

In last week's feature, we had a look at the history of the Central Bank of Solomon Islands (CBSI). This week we will look at the roles and functions of CBSI.

### **Roles and functions of the Central Bank of Solomon Islands; CBSI**

The roles and functions of the Central Bank of Solomon Islands (CBSI) as the premier institution of the economy is governed by the CBSI ACT 2012.

The CBSI ACT 2012 states that it shall be the duty of the Bank;

1. To regulate the issue, supply, availability and international exchange of money;
2. To advise the Government on banking and monetary matters;
3. To promote monetary stability;
4. To supervise and regulate banking business;
5. To promote a sound financial structure; and
6. To foster financial conditions conducive to the orderly and balanced economic development of Solomon Islands

The roles and function of CBSI is as follows;

#### **Prudential Supervision of Banks and the Financial System**

The Central Bank oversees the operation of commercial banks and other financial institutions in Solomon Islands.

#### **Issuing of Banking Licenses**

Since banking business is based on trust and confidence, approval of applications from those who wish to establish banks in the Solomon Islands is undertaken very carefully.

#### **Economic Research and Reporting**

The Central Bank conducts regular economic research and analysis of financial and economic conditions. This involves collecting, collating and analysing economic and financial data both from domestic and external sources. This forms an important base for monetary policy decisions. The results of the analysis are published in the Bank's weekly, monthly, quarterly and annual reports. These are available on the Bank's website ([www.cbsi.com.sb](http://www.cbsi.com.sb)).

#### **Administration of Exchange Control**

The Central Bank also acts as agent for the government in administering exchange control laws. The Exchange Control (Foreign Exchange) Regulations provide for the control and monitoring of all foreign currency transactions between residents of Solomon Islands and the rest of the world.

### **Management of External Reserves**

Solomon Islands external reserves are managed by the Central Bank, in line with policies and strategies approved by the Board. The reserves are invested as deposits in approved foreign financial institutions. These are drawn on when needed to settle foreign exchange transactions.

### **Administration of Exchange Rate Policy**

The Central Bank, in consultation with the Minister of Finance, is responsible for determining and implementing exchange rate policy. The broad objectives are to maintain the competitiveness of Solomon Islands exports and production, and to protect the country's external reserves. An appropriate exchange rate policy acts as a complement and supplement to monetary policy, contributing to the country's economic growth and stability.

### **Log Export Monitoring System**

To ensure Solomon Islands log exports are sold at open market prices, and proceeds remitted in full, log exports are monitored by the Central Bank in liaison with the Forestry Department and Customs Division. This system permits log exports only under cover of market price certificates, issued by the Commissioner of Forests.

### **Issuing of Currency**

The Central Bank has sole authority for the issue and distribution of SI notes and coins, which are legal tender in Solomon Islands: the SI dollar is divided into one hundred cents.

### **Fiscal Agent of Government**

All central banks act as banker and adviser to their governments. The Solomon Island's Central Bank Act therefore provides that 'the CBSI shall act as banker and adviser to the government on monetary and banking matters', and it therefore provides the government with various services, including the maintenance of several accounts. Some are 'specific purpose' accounts; others are general working accounts. These facilitate government payments, including salaries and debt servicing.

### **Banker to Commercial Banks**

The Central Bank Act provides too for the Central Bank to act as banker to any commercial bank in Solomon Islands.

End//