

**GOVERNOR'S SPEECH**

**AT THE**

**GOVERNOR'S ANNUAL DINNER 2017**

**BY**

**DR KAIFALA MARAH - GOVERNOR**

**BANK OF SIERRA LEONE**

**AT THE**

**BANK OF SIERRA LEONE STAFF RECREATIONAL COMPLEX,**

**KINGTOM FREETOWN, SIERRA LEONE**

**FEBRUARY 24, 2017**

Your Excellency, The President, Dr. Ernest Bai Koroma and Mrs Sia Koroma,  
Honourable Vice President, Dr. Victor Bockarie Foh and Mrs Jonta Foh,  
Cabinet Ministers,  
Honorable Speaker and Members of Parliament,  
Your Lordship, the Chief Justice,  
Your Worship, the Mayor of the Municipality of Freetown,  
Your Excellencies, Members of the Diplomatic and Consular Corp,  
Chairmen of the Board of Directors and Chief Executives of Commercial Banks and Other Financial Institutions,  
President of the Sierra Leone Chamber of Commerce, Agriculture and Industry,  
Representatives of the Private Sector,  
Members of the Fourth Estate,  
Distinguished Ladies and Gentlemen.

On behalf of the Board of Directors, Management and Staff of the Bank of Sierra Leone, I am honoured to welcome Your Excellency, The President and distinguished guests to the Bank's Annual Dinner, my first as Governor of the Bank of Sierra Leone and our first Annual Dinner since the outbreak of Ebola in our country.

In the past couple of years, developments in the Sierra Leone economy has been defined by the impact of the two severe shocks

that hit the economy-the Ebola Virus Disease and collapse in Iron Ore prices. Together, these shocks had a devastating effect on the socioeconomic development of our country. But through all the pain and challenges, we also saw the resilience of Sierra Leoneans in turning their lives around.

We recognize the tremendous international, regional and domestic support and the significant goodwill from the public and private sectors, all with the objective of turning around the economy.

The Presidential Recovery Initiatives and the Government's consistent pro-growth measures during the year, coupled with the resumption of mining and agricultural activities has, ushered in a new era of hope, as they have together contributed immensely to setting the economy on a recovery path.

Before I deliver my speech this evening, kindly permit me to request Your Excellency and distinguished guests to kindly rise and join us in observing a minute of silence in memory of our departed colleagues and pensioners who were with us last year. May their souls rest in peace.

**Your Excellency, distinguished guests,** the Governor's Annual dinner has been a traditional event on the calendar of the Bank, dedicated to apprise our stakeholders on developments in the

economy, and provide us with the opportunity to self retrospect on our policies over the year, draw some lessons and reposition the Bank to contribute meaningfully to Government's development aspirations, among them to achieve private sector-led growth through diversification of the economy, as espoused in the Government's Agenda for Prosperity and emphasized by the Minister of Finance and Economic Development in his budget statement last November.

The science of diversifying an economy through private sector-led growth requires a strong and forward looking financial sector with innovative instruments as a departure from traditional development delivery. It is against this background that I have chosen as my Theme **“Repositioning the Bank of Sierra Leone for the Future”**.

**Your Excellency, distinguished guests**, before I reflect on my theme for tonight's dinner, allow me at this juncture to share with you some highlights of global and domestic macroeconomic developments for the year 2016, policy initiatives rolled-out by the Bank and the rationale for their adoption. I will also share ongoing developments in the banking industry.

## **GLOBAL ECONOMIC OUTLOOK**

**Your Excellency, distinguished guests,** the International Monetary Fund in its January 2017 World Economic Outlook Update, maintained the global growth estimate for 2016 at 3.1 percent, lower than the 3.2 percent recorded in 2015. This forecast was on account of weaker outcomes in the emerging markets and developing economies. For 2017, the global economy is projected to expand by 3.4 percent. The strong prediction is due to improved outlook for advanced economies, including the United States (US), the Euro zone and the United Kingdom. Growth in emerging markets and developing economies is projected at 4.5 percent. This growth outlook will be mainly driven by the strong growth in China. Sub-Saharan Africa (SSA) economic activity has been tipped to remain stable this year after a better than expected performance towards the end of 2016. The main sources of growth will be a gradual improvement in global demand and a recovery in commodity prices. The deal between OPEC and non-OPEC members to cut oil output should ease the global supply glut, while at the same time inducing upward pressure on oil prices and supporting oil-exporting countries in the region. Nonetheless, policy uncertainty in major economies, especially the United States and the European Union pose the greatest risks to global economic outlook.

## **WEST AFRICAN MONETARY ZONE**

**Your Excellency, distinguished guests,** Real growth for the West African Monetary Zone (WAMZ) is estimated to slowdown from 2.8 percent in 2015 to 0.6 in 2016. This was mainly attributed to the global economic slowdown in 2016. However, growth prospects for member countries look promising this year. This can be attributed to the relative recovery in commodity prices, especially crude oil and metals.

## **DOMESTIC ECONOMIC DEVELOPMENTS**

**Your Excellency, distinguished guests,** although economic conditions were challenging during the past year, overall activity in the real sector remained positive, particularly when assessed against developments in 2015. The Sierra Leone economy has recovered remarkably from the twin shocks of the Ebola Virus Disease and the collapse in iron ore prices with an estimated growth of 4.9 percent in 2016 compared to a contraction of 20.6 percent in 2015. 2017 is far more promising with a projected growth rate of 5.4 percent.

Higher projections for 2017 has been made provided the economy is not hit again by global shocks. The lesson for policy makers is that our economy is highly dependent on primary commodity exports, which makes it vulnerable to global commodity price shocks. The low

commodity price environment though destabilizing, offers an opportunity for achieving economic diversification away from traditional commodity exports to ensure stronger and more sustainable growth.

### **Monetary Policy and Inflation Developments**

**Your Excellency, distinguished guests,** notwithstanding the aforesaid recovery in the economy, there has been challenges in the conduct of monetary policy. Monetary policy in 2016 was aimed at achieving an end year inflation target of 9.5 percent, ensuring adequate provision of credit to meet private sector needs, reducing the volatility in the exchange rate and keeping gross international reserves at a level equivalent to about three months of imports of goods and services. In addition to maintaining stability in the financial sector, monetary policy was also tailored to support the Government's Post Ebola Recovery Initiatives.

During the year, the persistent depreciation of the Leone against the US Dollar was the main driver of inflationary pressures. Consequently, headline inflation rose from 8.86 percent in January 2016 to 15.26 percent in November 2016, mirroring the trend in the region.

Monetary policy in the first and second quarters of 2016 was unchanged, with the Monetary Policy Rate (MPR) kept at 9.5 percent over the period, to support the Government's Recovery Strategy in the face of low growth and subdued inflationary outcomes.

In the second half of the year 2016, monetary policy was challenged by persistent pressures in the foreign exchange market and borrowing from the banking system, which had knock on effects on inflation. In response, the Bank adopted a tight monetary policy stance. The objective was to rein in the second round effects of the supply side induced inflationary pressures, anchor medium to long term inflation expectations at levels consistent with the Bank's medium-term inflation target of single digit, and to curb the depreciation pressures in the foreign exchange market.

### **Exchange Rate Developments**

**Your Excellency, distinguished guests,** the exchange rate came under severe strain during the year 2016, reflecting the sharp drop in export earnings and speculative behaviour in the foreign exchange market. On the demand side, pressure remained elevated mainly in respect of high payments for imports across all sectors ranging from foodstuff and general provisions and other bulk commodities imports such as rice and petroleum products. As a result of the widening trade

deficit, the official exchange rate depreciated by 28.73 percent in 2016. Similar depreciations took place in the sub region and beyond.

To address the shortfall in supply of foreign currency in the economy and to smooth-out short-term volatility in the exchange rate, the Bank of Sierra Leone increased its weekly foreign exchange auction from USD1million to USD3million since June 2016. Despite all of these, we have been able to maintain foreign reserves level adequate to cover at least 3.5 months of import of goods and services. We are greatly encouraged by signs of some recovery in the external sector of the economy.

## **DEVELOPMENT IN THE BANKING SECTOR**

**Your Excellency, distinguished guests,** allow me to take you through the developments in the banking sector in 2016. The Banking sector has remained resilient despite the lingering effects of the twin shocks on the economy. The sector was characterized by high liquidity levels, reflecting tighter lending standards in the face of high non-performing loans leading to modest private sector lending. As a result, demand for the relatively risk-free Government securities increased considerably.

Notwithstanding these achievements, we do have a number of concerns. First, is the persistently high level of non-performing loans. The stock of non-performing loans to gross loans decreased from

31.73 percent in December 2015 to 22.65 percent in December 2016. The reduction was largely attributable to implementation of the loan write-off policy of the Bank and the restructuring and recoveries of non-performing facilities.

Secondly, we are concerned with the high cost of borrowing from banks by the private sector which is on average about 21 percent. Looking ahead, I believe that it is imperative for the banking industry to make serious efforts to reduce the cost of borrowing. Cost of borrowing at their present levels are not sustainable over the long term, because most private sector businesses will not generate sufficiently high returns to enable them service their debt. Therefore, if we want to see continued growth of bank lending to creditworthy borrowers; it is unavoidable that cost of borrowing must be reduced substantially. Banks should also recognize that although high cost of borrowing generates large profits in the short run, they may damage the long run prospects for the banking industry.

The third concern and related to the previous point is the low level of credit to the private sector which still hovers around 5 percent of our Gross Domestic Product, suggesting significant gaps in the credit market which must be closed. And I emphasise, must be closed! In particular, many small and medium scale enterprises struggle to access finance they need from commercial banks to invest. I must

emphasise also that private sector credit must be enhanced if we are to achieve sustainable growth.

An additional concern is that banks at the individual level could not take on big ticket projects, which suggest that banks must syndicate to support large capital projects. Unfortunately, the level of syndication is low in the financial system. What is worrying is that the bulk of profit of commercial banks is coming from trading in foreign exchange and returns from holdings of Government securities. I had mentioned before, and I will again tonight stress that this trend is not sustainable and collaborative actions transcending our current engagements must be pursued within the spirit of ongoing financial inclusion strategy. Banks must be innovative.

## **REPOSITIONING THE BANK OF SIERRA LEONE FOR THE FUTURE**

**Your Excellency, distinguished guests,** having dealt with the global, regional and domestic economic outlook as well as trends in the banking industry, let me now focus on the three key issues of my theme to night: first, preparing the Bank to become a strong and capable regulator; second, creating an enabling environment for the financial sector to thrive; and third, deepening financial inclusion to facilitate growth.

## **1. A STRONG AND CAPABLE REGULATOR**

**Your Excellency, distinguished guests,** the turn of the century has seen a significant transformation of the financial sector. The changes have been driven by the new emerging economic opportunities, changing customer requirements, new technology and growth in digital financial services, the more competitive environment and changes in the regulatory and supervisory framework. These trends demand change from us; a renewed approach and mission as a central bank.

In this regard, I will spend the next couple of minutes to highlight the various initiatives undertaken in the course of 2016 in order to enhance the capacity of the Bank of Sierra Leone to effectively perform its role as the apex bank in the financial sector space:

- (i) We are restructuring the Bank in tandem with the spirit of our times;
- (ii) We have introduced a performance tracking system to monitor the implementation of our strategic plan through desk top, laptops and mobile phone technology both at home and abroad;
- (iii) We have introduced on-line self-assessment toolkit through which departments assess each other on a six monthly basis to achieve efficiency. Sometimes normal is not enough, as

transformation is more of science than art. In striving for excellence, we must pay attention to detail;

- (iv) We are in the process of initiating an all-management tool, the Oracle software which will act as a driver for the review and change of business processes within the Bank, reduce frontline staff workload, as well as improve the flow of management information;
- (v) We are instituting Data Taskforce in collaboration with other agencies to improve the quality of data in the economy. As we may already know, the development DNA of fragile states is written by poor and inadequate data. We have concluded a memorandum of understanding with Statistics Sierra Leone. Others will follow shortly;
- (vi) We are introducing enterprise risk management system including quality assurance to meet international standards;
- (vii) Through support from the International Monetary Fund, we have recruited a senior adviser to introduce risk-based supervision in the banking industry;
- (viii) Policies alone are not enough to transform the Bank and the financial sector. The strategic complements are to build professional competencies and provide the enabling environment within which they work. It is in pursuit of these objectives that the Bank of Sierra Leone will soon embark on state of the art rehabilitation of our facility at Tokeh in order to establish a first

class training center to train a critical mass of financial sector professionals to support the banking, finance and insurance sectors.

**(ix) Bank Branch Project**

**Your Excellency, distinguished guests,** the Bank of Sierra Leone attaches great importance to initiatives that seek to enhance the provision of financial services to the underserved sectors of the economy. To this end, the Bank will soon establish a new branch in the Northern headquarter city of Makeni, the second after the branch in Kenema. Construction will commence in April this year. When established, the branch will spur economic growth, contribute to ease of access to financial services and unlock the vast economic potential of the northern region.

We are very clear that when implemented, the above strategies will enhance our capacity as an institution as well as a regulator.

**2. CREATING AN ENABLING ENVIRONMENT**

**Your Excellency, distinguished guests,** the second issue I wish to discuss tonight is creating an enabling environment for a thriving financial sector. The Bank of Sierra Leone is committed to fostering a strong and vibrant financial sector which can contribute to the

economic growth of the country while maintaining the safety of depositors' funds. We are also committed to maintaining macroeconomic stability which is the essential bedrock of a vibrant economy that can attract long term private investment.

In a bid to improve supervisory processes, the Bank of Sierra Leone is migrating from a compliance/prudential based supervision to Risk-Based Supervision to enable the Bank of Sierra Leone effectively manage risks in the financial sector and ensure financial system stability. In addition to risk-based supervision, the Bank is positioning itself to better resolve emerging crisis in the financial sector through an effective resolution regime that will include a deposit insurance scheme, in the near future. The Bank of Sierra Leone has also introduced IT examination to be able to review the IT infrastructure of commercial banks and determine the extent to which they are effective. Also worthy to note is the introduction of a stress testing mechanism that will determine the resilience of banks to shocks.

### **Local Liquid Asset Ratio**

**Your Excellency, distinguished guests,** following the recent global financial crisis in 2007, there were calls for more stringent measures to ensure that banks have adequate liquid assets in the country to compensate depositors in the event of a crisis. This is important given the limited capacity of the Bank of sierra Leone to undertake system-

wide bailouts should a significant proportion of the banks are confronted with liquidity crisis. Additionally, there is no deposit insurance scheme in the industry to protect depositors' funds. Along these lines, we revised our prudential requirements in 2012, ensuring that 75 percent of depositor funds in commercial banks stay within Sierra Leone.

The Bank observed that some commercial banks were in breach of this prudential requirement. To ensure that commercial banks comply, we opened a temporary special US Dollar deposit account at the Federal Reserve Bank in New York, effective 1st October 2016. Commercial banks are now able to deposit foreign currency holdings to make them compliant. The banks were given six (6) months to comply with the requirement.

### **Correspondent Banking Relationships**

**Your Excellency, distinguished guests,** the banking sector is confronted with decrease in correspondent banking relationships emanating from decisions of some major foreign banks to sever relationships with our banks and those in other regions. Foreign banks have been engaged in the process of de-risking driven mainly by two factors:

- (i) Concerns over Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) compliance; and

- (ii) Low profitability emanating from transactions in the country.

As noted, the issue is not limited to Sierra Leone. It has also affected other economies in the sub-region and some countries in South Asia, the Caribbean and Latin America.

In order to mitigate the risks to the financial sector and the economy arising from decreased correspondent banking relationships, the following measures have been adopted as a starting point:

- (i) A study had been conducted by the Bank of Sierra Leone to determine the root causes and recommendations have been proffered for action;
- (ii) Key Stakeholders as the Financial Intelligence Unit have been engaged on the issue, and the Unit has rolled out a package of activities to develop a confidence building culture in the industry; and
- (iii) The situation is being discussed at the level of the West African Monetary Zone and ECOWAS as it is considered a sub-regional problem.

### **Customer Protection**

**Your Excellency, distinguished guests,** you will note that there has been several complaints from the public about the conduct of banks in

the handling of services. One of the core mandates of the Bank of Sierra Leone is the protection of depositors' funds. This will include ensuring that the rights of depositors are protected. To this end, the Bank of Sierra Leone is taking steps to establish the Office of the Financial Ombudsman for the effective resolution of customer complaints. We will work with the relevant Ministries and Agencies and the Parliament to establish the office during the course of the year.

### **Regulatory Reforms**

**Your Excellency, distinguished guests,** I am pleased to inform you tonight that several legal reforms have been proposed to ensure efficient functioning of the financial sector. To this end, the Bank has initiated the process of enacting the following Bills in collaboration with the Ministry of Finance and Economic Development:

- (i) The **Securities Bill**, which will create the enabling environment required for the Bank to relinquish its current regulatory and supervisory role over the Stock Exchange to the Securities and Exchange Commission and allow for greater expansion in the supply of long term capital through the Exchange in support of economic growth. Its key features include the establishment of a Securities and Exchange Commission responsible for licensing, regulating and promoting trade through a dealership system as well as Securities Tribunal to hear complaints and take

disciplinary actions in respect of misconducts committed within the Exchange.

- (ii) The **Collective Investment Scheme Bill**, which will seek to support the establishment and operation of Collective Investment Schemes with a view to deriving benefits through synergy.

### **Establishing a National Switch**

Technological innovations and payment solutions will be an important enabler in bridging the milestone in financial inclusion in Sierra Leone. To take advantage of the potential for growth in technological innovations and payment solutions, the Bank of Sierra Leone in collaboration with the Sierra Leone Association of Commercial Bankers is working on a National Switch that will enable banks to share their Automated Teller Machines (ATMs) with other banks in the industry. The switch will help facilitate customer payments for utilities (i.e. electricity, water and telephone services), or loading of airtime on mobile phones, and making payment using debit cards.

We expect that by the turn of the year, customers of banks will be able to access any ATM other than their own bank's ATM. We also expect the implementation of the switch infrastructure to significantly increase the use of payment cards in the country. In this regard, we urge commercial banks to work closely with supermarkets, petrol stations and other outlets to install point of sale machines throughout

the country. This project will be implemented before the end of the year.

### **Non-Performing Loans Study**

The deterioration in loan quality has been one of the major factors impeding growth in lending to the private sector. When I came in as Governor, mindful of this development, I commissioned a study with the objective of knowing the root causes of high non-performing loans in Sierra Leone. It was a survey based study originating from the responses of practitioners in the banking industry. The study is complete and the outcomes will be shared with top executives in the banking industry, shortly. We will all learn lessons and adopt the right solutions.

### **Implementing a Base Rate Formula**

The Bank has introduced a base rate formula in the banking industry to ensure that interest rate is uniformly computed across commercial banks. We are undertaking a comprehensive review of the base rate model, based on comments received from commercial banks. We will re-engage the industry shortly to adopt a widely agreeable formula.

### **Adopting Primary Dealership Initiative**

**Your Excellency, distinguished guests,** the Bank's monetary and financial policies continued to support the development of the money market, particularly in Government securities. This was achieved

through the setting up of a Primary Dealership Agreement with designated institutions-mostly commercial banks. The main objective of the Primary Dealer System is to promote financial markets development and to reduce the costs associated with issuing Government securities by:

- (i) Increasing demand for Government securities;
- (ii) Increasing market efficiency, thereby making Government securities easier to buy and sell;
- (iii) Encouraging secondary market trading of Government securities;
- (iv) Improving the quality of market information that is shared amongst the participants; and
- (v) Support efficient mobilization of resources necessary for economic diversification and sustainable growth.

There are however outstanding challenges which include; wide bid/ask spreads, thin trading during tight market conditions, buy and hold trading strategies and low horizontal repo trading activity, among others. In order to address these challenges, the Bank of Sierra Leone has undertaken a comprehensive review of the Primary Dealership framework in order to enhance the system and to create a more competitive market environment.

### **3. DEEPENING FINANCIAL INCLUSION**

**Your Excellency, distinguished guests,** I would now wish to speak to the third and final issue tonight: Deepening Financial Inclusion.

The concept of financial inclusion has become a worldwide phenomenon, since it was initially put on the G20 Agenda in 2008 and later in 2010. Since then, financial inclusion has been an important structural enabler for inclusive economic growth and development.

The Bank of Sierra Leone attaches significant importance to increased financial inclusion as it has the potential for uplifting the lives of the unbanked and marginalised. It is also the Bank's response and contribution to the ongoing recovery programme of Government. Through financial inclusion, the Bank seeks to unlock economic opportunities, especially for women and young people, by expanding access to savings, insurance, credit, capital markets and payment systems. These tools will provide the channel to empowerment for families and communities.

**Your Excellency, distinguished guests,** let me endeavor to give a brief overview of the state of financial exclusion in the country. Sierra Leone has 14 commercial banks and 17 community banks that are supervised by Bank of Sierra Leone, 2 licensed and 11 registered microfinance institutions (MFIs), 3 mobile money operators and 59 financial services associations (FSA) who together serve 486,556 clients across the country. Despite the growth in the number of financial institutions, less than 20 percent of the economically active

population owns accounts with financial institutions. This is a national challenge for which the Bank is playing its part.

**Your Excellency, distinguished guests,** in addressing this problem, the Bank has identified the lack of market knowledge on demand for financial services in Sierra Leone as a major gap in developing appropriate financial products that suit the needs of our people. In this regard, the Bank in collaboration with the World Bank Group will conduct a comprehensive demand-side survey of consumer interactions with financial markets in Sierra Leone. The main objective of the survey is to measure access to and use of financial services, along with how people manage their finances and what drives their financial behaviour. It is my hope that policy makers and financial service providers will utilise the information from the survey to develop strategies that will lead to the expansion and improvement of financial access for our people. In addition, the survey information will help us fully understand the financial landscape in Sierra Leone and therefore, open up new market segments and allow us to expand accessibility to financial services necessary for reducing poverty.

To further demonstrate the Bank of Sierra Leone's commitment to financial inclusion, we have incorporated the concept at the strategic level which includes the following:

- (i) Adopted Financial Inclusion - access to finance, as a significant pillar in the implementation of the Financial Sector Development Plan;
- (ii) Established a Financial Inclusion Working Group anchored at the Financial Sector Development Unit in the Bank;
- (iii) Established an Interim National Financial Inclusion Committee, comprising stakeholders from a broad range of institutions;
- (iv) Secured membership to various global initiatives promoting financial inclusion, for example, Alliance for Financial Inclusion(AFI) and African Mobile money Policy Initiatives(AMPI);
- (v) Made commitments under the Maya Declaration (as part of our membership of AFI) to develop a guideline on mobile financial services; increase number of commercial bank branches; increase number of community banks; and Financial Service Associations; and
- (vi) Constituted a Financial Sector Advisory Team to advise the Board and Management of the Bank on cutting edge initiatives on financial services and inclusion. Membership of this high level technical team is drawn from a broad range of sectors in our economy.

## **Promoting Financial Literacy**

**Your Excellency, distinguished guests,** it is important to indicate that greater access to financial services alone is not enough. The expansion of financial services must go hand in hand with financial education. In this regard, the Bank has concluded a comprehensive financial literacy strategy. In addition, we launched a one-week Nationwide Financial Literacy week in November 2016 and have made this event a permanent feature in the Bank's annual calendar. The Bank of Sierra Leone is working in partnership with Non-Governmental Organizations to promote savings clubs in schools and universities across the country. I have also advised senior management in the Bank of Sierra Leone to open bank accounts for all their kids and I do hope that all of us here tonight will give this initiative a serious consideration.

## **Collaboration with Stakeholders**

**Your Excellency, distinguished guests,** it is important to note that no one can know it all, do it all or do it alone; and so it is with financial inclusion initiatives. The Bank cannot do it alone. Therefore we need every hand for the effective implementation of the strategy. It is for this reason that a holistic National Financial Inclusion Strategy was developed that covers six key thematic areas: -

- (i) Access to Financial Services and Products

- (ii) Lending to Micro Small and Medium Enterprises and Agriculture
- (iii) Financial Literacy and Financial Education
- (iv) Digital Financial Services
- (v) Savings
- (vi) Demand for Financial Services

**Your Excellency, distinguished guests,** at this juncture, I would want to urge our financial institutions to harness technology, particularly mobile technology, which has tremendous potential to enhance access to digital financial services. The unbanked and underserved segments of the population present a major business opportunity, particularly if banks can develop business models tailored to meet their special requirements. As the regulator, we will continue to promote an enabling environment that allows financial institutions to be innovative, while at the same time ensuring the financial system remains safe and sound and with relevant systems set in place to ensure consumers and customers are protected, for example, through the office of the Financial Ombudsman.

### **Collateral Registry Established**

**Your Excellency, distinguished guests,** to address some fundamental impediments to credit growth, the Bank with support from International Finance Corporation (IFC) has established a functional

automated Collateral Registry in line with international best practice. The Registry will provide such services as: Registration of charges and collaterals; provision of avenues for lending institutions and the general public to conduct searches on registered charges and collaterals; assist in speeding up realisation of collaterals upon default by a borrower. The status of these collaterals will be reviewed regularly. This initiative is expected to accelerate the growth of SMEs as they will be able to use movable assets at their disposal to access credit and grow their businesses.

### **Youth Entrepreneurship Fund**

**Your Excellency, distinguished guests,** employment and more importantly youth employment re-emerged as a top priority area especially in fragile states. A large and growing young population can be a driver for economic growth and social progress provided they are accorded the opportunities and engaged in decent employment, without which, many young people will not be able to escape negative social vices and poverty.

In recognition of the foregoing and pursuant to complementing Government's effort in youth employment, the Bank of Sierra Leone has launched the Young Entrepreneur Fund with initial seed money of Le700million. This facility will provide capital to young entrepreneurs who may have brilliant business initiatives but do not have access to

start-up capital. The Financial Sector Advisory Team and some members of the Board of the Bank of Sierra Leone will set up the criteria for young persons to compete for the fund.

This project will commence in the second quarter of 2017 and presents an opportunity for the National Youth Council and others.

### **Capital Market Development**

**Your Excellency, distinguished guests,** as you are aware, the Sierra Leone Stock Exchange was inaugurated in 2007 and formally launched in 2009, with one company, Rokel Commercial Bank listed on the Exchange. Over the years, there has been limited trading on the Exchange. Given the importance of the Stock Exchange in mobilizing long term finance for growth, the Bank of Sierra Leone in collaboration with the Governing Council of the Stock Exchange, the Ministry of Finance and Economic Development and the National Commission for Privatisation have resuscitated the Sierra Leone Stock Exchange (SLSE). The Exchange has been relocated to the Leone House, at Siaka Stevens Street, and the authorities in the Stock Exchange have embarked on sensitization and publicity campaigns. On the 25<sup>th</sup> January 2017, two additional companies - **Commerce and Mortgage Bank** and **First Discount House**-were formally listed on the Exchange bringing the number of listed companies to three. Trading on the Exchange commenced on the 6<sup>th</sup> February 2017 and

the level of activity on the Exchange has been very encouraging. As the number of listed companies on the Exchange increase, a stock market index should be developed to give a better understanding on how the market is performing.

We are working with the National Social Insurance Trust (NASSIT) to list their subsidiaries, the Golden Tulip Hotel and Radisson Blu Hotel. Let me at this juncture commend the leadership of NASSIT for authorizing the listing of the Commerce and Mortgage Bank on the Exchange. The Bank is engaging the National Commission for Privatization (NCP) and the Ministry of Finance and Economic Development to encourage Government to divest some of its stakes in the National Insurance Company, the Sierra Leone Commercial Bank and Rokel Commercial Bank. We have also reached out to the Sierra Leone Cable Ltd (SALCAB), the Sierra Leone Brewery Ltd, and Manocap – a local company owned by Sierra Leoneans to be listed on the Exchange. Relaunch of the Stock Exchange is planned after substantial number of companies have been listed on the Stock Exchange by His Excellency the President.

In order to provide confidence in the market and as earlier noted, the Bank has taken the initiative to conclude work on the Securities Bill for enactment into law, which will establish the Securities and

Exchange Commission – functions of which are currently carried out by the Bank.

### **Lending in Foreign Currency**

In an environment of increased foreign currency deposits, some members of the Bankers Association have been clamouring for the Bank to open a limited window for foreign currency lending. As you are aware, the bank is not averse to lending in foreign currencies and has over the years granted waivers to some banks to lend in foreign currency. The Bank is currently reviewing the study on the appropriateness of foreign currency lending in Sierra Leone and will appraise our stakeholders on the final outcome of the review, shortly.

### **Acknowledgements**

All these improvements in the functioning of the Bank of Sierra Leone could not have been achieved without cooperation from the public and relevant institutions. I therefore want to thank everyone who assisted the Bank to accomplish its objectives. In this regard, I wish to express appreciation to His Excellency the **President and Parliament** for their support on this arduous venture. I also want to extend my appreciation to the Ministry of Finance and Economic Development, Ministry of Trade and Industry, International Monetary Fund, the World Bank, African Development Bank, International Finance Corporation, Alliance for Financial Inclusion, West African Monetary

Agency, United Nations Development Programme, United Nations Capital Development Fund and other development partners

I also wish to express my appreciation to the Board of Directors of the Bank of Sierra Leone, including the Deputy Governor, for his continued commitment to the Bank. Last but not least, I want to thank the management and staff of the Bank for their outstanding commitment in serving the bank; they have responded with vigour to all the challenges we have encountered and have demonstrated commitment and high professionalism in their work undertakings.

This is a truly remarkable institution to be associated with.

## **Conclusion**

Tonight, we have reviewed and transverse the landscape of our financial system. It offers challenges, yet brings brilliance and opportunities. We have adopted new ideas; the challenge now rest with execution. But I have little or no doubt in my mind that we can, we should and will deliver these ideas. As I said earlier, no single person or institution can know it all, offer all the solutions, do it all or do it alone. Transformation requires team work, feedback and coordination. In this regard, in challenging times like this and with opportunities in the offering, we would continue to work with relevant stakeholders in order to midwife the transformation of our financial

sector. Because this is the reason we chose to be servants of the public.

I thank you for your gracious and kind attention. Good Evening.