



CENTRAL BANK of SOLOMON ISLANDS  
P.O. BOX 634, Honiara, Solomon Islands

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## **New Prudential Guidelines for Financial Institutions**

**(Honiara 21.11.17)** - The Central Bank of Solomon Islands (CBSI) has released two new Prudential Guidelines (PG) that will help strengthen and stabilize the work and operations of all financial institutions operating within Solomon Islands.

Following the CBSI Board of Directors meeting held on 25 October 2017 in Buala, Isabel Province, the board unanimously approved PG 10 and PG 11, which are guidelines on Business Continuity Management and Outsourcing Requirements respectively.

The Board were supportive over the development of these two guidelines and acknowledged that their inclusion were timely for the Solomon Islands economy especially in strengthening resilience of financial institutions to natural disasters and further enhance the stability of Solomon Islands financial sector.

The implementation of PG10 means that financial institutions in Solomon Islands will be required to have a minimum framework to ensure their core businesses can rebound or recover quickly (in short time) in any disaster event. For customers, this means that core businesses or services can return to normalcy quickly as they can still have access to banking services. The underlying objective of PG10 is mainly to minimize loss of business associated with a disaster event.

As for PG11, its implementation means that financial institutions in the country are required to have a minimum “outsourcing framework” before they can outsource any of their material business activity to a third party service provider, either in country or outside of the country. PG11 makes it clear that any outsourcing arrangements must be done with careful consideration minimize actual, perceived or potential conflict of interest situations that may arise from such

outsourcing arrangement, and requires approval from Central bank. The main objective of PG11 is to minimize risk of loss associated with outsourcing arrangements.

According to CBSI, the PG's will come into force on December 1, 2017. Financial institutions have 90 days to report to CBSI on their compliance to submit to CBSI a plan or timeframe for rectifying areas of non-compliance.

The issuing of PG's is part of CBSI's overall financial stability function.

So far, CBSI has issued 12 prudential standards, 8 for commercial banks, and 3 for provident fund and 1 for credit unions.

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