

Welcome to a special weekly feature section where we cover topics of interest regarding the work of the Central Bank of Solomon Islands (CBSI). We commence with some historical background information about the nation's main financial institution.

## **History of the premier financial institution in the country; CBSI**

The Central bank of Solomon Islands (CBSI) is the premier financial institution in any economy. It is at the centre of the banking and financial system, performing a number of essential functions, including the formulation and implementation of the country's monetary policies.

A central bank exercises discretionary control over the country's entire monetary system.

CBSI was first known as the Solomon Islands Monetary Authority (SIMA). From 1976 the Solomon Islands Monetary Authority (SIMA) carried out their required functions. The Monetary Authority (SIMA) dealt primarily with the issuing of currency, but did not fully undertake the role of implementing monetary policy. CBSI replaced SIMA in 1983. In February 1983, under the CBSI Act 1976 which was amended in 1985 SIMA became the Central Bank of Solomon Islands following the passing of the relevant bill in December of the preceding year. CBSI was fully operational and functional in 1984. Since then, CBSI has gradually acquired full central banking status, empowered and supported by a full legislative framework.

The Bank has evolved as a financial institution over the past twenty-five years. It began as a monetary authority; it was then given more powers and responsibilities when the authority was converted into a Central Bank. Now the Central Bank is one of the key financial institutions in the Solomon Islands economy.

As a body corporate for a public purpose, having perpetual succession and a common seal, the Bank has been vested with powers 'to acquire, hold and dispose of movable and immovable property, to enter into contracts, and to do all things necessary for the purpose of its functions'.

### **Why it was started and how?**

The Solomon Island Monetary Authority (SIMA) was first created when National Parliament passed the SI Monetary Authority Ordinance in June 1976. Before this, all the country's

currency requirements were handled by the Treasury Department at the Ministry of Finance, in conjunction with the Commonwealth Trading Bank of Australia. Before moving into a new premises at Rove in early 1977, the authority operated from an office at the Ministry of Finance.

SIMA's main functions were to administer the country's currency and Exchange Control Regulations; but for its first year of operation, most of its efforts were directed toward the introduction of a currency that the Solomon Islands could call its own.

The Solomon Islands dollar was in fact launched in October 1977, allowing SIMA to focus on the administration of Exchange control Regulations on the government's behalf. It held discrete responsibility for this from March 1977, with recruitment of dedicated staff beginning in February that year.

Until early 1977, SIMA did not have its own premises. Its first office was inside the Police Head Quarters at Rove. The building contained the vault and currency operation at ground level, with administration upstairs. It later acquired premises on Mud Alley Mendana Avenue, where it transferred its banking and currency operations; administration of exchange control; Board; and general administration.

Introduction of the new currency brought further responsibilities, and over the next few years the Authority became heavily involved in converting Australian dollar notes and coins to the new SI dollar, then shipping the Australian currency to Australia.

Over the years CBSI has expanded and has been serving the economy as the premier financial institution and Monetary Authority of Solomon Islands for 44 years.

In the next article, we will look at the roles and functions of the Central Bank of Solomon Islands.

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