



2013 ANNUAL REPORT

TRACING THE ORIGINS OF
MONEY IN BARBADOS



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Imagine the not too distant past in which the United Kingdom (UK) still had exchange controls and backed the value of its currency with its supplies of gold. The UK was at war and initially forbade the export of coin and gold bullion to its territories. Piracy was common and the UK did not want to risk giving its enemies or competitors any advantage through the ability to hoard or capture supplies of its currency from any of its colonies. Mainly non-UK coins were used in the Caribbean islands, and periodic crises of confidence often led to capital flight and a shortage of coins.

In 1627, English settlers brought their monetary concepts with them but there was very little actual money in the island. For a long time, in the absence of locally produced currency in Barbados and the other British islands, there was a shortage of money, and a tradition of barter initially flourished. Many transactions, including fines, were settled using the main export crops of the day, i.e. cotton, tobacco and later sugar. It was common, in the mid-seventeenth century, to pay a magistrate or his agent 20 pounds of cotton, sugar or tobacco as one's annual tax, or in settlement of a fine.

Today's money can be different things – coins, banknotes, credit cards or savings in the bank. But in the past, feathers, shells, stones, beads or bangles were legal tender, each, in different cultures, an acceptable and recognised means of payment. Specifically, to be money, for economists, an item must perform four monetary functions: a medium of exchange, a unit of account, a store of value, and a standard for deferred payments.

Various coins have been used in Barbados over its 387-year history since the island was settled by the English in 1627. The first century and a half featured the use of a coin-based currency system. Before 1705, gold coins derived their value from multiples of the dominant coin in use, the Spanish silver coin, called the **Real** or **Peso de Ocho**, (colloquially translated as '**pieces of eight**'). The idea was that the exchange rate between the Spanish currency and the British pound would be based on the value of the silver content of the Spanish pieces of eight compared to the value of the gold content of the British gold coin. However, after 1705, a change in world demand for metals made gold the standard for the next two hundred years. In addition, in the West Indies, Dutch, French and Portuguese coins were also used.

To create more change, coins were also cut into fractions of $\frac{1}{8}$, $\frac{1}{4}$, and $\frac{1}{2}$ portions called Bitts, and the pieces put into circulation. For over 130 years (1704–1838), the value of Barbados' coinage fluctuated according to the availability of coins locally and also the variation of prices of precious metals on the world market.

The Barbados Museum and Historical Society indicates that the copper "**Pineapple Penny**", minted in 1788, was the first coin specifically produced for commercial use in Barbados. The Pineapple Penny was produced by the British Mint and commissioned by Sir Philip Gibbes, a member of Barbados' council and great-grandson of one of Barbados' earliest settlers. The Pineapple Penny represents the development of Barbadian commerce and identity through currency.

In 1792, the "**Neptune Penny**" and half-penny were also minted. Both coins bore the inscription **BARBADOES** and were used for decades in the island.

In 1822, a series of silver coins, called "**Anchor Money**" (because an anchor was inscribed on the coins) was issued by the British government in values of $\frac{1}{4}$, $\frac{1}{8}$, and $\frac{1}{16}$ of a dollar for use in the West Indies. From 1825, British **pounds, shillings** and **pence** came into use in Barbados and the rest of the West Indies and remained in circulation for over a century.

From 1834 onwards a **George III English Penny** of 1797 was countermarked with the name of a Bridgetown bookseller and stationer T. Bowen (Israel Bowen). The **Tolanto** copper token in denominations of half-penny and a farthing, was also produced at about the same time and is attributed to Jewish merchant Moses Tolano, trading at 33 Swan Street, Bridgetown. Also around 1850 another minted token coin was circulated in Barbados by **Thomas Lawlor & Co.**, general merchants dealing in staple and fancy foods.

In this world, private banks like the **Colonial Bank**, established in 1847 and later renamed Barclays, had a virtual monopoly for almost a hundred years on the provision of banking services in the British West Indies. This monopoly was broken by competition from the emerging Canadian banks in the early twentieth century. Private banks issued bank notes, long before the authorities and Britain eventually, around 1937, agreed that the Barbadian state should issue bank notes.

By 1850 the currency in general use comprised the small British silver and copper coins, Colonial Bank notes of 5 dollar denominations and over, and both British and American gold coins.

From 1900 to 1949, there were efforts to create a regional West Indian currency and the **Board of Commissioners of Currency, British Caribbean Territories (BCCB)** was established in 1950. In 1951, the BCCB took over the circulation of notes in Barbados, British Guiana and Trinidad. Legislation was subsequently enacted to make Jamaican currency legal tender in BCCB territories and vice-versa.

With the collapse of the West Indies Federation (1958–62), and subsequent withdrawal of Jamaica, Trinidad and Guiana from the BCCB arrangement, the new **Eastern Caribbean Currency Authority (ECCA)** was established in 1965, with headquarters in Barbados, to oversee the issuance of Eastern Caribbean currency in Barbados and the Eastern Caribbean.

On May 2, 1972, the **Central Bank of Barbados** was formally established by an Act of Parliament. This event signalled the island's withdrawal from the ECCA (which shifted its headquarters to St. Kitts). Barbados' first national currency, post-independence, was issued in 1973, when the Barbados dollar replaced the Eastern Caribbean dollar. The design of the early Barbados dollar notes and coin remained largely unchanged until May, 2013 when a completely new series was introduced.



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▲ The British 'Neptune' penny and half-penny were minted for use in early Barbados.

Cover: The cover depicts the first coin ever produced for commercial use in Barbados, the 1788 "Pineapple Penny", alongside the one cent piece that will be withdrawn from circulation in May, 2014.

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In use from 1822 was a series of coins known as "Anchor Money". ➤

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ACKNOWLEDGEMENTS

Photographs of coins and banknotes used in this report were obtained with the assistance of the Barbados Museum and Historical Society, The Garrison, St. Michael, Barbados. All other photographs are the property of the Central Bank of Barbados.

Information included in the Cover Story, "Tracing the Origins of Money in Barbados", was sourced from the Barbados Museum and Historical Society, and also from the book, "A History of Money and Banking in Barbados, 1627-1973" by Eric Armstrong; University of the West Indies Press (2010).

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LETTER OF TRANSMITTAL

R. DeLisle Worrell, Ph.D
Governor

Tom Adams Financial Centre
P.O. Box 1016, Spry Street
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March 31, 2014

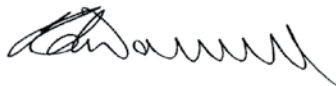
The Hon. Christopher Sinckler, MP
Minister of Finance and Economic Affairs
Government Headquarters
Bay Street
St. Michael

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, 2013 as certified by the External Auditors in accordance with Section 51 of the Act, together with the Report on its operations during 2013.

The original of the Auditors' Report and Certificate was forwarded to you with my letter of March 26, 2014.

Sincerely,



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 of Barbados 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.



◀ A copper token produced by Moses Tolanto, a Jewish Swan Street merchant, was introduced in the early 1800s around the time of Emancipation.



◀ Britain's Colonial Banking Regulations Act (1834) gave rise to the production of notes by the Colonial Bank, a private institution which was eventually renamed Barclays Bank.

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 behavior. 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.

HIGHLIGHTS OF 2013

- 1** The Bank maintained its emphasis on strengthening fiscal responsibility, containing debt and improving the country's capacity to earn foreign exchange. With the widening of the fiscal deficit and the loss of reserves, the Government embarked on a major fiscal adjustment in order to strengthen its finances and sustain the exchange rate anchor.
- 2** A new interest rate policy was introduced that allows financial institutions greater freedom to set interest rates.
- 3** The financial system remained stable during 2013 as banks remained profitable and well-capitalised. The Financial Services Commission (FSC), which oversees the regulation of non-bank financial institutions, signed a memorandum of understanding (MOU) with the Central Bank aimed at strengthening the monitoring of the financial system.
- 4** The Bank in conjunction with the FSC completed another Financial Sector Assessment Programme (FSAP) which featured assessments of the banking, insurance and credit union industries. The FSAP focused on assessing regulatory compliance with international standards, gaining an understanding of systemic issues and assessing the resilience of the entire financial system to withstand internal and external factors. The assessment was favorable.
- 5** For the first time in forty years the Bank launched a new series of Barbados dollar bank notes with enhanced security features, replacing old and worn-out notes.
- 6** The importance of leadership was further emphasised through seminars, lectures and a national conference to improve employee engagement, organisational culture and management capacity.
- 7** The Bank continued its engagement with its publics through internet, television productions and presentations by internationally renowned speakers.

Around 1850, Broad Street merchants Thomas Lawlor & Co. minted a copper token. ▼



GOVERNOR'S MESSAGE

MACROECONOMIC ADVICE

During 2013, the Bank was focused on restoring macroeconomic stability to the domestic economy as a weak performance of the key export sectors together with significantly lower foreign capital inflows constrained economic growth prospects.

These developments placed pressure on foreign reserves, triggering a major policy adjustment to contain the erosion of the reserves, sustain the exchange rate anchor, reduce the fiscal deficit and slow the growth of Government debt. The primary tool of policy was fiscal consolidation, reflected in increased taxation and expenditure reducing measures. At the same time, the Bank continued to encourage the revitalisation of economic activity through growth in the tourism, agro-processing, international business and financial services, and alternative energy industries.

NEW INTEREST RATE POLICY

The Bank introduced a new interest rate policy framework, designed to rationalise the process for adjustment of domestic interest rates. The policy permits virtual liberalisation of the minimum deposit rate, apart from ordinary savings accounts of individuals and non-profit organisations. This allows financial institutions to now set other deposit rates, while continuing to set lending rates. The policy also provides for intervention of the Bank in the Treasury Bill market, with the Treasury Bill rate now being used as a basis for determining rates for long term securities, along a notional yield curve which the Central Bank publishes.

FINANCIAL SECTOR ASSESSMENT PROGRAMME

Barbados successfully concluded the Financial Sector Assessment Programme (FSAP) during the year. The FSAP is a comprehensive in-depth analysis of a country's financial sector and is a key instrument used in the surveillance of countries by international financial institutions. It includes a Financial System Stability Assessment, as well as a detailed assessment of the observance of relevant financial sector standards and codes, to ensure that a country continues to maintain international best practice.

ENGAGING THE BANK'S PUBLIC AUDIENCES

Given the challenges facing the economy, the Bank strengthened its dialogue with its stakeholders, emphasising its message that the country's economic stability required maintenance of adequate foreign reserves in defence of the fixed exchange rate anchor. In this regard,



Dr. DeLisle Worrell,
Governor

the Bank continued to make extensive use of video, internet and other media to make economic data and analysis available to the public, and to sensitise the country to the challenges and options facing the Barbadian economy. The Bank's policy initiatives continued to be supported by its research agenda.

CHANGING THE BANK'S CULTURE

The Bank continued Programmes designed to improve its management capacity and operational efficiency as well as its focus on leadership, employee engagement, employee motivation, innovation and flexibility.

FINANCIAL RESULTS

The Bank recorded a loss of BDS\$3.7 million for the year 2013. The Bank's operating costs were largely unchanged, but the continuing weak investment climate for the low-risk securities that the Bank is permitted to hold continued to depress income. The Bank is reviewing options to contain expenditure over the medium term.

2014 PRIORITIES

In pursuit of the goal of making the Bank a centre of excellence, the Bank will persist with ongoing strategies designed to continually upgrade knowledge, skills and practices. We will continue to rely on leadership development and employee empowerment programmes to modernise our management and strengthen employee engagement.

There has been fair progress in preparing the groundwork towards the formation of a retirees' association. Work on this will continue with a view to enhancing the potential of the Banks' retirees to address their own unique needs and make contributions to the livelihood of others.

Financial rules, security and disaster risk mitigation procedures of the Bank are already under review, and these will be strengthened, where appropriate. Monetary and banking policies will also be reviewed in order to streamline the Bank's collaboration and interface with local financial institutions, where necessary.

BOARD OF DIRECTORS



R. DeLisle Worrell
G.C.M, Ph.D. (Chairman)



Mr. Grantley W. Smith
B.C.H., B.A. (Hons.), D.P.A.



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



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



Justin Robinson
Ph.D.



Mr. Ashley Toppin
J.P., F.C.C.A.



Mr. Harold Hoyte
G.C.M.



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

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.
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)



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., FCIPI
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)



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

***Note – Kevin C. Greenidge, Ph.D.**
Director, Research and Economic Analysis (on leave)

OTHER SENIOR OFFICERS

Ms. Pamela Arthur, M.Sc.

Assistant Director, Governor's Office

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

Deputy Director, Research and Economic Analysis

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

Assistant Director, Bank Supervision

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

Deputy Director, Banking, Currency & Investments

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

Public Affairs Officer, Governor's Office

Mr. Ian Collymore, J.P., M.Sc.

Deputy Director, Foreign Exchange and Export Credits (ag.)

Ms. Sadie Dixon, LL.M, L.E.C.

Legal Counsel

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

Chief Research Economist, Research and Economic Analysis

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

Deputy Director, Banking, Currency & Investments

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

Deputy Director, Bank Supervision

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

Assistant Director, Management Information Systems

Ms. Tamara Hurley, M.B.A.

Risk Assessment Analyst, Bank Supervision

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

Deputy Director, Facilities Management

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

Deputy Director, Research and Economic Analysis

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

Deputy Director, Management Information Systems

Ms. Angela Skeete, M.A.

Assistant Director, Research and Economic Analysis

Mr. Philmore Thorne, B.Sc. F.C.C.A., F.C.A.

Deputy Financial Controller

By 1955, coins of various denominations were being produced in copper, silver and nickel for use in the British West Indies. ►



CORPORATE GOVERNANCE

BOARD MATTERS

The Role Of The Board

The Board of Directors of the Bank under section 10 of the Central Bank of Barbados Act, Cap. 323C of the Laws of Barbados ("the Act") has 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 over the years 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 laid down by the Board.

Composition Of The Board

The Board consists of the Governor as Chairman, the Director of Finance and Economic Affairs and five (5) other Directors who are persons of recognised experience in the areas of law, economics, finance and business.

The two Deputy Governors of the Bank also attend 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. At present the members of the Board are Dr. DeLisle Worrell, (Chairman), Mr. Harold Hoyte, Mr. Cecil McCarthy, Dr. Justin Robinson, Ms. Onika Stewart, and Mr. Ashley Toppin. Mr. Elson Gaskin is the Bank Secretary and is the officer chiefly responsible for Board administration.

Mr. Grantley W. Smith, the former Director of Finance and Economic Affairs officially retired on November 17, 2013. There is thus one vacancy on the Board at present.

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.

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 10 times in each year: not more than 2 months must elapse between one meeting of the Board and the next meeting.

During the year 2013, the Board met a total of 11 times and also dealt with a few papers by round robin.

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

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

New Legislation

In December, the Bank made further recommendations to the Ministry of Finance regarding the proposed new Central Bank Act in line with international central banking best practice. Among these were suggestions made by the IMF/World Bank team during the 2013 Financial Sector Assessment.

Management Committees

The Bank's Management is responsible for interpreting and executing the Bank's policies. In addition, a number of standing committees have been established over time to discuss critical areas such as: Strategic Planning; Budgeting; Investment; Tenders; Pensions; Business Continuity; Occupational Health and Safety; and Information Security Governance.

The Bank has a longstanding health and safety programme, coordinated by an Occupational Health and Safety Committee. There are Safety Officers for each department and regular fire drills and simulations are conducted. The Bank will continue to enhance the programme, in line with guidelines set forth in the Safety and Health at Work (SHAW) Act.

INTERNAL AUDIT AND RISK MANAGEMENT

During the year, several assurance and consulting engagements were undertaken. Relevant completed engagements were presented to management with responsibility for the activity or function, and all completed engagements were presented to senior management and the Audit Committee of the Board. Engagements in progress at the end of the year are scheduled for completion in 2014.

In 2013, the Internal Audit department participated in on-site training for a new audit management software system.

2014 Internal Audit Priorities

- Full transition to use of the new audit management software system
- Review of Audit Committee and Internal Audit charters

INFORMATION SECURITY

The Bank continued to focus on its information security programme under the guidance of the Information Security Governance Committee (ISGC). Information security is the application of administrative, technical and physical controls in an effort to protect the confidentiality, integrity, and availability of information assets. The ISGC is responsible for determining the risk profile of the organisation and advising management on the level of security necessary to protect information resources.

The Bank hosted the XXIII Annual Conference of Regional Central Banks for Information Systems Specialists. Specific attention was placed on including a one-day vendor showcase and exhibition on Protection Technologies, as a subset of the wider regional conference.

The one-day open event, titled “Information Security Technologies: Opportunities, Risks and Threats” was attended by a wide variety of IT and Information Security professionals. The event was a collaboration between the Bank, the Information Systems Security Association (ISSA) Barbados Chapter, and Mission Critical Systems, USA. Exhibitors from 13 international businesses including Microsoft, Symantec and McAfee were in attendance, along with some local companies. Positive feedback was received from the vendors, the professionals who attended the open event as well as the regional central bankers who had their own closed vendor presentations.

In the latter part of the year, the ISGC formally launched an online information security awareness programme for all staff. Participants indicated its usefulness.

2014 Information Security Priorities

- Update the web infrastructure
- Raise the priority of IT security, including the development of a cyber-security initiative between the Bank and the commercial banks
- Enhance IT governance and risk management, ensuring a high level of redundancy in mission critical applications



When completed, the new Church Village Green project will represent a new oasis in the heart of Bridgetown.



◀ A sample of notes used in Barbados in the mid-twentieth century.

BUSINESS CONTINUITY AND PHYSICAL DEVELOPMENT

The Bank established a Task Force to review and reformulate the Bank's Business Continuity Programme (BCP). During the year, some progress was made in re-organising the governance structure of the BCP as well as reviewing and documenting plans and procedures.

A number of projects were successfully completed in 2013. Among them were the first phase of the replacement of the Bank's elevators and the enhancement of security tools. The Bank also implemented several cost-effective initiatives, including the installation of a photovoltaic system at Newlands, the official residence of the Governor. Low-energy LED lighting in the underground car park was installed on a trial basis, enabling significant savings in electricity cost.

During the year, the Bank continued to partner with the Barbados Tourism Investment Inc. in the re-development project known as Church Village Green, which is intended to be a new cultural oasis in the heart of Bridgetown.

2014 BCP and Physical Development Priorities

- Emphasising disaster recovery and increased use of the Bank's Hotsite
- Developing an alternative energy strategy for the Bank with recommendations for phased implementation
- Continuing replacement of the Bank's elevators
- Upgrading the telephone communication system and strengthening capabilities for webinars and video conferencing
- Completing and assuming management of **Church Village Green**
- Completing the Fit-Out of the refurbished **Masonic Lodge**

Upon establishment of the Central Bank of Barbados in 1972, the country withdrew from the Eastern Caribbean Union and local currency replaced notes such as these. ►

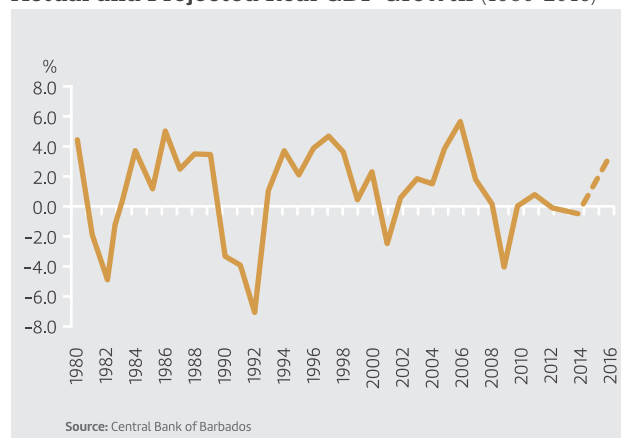


ECONOMIC REVIEW

OVERVIEW

During 2013 real GDP remained sluggish, mainly reflecting moderate declines in tourism value-added and construction, while growth was recorded in non-sugar agricultural output and business & other services.

Actual and Projected Real GDP Growth (1980-2016)



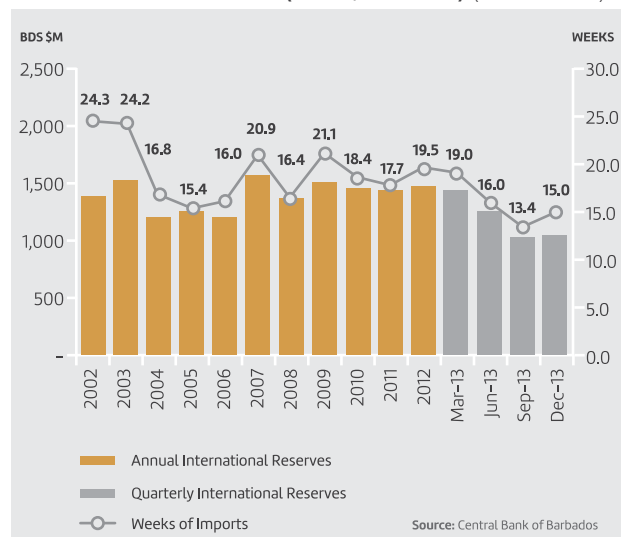
Holdings of foreign reserves declined by \$310 million to the equivalent of 15 weeks of imports of goods and services, reflecting a slump in private foreign investment inflows and merchandise exports. Net foreign capital inflows were \$221.3 million lower, at \$465.6 million.

The balance between import demand and foreign currency inflows was maintained up to April 2013, when foreign reserves stood at the equivalent of 19 weeks of imports. The decline in reserves from May onwards signalled the need for fiscal contraction measures, which were outlined in the 18-month fiscal adjustment package introduced in August and further measures in December 2013. It was announced that job cuts equivalent to about 11 percent of the public sector workforce would form a major part of the adjustment strategy designed to achieve the fiscal target. The deficit for fiscal year 2013/14 is projected at 8 percent of GDP.

TOURISM

The tourism industry continued to underperform in 2013 with total long-stay arrivals declining by 5.2 percent for the year, a similar rate of decline to that of 2012. Arrivals from the United States and Canadian markets fell by 8.7 percent and 6.6 percent, respectively, mainly because of the persistent weak demand and reduced airlift from Dallas and Toronto.

International Reserves (BDS \$Millions) (2002 – 2013)



Long-Stay and Cruise Passenger Arrivals

(January to December)

MAJOR MARKETS	2012	2013p	Actual Change	% CHG
U.S.A	130,762	120,584	(10,178)	(7.8)
Canada	72,020	67,295	(4,725)	(6.6)
U.K	173,519	168,733	(4,786)	(2.8)
Germany	9,182	10,300	1,118	12.2
Other Europe	27,937	30,765	2,828	10.1
Trinidad & Tobago	38,005	31,614	(6,391)	(16.8)
Other Caricom	58,482	55,681	(2,801)	(4.8)
Other Countries	26,396	23,548	(2,848)	(10.8)
TOTAL LONG-STAY	536,303	508,520	(27,783)	(5.2)
CRUISE PASSENGERS	517,436	570,263	52,827	10.2
CRUISE CALLS	358	374	16	4.5

(p) Provisional figures as at December 2013

Source: Barbados Statistical Service

Increases in the air passenger duty, coupled with weak economic prospects, continued to negatively impact visitor arrivals from the United kingdom, which fell 2.8 percent by the end of December.

Arrivals originating from Trinidad & Tobago and other CARICOM countries declined by 16.8 percent and 4.8 percent respectively, primarily the result of the loss of Redjet flights earlier in the year.

Cruise passenger arrivals at end-December were 10.2 percent higher than the corresponding figure in the previous year. In 2012, cruise ship calls had been negatively impacted by competition arising from the Southern Caribbean and the Mediterranean. However, with the re-introduction of Barbados to the itinerary of some cruise ships, total cruise ship calls increased by 4.5 percent during 2013.

After declining by 6.8 percent in 2012, output in the manufacturing sector stabilised with marginal growth of 0.7 percent in 2013. Activity in non-sugar agriculture and fishing grew strongly, increasing by 11.4 percent compared to a 5.5 percent decline in 2012. Sugar production declined by 3 percent reflecting lower yields and reduced acreage planted.

The construction sector continued to be affected by the lack of new projects and the stalling of major ones resulting in a 12.3 percent decline in activity. This sluggish outturn contributed to a 15.2 percent contraction in mining and quarrying in 2013, compared to an 8 percent reduction the previous year. The wholesale and retail sector performed favourably with output growing by 1.6 percent, a marginal improvement over the previous year's 0.5 percent growth.

PRICES & EMPLOYMENT

The unemployment rate edged up to an average of 11.7 percent for the year to December 2013, compared to 11.6 percent for the previous year.

The inflation rate fell to 1.8 percent at the end of December 2013, reflecting the steady decline in the international prices of food and fuel.

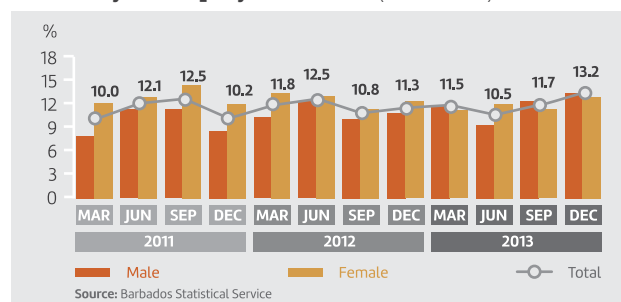
PUBLIC SECTOR

Government revenue is estimated to have decreased by 8.6 percent over the period April to December 2013, compared to the similar period in 2012. Personal tax receipts fell by 16.1 percent, partly reflective of the impact of the adjustments in August 2012 to the income tax threshold and the effective tax rate. Similarly, corporate tax receipts were 40.3 percent less than the amount registered in the corresponding nine-month period of the previous year, as businesses continued to be affected by reduced demand in the economy. VAT receipts were down by 4.6 percent, following a decline of 4.8 percent in the corresponding period of FY2012/13. However, import duties increased by 2 percent in line with the expansion in imports.

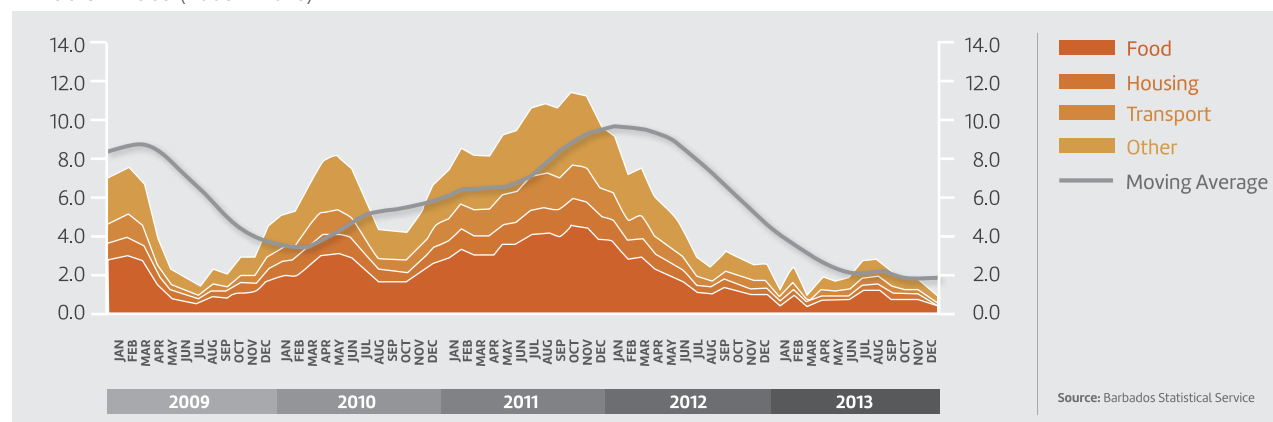
Current expenditure increased by 1.3 percent, over the period April to December 2013, after declining by 3.3 percent for the same period of 2012. Transfers to public institutions and individuals were higher by 4.4 percent. Additionally, goods and services declined by 7.6 percent, and interest expense increased by 3.0 percent, mainly on account of higher domestic interest payments. Capital expenditure also grew by approximately 24.4 percent, as work continued primarily on the Coastal Risk Assessment Programme, the Warrens Highway Safety Improvement Project and road infrastructure throughout the country.

The Bank and commercial banks jointly provided the majority of domestic financing, principally through their subscription to Treasury Bills, while the National Insurance Scheme (NIS) and other private non-bank entities provided the remainder. On the external side, a \$300 million Credit Suisse loan was disbursed in December 2013.

Quarterly Unemployment Rate (2010-2013)



Inflation Rate (2009 – 2013)



Still, the ratio of foreign debt service to foreign currency earnings is projected to remain below 10 percent for the next five (5) years and beyond. The net indebtedness of public sector institutions to private firms and individuals at home and abroad is equivalent to 67 percent of GDP. The interest payments on Government debt accounted for 26.2 percent of Government revenue at the end of December 2013.

BALANCE OF PAYMENTS

The external current account deficit for 2013 was estimated at \$912.6 million, a deterioration of \$61.5 million when compared to 2012. This outturn was driven by a significant increase in imports and a decline in domestic exports.

A fall-off of \$58.4 million in domestic exports reflected declines in the export of chemicals (\$45.4 million), sugar exports (\$6.4 million) and electrical components (\$3.8 million). The poor performance of chemical exports resulted mainly from a decline in the export of therapeutic medication.

During 2013, retained imports were \$104.9 million higher than in 2012. The growth in retained imports was fuelled mainly by increased imports of consumer goods (15.8%) and capital goods (18%).

The capital and financial account registered a surplus of \$465.6 million during 2013, compared to a surplus of \$686.9 million in the previous year. This smaller capital and financial account surplus was reflective of a \$421.8 million decline in net long-term private capital flows, which resulted from reduced real estate related investment.

FINANCIAL INDICATORS

The financial system continued to be highly liquid, as credit demand remained weak despite falling interest rate spreads, coupled with modest deposit growth. The liquid asset ratio grew from 15 percent to 18 percent during the first nine months of 2013, due mainly to increased Treasury Bill holdings by commercial banks.

In April 2013, the Bank made the 3-month Treasury Bill rate its benchmark and removed the floor on the deposit interest rate, except for savings deposits of private individuals and non-profit entities. As excess liquidity in the system remained relatively high, the Treasury Bill rate decreased from 3.6 percent at the beginning of the year, to 3.24 percent at year-end.



Another sample of the earliest notes used in Barbados. ►

OPERATIONS

1. FINANCIAL STABILITY

Financial System

Licensed Financial Institutions

TYPE OF INSTITUTION	2007	2008	2009	2010	2011	2012	2013
Onshore							
Commercial Banks	6	6	7	7	7	6	6
Bank Holding Company	1	1	1	1	1	1	1
Near Banks	15	15	14	13	13	12	12
Total Onshore	22	22	22	21	21	19	19
Offshore	57	49	50	45	45	46	40
Total Licensed Institutions	79	71	72	66	66	65	59

At year-end, the Bank had direct regulatory oversight of six (6) commercial banks and a bank holding company, together with twelve (12) domestic near banks and thirty-seven (37) international banks. During the year no new entities were licensed and three international banks completed the winding up process. There were three new applications for licences pending under the International Financial Services Act.

The banking system remained resilient during 2013, even amid the challenging macroeconomic conditions associated with the lingering effects of the global crisis. The ratio of non-performing loans improved, falling to 11.3 percent at September 2013, after the resolution of one commercial loan. The system continued to be well-capitalised and highly liquid across all financial institutions. However, while commercial banks remained profitable, returns were lower than recorded in 2012.

The Financial Services Commission (FSC), which oversees the regulation of non-bank financial institutions, continued to work along with the Bank to strengthen prudential oversight of the entire financial system. In August 2013, the Bank and the FSC signed a Memorandum of Understanding aimed at cementing their ongoing relationship and strengthening the monitoring of the financial system.

Financial Stability Report

The Bank published a mid-year update to its 2012 Financial Stability Report (FSR) in August 2013, as well as prepared its Annual 2013 FSR. To assess the impact of vulnerabilities, a series of stress tests were conducted and the results suggest that the system as a whole remained resilient. Taking into account the simulation exercises and the latest data available, the financial system was deemed to be stable.

Banking Regulation Framework

The regulation and supervision of institutions licensed under the Financial Institutions Act (FIA) and the International Financial Services Act (IFSA) remain a critical element

of the Bank's mandate of maintaining and promoting financial stability. In an effort to improve its compliance with emerging international standards and best practices, the Bank continued to enhance its regulatory framework through various initiatives. In addition, projects to address recommendations arising from the recently concluded Financial Sector Assessment Programme (FSAP) exercise, including updates to legislation and existing guidelines, are in progress.

The Bank continues to work with other domestic regulators and stakeholders on various national issues, including the Global Forum on Transparency and Exchange of Information for Tax Purposes Peer Review and Financial Action Task Force (FATF) initiatives. During the year, the Bank maintained close working relationships with regional and international regulatory bodies. Cooperation and collaboration with local, regional and international regulatory agencies are supported by Memoranda of Understanding.

Policy Development

The Bank continued its efforts with the implementation of Basel II/III. During the year, the Bank made progress in the implementation of the Market Risk Amendment with licensees participating in a reporting trial. Additional work to support Pillar 2 was also advanced with the development and update of the following guidelines:

- The Corporate Governance Guideline, first issued in October 2006, was updated and reissued. The Guideline sets out the Bank's expectations in relation to the minimum standards for corporate governance practices by all licensees and forms an integral part in assessing the effectiveness of corporate governance practices.
- The Anti-Money Laundering/Combating Terrorist Financing Guideline was updated in October 2013 to reflect a series of developments with the FATF Recommendations, Guidance and Best Practice papers.

In addition, the Bank issued the draft Interest Rate Risk in the Banking Book Management Guideline to the industry for comments. The Guideline outlines the minimum policies and procedures that each licensee needs to have in place and apply in the management of interest rate risk in the banking book. Also issued in 2013 was the Framework for Licensing of Financial Institutions which sets out the Bank's criteria for licensing entities under the FIA and IFSA, the licensing process and the customary documentation to be provided by clients. The Bank's website was updated with comprehensive information on the application process.

International Financial Services

The Bank maintained close collaboration with stakeholders in the international business and financial services sectors. Meetings were convened with the Barbados International Business Association and the Bank continued to participate in the Joint Policy Working Group established by the Ministry of International Business to examine initiatives to strengthen the competitiveness of the sector.

Financial Sector Assessment Programme (FSAP)

In 2012, the Bank had completed a comprehensive self-assessment of compliance with the Basel Core Principles for Effective Banking Supervision in preparation for the 2013 FSAP assessment by the International Monetary Fund and The World Bank. In 2013, the FSAP was conducted and covered the assessments of the banking, insurance and credit union sectors. The FSAP focused on assessing regulatory compliance with international standards, gaining an understanding of system-wide issues and assessing the resilience of the entire financial system to withstand internal and external factors.

2014 Financial Stability Priorities

- Publishing the FSAP report
- Further enhancement of the regulatory and supervisory framework for licensees
- Continuing work on Basel II/III implementation
- Continuing dialogue with the domestic, regional and international banking sectors and regulators towards strengthening home-host relationships and consolidated supervision
- Contributing to national preparedness and responses to international country assessments (e.g. Caribbean Financial Action Task Force (CFATF) Mutual Evaluation, and OECD Global Forum Peer Reviews)

2. MONEY, CREDIT AND CAPITAL MARKETS

MIMICS Portfolio System

During the year, the Bank introduced a new portfolio management system for the management of its investments and those for which it provides management services. This new system is aimed at improving operational efficiency through the reduction/elimination of manual processes as it will interface seamlessly with

third-party systems. Thus it provides benefits with the accounting and compliance requirements for the individual portfolios and enhances performance measurement for reporting purposes.

Liquidity Management

The high level of excess liquidity in the banking system in 2013 resulted in no borrowings by the commercial banks from the Bank. During the year, commercial banks sold \$80.0 million in Treasury Bills to the Bank and purchased \$118.0 million in Treasury Bills from the Bank. With the introduction of the new interest rate policy in 2013, the Bank became more active in the primary market, with purchases of \$858.5 million in Treasury Bills during the year when compared to the previous year's total purchases of \$424.1 million. At year-end, the Bank's holdings of Treasury Bills stood at \$415.0 million.

Government Bond Market

The Bank issues Government Savings Bonds and Barbados Government Treasury Notes and Debentures on behalf of Government as a means of raising funds and managing domestic liquidity. In 2013, three issues of Treasury Notes and four issues of Debentures with a nominal value of \$585.0 million, were offered to the public in maturities ranging from two (2) years to twenty (20) years at a weighted average coupon of 6.75 percent per annum. Rollover from securities for the year totalled \$365.0 million, resulting in the net issuance of \$220.0 million in new debt. Some \$558.2 million of securities, including securities issued before 2013, were sold.

Three (3) Savings Bond issues totalling \$25.5 million were offered to the public and \$15.9 million of these issues was allocated by year-end. In addition, \$0.7 million from prior Savings Bond issues was also allocated during the year. Two Savings Bond issues of nominal value \$20.0 million matured during the year and redemptions for those issues amounted to \$11.9 million. During the reporting period, redemptions from prior Savings Bond issues was \$4.5 million resulting in an outstanding Savings Bond balance of \$98.6 million at the end of 2013.

Housing Credit Fund

Activity of the Housing Credit Fund (HCF) remained sluggish during 2013. Loans outstanding declined to \$108.7 million with principal repayments of \$5.8 million. There were no loan disbursements for the review period. The fund remained profitable and the key performance indicators are set out in the table below.

Key Indicators of HCF Operations for Financial Year Ending March 31 (BD\$ Million)

INDICATORS	2009	2010	2011	2012	2013	2014(p)
Loan Approvals	12.4	4.0	8.0	0	0	0
Loan Disbursements	7.7	4.7	4.0	8.0	0	0
Principal Repayments	8.1	8.8	8.8	8.9	8.4	5.8
Loans Outstanding	132.7	128.6	123.8	122.9	114.5	108.7
Net Income	5.1	5.2	5.2	5.3	5.4	3.8
Capital Inflows	0	0	0	0	0	0
Net Worth	127.5	132.7	137.9	143.16	148.5	152.4

(p) Provisional figures as at December 31, 2013

Key Indicators of Small Business Credit Guarantee Operations

(BDS \$ Million)

INDICATORS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Small Business Guarantees Outstanding	52	58	53	39	34	28	34	23	25	31
Amount Guaranteed	2.2	2.9	2.7	2.0	1.8	1.6	1.9	1.4	1.3	1.8

Foreign Exchange

Trading in Foreign Currencies

Foreign exchange outflows for 2013 outstripped inflows, with the Bank becoming a net seller of foreign exchange to the banking system. Higher sales of foreign currency to banks, together with lower purchases from banks, resulted in net sales of \$505.0 million in 2013 when compared to net purchases of \$231.2 million in 2012. Foreign exchange purchases from banks decreased from \$304.4 million in 2012 to \$71.2 million during 2013. During the year, \$88.5 million in foreign currency notes was purchased, a decline of 8.9 percent from the amount purchased in 2012.

The reduced net outflow partly reflects reduced inflows of private foreign investment which totalled BDS \$40.1 million in 2013 compared to BDS \$398.6 million in 2012. There were no registrations of actual inflows in real estate or loan capital while equity capital declined by 80 percent.

Export Credits & Guarantees

The number of small and medium-sized enterprises using the collateral support provided by the credit guarantee scheme increased during the year. At the end of 2013, there were thirty-one (31) guarantees outstanding with a maximum liability of \$1.8 million as compared to twenty-five (25) guarantees with a maximum liability of \$1.3 million at the end of 2012. Total lines of credit increased from \$1.7 million to \$2.4 million during the year.

During the year no export credit insurance coverage, export finance guarantees or tourism loan guarantees were provided.

Trade Receivables Liquidity Facility

During the year, seven (7) small businesses obtained financing under the Trade Receivables Liquidity Facility (TRLF). In 2013, twenty-four (24) guarantees totalling \$967,177 were approved compared to one (1) guarantee for \$44,774 in 2012. At the end of the year, there were seven (7) guarantees outstanding totalling \$360,035.

Industrial Credit Fund

The Industrial Credit Fund (ICF) activity declined in 2013 as compared to 2012. The ICF approved two (2) applications totalling \$0.7 million compared to four (4) applications valued at \$3.9 million in 2012. Cumulative approvals rose to \$274.4 million while new disbursements amounting to \$1.3 million increased net cumulative disbursements to \$243.3 million. The health services accounted for most (\$0.4 million) of the new approvals with the remainder going to the tourism sector (\$0.3 million). The balance of loans approved but undisbursed was \$11.6 million at year-end. No Capital Contributions were received during the year. Net income is estimated to have increased to \$2.0 million in 2013, compared to \$1.6 million in 2012. The ICF's net worth is expected to increase from \$132.8 million in 2012 to \$134.8 million at December 31, 2013.

Key Indicators of Industrial Credit Fund Operations

(BDS \$ Million)

INDICATORS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(P)
Loan Approvals	5.8	18.7	21.2	7.5	14.5	10.7	8.3	9.4	8.3	0.7
Loan Disbursements	6.7	6.9	14.6	7.6	16.0	7.5	8.3	9.4	8.3	1.3
Principal Repayments	7.0	8.3	9.1	7.0	13.8	10.9	6.2	13.4	5.2	8.8
Loans Outstanding	37.1	35.6	41.2	41.8	44.0	40.6	42.2	38.2	41.2	33.7
Net Income	0.9	1.0	1.4	1.8	2.2	2.2	2.2	2.3	1.6	2.0
Capital Inflows	6.2	0.0	0.0	0.0	5.9	5.9	2.6	0.0	0.0	0.0
Net Worth	88.3	83.1	84.5	103.9	112.0	120.0	124.9	131.2	132.8	134.8

(p) Provisional figures as at December 31, 2013

3. CURRENCY MANAGEMENT

New Currency Notes

The Bank launched a new series of currency notes, the first in 40 years, which incorporated new and improved security features, a new look and a modern design. Governor Worrell, said of the new notes at the launch, “We’ve kept some of the more popular elements so that people can still easily identify the denominations, but we’ve made the look more Barbadian, and made the notes easier to authenticate.” This new series, with its bold, modern design and vibrant hues, was launched on May 2, 2013 and issued to commercial banks on June 4, 2013. Feedback from the public was positive and the appreciation for the new notes has been evidenced by the increase in requests from collectors to acquire the new series.



Deputy Director Octavia Gibson helps the public to “Take Note”, as she demonstrates security features of the new series of banknotes during BMEX 2013.

Like the 2007 series, the new notes were issued in six denominations – \$2, \$5, \$10, \$20, \$50, \$100 – and all denominations are 150mm x 65mm. The basic colours also remain the same. The Bank continued to honour those outstanding Barbadians previously featured on our banknotes, but the reverse images have changed. The new vignettes are specific to the denomination and are now linked to the person featured on the portrait. To help the visually impaired and fully blind differentiate between denominations, tactile marks have been included on the new banknotes. The number of marks increases by one as the value of the note increases, from one dot for the \$2 to six dots for the \$100. In addition to the revamped design, the new series has new security features that will make the notes more difficult for counterfeiters to copy and easier for the public to authenticate.

One Cent Drive

The collection and counting of one cent coins on behalf of the Barbados Alzheimer’s Association continued into 2013. The original target had been 5 million one cents by the end of 2012 and at December 31, 2012, 8.6 million one cents were collected. By the end of 2013, the total amount of one cents collected reached 14.4 million one cents.

Withdrawal of One Cent from Circulation

Available statistics since 2004 indicate that the production cost of the one cent coin rose from two cents per coin to five cents per coin in 2012. In light of these rising costs, the Bank embarked on a strategy of replacing older coins

with less expensive but equally durable ones. To further compound the problem, only 18 percent of new one cents issued are being redeemed by the public. The one cent coin appears not to be valued by the public and is often hoarded or thrown away. Given these observations, the Bank decided to remove the one cent coin from circulation. The Bank is developing a public relations strategy to inform all stakeholders of the planned withdrawal of the one cent coin, which takes effect in the second quarter of 2014.

Implementation of the Currency Forecasting Model

Three new currency forecasting models were implemented during the first half of 2013. The models capture broad perspectives such as estimating expected currency demand, adjusting for notes to replace worn out notes, and considering re-issuable stock.

Maintaining a steady supply of currency in circulation

During 2013, the value of currency in circulation increased marginally by less than 1 per cent (\$5.3 million) when compared to the value in circulation as at the end of December 2012. This upturn is a continuation of the rise in currency in circulation since the decline recorded during the onset of the economic and financial crisis in 2008. The volume of notes in circulation during the review period rose by one percent, while coins in circulation were higher by two percent. Of the currency in circulation, notes accounted for 92 per cent (\$617.8 million) of the total value, while coins accounted for eight per cent (\$56.8 million).

Cash continues to be an important means of payment, as evidenced by the proportion of currency to GDP, which has risen gradually and consistently over the period. The ratio moved from 7.9 percent of GDP in 2012 to 8.0 percent of GDP by the end of 2013.

Value of Issues and Deposits



Destruction of Unfit Notes

The value of unfit notes destroyed totalled \$419 million, \$133 million more than the amount destroyed during 2012. The amount destroyed during 2013 was also \$47 million higher than the previous highest of \$372 million unfit notes destroyed in 2006.

Counterfeit Deterrence

The counterfeit rate remained low compared to industry standards. As part of the effort against counterfeiting, the Bank organised and hosted two workshops during the year under review. The first workshop was conducted by the staff of the Currency Department and representatives included personnel from various units of the Royal Barbados

Police Force. In addition to counterfeit detection, the workshop also sensitised participants to the features of both the existing and new series of banknotes. The second workshop in 'Counterfeit Detection' was conducted by Steve MaGregor of De La Rue. Participants included staff of the Currency Department and members of the Royal Barbados Police Force. Apart from identifying the security features of banknotes, this workshop explored the importance of statistics in counterfeiting and the role central banks play in assisting with the enforcement of laws, conducting various educational programmes and implementing guidelines to combat counterfeiting.

Currency Priorities in 2014

- Withdrawal of one cent coins from circulation
- Continuation of annual public education programmes

4. INFORMATION TECHNOLOGY

In 2013 the overarching strategic information technology objective for the Bank continued to be improving operational efficiency through the use of cutting edge technology in a secure environment. To this end ACH processing for Payroll and Pension was implemented. The new accounting system was enhanced to process Purchase Orders given the move towards making the supply chain process more efficient. Currently being tested for implementation is a new Pensions and Administration System in an effort to enhance the current application and also to address requirements necessitated by the new Pensions Act.

The Bank continued its efforts to accelerate the greening of IT, which aims to reduce the Bank's Carbon footprint in the following areas:

- Reducing the number of physical servers (server spread) that require large amounts of electrical energy to power and cool the systems.
- Consolidating Server services/applications to improve efficiency in utilisation of electrical power and physical resources (processor, memory and storage) of the server.
- Using advanced technology inherent within Microsoft Windows to accommodate multiple operating systems on a single hardware server device.
- Reducing paper usage through the provision of network scanning functionality on selected photocopiers across the Bank.

In addition, a majority of the Bank's servers were migrated to Windows 2008. The next move will be to Windows 2012 as required by our virtualised server architecture. For desktop computers, the Bank is also well-advanced in the full migration from Windows XP to Windows 7.

A number of key system upgrades were completed including Ingres, OpenRoad, Firewall, VPN Infrastructure (Cisco ACS and RSA ACE), Blackberry Enterprise Server, Lotus Domino and Symantec Endpoint Protection (Antivirus System).

Information Technology Priorities In 2014

- Emphasising disaster recovery and increased use of the Bank's Hotsite
- Continuing implementation of greening IT initiatives through further server virtualisation, and implementation of a document management programme

5. OUR INTERNAL PARTNERS

Leadership is everyone's business! This quote is found in The Leadership Challenge, co-authored by Dr. Barry Posner, and was the message consistently resonating in the Bank, as Leadership Training was cascaded to our middle management grouping. Approximately 100 leaders were exposed to the Bank's Leadership Laboratory, which was initiated during the previous year.

These sessions culminated in another National Conference, hosted by the Bank in collaboration with the Productivity Council and the University of the West Indies, the latter being represented by the Cave Hill School of Business. Attendees at this year's Conference included leaders from over 75 businesses and organisations across Barbados and students from 22 Secondary Schools.



Students from a number of secondary schools pay rapt attention at the Leadership Conference featuring Dr. Barry Posner.

Under the Theme, "Leading in Tough Times: Confronting Challenges & Inspiring Hope", Dr. Barry Posner, one of the Top 50 leadership coaches in America, facilitated the Conference as well as an Executive Seminar for business leaders.

The Bank continued to advance the Performance Management System, the new approach to employee mobility and the employee health and wellness programme. The Bank continued to demonstrate its commitment to seeing the principles of emotional intelligence (EI) become an integral part of the Bank's working life through the appreciation shown to staff on Valentine's Day, Mothers' Day and on Fathers' Day.

During the year 2013, Mr. Elson Gaskin was awarded the Bangor University Master of Business Administration in Banking & Law with Distinction and the Master of Business Administration (Chartered Banker) with Merit; Mr. Robert Kellman was awarded the Master of Science in International

Securities, Investment and Banking with Merit by the University of Reading, Henley Business School along with the International Capital Market Association (ICMA) certificate programme in International Fixed Income and Derivatives; Mr. Shane Lowe was awarded the Master of Science in International Financial Economics with Distinction by the University of Glasgow; Mr. Simon Naitram was awarded the Master of Science in Financial and Business Economics with Distinction by the University of the West Indies; Mrs. Cherisse Mitchell was awarded the Master of Science in Investments & Wealth Management by the University of the West Indies (UWI), Cave Hill Campus.

Ms. Octavia Gibson successfully completed the Project Management Professional (PMP) programme with the Project Management Institute. Ms. Heather Grimes was awarded the Chartered Institute of Personnel & Development (CIPD) Chartered Member. Successfully completing programmes at BIMAP were Ms. Catrina Forde, who completed the Diploma in Management Studies, and Ms. Joy Hooper-Beckles and Ms. Janette Carter who attained Certificates in Management Studies, and Administrative Management, respectively. Ms. Arlene Mose completed the Dale Carnegie Course – Skills for Success, while Ms. Yvonne Parris completed the Event Planning & International Conference Management course through the University of the West Indies Open Campus.



A monthly news programme is produced in-house for streaming live over the Bank's intranet, solely for staff.

Internal Communications

The Bank's internal communication with staff is evolving. The internal communications strategy promotes transparency, openness and dialogue. Twice in 2013, Governor Worrell and key officials chatted with employees via a call-in programme about the performance of the Bank and the country, and the institution's strategic objectives.

On a monthly basis, an internal news programme, CBB News, was broadcast to apprise staff of developments and achievements in various departments, as well as successes and triumphs of colleagues, with a view towards building a caring, emotionally-intelligent Bank. These newscasts were anchored, produced and reported by the staff and made accessible to staff at their desks over the Bank's intranet. One highlight of the monthly productions was "Positive Vibes", a motivational feature presented by the Governor himself.

Staff Movements

Fifteen persons joined the Bank during the year, two persons resigned and seven persons retired. The new retirees are Curtley Catwell, Wayne Franklyn, Rodney Smith, Judy Reynolds, Angolyn Kirton, Gloria Oxley and Neville Pollard. The first three persons worked with the Bank in excess of twenty-five years, and the remaining four persons each worked with the Bank for over thirty-five years.

Promotions

Twenty persons were promoted during the year as follows:

- Anele Weekes, Beverley Manning, Jessica Mounter-Broome and Merle Taitt from Administrative Assistant to Senior Administrative Assistant
 - Joanna Shillingford-Holder from Administrative Officer to Senior Administrative Officer
 - Sheina Best from Secretary to Administrative Assistant
-
- Aminah Evelyn and Wolsey Griffith from Analyst/Programmer to Senior Analyst/Programmer
 - Daniel Philgence and Eric Alkins from Systems Administrator to Senior Systems Administrator
 - Nina Smith from Assistant Systems Administrator to Systems Administrator
-
- Tracy Maynard from Economic Statistician to Senior Economist
 - Jason LaCorbinere from Economist to Senior Economist
 - Gail Best from Clerical Officer to Statistical Officer
 - Denisa Belgrave from Statistical Officer to Economic Statistician
-
- Kimberley McDonald from Human Resources Officer to Human Resources Administrator
 - Ronnie Cummins from Clerical Officer to Human Resources Officer
-
- Tricia Ellis from Bank Examiner to Senior Examiner
 - Wanda Massiah from Examiner to Bank Examiner
-
- Sonja Gooding from Auditor to Senior Auditor

2014 Internal Partner Priorities

- Introducing the Bank's Talent Management Programme
- Continuing to build leadership capacity in the Bank

6. DOMESTIC OUTREACH PROGRAMMES

The Bank heightened its dialogue on the economy with its numerous stakeholders, including the media, private sector, government agencies and the general public. The Bank's message reinforced that the country's economic stability was anchored on a fixed exchange rate, and that maintaining adequate levels of foreign reserves was vital to the preservation of the anchor. Foreign exchange must therefore be earned through growth in four key sectors – tourism, agro processing, international business and financial services, and alternative energy– while competitiveness could be enhanced through efforts to enhance productivity and efficiency.

Governor Worrell led the discussions with monthly presentations on "The Barbadian Economy: Challenges and Opportunities". The numerous audiences he engaged included the Social Partnership, the Insurance Corporation of Barbados, the Immigration Department, Intimate Hotels, the Nation Group, the Transport Board, the Inter-American Development Bank, credit unions and Central Bank staff. Research documents on the aforementioned topics were also posted on the Bank's website and circulated.

For the benefit and understanding of the populace, the Bank sponsored a 13-part television series on CBC TV 8 titled "Growing the Barbadian Economy: the Value of the Foreign Exchange Earning Sectors". The series was placed on the Bank's Website.

Four news conferences were held and these reiterated the Bank's key messages, while reviewing the performance of the economy and advancing a growth and recovery strategy based on developing the four key industries.

Even as the Bank continued to employ the traditional media to connect with stakeholders and spread its messages, its presence in the social media network – Facebook and YouTube – expanded, with the posting of more materials on both sites. The number of visitors to our social media and websites has been steadily increasing.



Dr. Worrell makes a presentation on the National Economy to a meeting of the Social Partnership.



The 2013 Sir Winston Scott Memorial Lecture featured Dr. Victor Gooding, S.C.M., a noted Barbadian telecommunications scientist.

The **2013 Sir Winston Scott Memorial Lecture** provided ample food for thought on economic recovery. Dr. Victor Gooding, a Barbadian telecommunications scientist with Telesat Canada, in a presentation titled "View from 45 Years North: A Barbadian Living in Canada", promoted a shift to entrepreneurship and innovation as one of the solutions. Dr. Gooding also encouraged greater involvement of the diaspora in North America by way of investments and assistance with marketing two of our key sectors, tourism and international business. His views were reinforced in a discussion forum with the Bank's Public Affairs Officer that was aired on CBC TV 8.

Key issues and achievements in the international business and financial services sector and the domestic financial services industry were discussed in two separate conferences. An international business conference, planned in collaboration with the Barbados International Business Association and other stakeholders, provided a platform where practitioners and regulators came together to highlight recent developments in the sector, discuss possible solutions to challenges and chart the path forward.

The *Foreign Account Tax Compliance Act (FATCA)* was the focus of the domestic financial institutions conference put on by the Bank and fellow regulator, the Financial Services Commission. The theme of the conference was "Global Challenges: Local Solutions", and attendees were sensitised to the need for compliance and the importance of institutions readying themselves for FATCA implementation.

The **Annual Review Seminar**, a staple on the Bank's calendar, was once again organised by the Research and Economic Analysis Department (READ). With the theme, "*Diversification, Investment and Sustainable Growth: Strategies for the Small Open Economy*", key topics included macroeconomic stability, economic growth, diversification opportunities, government operations and trade and international business.

Dr. Shelton Nicholls, former Deputy Governor, Central Bank of Trinidad and Tobago, made a presentation on "*Economic Growth, Diversification and Development in the Caribbean: Some Important Issues*", which resonated with attendees. He advanced a plan for regional economic growth and development through diversification and new industries. His suggestions centered on growing and promoting the cultural industries, and agriculture. Dr. Nicholls suggested that a wholesale transformation of regional economies was the only answer to sustainable growth.



Making presentations at the Annual Review Seminar were summer interns from the Research and Economic Analysis Department (READ): Nakita Mayers, Skeeta Carasco, Sasha Harrison, and Akila Procope.

The Bank, in collaboration with the Open Campus hosted seven (7) popular lectures in the **University in Community** series. Topics ranged from 'Tertiary Education As It Has Responded To The Social And Economic Challenges' by Mr. Hilford Murrell, an attorney-at-law and historian, to Dr. Chelston Brathwaite's discussion on 'Food and Agriculture'. Dr. Brathwaite is Barbados's new Ambassador to China, and a former Director General of the Inter-American Institute for Cooperation in Agriculture. Other speakers included visiting Professors Bauer Sampio and Julie Meeks-Gardner, as well as Board Member Mr. Harold Hoyte, former Governor Sir Courtney Blackman, and Dr. Ervin Davis.

Barbados-China Association

The Bank supported efforts locally to generate more activity with China and assembled a task force of eminent Barbadians to assist with this initiative. The group will build on the longstanding Barbados-China Friendship Association. The renewed association is geared towards establishing commercial links, identifying business, training and educational opportunities, and facilitating the exchange of ideas.

Some of the new initiatives being considered include production of an electronic newsletter in collaboration with the Chinese Embassy and the Ministry of Foreign Affairs, and a directory of services which might attract sales from China. In addition, media information on the activities of Chinese people in our region, and similarly, the experiences of Caribbean people in China will be compiled.

Sponsorship

Several projects, programmes, organisations and individuals benefitted from the Bank's sponsorship. Cherisse Greenidge, a sixth form student of the Foundation school and the recipient of the SPISE Scholarship, was one of the principal beneficiaries. Cherisse said of her participation in the programme, "Not only did it improve my knowledge of Science but it also bolstered my self-confidence in a multiplicity of ways." SPISE is an annual 6-week Science immersion programme at the University of the West Indies, Cave Hill Campus organised by Professor Cardinal Warde of MIT.

Carolling

In August, and again in December, Bank employees visited patients of the St. Michael Geriatric Hospital. The group sang hymns and carols for the elderly, and enhanced the December visit with a donation of items requested by the facility, along with gift hampers made up of staff contributions.

Arts

An avid and generous contributor to the development of the arts, the Bank again supported various aspects of the cultural industries. This support comprised sponsorship of the Crop Over Visual Arts Exhibition, the Frank Collymore Literary Endowment, the Pan in the Plaza steel pan programme for children, and the Frank Collymore Hall (FCH) Season.

Pan In The Plaza Camp And Extravaganza

"21st Century Pan – Moving towards Higher Standards" was the theme for the Pan in the Plaza Camp and Youth Pan Extravaganza 2013. A Fun Day was introduced, and the young campers toured the Central Bank of Barbados-sponsored Crop Over Visual Arts Festival exhibition in the Grande Salle, and later attended the FCH-sponsored Crop Over Junior Monarch Finalists lunchtime concert at which the Rhythm Section (walking band) played.

The Pan In the Plaza Ensemble, comprising senior campers, tutors and counsellors, performed at the ever popular and upmarket Pan Fusion concert. The Trinidad and Tobago National Steel Symphony Orchestra, Pan Fusion's guest artistes, gave a free demonstration workshop to the intermediate and senior campers.

Since 2002, the Bank has sponsored this annual camp, with the assistance of the National Cultural Foundation.

Crop Over Visual Arts

For the 20th consecutive year, the Bank sponsored the Crop Over Visual Arts Exhibition. "The Making of the Drum" derived from Kamau Brathwaite's anthology of poetry, *The Arrivants*, was the theme for this annual exposition of the work of local visual artists. Innovations in 2013 included the expansion of the specialised art appreciation programme that included two Evenings of Interpretations of the art on display via different disciplines of the performing arts, the exploration of more commercial opportunities for participating artists via limited reproduction of artwork in various formats, i.e. mugs, posters, etc. A "Paint the City Live" and "en plein air" painting session was held in the Bank's Cathedral Plaza, and was well-received.

Wayne Hinds' Mixed Media triptique "Root of the Beat" won the Governor's award and Ashanti Trotman's sculpture, "Echoes of Our Heritage", was awarded the Central Bank's Award of Excellence valued at \$10,000.

Main Prize Winners: Frank Collymore Literary Endowment Awards

1ST PRIZE	Kamau Brathwaite	"The Lazarus Poems" (Poetry)	\$10,000
2ND PRIZE	Ronald Williams	"The Memoir" (Prose Fiction)	\$ 5,500
3RD PRIZE	Mark Ramsay	"The Generation with the World in our Mouths" (Prose Fiction)	\$3,500
THE JOHN WICKHAM AWARD	Mark Ramsay	"The Generation with the World in our Mouths" (Prose Fiction)	\$1,000
SPECIAL / HONOURABLE MENTION	Sonia Peter	"Seed Under the Leaf" (Non-Fiction)	



Actress/Writer Pauline Melville, featured speaker at the Frank Collymore Literary Endowment (FCLE) awards ceremony, receives a floral arrangement from Andy Tait, FCLE member.

Frank Collymore Literary Endowment (FCLE) Awards

Ms. Pauline Melville, actress and writer, was the featured speaker at the 16th Annual FCLE Awards. She spoke on the topic *"Freedom of the Imagination in Literary Creation"*. Ronald Williams received the Prime Minister's Award, which recognizes submissions that present readers with original and provocative ways of viewing Barbadian culture and identity. Ms. Melville also conducted an editing Master class for 10 local writers, in support of the FCLE programme *"Writers Helping Writers"*.

2014 Communications Priorities

- Continuing intensified dialogue on the country's economic priorities as the Bank assists with charting a new trajectory built on sustainable growth, led by the foreign exchange-earning sectors
- The hosting of Dr. C Fred Bergsten, founder of the internationally-acclaimed Peterson Institute, during his six-week sabbatical at the Bank. He will interact with several of the Bank's stakeholders, be interviewed by Governor Worrell, and hold a regional discussion forum on economic matters of interest to the Caribbean

7. INTERNATIONAL RELATIONS

CEMLA

In March the Bank hosted a meeting of CEMLA's Alternates and Audit Committees. Representatives came from CEMLA headquarters in Mexico, as well as Brazil, Argentina, Colombia, Venezuela, the USA and Spain.

Deputy Governor Codrington represented the Bank at CEMLA's Board of Governors Meeting in May in Washington D.C. where he presented comments on the topic *"Normalization of Monetary Policy in the Industrialised Countries and Possible*

Effects on the Latin America and Caribbean Region". The Governor attended the Board of Governors Meeting that was held in October in Washington, D.C.

Dr. Allan Wright, Senior Economist with the Bank, started an internship at CEMLA's Headquarters. Bank staff again helped to evaluate research papers that had been entered for the US \$10,000 Rodrigo Gomez Prize.

Financial Stability Board (FSB)

The Bank participated in meetings of the FSB's Regional Consultative Group for the Americas that were held during May in Grand Cayman and during December in Rio de Janeiro, Brasil. It was also represented on the Working Group dealing with Consolidation Practice.

IMF World Bank

The Bank was represented on the Barbados delegation to the Annual IMF World Bank Meetings of the Boards of Governors in Washington, D.C. The event included meetings of Commonwealth Finance Ministers, Commonwealth Central Bank Governors and meetings of CEMLA Governors and the IADB. Caribbean Governors met with IMF Managing Director Madame Christine Lagarde and participated in fora discussing regional and international economic and financial issues.

The World Bank and the International Monetary Fund conducted the third Financial Sector Assessment Programme (FSAP). This assessment sought to identify weaknesses in the existing systems of supervision and regulation, and to allow for appropriate remedial measures by the supervisory authorities. Like the previous two FSAPs of 2002 and 2008, the local financial services sector was deemed to be well regulated and generally compliant with international standards.

A team from the International Monetary Fund (IMF) visited Barbados to conduct the annual Article IV Consultation which facilitates the IMF's regular monitoring of economies and provision of associated policy advice. The team met with the Minister of Finance, the Minister of Tourism and International Transport, the Minister of Industry, International Business, Commerce and Small Business Development, the Governor of the Bank, members of the Legislature and representatives from the private sector, labour unions, and academia.

Inter-American Development Bank

In September the Bank hosted an IDB technical assistance mission which looked at the status of the economy and discussed macro-economic information. The team discussed the application of an Econometric Model for Barbados to assess the impact of removing or reducing tax expenditures on growth, poverty and income distribution.

Committee of Central Bank Governors (CCBG)

The 2013 meetings of the CCBG were held in Belize. The Governor and Deputy Governor Haynes attended the first meeting in May, while Deputy Governor Haynes attended the second meeting in November, accompanied by Denisa Belgrave who presented the draft regional report on Debt and Fiscal Sustainability.

Mission to Canada

For the third consecutive year a mission from the Bank visited Canada during October to discuss financial sector issues. Led by Deputy Governor Haynes the group met with the High Commissioner to Canada, government officials, representatives of commercial banks and supporters of the international business and financial services sector (IBFS) in Barbados. Much of the mission's time was spent discussing ways to combat negative impressions of the IBFS in Canada.

Regulatory Agencies

The Bank continued to work closely with the well-known financial sector oversight bodies. These included the Organization for Economic Cooperation and Development, the Financial Action Task Force, the Caribbean Financial Action Task Force, the Association of Banks of the Americas, the Caribbean Group of Banking Supervisors and the Group of International Finance Centre Supervisors.

De La Rue

During May, the Bank collaborated with De La Rue in the launch of the new family of banknotes. Later in the year the Bank signed a MOU with De La Rue and the UWI, Cave Hill for the establishment of a De La Rue Postgraduate Scholarship at the University. This is the third such scholarship offered by De La Rue in the English-speaking Caribbean region.



Governor Worrell and a De La Rue representative sign the MOU for a UWI Scholarship.

Other

The Bank participated in the meetings of the Executive Committee of the Caribbean Centre for Money Studies and the Board of Directors of CariCRIS, the regional rating agency. It was also represented on the Steering Committee of CARTAC, the technical assistance facility.



Central Bank staff and their families enjoyed a beach outing for the annual Family Fun Day.



Public Affairs Officer Novaline Brewster served as M.C. during the annual Christmas Party.

PUBLICATIONS AND PAPERS PRESENTED

PUBLICATIONS

Carasco, Skeeta; Roland Craigwell and Darrin Downes. (2013). (working paper). "An Assessment of Reserve Adequacy in Caribbean Economies." The Central Bank of Barbados.

Carter, Justin; Winston Moore and Mahalia Jackman. (2013) "Is the Magnitude of Household Debt in Barbados a Concern?" The Central Bank of Barbados Economic Review. Volume 38. Issue 2.

Guy, Kester, and Tiffany Grosvenor. (2013). "Regime Switching Approach to Analysing Bank Non-performing Loans." The Business Review Cambridge, Volume 21, No.2, pages 46–52.

Jackman, Mahalia; Roland Craigwell and Michelle Doyle-Lowe. "Nonlinearity in the Reaction of the Foreign Exchange Market to Interest Rate Differentials: Evidence from a Small Open Economy with a Long-term Peg." Applied Financial Economics, 2013, Volume 23, Issue 4, pages 287–296.

Moore, Alvon; Carlon Walkes and Julian Jones. (2013) "Import Substitution: How Practical is it in Barbados?" The Central Bank of Barbados Economic Review. Volume 38, Issue 2.

Worrell, DeLisle, Kevin Greenidge and Shane Lowe. (2013). "Competitiveness in the Caribbean and Central America". International Research Journal of Finance and Economics, Issue 109.

Worrell, Delisle; Tracy Maynard; Chrystol Thomas and Michelle Doyle-Lowe. (2013). "The Performance of the VAT System in Barbados." The Central Bank of Barbados Economic Review. Volume 38, Issue 2.

PAPERS PRESENTED AT CONFERENCES

Carasco, Skeeta; Roland Craigwell and Darrin Downes. "Adequacy of foreign reserves in the Caribbean." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Carter, Justin and Mahalia Jackman. "Simulating the impact of changes in personal taxes on household savings in Barbados." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Carter, Justin; Roland Craigwell and Shane Lowe. "Government expenditure and economic growth in a small open economy: A disaggregated approach." 45th Annual Monetary Studies Conference, Jamaica, October 1–5, 2013.

Codrington, Harold. "Some issues in business continuity planning at the Central Bank of Barbados", CEMLA Conference on Contingency Planning and Business Continuity Plans for Extreme Situations", Lima, Peru, April 1–2, 2013.

Codrington, Harold. "Public transport in Barbados: an opportunity for sustainable development", 26th Annual Conference of the Congress of Political Economists, Buenos Aires, Argentina, July 6–12, 2013.

Greenidge, Kevin; Roland Craigwell, Chrystol Thomas and Lisa Drakes. "Threshold effects of sovereign debt: Evidence from the Caribbean." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Grosvenor, Peter. "Bank loan provisioning: An investigation into loan provisioning methodologies." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Grosvenor, Tiffany; and Kester Guy. "Regime switching approach to analysing bank non-performing loans." The Global Business, Marketing, Finance & Economic Research Conference, Los Angeles, June 13–16, 2013.

Harrison, Sasha; Roland Craigwell and Darrin Downes. "Fiscal multipliers and economic activity: Empirical evidence for Caribbean economies." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Jackman, Mahalia. "Understanding the cheating heart: What determines infidelity intentions?" 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Jackman, Mahalia; and Roland Craigwell. "A look at the labour market effects of Government employment in Barbados." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Mayers, Nakita; Roland Craigwell, Jason LaCorbiniere and Michelle Doyle-Lowe. "Access to credit by businesses in the Caribbean." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Naitram, Simon; and Mahalia Jackman. "Nowcasting tourist arrivals to Barbados using Google Econometrics: A possibility or wishful thinking?" 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

Naitram, Simon; and Winston Moore. "Price competition in a small retail market: A dynamic network analysis." 33rd Central Bank of Barbados Annual Review Seminar, Barbados, July 23–26, 2013.

ADOPTION OF FINANCIAL STATEMENTS 2013

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 \$31 million in 2013. Domestic assets increased significantly as the Bank provided liquidity funding to Government through the purchase of Treasury Bills. The statutory lending limit on advances to government decreased from \$262 million to \$259 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 \$223 million after accounting for \$300 million from the proceeds of a Government of Barbados foreign loan and a \$107 million transfer from foreign sinking fund assets. Sales of foreign currencies to banks and Government increased from \$741 million in 2012 to \$1,175 million in 2013.

For the fifth consecutive year, notes and coins in circulation increased modestly as the transaction volumes for Point of Sale and ATM transactions remained constant. The volume of such transactions is impacted by consolidation in the banking industry. Government increased its deposits with the Bank by \$20 million, as a result of the proceeds from foreign borrowings which were received in December 2013 while commercial banks' deposits at the Bank decreased by \$71 million.

STATEMENT OF PROFIT AND LOSS

The Bank continued its risk-averse approach to securities management and accordingly, investments were not held to maximise earnings but to maintain economic stability and support Government policy. Total income decreased by \$1 million from \$53.0 million in 2012.

The Bank benefited from gains of \$8.5 million arising from commissions and fees on the expanded volume of foreign exchange transactions and discounts on increased holdings of domestic treasury bills. However, there were reductions in income on foreign securities. 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. A non-recurring amount of \$ 5.9 million when the Bank exited the Barbados Investment Fund in the prior year also explained the Bank's income performance.

OPERATING EXPENSES

Total expenses remained constant at \$56 million and there were no unusual or non-recurring items. Salaries and Administrative Expenses decreased by \$0.3 million and \$1.5 million, respectively, but these gains were off-set by an increase of \$1.9 million in the cost of notes as the Bank introduced a new family of notes.

A regional Government defaulted on interest payments on an outstanding bond and accordingly, the Bank set-up a provision of \$471,000 in respect of impairment.

The CMCF debt matured at April 01, 2009 and the total provision for impairment at December 31, 2011 is \$15.8 million. The Bank and the CMCF agent are in the process of liquidating this debt.

RESULTS FOR THE YEAR

As a result, the Bank incurred a net loss of \$3.7 million during the year. This loss will be applied to the accumulated deficit at December 31, 2012.

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, 2013, 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 duly certified by the Auditors for the year ended December 31, 2013.

FINANCIAL STATEMENTS AND REPORTS DECEMBER 31, 2013

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

This distinctive \$10 coin has never been in circulation, but was specially produced as a collector's item. ►





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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, 2013, the profit and loss account, profit and loss appropriation account, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 present fairly, in all material respects, the financial positions of the Bank as at December 31, 2013, its financial performance and its cash flows for the year then ended, 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 26, 2014

Balance Sheet

DECEMBER 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

ASSETS			
	NOTES	2013	2012
		BDS\$	BDS\$
RESERVE OF EXTERNAL ASSETS:			
Balances Held Abroad	2	240,967,762	215,971,196
Foreign Notes and Coins		11,084,670	2,943,879
Foreign Securities	3	590,643,194	847,404,500
		842,695,626	1,066,319,575
International Monetary Fund:			
Reserve Tranche	4	17,619,687	18,104,820
Holdings of Special Drawing Rights	4	171,451,137	176,185,500
		189,070,824	194,290,320
Total Reserve of External Assets		1,031,766,450	1,260,609,895
LOCAL ASSETS:			
Local Securities:			
Barbados Government Treasury Bills	5	411,234,665	159,516,443
Barbados Government Debentures	5	75,000,000	75,000,000
		486,234,665	234,516,443
Advances:			
Government		257,320,990	260,100,000
Fixed Assets (Net)	6	91,782,362	93,021,463
Other Assets	7	52,474,325	40,372,750
Total Local Assets		887,812,342	628,010,656
		1,919,578,792	1,888,620,551

See accompanying notes to accounts.

Balance Sheet

DECEMBER 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

LIABILITIES, CAPITAL AND RESERVES			
	NOTES	2013	2012
		BDS\$	BDS\$
LIABILITIES:			
Notes and Coins in Circulation	8	673,032,462	669,274,479
Deposits:			
Government		99,105,787	79,276,417
Banks		754,144,890	824,966,263
Financial Institutions		1,654,857	1,486,290
Other		3,225,439	2,817,315
		858,130,973	908,546,285
Other Liabilities:			
Allocation of Special Drawing Rights	9	195,372,974	200,752,291
Other	10	189,291,302	77,032,827
		384,664,276	277,785,118
Total Liabilities		1,915,827,711	1,855,605,882
Other Funds	11	500,000	26,108,780
CAPITAL AND RESERVES:			
Authorized capital: BDS\$5,000,000			
Paid up capital: Government of Barbados		2,000,000	2,000,000
Accumulated Deficit		(14,748,919)	(11,094,111)
General Reserve		16,000,000	16,000,000
Net Capital and Reserves		3,251,081	6,905,889
Commitments and Contingencies	12	1,919,578,792	1,888,620,551

See accompanying notes to accounts.

Approved on behalf of the Board of Directors on February 26, 2014



Governor



Financial Controller

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	NOTES	2013 BDS\$	2012 BDS\$
INCOME:			
Commissions and Fees		12,646,037	7,748,048
Discounts:			
Treasury Bills		6,855,485	3,252,542
Interest:			
Advances		7,169,544	7,630,108
Deposits		199,526	263,671
Securities		19,383,570	25,635,615
Other Income	13, 15	2,141,649	7,550,039
Foreign Exchange Gain		1,551,522	908,411
Investment Impairment Recovery	3	300,803	406,514
Gain (Loss) on Sale of Foreign Securities		1,774,088	(435,121)
Total Income		52,022,224	52,959,827
EXPENSES:			
Administrative Expenses		15,548,411	16,975,038
Depreciation	6	4,964,139	5,444,382
Interest		90,355	81,990
Debt Impairment		471,000	-
Minting of Coins		2,285,251	2,321,407
Printing of Notes		3,303,904	1,444,510
Retirement Benefits	14	2,736,915	2,809,653
Salaries and Allowances		26,277,057	26,543,623
Operating Expenses		55,677,032	55,620,603
Loss before Appropriation		(3,654,808)	(2,660,776)

See accompanying notes to accounts.

Profit and Loss Appropriation Account

FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	2013	2012
	BDS\$	BDS\$
Balance brought forward	(11,094,111)	(8,433,335)
Loss before Appropriation	<u>(3,654,808)</u>	<u>(2,660,776)</u>
Accumulated Deficit carried forward	<u>(14,748,919)</u>	<u>(11,094,111)</u>

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

See accompanying notes to accounts.

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	NOTE	2013 BDS\$	2012 BDS\$
Cash flows from operating activities			
Loss before appropriation		(3,654,808)	(2,660,776)
Adjustments for:			
Depreciation		4,964,139	5,444,382
Loss on disposal of fixed assets		-	24,450
Debt impairment		471,000	-
Investment impairment recovery		(300,803)	(406,514)
Operating profit before working capital changes		1,479,528	2,401,542
Increase in other assets		(12,101,575)	(5,486,724)
Net movement in foreign securities		256,591,109	(130,610,231)
Decrease in reserve tranche		485,133	869,227
Decrease in holdings of special drawing rights		4,734,363	7,835,446
(Increase) decrease in local securities		(251,718,222)	17,910,856
Decrease (increase) in government advances		2,779,010	(12,480,000)
(Decrease) increase in deposits		(50,415,312)	86,630,154
Increase (decrease) in other liabilities		112,258,475	(14,527,118)
Net cash from (used in) operating activities		<u>64,092,509</u>	<u>(47,456,848)</u>
Cash flows from investing activities			
Purchase of fixed assets		(3,725,038)	(3,872,468)
Net cash used in investing activities		<u>(3,725,038)</u>	<u>(3,872,468)</u>
Cash flows from financing activities			
Decrease in allocation of special drawing rights		(5,379,317)	(9,638,273)
Increase in notes and coins in circulation		3,757,983	19,056,831
(Decrease) increase in other funds		(25,608,780)	6,130,617
Net cash (used in) from financing activities		<u>(27,230,114)</u>	<u>15,549,175</u>
Net increase (decrease) in cash and cash equivalents		33,137,357	(35,780,141)
Cash and cash equivalents at beginning of year		<u>204,843,716</u>	<u>240,623,857</u>
Cash and cash equivalents at end of year		<u>237,981,073</u>	<u>204,843,716</u>
Cash and cash equivalents comprise:			
Current Account Balances	2	226,896,403	201,899,837
Foreign Notes and Coins		<u>11,084,670</u>	<u>2,943,879</u>
		<u>237,981,073</u>	<u>204,843,716</u>

See accompanying notes to accounts.

Notes to Financial Statements

DECEMBER 31, 2013

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 the accrual basis except that interest on the Caricom Multilateral Clearing Facility and the CRL Ltd loan facility is recognized when received.

(c) Translation of Foreign Currencies:

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

(d) Foreign Securities:

Treasury bills and unquoted securities are valued at amortized cost.

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

- (e) *Numismatic Coins:*
The nominal value of numismatic coins sold is not included in 'notes and coins in circulation' while the net proceeds from sales are included in the Profit and Loss Account under Other Income.
- (f) *Local Securities:*
Local securities are valued at amortized cost.
- (g) *Depreciation:*
Furniture, equipment, motor vehicles and buildings including the Frank Collymore Hall are depreciated on the straight-line basis over their estimated useful lives.
- (h) *Retirement Benefits:*
The Bank contributes to a defined benefit plan. The plan is funded by payments from the Bank, by taking account of the recommendations of an independent qualified actuary. The cost of providing retirement benefits is determined using the Projected Unit Credit Method. However, for financial reporting purposes, the contributions are charged against income as they are accrued.
- (i) *Impairment of Financial Assets:*
A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss (for securities carried at amortized cost) is calculated as the difference between the assets' carrying amount and the value of expected future cash flows discounted at the financial instruments' original effective interest rate. Impairment losses are recognized in the Profit and Loss Account.
- (j) *Amortized Cost:*
All non-trading financial assets are measured at amortized cost, less impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective rate of the instrument.

2. BALANCES HELD ABROAD

	2013	2012
	\$	\$
Current accounts and deposits with foreign banks	226,896,403	201,899,837
Caricom Multilateral Clearing Facility (CMCF)		
(Net of provision: 2013: \$15,798,141 (2012: \$15,798,141))	14,071,359	14,071,359
	<u>240,967,762</u>	<u>215,971,196</u>

The CMCF Account matured on April 01, 2009. The Bank expects to receive settlement from the CMCF Accumulated Fund. The impairment provision of \$15,798,141 was recognized in the financial statements as follows:

YEAR	AMOUNT
	\$
2010	4,159,570
2009	1,636,951
2008	4,400,000
2007 and prior years	<u>5,601,620</u>
	<u>15,798,141</u>

3. FOREIGN SECURITIES

Foreign securities comprise:

	2013		2012	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	\$	\$	\$	\$
At Market Value:				
Bonds/Debentures	598,327,111	590,329,847	821,489,199	847,070,483
Equities	285,851	313,347	306,521	334,017
	<u>598,612,962</u>	<u>590,643,194</u>	<u>821,795,720</u>	<u>847,404,500</u>

- (a) The net unrealized loss of \$7,498,765 (2012: gain of \$25,608,780) arose on the revaluation of Securities and is included in Other Assets at Note 7, (2012: Other Funds at Note 11).
- (b) A realized gain of \$300,803 (2012: \$406,514) 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, 2013. The balances held at December 31, 2013 amounted to SDR 5,805,546 (2012: SDR 5,805,546) and SDR 56,491,778 (2012: SDR 56,496,171) respectively. The rate of translation of SDRs into Barbados dollars at December 31, 2013 is BDS\$1 = SDR 0.329492 (2012: BDS\$1 = SDR 0.320663).

5. LOCAL SECURITIES

Local securities comprise:

	2013		2012	
	Nominal Value	Cost	Nominal Value	Cost
	\$	\$	\$	\$
Barbados Government				
Treasury Bills	415,000,000	411,234,665	160,939,000	159,516,443
Barbados Government				
Debentures	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
	<u>490,000,000</u>	<u>486,234,665</u>	<u>235,939,000</u>	<u>234,516,443</u>

6. FIXED ASSETS

Fixed assets comprise:

	Freehold Land and Buildings	Furniture, Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
<i>Cost:</i>				
January 1, 2012	102,137,346	56,423,754	592,746	159,153,846
Additions	1,247,283	2,449,819	175,366	3,872,468
Disposal/write-offs	-	(384,151)	-	(384,151)
December 31, 2012	103,384,629	58,489,422	768,112	162,642,163
Additions	1,363,681	2,361,357	-	3,725,038
Disposal/write-offs	-	-	-	-
December 31, 2013	104,748,310	60,850,779	768,112	166,367,201
<i>Accumulated Depreciation:</i>				
January 1, 2012	23,261,247	40,724,706	550,066	64,536,019
Charge for the year	1,503,649	3,914,693	26,040	5,444,382
Eliminated on disposals	-	(359,701)	-	(359,701)
December 31, 2012	24,764,896	44,279,698	576,106	69,620,700
Charge for the year	1,539,257	3,342,591	82,291	4,964,139
Eliminated on disposals	-	-	-	-
December 31, 2013	26,304,153	47,622,289	658,397	74,584,839
<i>Net Book Values:</i>				
December 31, 2013	78,444,157	13,228,490	109,715	91,782,362
December 31, 2012	78,619,733	14,209,724	192,006	93,021,463
December 31, 2011	78,876,099	15,699,048	42,680	94,617,827

7. OTHER ASSETS

Other assets include:

	2013	2012
	\$	\$
Accrued income	4,770,076	2,785,998
Cheques in process of collection	6,438,908	3,546,658
CRL Limited ^(a)	9,000,000	9,000,000
Prepayments	3,996,276	3,254,138
Special Development Bonds – Sinking Fund	–	639,331
Staff advances	18,963,678	19,309,928
Net unrealised loss on revaluation of investments (Note 3)	7,498,765	–
Sundry balances	1,806,622	1,836,697
	<u>52,474,325</u>	<u>40,372,750</u>

(a) The CRL Limited loan, which bears interest at a rate of 6% per annum was originally due from the Barbados Development Bank. The Government of Barbados has issued a letter of comfort in respect of this loan. During 1998, the facility was transferred to CRL. The Government has undertaken to repay the debt on behalf of CRL Limited. At December 31, 2013, the cumulative interest not recognized was \$4,861,973 (2012: \$4,861,973).

8. NOTES AND COINS IN CIRCULATION

At December 31, 2013, the nominal value of numismatic coins sold, totaled approximately \$10.4 million (2012: \$10.4 million) and are 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.

10. OTHER

This amount comprises:

	2013	2012
	\$	\$
Accounts payable	1,623,560	1,202,810
Contribution payable – Secondary Mortgage Market Project	–	242,319
Contribution payable – UWI Fund re Chair in Banking	861,169	861,169
Debenture interest payment account	484,654	836,103
Deposit Insurance Company accounts	151,522	115,774
Domestic clearing	8,297,976	4,822,769
Dormant accounts (i)	18,864,069	31,366,949
Export Development Fund	–	201,169
Housing Credit Fund General account	4,663,814	7,062,628
Industrial Credit Fund	7,481,050	5,372,729
Redemption of Debentures account	30,982,620	20,585,620
Sinking Fund Contribution account (ii)	112,608,462	221,018
Small Business Fund	–	330,000
Staff Pension Fund	58,879	281,769
Staff Welfare Fund	434,369	593,205
Sundry balances	2,779,158	2,936,796
	<u>189,291,302</u>	<u>77,032,827</u>

(i) Dormant accounts comprise:

	2013	2012
	\$	\$
Banks – local and international (a)	14,677,425	27,056,500
Financial Services Commission (b)	4,186,644	4,310,449
	<u>18,864,069</u>	<u>31,366,949</u>

(a) Deposits made by Banks which represents 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 CAP98, the External Loans Act CAP94D and the General Loan and Stock Act CAP 95 and represents the uninvested funds held for the redemption of local and foreign debt.

11. OTHER FUNDS

This amount comprises the following balances:

	2013	2012
	\$	\$
Special Credit Trust	500,000	500,000
Unrealised gains on revaluation of investments (Note 3)	<u>-</u>	<u>25,608,780</u>
	<u>500,000</u>	<u>26,108,780</u>

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

12. COMMITMENTS AND CONTINGENCIES

(a) At December 31, 2013 the Bank had guaranteed settlement of approximately \$1,963,410 (2012: \$1,208,121) under the following scheme:

	2013		2012	
	Value of Contracts \$	Guarantee \$	Value of Contracts \$	Guarantee \$
Credit Insurance Scheme for Small Businesses	2,211,907	1,661,611	1,528,972	1,208,121
Trade Receivables Credit Facility	<u>302,920</u>	<u>301,799</u>	<u>-</u>	<u>-</u>
	<u>2,514,827</u>	<u>1,963,410</u>	<u>1,528,972</u>	<u>1,208,121</u>

(b) Additionally, at December 31, 2013, the Bank had contracts for capital expenditure in the amount of \$47,292 (2012: \$2,864,722).

13. RELATED PARTY TRANSACTIONS

Other income includes management fees received as follows:

	2013	2012
	\$	\$
Industrial Credit Fund	248,303	236,274
Housing Credit Fund	597,739	579,161
	<u>846,042</u>	<u>815,435</u>

At December 31, 2013, the Bank owned and/or managed certain entities. The gross assets as disclosed in the entities' financial statements are as follows:

	2013	2012
	\$	\$
Export Credit Insurance	10,865,383	10,609,228
Small Business Guarantee	10,117,540	9,982,046
Industrial Credit Fund	135,248,793	132,968,714
Housing Credit Fund	173,163,164	168,189,997
	<u>329,394,890</u>	<u>321,749,985</u>

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, 2013 revealed the following:

	2013	2012
	\$	\$
Fair value of plan assets	136,315,101	126,872,532
Actuarial present value of liabilities	<u>133,833,413</u>	<u>130,207,774</u>
Surplus (Unfunded liability)	<u>2,481,688</u>	<u>(3,335,242)</u>

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

	2013	2012
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 11.82% (2012: 12.66%) of covered payroll be used for new benefits, plus an additional rate of (0.89%) (2012: 1.21%) to allow the amortization of the unfunded liability over a period of fifteen (15) years. The total recommended funding rate of 10.94% (2012: 13.87%) of covered payroll should obtain until the next valuation.

15. OTHER INCOME

The prior year Other Income included an amount of \$5,905,830 which was received when the Bank exited the Barbados Investment Fund pursuant to the decision of the Board.

16. TAXATION

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

17. SUBSEQUENT EVENTS

Subsequent to year end, the Bank demonetized one cent coins. The demonetized value of coins in circulation of \$5.56 million is recognized as a liability and included in the Notes and Coins in Circulation in the financial statements.



2013 ANNUAL REPORT

TRACING THE ORIGINS OF MONEY IN BARBADOS

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