



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

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New investment guidelines for credit unions

Honiara 17.03.16 – The Central Bank of Solomon Islands (CBSI) has released a new policy guideline that will help support and safe guard all credit unions seeking to expand and grow their investment portfolios for member's benefits.

Following the CBSI Board of Directors (BOD) meeting on 11th February 2016, CBSI board members unanimously approved guidelines designed to cover a number of specific areas under each credit union plans and objectives over the investment of their members' funds. These include clear policy formulation, recommended and restricted investment protocols, recording and reporting requirements.

Speaking during a recent credit union meeting at CBSI, Registrar of Credit Unions and Central Bank Governor, Mr. Denton Rarawa remarked that the new prudential guidelines is a step forward for all credit unions, especially in the area of investment and opportunities leading to further benefits and growth.

"A new guideline has been approved by the board (CBSI) which will definitely help enhance credit union activities in Solomon Islands", Governor Rarawa announced. "This is the right step forward in terms of the development of our credit union sector, its stability and growth".

Governor Rarawa explained that this new guideline will not only support credit union activities in the country but also enhance communication between the Registrar of Credit Unions office, the Financial Market Supervision Department (FMSD) at CBSI, other stakeholders and all credit unions operating within the country.

According to the "Credit Union Prudential Guideline No. 1: Investments" documentation, the basis for its implementation include the following:

- Setting out the minimum standards for the prudent investment of members' funds
- Prudent investment and management of members' funds
- To help instil trust and confidence among members and on the stability of credit unions as a whole
- Ensure risks associated with all investment choices, strategies and decisions are identified and managed in the best interest of members
- Articulate clearly all types of investments and investment portfolio concentration mix pursued or contemplating pursuing to complement liquidity and cash management activities of credit unions in their investment policies.

The Registrar of Credit Union office and Central Bank FMSD indicate that the underlying objective of creating this investment guideline is simply to help protect members' funds and to help deter credit unions from slipping into unsound and unsafe investment practices. Currently the risk of losing member's funds over dubious investment deals and scams is high in the country and therefore the need to strengthen credit union operations and activities will contribute towards greater financial stability and protection of the sector.

The investment guideline is effective as of Tuesday 1st March, 2016.

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