “*Economic Policies That Work: The Caribbean Experience*” and in monthly economic letters published in local newspapers, the Bank enriched understanding of how the economy works, and outlined measures necessary for its sustainability. The Bank also underscored how critical improved productivity and efficiency, fiscal consolidation and growth of the foreign exchange earning sector are to the health of the economy.

The Bank again exposed the Barbadian public to international economists and other intellectuals. These included Mr. Per Callesen, former Governor of the Central Bank of Denmark, who shared that country's experience in maintaining a fixed exchange rate. Mr. Michael McGrath, the IMF's Alternate Director for Canada, Ireland and the Caribbean also chronicled the highlights, successes and shortcomings of Ireland's very austere economic adjustment programme. Dr. Peter Blair Henry, Dean of New York University's Leonard N. Stern School of Business, was our second Distinguished Visiting Fellow. Noted Caribbean investor, entrepreneur and engineer, Dr. Nicholas Brathwaite, was the 40th Sir Winston Scott Memorial Lecturer.



Governor Worrell (right) presents a copy of the book “Fiscal Sustainability and Debt in Small Open Economies” to **Governor Brian Wynter** of the Central Bank of Jamaica.

The Bank, in association with the UWI and the Caribbean Centre for Money and Finance, launched *"Fiscal Sustainability and Debt in Small Open Economies"*, an important book on public debt in the Caribbean, which seeks to provide a new and more accurate measure of debt and fiscal sustainability. The book is available on the Bank's website at www.centralbank.org.bb.

Efforts to enhance promotion of the Central Bank's credit insurance and credit guarantee schemes continued. However, there was limited demand for the schemes owing to continued high liquidity in the Banking system.



Central Bank officers **Denisa Belgrave** and **Linel Franklin** (2nd and 3rd from left, respectively) conduct a training session related to the re-launch of the Savings Bond Programme.

On May 26, 2015, the Bank re-launched the Savings Bond Programme on behalf of the Government of Barbados, and expanded its promotion. The response of the public was overwhelmingly positive and the Savings Bond campaign was one of the Bank's more influential initiatives during the year. The Savings Bond campaign also served to restore confidence in and deepen public understanding of all Government securities, not just bonds. Thus many ordinary citizens now have a better idea of how to manage their savings and target their investments. Our campaign has reached the diaspora which is now more attracted to the purchase of Government securities. The success of the revamped Savings Bond made it possible for the Bank to strengthen its interest rate policy, given that the Bank conducts its monetary policy entirely through the purchase and sale of securities.

The Bank announced its decision, effective April 2015, to no longer set a minimum savings deposit rate, but to allow rates to be market determined. The Treasury Bill rate continued to be the benchmark used by the Bank to signal the intended direction of interest rates in the market, and the Bank entered the market on several occasions in an effort to bring down the Treasury Bill rate. The Bank's other policy instruments remained unchanged during 2015. The securities reserve requirement was 10 percent, and the cash reserve requirements were 5 percent and 2 percent for domestic and foreign deposits, respectively.

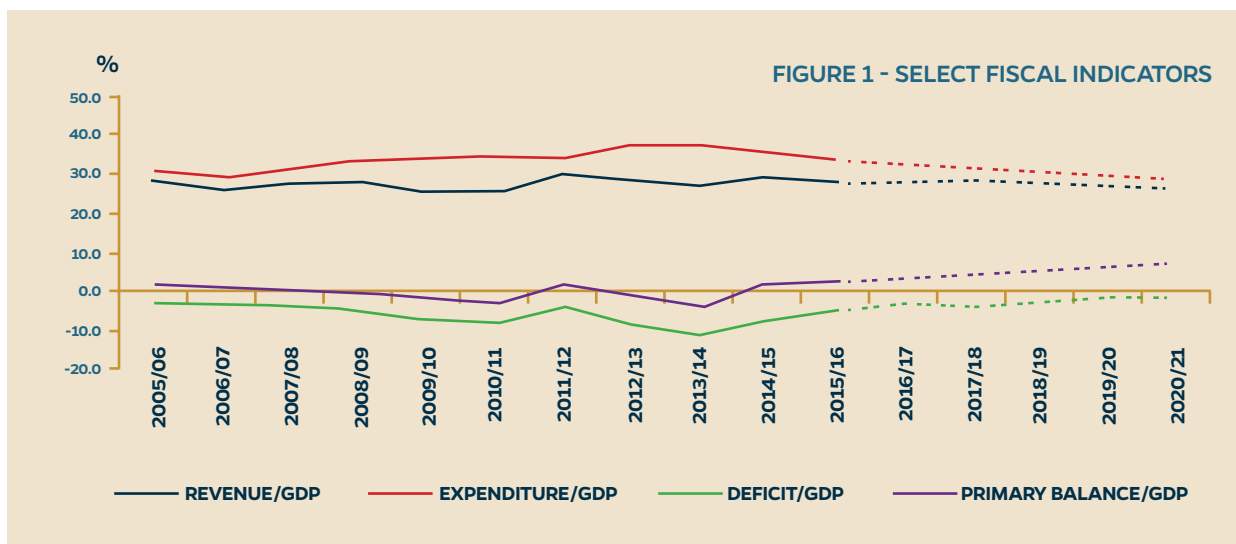
The Bank continued its significant involvement in cultural activities. The Frank Collymore Hall had another exciting and successful year and the Church Village Green was recently named the Americas Property Awards' *"Best Commercial Landscape Architecture Americas"*. In addition, the new Exchange Museum (formerly the Masonic Lodge), was substantially completed.

The Bank made a small profit estimated at \$1.3 million during 2015, compared to the substantial loss of \$7.3 million recorded in the previous year. This reflects tighter controls and extraordinary revenue in the sum of a dividend of \$3 million from the Industrial Credit Fund, an off-balance sheet lending facility.

"The response of the public was overwhelmingly positive and the Savings Bond campaign was one of the Bank's more influential initiatives during the year."

ECONOMIC REVIEW

The sluggishness of the Barbados economy continued during 2015 with real GDP growth estimated at just 0.5 percent, despite a substantial uptrend in tourist arrivals, as most sectors stagnated or contracted. The fiscal consolidation measures implemented over the past three years continued to reduce the deficit but holdings of foreign reserves were lower, reflecting a decline in net long-term capital inflows and significantly higher debt service cost. Inflation remained low and the unemployment rate was kept in low double digits.

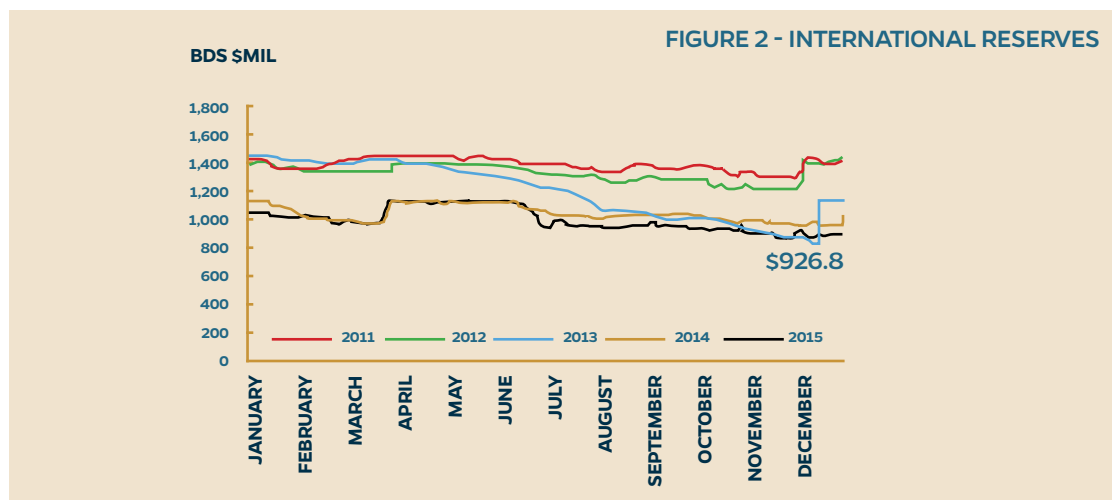


Source: Central Bank of Barbados

“The majority of the fiscal measures announced in June 2015 have now been implemented.”

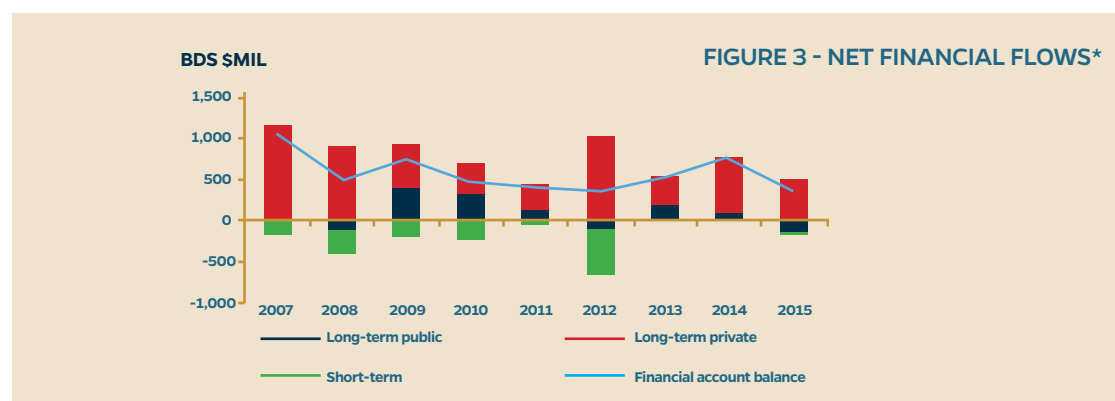
The 2015/16 fiscal deficit target of 4 percent of GDP is within reach, provided that Government completes the planned divestment of the Barbados National Terminal Company Ltd. Accrued revenue for the fiscal year is projected at \$2,584 million, and expenditure at \$2,950 million, for a deficit of \$366 million compared to \$491 million in the previous year.

The majority of the fiscal measures announced in June 2015 have now been implemented. In the first nine months of the fiscal year, excise taxes increased by \$19 million, personal taxes rose by \$15 million and corporate taxes were \$7 million higher. However, VAT receipts declined by \$47 million, partly because of the reduction in fuel imports. Property taxes also fell by \$13 million. Expenditure on wages and purchases by Government fell by \$16 million each. However, transfers to public institutions rose by \$12 million, with increased payments for operational expenses and debt service.



Source: Central Bank of Barbados

At the end of the year, the international reserves of the Central Bank declined to \$927 million, which is equivalent to approximately 14 weeks of imports, which is in excess of the internationally accepted benchmark of 12 weeks of import cover.



*Non-cash transactions in the form of reinvested earnings and a book-entry transaction have been removed from the net flows for 2011 & 2012.

Source: Central Bank of Barbados

Net long-term inflows were lower than in 2014. Government had significantly higher debt service costs, and coupled with Government's equity subscription in the Andean Development Bank (Corporación Andina de Fomento), this resulted in net outflows totalling \$126 million. Financial inflows for tourism-related projects were lower by \$85 million. Retained imports declined 11 percent, principally due to a 31 percent (\$380 million) reduction in payments for fuel imports.

TABLE 1 - TOURIST ARRIVALS BY SOURCE MARKET ('000)

	(JANUARY 01 - DECEMBER 31)			
	2014	2015	CHANGE	% CHANGE
U.S.A	118.5	148.1	29.6	24.9
Canada	65.8	74.6	8.8	13.3
U.K	186.8	214.2	27.4	14.6
Germany	12.0	12.3	0.3	2.9
Other Europe	32.7	28.5	(4.2)	(12.9)
Trinidad & Tobago	27.9	29.7	1.7	6.2
Other CARICOM	50.8	58.3	7.5	14.8
Brazil	5.6	4.0	(1.6)	(28.9)
Other Countries	19.4	22.3	2.9	15.0
TOTAL LONG-STAY	519.6	592.0	72.4	13.9

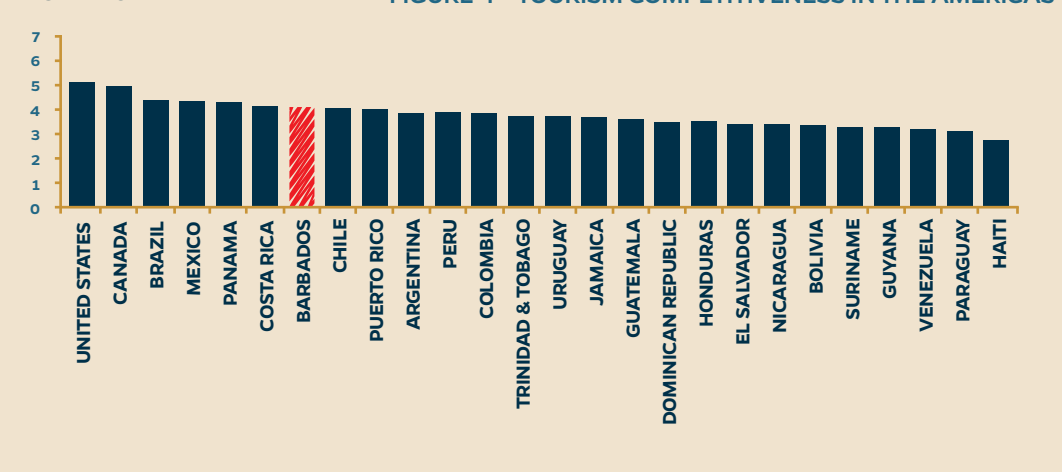
Source: Barbados Statistical Service

“Tourism was the only industry to record measurable growth, reflecting a strong upsurge in arrivals from leading source markets such as the UK, the US and Canada.”

Tourism was the only industry to record measurable growth, reflecting a strong upsurge in arrivals from leading source markets such as the UK, the US and Canada. Barbados’ travel and tourism product continues to be highly competitive. The 2015 Travel and Tourism Competitiveness Report¹ ranked Barbados higher than the majority of its counterparts in the Americas in the areas of health and hygiene, safety and security, the business environment, human resources and tourism-related infrastructure.

TTCI VALUE

FIGURE 4 – TOURISM COMPETITIVENESS IN THE AMERICAS



Source: ¹Travel and Tourism Competitiveness Report 2015

Airlift is projected to increase by 7 percent during the current winter tourist season. The expected completion of a new berth at the Bridgetown Port augurs well for further growth in tourism during 2016. In addition, planned investment of \$1.3 billion in new hotel plant over the next five years is expected to increase hotel room capacity by an estimated 40 percent.

Construction activity is estimated to have decreased by 3 percent, due largely to unexpected delays in the start of major infrastructural projects. The retail, business and other services industries were somewhat sluggish because there was no impetus from the foreign exchange sector, other than tourism. The average unemployment rate for 2015 was 11.8 percent, compared with 12.3 percent in 2014.

¹ Insight Report, “Tourism Competitiveness Report 2015-Growth Through Shocks”, published by World Economic Forum, page 12 http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf.

BOARD OF DIRECTORS



Seated (L–R): **Mr. Bjorn Bjerckhamn**, **Governor Dr. DeLisle Worrell**, **Ms. Onika Stewart** and **Mr. Peter Carter**.
Standing (L–R): **Dr. Justin Robinson**, **Mr. Martin Cox**, **Mr. Cecil McCarthy** and **Mr. Elson Gaskin**.

SENIOR MANAGEMENT



R. DeLisle Worrell
G.C.M., Ph.D.
Governor



Mr. Harold E. Codrington
M.A. (Econ.)
Deputy Governor



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



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



Mr. David A. Boyce
M.B.A., A.F.A.
Director,
Foreign Exchange and
Export Credits, Ag.



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



Mr. Michael D. Carrington
M.B.A., F.C.C.A.
Financial Controller



Mrs. Michelle Doyle-Lowe
M. Phil., CFA.
Adviser to Governor
(Director, Research and
Economic Analysis, Ag.)



Mr. Elson Gaskin
LL.B., L.E.C., M.B.A., MICBS
Bank Secretary



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



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



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



Ms. Julia A. Weekes
CFA.
Director, Banking, Currency
and Investments



Mr. Peter H. Whitehall
B.Sc. (Econ), M.P.A.
Director, Foreign Exchange
and Export Credits
(Adviser to Governor, Ag.)



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

ADMINISTRATION

BOARD MATTERS

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 (ex officio) 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: Dr. DeLisle Worrell, (Chairman), Mr. Martin Cox (Director of Finance and Economic Affairs), Mr. Cecil McCarthy, Dr. Justin Robinson, Ms. Onika Stewart, Mr. Bjorn Bjerkhamn, and Mr. Peter Carter. Mr. Carter, a chartered accountant, joined the Board of Directors on April 30, 2015, replacing Mr. Ashley Toppin, who passed away in December 2014.

Mr. Elson Gaskin is the Bank Secretary and 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. The two current Deputy Governors are Mr. Cleviston Haynes and Mr. Harold Codrington.

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, the Audit Committee discussed and agreed on a new charter to govern its functions. The new Audit Committee Charter is currently receiving the consideration of the full 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 months must elapse between Board meetings.

"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."

Four (4) 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 11 regular sessions in 2015, in addition to one special session in September. Among the matters considered in the year under review were regular periodic reporting, the administrative budget, human resource issues and economic developments. During 2015, the Board also amended the Bank's by-laws to ratify the Bank Secretary's power to sign, on behalf of the Bank, documents not required to be under seal.

INTERNAL AUDIT AND RISK MANAGEMENT

A number of assurance engagements were completed for functions in the Accounts, Banking and Investments, and Human Resources departments, as well as for the Bank's website. Reports were distributed in 2015 to senior management and the Audit Committee of the Board. Still underway at year-end were assurance engagements related to Currency Operations, Payroll, RTGS, Security, Approvals and Licensing Unit, Systems Administration and Technical Support, Public Sector, Debt Management, and Investments.

A review of the Audit Committee Charter was conducted during Audit Committee meetings held in 2015, with proposed amendments to be presented to the Board in 2016 for approval.

INFORMATION TECHNOLOGY AND SECURITY

In 2015, the Bank continued its quest to improve operational efficiency in the Bank through the use of appropriate technology in a secure environment. To this end, the Management and Information Systems Department implemented the Central Purchasing module of the accounting system, and updated the Pensions and Administration System to accommodate requirements necessitated by the new Occupational Pensions Benefits Act. A new Vault Management application for the Currency Department was also implemented, as well as Auditor Assistant – an application to improve documentation and collaboration related to external supervision inspections. In support of the Bank's increased promotion of Savings Bonds, the enabling application was enhanced.

As the AREMOS application is approaching end-of-life world-wide, the Bank commenced the development of a Straight-Through Processing (STP) data system. The STP system is designed to facilitate the electronic receipt, storage, processing and manipulation of data received from the financial entities that the Bank regulates. Phase 1 of the project was completed during the year.

"In 2015, the Bank continued its quest to improve operational efficiency in the Bank through the use of appropriate technology in a secure environment."

The Bank also continued its focus on the greening of information technology through the enhanced use of virtual servers and the reduction of physical servers. The intensified utilisation of multifunctional photocopiers for network scanning will hopefully be integrated into a document management system in the future.

The Central Bank's website, www.centralbank.org.bb, was redesigned and re-launched during the year, and the Frank Collymore Hall's website was also redesigned.

BUSINESS CONTINUITY AND PHYSICAL DEVELOPMENT

The Bank continued its ongoing refurbishment of the headquarters building, the Frank Collymore Hall (FCH), the Exchange Museum (formerly the Masonic Lodge), and the Church Village Green. The Green, which was officially opened in March 2014, is part of the Central Bank of Barbados' and the Barbados Tourism Investment Inc.'s ongoing redevelopment of the area. It was conceived as an oasis in the city, a space where sunset concerts, community events and even weddings could take place. A central place where people relax and take a breather, it is truly "green" since it is powered by a grid-tied photovoltaic system and utilises a rain water irrigation system. The FCH Seat Replacement project, initially a three year project, was completed after its second year in September 2015.

In addition, the new Exchange Museum was substantially completed and a practical completion certificate issued. This museum, with its complex and futuristic design that employs modern technology, has been described as one of the best high-end museums in the Caribbean. The end product is a unique blend of historic and modern materials and equipment to create an interactive museum that is at once historical, educational and innovative. The work was performed mainly by local contractors and artisans.



"The Exchange Museum (pictured at left), with its complex and futuristic design that employs modern technology, has been described as one of the best high-end museums in the Caribbean."

1

CENTRAL BANK OPERATIONS

BANKING SUPERVISION

The financial system in Barbados remained stable and highly liquid during 2015, despite the sluggish economic activity. There was an improved performance for deposit-taking institutions (commercial banks, credit unions and trust and mortgage finance houses) with the results for the commercial banks being particularly noteworthy. Domestic insurance recorded a mixed performance, with life insurance being more successful than general insurance.

The performance of the local banking sector improved over the 12 months to September 2015. Write-offs of bad loans fell sharply from their peak in 2013 and the non-performing loans displayed signs of recovery for commercial banks, in particular. There was also a substantial recovery in profitability, due not only to improvements in the quality of the credit portfolio, but also to a wider gap between interest paid out to depositors and interest received on loans. However, loan growth remained weak. In addition, the recent Financial Stability Report indicated that stress tests confirmed the resilience of the banking sector. The tests were carried out in the areas of liquidity risk, contagion exposures, the ability to absorb credit shocks, as well as foreign exchange and interbank exposures.

In an effort to improve its compliance with international standards and best practice, the Bank, through its Bank Supervision Department, continued to enhance its regulatory framework through various initiatives which included updates to legislation and existing guidelines in response to emerging developments. The Bank maintained its close working relationships 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. Basel II was implemented and the Bank issued final capital adequacy guidelines to the industry in respect of the Standardised Approach to Credit Risk as well as the Measurement of Operational Risk.

During the year, the Bank maintained close links with regional and international regulatory bodies such as 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. Cooperation and collaboration with local, regional and international regulatory agencies are supported by Memoranda of Understanding in respect of exchange of information and consolidated supervision, *inter alia*.

A team from the Bank made its annual visit to Canada to attend meetings with Canadian banks, regulatory authorities and other stakeholders in Toronto and Ottawa. The Bank benefits from this dialogue through gaining valuable insights into future plans and strategies of the Canadian banks and engaging in discussion and collaboration on matters of common concern such as regulatory issues, and the results of recent supervisory inspections and monitoring. Similarly, the Bank continued to attend regulatory colleges and engaged in quarterly conference calls with regional and international regulators, and was represented on regional regulatory Working Groups to discuss matters such as Basel II/III, Loan Classification and Provisioning Standards, and financial stability.

“The Bank maintained its close working relationships with other domestic regulators and stakeholders on various national issues...”

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 (IMF) and the World Bank. The 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 the IMF Managing Director Madame Christine Lagarde and participated in fora discussing regional and international economic and financial issues including the availability of international finance for development and the challenges that small economies faced with respect to environmental issues.

A team from the IMF visited Barbados from April 27 to May 8 to conduct discussions for the 2015 Article IV Consultation as part of routine economic surveillance of economies worldwide. The team met with senior public sector officials, the Central Bank and representatives of civil society. The findings were communicated to the Executive Directors of the IMF Board which commented as usual on the performance of the Barbados economy. IMF Executive Directors welcomed the improvement in macroeconomic conditions in Barbados, as well as the commitment of the Barbadian authorities to tackle urgently needed reforms. However, they cautioned that the country faced challenges, including external risks, high fiscal deficit and debt levels, and competitiveness challenges. Thus, they urged the authorities to implement a comprehensive reform programme that includes strong fiscal adjustment and structural reforms to foster growth, external balance and debt sustainability. They also commended the authorities' progress with fiscal consolidation over the past year, and welcomed efforts to improve the monitoring and fiscal discipline of public enterprises.

Caribbean Regional Technical Assistance Centre (CARTAC)

The Government of Barbados signed a Memorandum of Understanding with the International Monetary Fund (IMF) to continue hosting the Caribbean Regional Technical Assistance Centre (CARTAC). Speaking at a ceremony to mark the signing of the Memorandum, Barbadian Minister of Finance and Economic Affairs, the Hon. Christopher Sinckler, said "CARTAC has enabled the building of a cadre of professional public servants across a range of areas that are critical to sustainable economic growth in the region. The presence of CARTAC in Barbados not only ensures a rapid response to requests for technical assistance, but also ensures that this response is tailored to the region's specific needs."

FSB/RCG_A Meeting

The Financial Stability Board's Regional Consultative Group for the Americas (FSB/RCG_A) examined the impact of the reduction, and in some cases termination, of correspondent banking services across the Americas, at a meeting in Bridgetown in December 2015. The meeting was organised by the FSB/RCG_A, the World Bank, the IMF and the Central Bank.

According to a World Bank Survey, the Caribbean is among the regions impacted most by the decision by correspondent banks to either reduce or terminate their services. This region relies on correspondent banks to facilitate international payments for both individuals and businesses, including wire transfers, flows of remittances, cheque clearing and settlement, cash management services, and trade finance.

On the day following the roundtable talks, the FSB/RCG_A convened its ninth meeting which focused on funding for small and medium-sized enterprises (SMEs). The importance of this

"IMF Executive Directors welcomed the improvement in macroeconomic conditions in Barbados, as well as the commitment of the Barbadian authorities to tackle urgently needed reforms."

“The high level of excess liquidity in the banking system continued and resulted in no borrowings by the commercial banks from the Central Bank in 2015.”

type of financing to sustainable economic growth globally was highlighted and a Report on Promoting Long-Term Investment in Asia was shared with the delegates.

Latin America Centre for Monetary Studies (CEMLA)

In November, the Bank was represented at CEMLA's Annual Meeting of the Central Bank Researchers Network. Some of the key presentations discussed focused on financial conditions and monetary policy within the Caribbean and Latin America. Besides analysing selected works by the Steering Committee, the aim of the representation by the Bank at the meeting was to foster closer collaboration with CEMLA.

Investor Forum

The Bank also held a forum for investors in Trinidad and Tobago in early November. Presentations centered on Barbados' economic performance, including the improvement in the tourism sector and Government's ongoing fiscal policy reform.

MONEY, CREDIT AND CAPITAL MARKETS

Liquidity Management

The high level of excess liquidity in the banking system continued and resulted in no borrowings by the commercial banks from the Central Bank in 2015. During the year, commercial banks discounted \$15.0 million in Treasury Bills to the Bank and purchased \$26.0 million in Treasury Bills from the Bank. The Bank maintained its active stance in the primary market, with purchases of \$2.2 billion in Treasury Bills during the year compared to purchases of \$1.5 billion in 2014. At year-end, the Bank's holdings of Treasury Bills stood at \$733.5 million.

Government Bond Market

The Bank issues Savings Bonds, Treasury Notes and Debentures on behalf of the Barbados Government as a means of raising funds and managing domestic liquidity. Six issues of Treasury Notes and three issues of Debentures with a nominal value of \$625.0 million were offered to the public in 2015 with maturities ranging from two years to 20 years at a weighted average coupon of 5.88 percent per annum. Rollover of security issues maturing in the year totaled \$460.0 million, resulting in the net issuance of \$165.0 million in new debt. During 2015, some \$637.0 million of securities, including securities issued before 2015, were sold.

On May 26, 2015, the Bank re-launched its Savings Bond Programme with the announcement of a new Savings Bond issue with a nominal value of \$10.0 million which opened on June 01, 2015. Enhancements included the introduction of a single certificate, replacing the previous practice of issuing certificates of different denominations, and an increase in the maximum nominal value which can be held per series to \$100,000 for individual investors and benevolent organisations, and \$200,000 for joint holders. During the course of the year, four other Savings Bond issues totalling, \$70.0 million, were offered to the public. One Savings Bond issue of nominal value of \$20.0 million matured during the year and as at December 31, 2015, certificates presented for redemptions for that issue totaled \$9.7 million. During the reporting period, redemptions from prior Savings Bond issues totaled \$14.1 million, resulting in an outstanding balance for Savings Bonds of \$156.3 million at the end of 2015.

TABLE 2 – CENTRAL BANK CREDIT AND GUARANTEE SCHEMES

KEY INDICATORS OF ICF OPERATIONS (\$MILLIONS)					KEY INDICATORS OF HCF OPERATIONS (\$MILLIONS)				
INDICATORS	2012	2013	2014	2015	INDICATORS	2012	2013	2014	2015
Loan Approvals	3.9	0.7	0.05	0.8	Loan Approvals	0.0	0.0	0.0	1.05
Loan Disbursements	8.3	1.3	1.1	0.5	Loan Disbursements	0.0	0.0	0.0	0.0
Principal Repayments	5.2	8.8	6.0	5.5	Principal Repayments	6.8	9.4	11.5	8.2
Loans Outstanding	41.2	33.7	28.8	23.8	Loans Outstanding	118.0	108.7	97.1	88.9
Net Income	1.6	2.2	1.9	1.5	Net Income	4.1	3.8	3.1	2.6
Funds Transfer	0.0	0.0	0.0	0.0	Capital Outflows	0.0	0.0	0.0	30.0
Capital Outflows	0.0	0.0	0.0	23.1	Net Worth	163.9	152.4	155.5	128.1
Net Worth	132.8	135.0	136.9	115.3					

Ongoing efforts to enhance promotion of the Central Bank's credit insurance and credit guarantee schemes resulted in marginal new demand owing to continued high liquidity in the banking system. The number of SMEs using the collateral support provided by the credit guarantee scheme increased somewhat, but there was marginal use of other facilities such as the Industrial Credit Fund (ICF), the Housing Credit Fund (HCF), and the Trade Receivables Liquidity Facility.

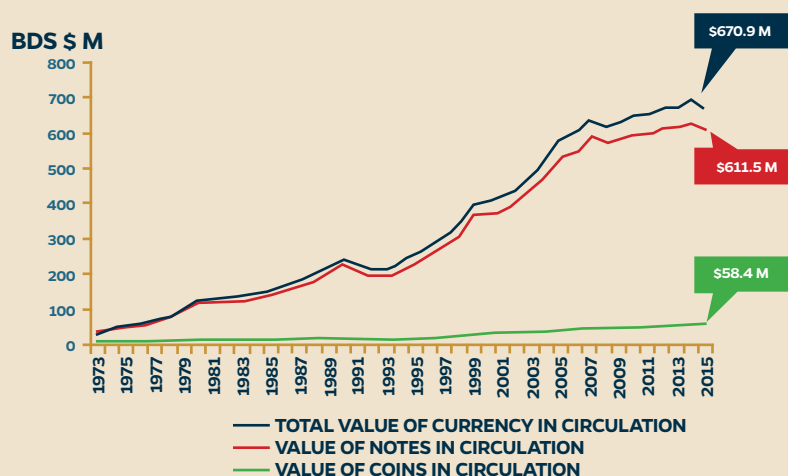
During 2015, the Government of Barbados borrowed US\$35 million from the Inter-American Development Bank for the execution of the Enhanced Access to Credit for Productivity Project. These funds were used to establish and finance the Enhanced Credit Guarantee Fund, a partial Credit Guarantee Fund designed to provide collateral support to SMEs seeking medium to long-term financing through eligible Intermediary Financial Institutions. The Fund received Capital Contributions totaling BDS \$5 million during the year.

CURRENCY MANAGEMENT

At the end of December 2015, the value of currency in circulation was \$670.9 million, \$17.7 million less than was recorded at the end of 2014. Banknotes in circulation fell by \$19.2 million and accounted for 91 percent of the total value of currency in circulation, whereas coins in circulation grew by \$1.5 million and accounted for 9 percent of total currency in circulation.

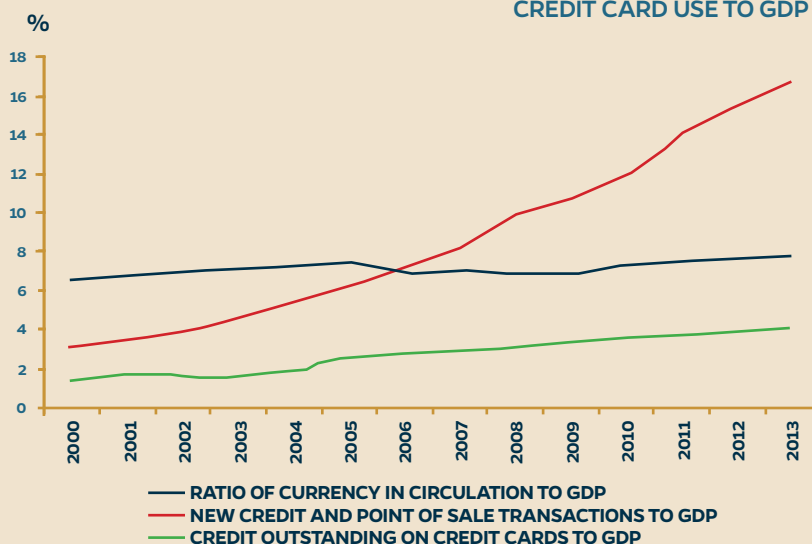
4

FIGURE 5 – VALUE OF CURRENCY IN CIRCULATION



The ratio of currency in circulation as a proportion to GDP, as illustrated by the Figure below, shows that cash continues to be an important means of payment despite the heavy use of credit and debit cards for payment of goods and services. The ratio of new credit and debit card transactions extended as a proportion to GDP has outpaced cash as a proportion to GDP since 2006, and is growing at a faster rate. The ratio of currency in circulation to GDP is, however, likely to continue trending upwards as cash payments to reduce the credit outstanding on credit cards remain the preferred choice of repayment when compared to in-bank or online transfers.

FIGURE 6 – RATIO OF CURRENCY IN CIRCULATION AND CREDIT CARD USE TO GDP



Source: Central Bank of Barbados

Issues

During 2015, the value of currency issued to the public continued to decline, falling by \$47.8 million, twice the reduction recorded one year earlier. Of the currency issued, notes accounted for 98 percent while coins represented the remainder.

The volume of notes issued to the public decreased by 7 percent, with declines in all denominations. Following the 41 percent reduction in coins issued during 2014 (as a direct result of the removal of the one cent coin from circulation and the eventual cessation of its issuance by the Central Bank to the commercial banks in May of 2014), coins issued to the public increased in 2015 by 10 percent. Since the phasing out of the one cent coin, a surge in demand was experienced for the other denominations.

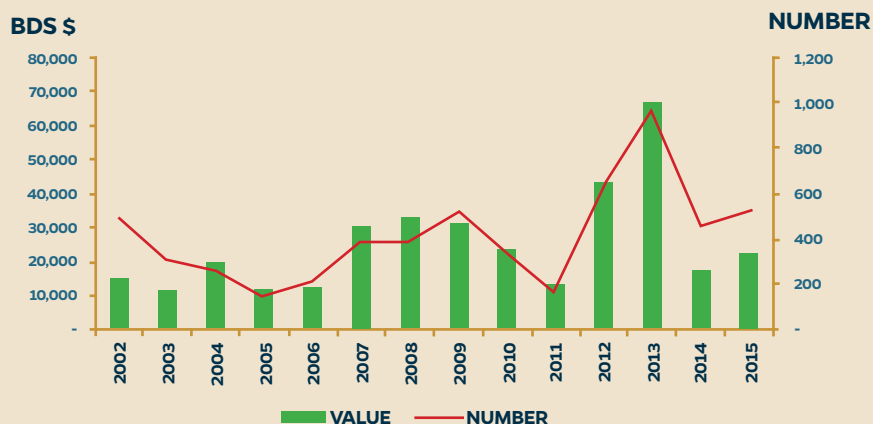
Counterfeit Deterrence

As part of its strategic plan to expose more of its staff to anti-counterfeiting training and presentation of banknote features to the public, the Bank restructured its annual “Know Your Money” programme by introducing training for financial institutions and cash processing companies at their respective workplaces on a more frequent basis.

Since the introduction of the new series of banknotes, the number of counterfeit notes fell from 957 in 2013, to 454 in 2014 and 519 in 2015. Also, the number of counterfeit \$100 notes removed from circulation has remained considerably lower, at 95, when compared to 561 in 2013.

“Since the introduction of the new series of banknotes, the number of counterfeit notes has fallen from 957 in 2013, to 454 in 2014 and 519 in 2015.”

FIGURE 7 – NUMBER OF COUNTERFEIT NOTES

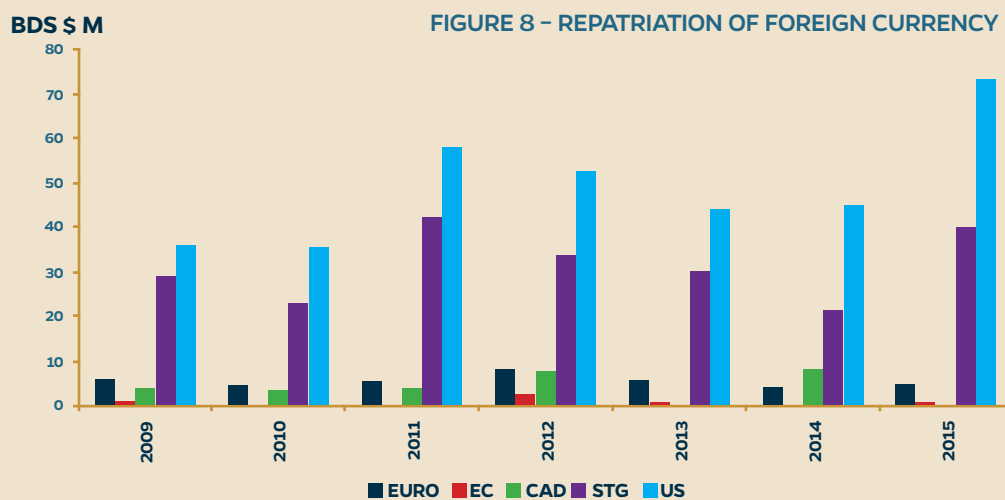


Source: Central Bank of Barbados

Repatriation of Foreign Currency

Foreign currency repatriated during 2015 amounted to \$117.8 million, about \$39.8 million more than the amount repatriated in 2014. Sales of United States dollars (USD) and British pounds sterling (STG) increased by \$28 million and \$18 million respectively, in line with strong growth in activity associated with the tourism industry. Minimal trading occurred with the Euro and Eastern Caribbean (EC) currency during 2015. No Canadian dollars were traded during 2015.

FIGURE 8 – REPATRIATION OF FOREIGN CURRENCY



Source: Central Bank of Barbados

5

SOCIAL AND CULTURAL INITIATIVES**Frank Collymore Hall**

The Bank continues to live up to its reputation of cultural excellence, coordinating a variety of events at its venues: Frank Collymore Hall (FCH), Church Village Green, the Cathedral Courtyard, the Grande Salle and the Inner Courtyard. These events include weddings, receptions, conferences, seminars, concerts, lectures and competitions. The FCH exemplifies its motto “Where the Spirit of Excellence Lives On.”

Sunset and lunchtime concerts showcased local, regional and international artistes and covered many genres of music, highlighting among others, classical, folk, calypso, jazz and steelpan as well as art forms such as dance. Cultural exposure to regional artistes was also achieved through collaborative efforts with the Cuban and Venezuelan embassies.

City Nights, themed “Influences” in 2015, featured Barbados’ home-grown talent and showcased Nicholas Brancker who brought his musical genius to the Hall. Notably, both shows were sold out.

Youth Pan Project

Calendar year 2015 marked the 14th anniversary of the Youth Pan Project, a summer workshop catering to 60 school children ranging in age from nine to 18 years. Organised with support from the National Cultural Foundation, this year’s theme, “YPP Pan On The Move: A Common Approach,” was the theme chosen to highlight the commonality of standardised steelbands for all of the participants. It targeted children already playing in their school steelbands, in support of the school steelband programmes. A research component in support of Caribbean music was added to the programme. Students were required to research an aspect of Caribbean music or Carnival Arts, and produce a collaborative presentation. Andrew Lokey, Director of the St. Leonard’s Boys’ Choir, Stedson Wiltshire (Red Plastic Bag) and Mac Fingall were the guest speakers, and Anderson “Mr. Impact” Ward received the Annual Award of Excellence.

The “Youth Pan Ensemble” comprised of graduates of former workshops, tutors and counsellors, is now honing performance skills by accepting engagements at various events around the island under the name, *Karibvybes*. The campers continue to pursue their musical paths by entering the Barbados Community College Associate Degree Programme or at colleges overseas.

Crop Over Visual Arts Festival

The Bank continued its sponsorship of the Crop Over Visual Arts Festival. The 2015 theme, “From Plantation Slavery to Rebellion and Independence; What Mirror Image Do We Have of Ourselves?” brought focus to the concept of identity and how this relates to the contemporary Barbadian experience. Competitors were encouraged to examine how this concept has been shaped by chattel slavery and rebellion. As usual, the Craft Symposium and a workshop preceded the exhibition. The Governor’s Award was won by Sonia Tuleja for her painting “King Commerce 1 & 2”. The sculpture, “All in Stride”, by Jason Hope received the Central Bank Award of Excellence.

Frank Collymore Literary Endowment Awards

The Frank Collymore Literary Endowment coordinated three interactive “Writers Helping Writers” workshops, which were attended by 32 seasoned and budding writers.

“The Frank Collymore Literary Endowment coordinated three interactive “Writers Helping Writers” workshops, which were attended by 32 seasoned and budding writers.”

Two sessions were dedicated to editing, while the third was a creative writing workshop. The 2008 FCLE winner, Karen Lord, and FCLE Committee member “Andy” Taitt, were featured facilitators, and support also came from the UWI Cave Hill Poui Creative Writing Project.

The 18th Annual FCLE Awards Ceremony was held on January 9, 2016 in the Grande Salle. The featured speaker, Dr. Lennox Honychurch, spoke on the topic “Love for an Island and the Urge for Exile: Tensions in Caribbean Creativity”.

Prizes and an Honourable Mention were awarded to Barbadian writers as follows:

1ST PRIZE	“The Economist” – Prose Fiction	Allison Cadogan
2ND PRIZE	“Farewell Kilimanjaro” – Fiction	Glenville Lovell
3RD PRIZE	“Water for the End of the World” – Prose Fiction; Short Story Collection	Cherie Jones
PRIME MINISTER’S AWARD	“Foreign Island” – Prose Fiction; Short Story Collection	Ahmad Desai
HONOURABLE MENTION	“Half Life of a Moth” – Prose Fiction	Mark Ramsay

6

COMMUNICATIONS OUTREACH

The Bank again leveraged its communications capacity. All economic releases were issued in print, video and electronic format, thereby enabling a wider cross section of the Barbadian public to follow our activities as they were streamed and/or broadcast. In a 13-part television series entitled “Economic Policies that Work: the Caribbean Experience” and in monthly economic letters published in local newspapers, the Bank enriched understanding of how the economy works, and outlined measures necessary for its sustainability. The Bank also underscored how critical improved productivity and efficiency, fiscal consolidation and growth of the foreign exchange earning sector are to the health of the economy.

The Bank continued to play a leading role in the economic analysis of the Caribbean and the Americas. Early in 2015 the Bank, in association with the UWI and the Caribbean Centre for Money and Finance, launched *Fiscal Sustainability and Debt in Small Open Economies*, an important book on public debt in the Caribbean, which seeks to provide a new and more accurate measure of debt and fiscal sustainability. The Book is available on the Bank’s website at www.centralbank.org.bb.

The Bank was involved in several activities designed to inform its publics of critical economic and financial developments in Barbados. These initiatives included domestic and international financial conferences, seminars and workshops. Several economic documents were published and the Bank continued its focus on electronic coverage of major activities, and maintaining a vibrant web presence.

The Bank again focused on exposing the Barbadian public to international economists and other intellectuals. These included Mr. Per Callesen, former Governor of the Central Bank of Denmark, who shared that country’s experience in maintaining a fixed exchange rate. Mr. Michael McGrath, the IMF’s Alternate Director for Canada, Ireland and the Caribbean also chronicled the highlights, successes and shortcomings of Ireland’s very austere economic adjustment programme.

Dr. Peter Blair Henry, Dean of New York University’s Leonard N. Stern School of Business, was our second Distinguished Visiting Fellow. He addressed audiences of technocrats, economists, businesspersons and academics, arguing that economies like Barbados’ can achieve remarkable success by applying the three key principles: discipline, clarity and trust, between citizens and their government.

“The Bank was involved in several activities designed to inform its publics of critical economic and financial developments in Barbados.”

“Several thought-provoking studies were presented on renewable energy, policy implementation, trade and international business, financial stability, and government operations.”

Sir Winston Scott Memorial Lecture

Noted Caribbean investor, entrepreneur and engineer, Dr. Nicholas Brathwaite, was the 40th Sir Winston Scott Memorial Lecturer. Dr. Brathwaite, who as an entrepreneur, has converted several million dollar companies into billion dollar enterprises, advised that his success is based on competence, character and communication. He reminded the audience that entrepreneurs can learn from failure and advised that Barbados must exploit technology for its economic benefit and prosperity. However, he explained that such a move must be driven by a clearer more targeted implementable goal, like tripling the country's GDP over the next 15 years.

To commemorate the 40th anniversary of the lecture series, the Bank staged *Billion Dollar Dreams*, a special forum which afforded four young entrepreneurs the chance to learn from Dr. Brathwaite how they could take their enterprises to the next level. They pitched their businesses to him along with a panel of successful local business people, in exchange for feedback and an opportunity to win prizes. Khalil Bryan, Chief Executive Officer of Caribbean Transit Solutions, won the first prize of \$10,000 and a Barbados Institute of Management and Productivity (BIMAP) scholarship worth \$6,100. Caribbean Transit Solutions aims to solve critical transportation problems in Barbados and the Caribbean by leveraging GPS, mobile data and Internet technologies. Partnering with the Bank in this venture were BIMAP, First Citizens Bank (Barbados) Ltd., the Cave Hill School of Business, and the Insurance Corporation of Barbados Ltd.

Annual Review Seminar

The Annual Review Seminar embraced the theme “*Rethinking Economic and Financial Policy Research and Implementation*”. Several thought-provoking studies were presented on renewable energy, policy implementation, trade and international business, financial stability, and government operations. Seminar participants were also treated to a keynote address by Mr. Michael McGrath, Alternate Executive Director, IMF on the topic, “Public Sector Reform and Fiscal Consolidation”. He shared Ireland's economic recovery story following widespread bank failures, the collapse of the housing bubble, and the general economic decline. Its recovery package included tough fiscal consolidation, resulting in widespread job losses and hardships. But according to McGrath, Ireland stayed the course and is rebounding as a result. Mr. McGrath also underscored how a sound, sustained and effective communications strategy influenced the country's successful economic recovery. The Seminar's evening programme featured a documentary on the life and professional achievements of noted economist, Professor Roland Craigwell, the Bank's late colleague, friend and mentor.

Green Energy Focus

Monthly meetings were held with the Barbados Renewable Energy Association to discuss the way forward for the sector, and to devise strategies for its growth. In connection with this thrust, two major seminars took place. The first was a one-day meeting for major players in the sector to discuss the most suitable wind and solar energy mix for the country. The other was a public event designed to enhance understanding of the sector and foster collaboration among stakeholders.

Building China/Barbados Relationships

The Bank has been in the vanguard of strengthening the relationship with China by focusing on cooperation in cultural and economic matters in particular. The staging of the inaugural Fish and Dragon Festival exposed the Barbadian public to China's culture and social landscape in an exciting, appealing and informative way.

PEOPLE AND PROGRAMMES

During 2015, there was a focus on the review of existing human resources programmes rather than the launching of new initiatives and activities. The review focused on the business landscape, including the strategic and cultural priorities and business drivers, as well as on our talent management implications, particularly our employee competencies and strengths, as well as capacity projections and gaps. This exercise was to help determine whether the Bank possessed a sufficient supply of talent in key positions to execute the priorities and strategies today and in the future.

An analysis of the Bank's employee demographics was also undertaken in an attempt to identify emerging patterns and trends that will inform the organisation's future projections and talent management strategy.

The main emphases continued to be strengthening the Wellness Programme and the talent management strategy. In order to ensure the Bank's alignment with international best practice, attendance at wellness and talent management conferences was supported, and the Bank continued its commitment to promoting good leadership and emotional intelligence practices.

Internal Communications

The Bank's internal communications to staff focused on not only sharing critical information with employees, but also engaging with them to build better relationships, fostering an environment of cooperation and encouraging productivity, all of which will help the Bank achieve its strategic objectives. Three different broadcast programmes were produced for staff during the year:

- Staff Talk – an online call-in programme that provides a forum for staff to interact directly with the Governor on issues related to the Bank. Staff Talk is livestreamed internally, making it minimally disruptive to operations, while still allowing all staff members to ask questions and give comments via telephone or email from their workstations.
- CBB News – a half hour monthly broadcast that presents a mixture of news and human interest stories related to the Bank. It keeps staff abreast of issues and events happening at the Bank, and also showcases the human side of the Bank by highlighting members of staff and their families with interesting and noteworthy stories.
- Positive Vibes – a brief monthly feature by the Governor that focuses on motivational, affirmative stories and highlights success stories.

7

“The main emphases continued to be strengthening the Wellness Programme and the talent management strategy.”

Education and Certification

During the year 2015, Ms. Arlene Mose was awarded the Master of Science in Tourism and Event Management by the University of the West Indies (UWI). Mr. Justin Carter was awarded the Master of Science in Economics with distinction by the University of Surrey and Mr. Bradley Kellman received the Master of Science in Business Finance with Merit from the Queen Mary University of London.

Ms. Danielle Skeete and Ms. Marcia Goddard successfully completed the BIMAP Diploma in Management Studies and the Certified Internal Auditor Programme, respectively. Ms. Wanda Massiah was certified as an Anti-Money Laundering Specialist. Mr. Erskine Hinds completed the Archives and Records Management Part 2 and final certificate programme offered by the UWI.

Ms. Janette Carter and Mrs. Dale Christie-Bourne completed the certificate in Mastering English Communication, Mrs. Sharon Layne completed the certificate in Supervisory Management and Ms. Stephanie Bowen the certificate in Event Planning. Ms. Margaret Best successfully completed the Fundamentals of Central Banking and Monetary Policy course.

Staff Movements

Mrs. Angela Smith-Callender was promoted from Auditor to Senior Auditor, effective January 1, 2015.

Mrs. Betty Maul was promoted from Assistant Accounting Officer to Accounting Officer, Mr. Ivan Jordan, Mr. Hensley Clarke and Mr. Victor Mason were promoted from Security Officer to Senior Security Officer. These promotions were with retroactive effect to January 1, 2014.

Ms. Angela Griffith was promoted from Human Resources Officer to Human Resources Administrator, Mr. Tyrone Moe from Clerical Officer to Currency Officer and Ms. Beverley Howell-Mayers from Auditor to Senior Auditor. These promotions were with retroactive effect to December 1, 2014.

At the end of December 2015, the staff complement stood at 268. Of these, 245 were permanent employees. Three persons joined the Bank's permanent establishment during the year, two persons resigned and two persons retired. The retirees included Mr. Keith Jones, Senior Operations Officer, and Ms. Margaret Daniel, Human Resources Officer. Keith and Margaret were each with the Bank for over 30 years.



(from left): **Donna Foster**, **Roseann King** and **Angela Smith-Callender** were among the Central Bank employees who visited the Geriatric Hospital to sing Christmas carols and donate hampers.

PUBLICATIONS AND PAPERS PRESENTED

PUBLICATIONS

Codrington, Harold. (2015) "Financing Tertiary Education: The Barbados Experience". Global Perspectives on Sustainable Regional Development, Irmela Gorges (ed.), Verlag Dr. Kovac, Hamberg.

Moore, Winston and Justin Carter. (2015) "Supporting the Growth of Service Exports in the Caribbean: Is There a Role for Policy Intervention?" Journal of Eastern Caribbean Studies.

Naitram, Simon, Shane Lowe and Justin Carter. (2015) "Three States of Fiscal Multipliers in a Small Open Economy." Economics Bulletin, Volume 35, Issue 1, pages 720-728.

WORKING PAPERS

Alleyne, Laron. (2015) Book Review: A Review of Trevor Houser and Shashank Mohan, "Fueling Up: The Economic Implications of America's Oil and Gas Boom." The Peterson Institute For International Economics, 2014.

Borda, Patrice and Allan Wright. (2015) "Macroeconomic Fluctuations Under Natural Disaster Shocks in Central America and The Caribbean." Central Bank of Barbados Working Papers.

Khemraj, Tarron, Kester Guy and Ashley Bobb. (2015) "Is There a Role for Independent Monetary Policy in Barbados?" Central Bank of Barbados Working Papers.

Kinch, Christopher. (2015) Book Review: of Jonathan Schlefer, "The Assumptions Economists Make." The Belknap Press of Harvard University Press, 2012.

Lowe, Shane and Tiffany Grosvenor. (2015) "Estimating Quarterly Indicators of Economic Activity for the States of the Eastern Caribbean Currency Union." Central Bank of Barbados Working Papers.

Moore, Winston, Jamila Beckles and DeLisle Worrell. (2015) "Size, Structure and Devaluation." Central Bank of Barbados Working Papers.

Moore, Winston, Shamika Walrond, Laron Alleyne, Darrin Downes, Crystal Drakes and Stacia Howard. (2015) "An Assessment of the Knowledge Products by the Central Bank of Barbados Over the Past Forty Years." Central Bank of Barbados Working Papers.

Moore, Winston, Mika Korkeakoski, Jyrki Luukkanen, Laron Alleyne, et al. (2015) "Identifying Inconsistencies in Long-Run Development Plans: The Case of Barbados' Vision for Energy Development." Central Bank of Barbados Working Papers.

Walrond, Shamika. (2015) Book Review: A Review of Jose De Gregorio, "How Latin America Weathered the Global Financial Crisis." The Peterson Institute of International Economics, 2014.

Worrell, DeLisle. (2015) Book Review: A Review of Elizabeth Becker, "Overbooked: The Exploding Business of Travel and Tourism." Simon and Schuster, 2013.

Worrell, DeLisle. (2015) Book Review: A Review of Diane Coyle, "GDP: A Brief But Affectionate History." Princeton University Press, 2014.

Worrell, DeLisle. (2015) Book Note: A Note on Zorina Khan, "The Democratization of Invention: Patents and Copyrights in American Economic Development 1790–1920." Cambridge University Press, 2005.

Worrell, DeLisle. (2015) Book Note: A Note on Mayhan Kose and Eswar Prasad, "Emerging Markets: Resilience and Growth Amid Global Turmoil." Brookings Institution, 2010.

Worrell, DeLisle. (2015) Book Note: A Note on Stijin Claessens, Mayhan M. Kose, Luc Laeven and Fabian Valencia, "Financial Crises: Causes, Consequences and Policy Responses." IMF, 2013.

Worrell, DeLisle. (2015) Book Note: A Note on The Group of Thirty, "Fundamentals of Central Banking: Lessons From the Crisis." Washington, D.C, 2015.

Wright, Allan, Francisco Deleon and Rumile Arana. (2015) "Interaction of Monetary and Macprudential Policies in Developing Economies." Central Bank of Barbados Working Papers.

Wright, Allan and Francisco Deleon. (2015) "Regime-Switching and Fiscal Policy and its Impact upon the Developing Economies of Central America and the Caribbean." Central Bank of Barbados Working Papers.

Wright, Allan, Shaiiede Kallicharan, Nlandu Mamingi and Tracy Maynard. (2015) "Estimation of Fiscal Multipliers In A Small Open Economy: The Case of Barbados." Central Bank of Barbados Working Papers.

Wright, Allan and Francisco Deleon. (2015) "Understanding Fiscal Limits and Debt in the Developing Economies of Central America and the Caribbean." Central Bank of Dominican Republic Working Papers.

Yearwood, Nichelle. (2015) A Review of Inder Rupah, Karl Melagrio and Ricardo Sierra, "Is There A Caribbean Sclerosis? Stagnating Economic Growth in the Caribbean." Inter-American Development Bank, 2014.

PAPERS PRESENTED AT CONFERENCES

Belgrave, Anton, Kester Guy and Lisa Braithwaite. "The Relevance and Effectiveness of Macprudential Policies in the Caribbean." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28–31, 2015.

Bishop, Nikita and Nlandu Mamingi. "Determinants of Public Expenditure: A Case of Barbados." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28–31, 2015.

Carter, Justin. "Determining the Optimal Size of Government In Barbados: Testing The Armey Curve Hypothesis." 47th Annual Monetary Studies Conference, Guyana, November 18–20, 2015.

Codrington, Harold. "Does Size Matter in Measuring Country Performance?" 28th Annual Conference of the Congress of Political Economists (COPE), Toronto, Canada, July 5–9, 2015.

Khemraj, Tarron, Kester Guy and Ashley Bobb. "The Limitations of Monetary Policy: Implications for Central Banking in Barbados and Economic Policy Formulation." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28–31, 2015.

Khemraj, Tarron, Kester Guy and Ashley Bobb. "Is There A Role For Independent Monetary Policy In Barbados?" 47th Annual Monetary Studies Conference, Guyana, November 18 – 20, 2015.

Kinch, Christopher and Winston Moore. "Greening Small Businesses in Barbados." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Lescott, Alexis, Ankie Scott-Joseph, Nichelle Yearwood and Tracy Maynard. "Market Access, Debt Restructuring and Fiscal Reform: Lessons for Caribbean Economies." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Lowe, Shane and Tiffany Grosvenor. "Estimating Quarterly Indicators of Economic Activity for the States of the Eastern Caribbean Currency Union." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Moore, Winston, Shamika Walrond, Laron Alleyne, Darrin Downes and Stacia Howard. "An Assessment of the Knowledge Products Produced by Central Bank of Barbados." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Moore, Winston, Mika Korkeakoski, Jyki Luukkanen, Laron Alleyne, et al. "Identifying Inconsistencies in Long-Run Development Plans: The Case of Barbados' Vision for Energy Development." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Scott-Joseph, Ankie, Tracy Maynard, Alexis Lescott, Nichelle Yearwood and Jamila Beckles. "Analysis of Tax Buoyancies and Revenue Performance in Barbados." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Walkes, Carlon and Onoh-Obasi Okey. "Barbados' Balance of Payments Statistics: Transition from BPM5 to BPM6." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Worrell, DeLisle, Winston Moore and Jamila Beckles. "Prosperity and the Exchange Rate Regime in Small Open Economies." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Wright, Allan, Michelle Doyle-Lowe and Tracy Maynard. "Fiscal Impact Simulations and Rules." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Wright, Allan, Nlandu Mamingi, Tracy Maynard and Shaiiede Kallicharan. "Estimation of Fiscal Impact Multipliers and Their Use in Demand Management." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Wright, Allan, Carlon Walkes, Tiffany Grosvenor and Nlandu Mamingi. "A Review of Alternative Economic Models of the Barbadian Economy." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Wright, Allan and Kester Guy. "Yield Curve Analysis." 35th Central Bank of Barbados Annual Review Seminar, Barbados, July 28 – 31, 2015.

Yearwood, Nichelle, Tracy Maynard, Alexis Lescott and Keisha Padmore. "Market Access and Debt Restructuring: Lessons From Caribbean Economies." 47th Annual Monetary Studies Conference, Guyana, November 18 – 20, 2015.

ADOPTION OF THE AUDITED FINANCIAL STATEMENTS 2015

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 \$384 million in 2015, after increasing by \$22 million in 2014. Domestic assets increased 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 remained constant at \$252 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 \$65 million.

On the liability side, commercial banks' deposits at the Bank increased by \$422 million, reflecting increased available liquidity in the banking system. Notes and coins in circulation decreased by 3%. Government deposits with the Bank decreased by \$39 million but there was a \$41 million increase in Sinking Fund Contributions.

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 \$6.9 million from \$48.0 million in 2014. Income on foreign securities remained constant. The yields on the Bank's investment portfolio remained low and the situation was adversely impacted by the need to call several high yielding securities because of the increased demand for foreign exchange. Foreign interest rates increased by 25bps in mid-December 2015. The additional interest from higher holdings of local securities was sufficient to offset the decline from foreign securities. Income also includes a dividend of \$3.08 million from the Industrial Credit Fund.

Operating Expenses

Total expenses declined by \$1.8 million and there were no unusual or non-recurring items. Administrative Expenses increased by \$1.0 million. Salaries and allowances were flat and there was decline of \$2.07 million in Printing of Notes.

A regional Government is seeking to restructure an outstanding bond and no additional provision for impairment is required at this time.

Results for the Year

The Bank earned net income of \$1.3 million during the year and this reduces the accumulated deficit at December 31, 2015 to \$12.9 million.

There are insufficient profits to commence amortization of non-negotiable, non-interest bearing securities of \$7,892,956 issued by Government in order to preserve the Bank's capital from impairment.

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 and prepare parallel financial statements.

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

Adoption of Financial Statements

Annexed to this report are the Auditors' Certificate, Balance Sheet as at December 31, 2015, 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, has adopted the Financial Statements for the year ended December 31, 2015.

CENTRAL BANK OF BARBADOS
AUDITORS' REPORT TO THE BOARD OF DIRECTORS
FINANCIAL STATEMENTS
DECEMBER 31, 2015

Auditors' Report to the Board of Directors	35
Balance Sheet	36
Profit and Loss Account	38
Profit and Loss Appropriation Account	39
Statement of Cash Flows	40
Notes to Financial Statements	41



KPMG
Hastings
Christ Church, BB15154
Barbados

P.O. Box 690C
Bridgetown, Barbados

Telephone (246) 434-3900
Fax (246) 427-7123
e-Mail info@kpmg.bb

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Central Bank of Barbados

We have audited the accompanying financial statements of Central Bank of Barbados (the "Bank"), which comprise the balance sheet as at December 31, 2015, the profit and loss account, profit and loss appropriation account, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies set out therein.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements of the Bank for the year ended December 31, 2015, have been properly 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.

Chartered Accountants
Bridgetown, Barbados
February 25, 2016

CENTRAL BANK OF BARBADOS | **BALANCE SHEET**
ASSETS

DECEMBER 31, 2015 WITH CORRESPONDING FIGURES FOR 2014

	NOTES	2015 BD\$	2014 BD\$
RESERVE OF EXTERNAL ASSETS:			
Balances Held Abroad	2	142,420,169	130,196,241
Foreign Notes and Coins		23,708,143	36,610,326
Foreign Securities	3	526,238,587	572,861,980
		692,366,899	739,668,547
International Monetary Fund:			
Reserve Tranche	4	16,421,882	18,094,832
Holdings of Special Drawing Rights	4	159,769,207	176,057,409
		176,191,089	194,152,241
Total Reserve of External Assets		868,557,988	933,820,788
LOCAL ASSETS:			
Local Securities:			
Barbados Government Treasury Bills	5	731,641,400	416,883,421
Barbados Government Debentures	5	338,064,000	191,584,000
Other	5	7,892,956	7,892,956
		1,077,598,356	616,360,377
Advances:			
Government		232,072,000	252,500,000
Fixed Assets (Net)	6	96,106,505	92,106,268
Other Assets	7	52,083,380	47,220,369
Total Local Assets		1,457,860,241	1,008,187,014
		2,326,418,229	1,942,007,802

SEE ACCOMPANYING NOTES TO ACCOUNTS.

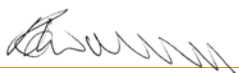
CENTRAL BANK OF BARBADOS | **BALANCE SHEET**
LIABILITIES, CAPITAL AND RESERVES

DECEMBER 31, 2015 WITH CORRESPONDING FIGURES FOR 2014

	NOTES	2015 BD\$	2014 BD\$
LIABILITIES:			
Notes and Coins in Circulation	8	668,425,328	686,101,339
Deposits:			
Government		11,866,674	51,298,262
Banks		1,321,327,961	898,912,903
Financial Institutions		676,057	806,555
Other		6,407,677	5,908,427
		1,340,278,369	956,926,147
Other Liabilities:			
Allocation of Special Drawing Rights	9	182,091,315	200,641,541
Other	10	129,954,310	90,256,147
		312,045,625	290,897,688
Total Liabilities		2,320,749,322	1,933,925,174
Other Funds			
	11	547,672	4,285,828
CAPITAL AND RESERVES:			
Authorised Capital: BDS\$5,000,000			
Paid up capital: Government of Barbados		2,000,000	2,000,000
Accumulated Deficit		(12,878,765)	(14,203,200)
General Reserve		16,000,000	16,000,000
Net Capital and Reserves		5,121,235	3,796,800
Commitments and Contingencies			
	12	2,326,418,229	1,942,007,802

SEE ACCOMPANYING NOTES TO ACCOUNTS.

Approved on behalf of the Board of Directors on February 25, 2016



Governor



Financial Controller

CENTRAL BANK OF BARBADOS

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015 WITH CORRESPONDING FIGURES FOR 2014

	NOTES	2015 BD\$	2014 BD\$
INCOME:			
Commissions and Fees		9,793,718	9,217,006
Discounts:			
Treasury Bills		5,028,581	10,960,304
Interest:			
Advances		6,595,944	7,970,461
Deposits		131,366	107,744
Securities		25,086,006	17,080,915
Other Income	13	5,105,917	1,410,148
Foreign Exchange Gain		2,384,830	680,816
Investment Impairment Recovery	3(b)	-	161,432
Gain on Disposal of Fixed Assets		59,434	-
Gain on Sale of Foreign Securities		675,521	365,259
Total Income		54,861,317	47,954,085
EXPENSES:			
Administrative Expenses		17,103,200	16,085,586
Depreciation	6	3,821,632	4,087,328
Interest		187,925	132,765
Loss on Disposal of Fixed assets		-	274,958
Minting of Coins		121,714	432,850
Printing of Notes		3,208,333	5,276,588
Retirement Benefits	14	2,358,712	2,392,514
Salaries and Allowances		26,735,366	26,618,733
Operating Expenses		53,536,882	55,301,322
PROFIT (LOSS) BEFORE APPROPRIATION		1,324,435	(7,347,237)

SEE ACCOMPANYING NOTES TO ACCOUNTS.

CENTRAL BANK OF BARBADOS

PROFIT AND LOSS APPROPRIATION ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015 WITH CORRESPONDING FIGURES FOR 2014

	2015	2014
	BD\$	BD\$
Balance brought forward	(14,203,200)	(14,748,919)
Profit (loss) before Appropriation	1,324,435	(7,347,237)
Security transferred under Sec 7(4) of the Central Bank of Barbados Act, Cap. 323C (Note 5)	-	7,892,956
Accumulated deficit carried forward	(12,878,765)	(14,203,200)

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.

CENTRAL BANK OF BARBADOS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015 WITH CORRESPONDING FIGURES FOR 2014

NOTE	2015	2014
	BD\$	BD\$
Cash flows from operating activities		
Profit (loss) before appropriation	1,324,435	(7,347,237)
Adjustments for:		
Depreciation	3,821,632	4,087,328
(Gain) loss on disposal of fixed assets	(59,434)	274,958
Investment impairment recovery	-	(161,432)
Operating profit (loss) before working capital changes	5,086,633	(3,146,383)
(Increase) decrease in other assets	(4,863,011)	5,253,956
Net movement in foreign securities	46,623,393	17,942,646
Decrease (increase) in reserve tranche	1,672,950	(475,145)
Decrease (increase) in holdings of special drawing rights	16,288,202	(4,606,272)
Increase in local securities	(461,237,979)	(122,232,756)
Decrease in Caricom Multilateral Clearing Facility	-	14,071,359
Decrease in government advances	20,428,000	4,820,990
Increase in deposits	383,352,222	98,795,174
Increase (decrease) in other liabilities	39,698,163	(99,035,155)
Net cash from (used in) operating activities	47,048,573	(88,611,586)
Cash flows used in investing activities		
Purchase of fixed assets	(7,822,735)	(4,687,492)
Proceeds from sale of fixed assets	60,300	1,300
Net cash used in investing activities	(7,762,435)	(4,686,192)
Cash flows from financing activities		
(Decrease) increase in allocation of special drawing rights	(18,550,226)	5,268,567
(Decrease) increase in notes and coins in circulation	(17,676,011)	13,068,877
(Decrease) increase in other funds	(3,738,156)	3,785,828
Net cash (used in) from financing activities	(39,964,393)	22,123,272
Net decrease in cash and cash equivalents	(678,255)	(71,174,506)
Cash and cash equivalents at beginning of year	166,806,567	237,981,073
Cash and cash equivalents at end of year	166,128,312	166,806,567
Cash and cash equivalents comprise:		
Current Account Balances	2	142,420,169
Foreign Notes and Coins		130,196,241
		23,708,143
		36,610,326
		166,128,312
		166,806,567

SEE ACCOMPANYING NOTES TO ACCOUNTS.

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

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 amortised cost.

Other securities are valued at market and the resulting gains and/or losses on revaluation which are deferred pending realisation, 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 amortised 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 amortised 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 recognised in the Profit and Loss Account.

(j) Amortised Cost:

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

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

2. BALANCES HELD ABROAD

Balances held abroad comprise:

	2015	2014
	\$	\$
Current accounts and deposits with foreign banks	142,420,169	130,196,241

3. FOREIGN SECURITIES

Foreign securities comprise:

	2015		2014	
	AMORTISED COST	MARKET VALUE	AMORTISED COST	MARKET VALUE
	\$	\$	\$	\$
At Market Value:				
Bonds/Debentures	525,905,064	525,925,240	568,790,301	572,548,633
Equities	285,851	313,347	285,851	313,347
	526,190,915	526,238,587	569,076,152	572,861,980

(a) The net unrealised gain of \$47,672 (2014: \$3,785,828) arose on the revaluation of Securities and is included in Other Funds at Note 11.

(b) A realised gain of \$Nil (2014: \$161,432) arose on the recovery of an impaired security and is included in the Profit and Loss Account.

4. RESERVE TRANCHE

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, 2015. The balances held at December 31, 2015 amounted to SDR 5,805,546 (2014: SDR 5,805,546) and SDR 56,482,409 (2014: SDR 56,486,259) respectively. The rate of translation of SDRs into Barbados dollars at December 31, 2015 is BDS\$1 = SDR 0.353525 (2014: BDS\$1 = SDR 0.320840).

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

5. LOCAL SECURITIES

Local securities comprise:

	2015		2014	
	NOMINAL VALUE	COST	NOMINAL VALUE	COST
	\$	\$	\$	\$
Barbados Government Treasury Bills	733,467,000	731,641,400	418,463,000	416,883,421
Barbados Government Debentures	338,064,000	338,064,000	191,584,000	191,584,000
Other	7,892,956	7,892,956	7,892,956	7,892,956
	1,079,423,956	1,077,598,356	617,939,956	616,360,377

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.

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

6. FIXED ASSETS

Fixed assets comprise:

	FREEHOLD LAND AND BUILDINGS	FURNITURE, PLANT AND EQUIPMENT	MOTOR VEHICLES	TOTAL
	\$	\$	\$	\$
Cost:				
January 1, 2014	104,748,310	60,850,779	768,112	166,367,201
Additions	1,457,789	3,229,703	-	4,687,492
Disposal/write-offs	(501,862)	(583,229)	-	(1,085,091)
December 31, 2014	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
Accumulated Depreciation:				
January 1, 2014	26,304,153	47,622,289	658,397	74,584,839
Charge for the year	1,423,553	2,627,348	36,427	4,087,328
Eliminated on disposals	(225,627)	(583,206)	-	(808,833)
December 31, 2014	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
Net Book Values:				
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
December 31, 2013	78,444,157	13,228,490	109,715	91,782,362

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

7. OTHER ASSETS

Other assets include:

	2015	2014
	\$	\$
Accrued income	3,588,519	3,271,259
Cheques in process of collection	4,210,404	8,639,408
CRL Limited ^(a)	9,000,000	9,000,000
New Life Investment Company Inc. ^(b)	10,864,000	-
Prepayments	1,632,014	3,402,114
Staff advances	20,271,603	20,173,880
Sundry balances	2,516,840	2,733,708
	52,083,380	47,220,369

(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, 2015, the cumulative interest not recognised was \$5,941,973 (2014: \$5,401,973).

(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, 2016, with the provision for annual roll over on approval of the Board.

8. NOTES AND COINS IN CIRCULATION

At December 31, 2015, the nominal value of numismatic coins sold, totaled approximately \$10.4 million (2014: \$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.

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

10. OTHER

This amount comprises:

	2015	2014
	\$	\$
Accounts payable	1,435,909	1,850,823
Contribution payable – UWI Fund re Chair in Banking	861,169	861,169
Debenture interest payment account	478,878	390,855
Deposit Insurance Company accounts	109,064	353,530
Domestic clearing	16,264,684	12,256,740
Dormant accounts (i)	22,038,807	12,753,182
Housing Credit Fund General account	11,006,085	3,106,726
Industrial Credit Fund	14,650,721	17,454,283
Redemption of Debentures account	14,177,620	33,470,620
Sinking Fund Contribution account (ii)	45,739,777	4,676,267
Staff Pension Fund	74,040	60,277
Staff Welfare Fund	6,066	166,498
Sundry balances	3,111,490	2,855,177
	129,954,310	90,256,147

(i) Dormant accounts comprise:

	2015	2014
	\$	\$
Banks – local and international (a)	14,339,382	5,591,098
Financial Services Commission (b)	7,699,425	7,162,084
	22,038,807	12,753,182

(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.

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

11. OTHER FUNDS

This amount comprises the following balances:

	2015	2014
	\$	\$
Special Credit Trust	500,000	500,000
Unrealised gains on revaluation of investments (Note 3)	47,672	3,785,828
	547,672	4,285,828

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, 2015, the Bank had guaranteed settlement of approximately \$4,022,696 (2014: \$2,415,262) under the following schemes:

	2015		2014	
	VALUE OF CONTRACTS	GUARANTEE	VALUE OF CONTRACTS	GUARANTEE
	\$	\$	\$	\$
Credit Insurance Scheme for Small Businesses	4,868,210	3,748,725	2,571,630	1,981,300
Trade Receivables Credit Facility	274,479	273,971	434,766	433,962
	5,142,689	4,022,696	3,006,396	2,415,262

(b) Additionally, at December 31, 2015, the Bank had contracts for capital expenditure in the amount of \$2,777,586 (2014: \$3,512,142).

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

13. RELATED PARTY TRANSACTIONS

Other income includes management fees received as follows:

	2015	2014
	\$	\$
Industrial Credit Fund	249,512	249,440
Housing Credit Fund	473,246	578,416
	722,758	827,856

At December 31, 2015, the Bank owned and/or managed certain entities. The gross assets as disclosed in the entities' financial statements are as follows:

	2015	2014
	\$	\$
Export Credit Insurance	11,261,888	11,086,900
Small Business Guarantee	11,453,705	10,299,680
Industrial Credit Fund	115,484,637	137,132,139
Housing Credit Fund	130,605,268	156,743,836
	268,805,498	315,262,555

During 2015, the Bank received a dividend from the Industrial Credit Fund totaling \$3,080,000. This amount is included in other income.

CENTRAL BANK OF BARBADOS

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2015

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, 2015 revealed the following:

	2015	2014
	\$	\$
Fair value of plan assets	149,693,509	142,795,382
Actuarial present value of liabilities	143,718,390	139,628,422
Surplus	5,975,119	3,166,960

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

	2015	2014
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 11.40% (2014: 11.72%) of covered payroll be used for new benefits, less a rate of 2.14% (2014: 1.15%) to allow the amortisation of the surplus over a period of fifteen (15) years. The total recommended funding rate of 9.26% (2014: 10.57%) 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.



2015 Annual Report

CENTRAL BANK OF BARBADOS

Tom Adams Financial Centre
Church Village, Bridgetown, St. Michael
Telephone: 246 • 436 • 6870
Email: info@centralbank.org.bb

www.centralbank.org.bb