



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

COMMITTEE REPORT

Report on Central Bank of Solomon Islands (No. 14 of
2023)



NP-Paper No. 32 of 2023

Presented on 14 October 2023

National Parliament Office



COMMITTEE MEMBERS

The current members of the Bills and Legislation Committee (11th Parliament) are:

Hon. John Maneniaru, MP (Chairman)

Hon. Matthew Cooper Wale, MP

Hon. John Deane Kuku, MP

Hon. Rick Nelson Houenipwela, MP

Hon. Peter Kenilorea Jnr, MP

Hon. Lilly Maefai, MP

Hon. Derrick Rawcliff Manuari, MP

Hon. Silas Vaqara Tausinga, MP

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CHAIR'S FOREWORD



Mr. Speaker,

Pursuant to Standing Orders No. 71 (g) of the National Parliament of Solomon Islands, it is an honour and pleasure for me, Sir, to present the Report of the Bills and Legislation Committee on the Inquiry into the **Central Bank of Solomon Islands (Amendment) Bill (No. 14 of 2023)** for laying before Parliament.

A handwritten signature in blue ink, which appears to read "John Maneniaru". The signature is written in a cursive style with a large, stylized initial "J".

Hon. John Maneniaru, MP

Chairman

Bills and Legislation Committee

14 October 2023

COMMITTEE FUNCTIONS

Standing Order 71 of the National Parliament of Solomon Islands.

There shall be a Standing Select Committee designated the Bills and Legislation Committee whose functions, in addition to the provisions in Orders 50 and 55, shall be to -

- a) examine such matters as may be referred to it by Parliament or the Government;
- b) review all draft legislation prepared for introduction into Parliament;
- c) examine all subsidiary legislation made under any Act so as to ensure compliance with the Acts under which they are made;
- d) monitor all motions adopted by Parliament which require legislative action;
- e) review current or proposed legislative measures to the extent it seems necessary;
- f) examine such other matters in relation to legislation that, in the opinion of the Committee, require examination; and
- g) make a written report to each meeting of Parliament containing the observations and recommendations arising from the Committee's deliberations.

EXECUTIVE SUMMARY

As mandated under Order 71 (g) of the Parliamentary Standing Orders the Committee conducted hearings into the **Central Bank of Solomon Islands (Amendment) ("the Bill")** in Honiara on Thursday 28th September 2023.

The object of the Bill is to amend the Central Bank of Solomon Islands Act 2012 (No. 6 of 2012) to address the legislative gaps, the technological innovations in the financial sectors, the limited activities and participation of CBSI in the securities markets and ongoing interest rates market failures in Solomon Islands, and other related matters.

In its scrutiny of the Bill, the Committee noted a few important issues in terms of drafting and with administrative aspects of the Bill.

The Committee therefore makes the following recommendations:

Recommendation 1

That a clause be added in the Bill to establish a formal mechanism for CBSI to advise the Ministry of Finance on matters of economic policy. Such a clause would compel the Government to formally respond to such advice indicating what steps, if any, it will take in response. This will provide accountability for any advice offered by the CBSI to the Government.

Recommendation 2

Subject to 1 above, that the principal Act be amended to make the CBSI Board truly independent of the Government by removing the PS (MoFT) as an ex-officio member of the board.

Recommendation 3

Consistent with 1 above, that the Public Finance Management Act be amended to remove the Governor of CBSI from the MOFT Debt Management Advisory Committee to further preserve the CBSI's independence and advice.

Recommendation 4

That the Bill be amended to empower CBSI to prescribe bank non-interest fees.

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1.0 INTRODUCTION

1. This Report presents the findings of the inquiry and the recommendations by the Committee. This Report summarizes the findings and recommendations of the Bills and Legislation Committee ('the Committee') after conducting an inquiry into the **Central Bank of Solomon Islands (Amendment) Bill 2023** ('the Bill') as required by the Standing Orders of the National Parliament of Solomon Islands ('the Standing Orders').
2. The Bill's hearings were held over one day in the National Parliament of Solomon Islands, Conference RII, Honiara, on Thursday 28th September 2023.
3. The relevant Government ministries and stakeholders listed in *Appendix 1* were invited and participated in the hearings. The minutes of the proceedings and a list of submissions received are in *Appendix 2 and 3*.
4. Other interested stakeholders and individuals were invited to make written submissions.

2.0 BACKGROUND

- 2.1 The Central Bank of Solomon Islands (CBSI) is the premier financial institution in the country and is at the center of the banking and financial system, performing a number of essential functions including formulation and implementation of the country's monetary policies. CBSI is the only authority in the country that exercises discretionary control over the country's entire monetary system.¹
- 2.2 The Central Bank of Solomon Islands Act governed the operation of the Central Bank of Solomon Islands. The Central Bank of Solomon Islands Act was passed in 2012, and this would be the first opportunity to review the CBSI Act after eleven (11) years of implementation.
- 2.3 Like any other laws, the CBSI Act should be amended as and when necessary to remain time relevant and continues to effectively support the work of the CBSI. It is in this spirit that CBSI decided to conduct review for the amendment of the current CBSI Act.
- 2.4 This CBSI policy is in line with the Government's legislative priorities that include the reforming and modernization of the country's financial sector legislations, to conform to modern best practices and accommodate recent technological innovations that are crucial for the development of the financial sector of the country.²
- 2.5 The review on the CBSI Act was framed on five factors, these includes; technological innovations in the financial sector; legislative gaps unearthed by the COVID-19 pandemic experience that puts pressure on the central Government's limited resources; limited activities in the securities market; anticipated office space excess from new CBSI Headquarter; and ongoing interest rate market failures.³
- 2.6 These amendments are expected to equip the Central Bank to respond appropriately to future shocks, accommodate recent and future financial innovations, address market failures and support the Central Bank to effectively manage the domestic economy.⁴
- 2.7 This review came at an important time after facing the Covid-19 pandemic and the country's path towards recovery that the monetary policy framework are strengthened and modernized to face current and future challenges.⁵

¹ Central Bank of Solomon Islands official website < <https://www.cbsi.com.sb/about-us/legislation/central-bank-of-solomon-islands-act/>>

² Policy Paper for MoFT Cabinet Update Version, Submission No. 6

³ Ibid

⁴ Ibid

⁵ Ibid

- 2.8 The CBSI together with officials from the Ministry of Finance and Treasury have conducted a comprehensive consultation on the review of the Central Bank of Solomon Islands Act 2012.⁶
- 2.9 The consultation has covered all provinces including key stakeholders in Honiara in 2023. The feedback collected from the relevant stakeholders captures the collective views and consensus on the review of the Act.⁷

⁶ BLC Generic Template, Submission No. 7

⁷ Ibid

3.0 GENERAL ISSUES

Electronic money

- 3.1 The Committee enquired into the progress of the implementation of the Payment System Act and what is the projection of electronic money in the system? The Committee sought further explanation on what electronic money is.
- 3.2 The Ministry⁸ stated that the Central Bank of Solomon Islands (CBSI) has coordinated the implementation of the national payment system, which is progressing well. Originally, the launch was planned for November, but due to other regional commitments by the CBSI, such as the regional governors' meeting and the upcoming SPG games, the launch has been moved to early February or early March.
- 3.3 In terms of the projection of electronic money, there has been some initiative that has been initiated.
- 3.4 In terms of the definition of 'electronic money' the Chief Legal Drafts Counsel⁹ from the Attorney Generals Chamber stated that *'it is defined in the Payment Systems Act which is monetary value represented by a claim on the issuer that is stored electronically, including magnetically or in any other tangible or intangible device, such as a SIM card or software, and issued on a receipt of funds for the purpose of making payment transactions and accepted as a means of payment by persons other than the issuer.'*
- 3.5 The Committee also sought clarity on whether electronic money includes crypto currency.
- 3.6 The Governor of Central Bank¹⁰ in his response stated that the definition of electronic money does not include crypto currency, and Central Bank does not encourage crypto. Central Bank uses Central Bank Digital Currency (CBDC) which is monitored whereas Bit Coin when issued it is anonymous meaning that when someone send one bit coin to a person (the receiver) that person will not know who is sending that money. The identity is through private keys but they use the same technology that CBDC is using the block chain. When Central Bank issue CBDC to ANZ Bank they know who they are issuing it to and they can monitor when the CBDC is paid to a customer from ANZ Bank. Crypto does not have a regulation globally, it by passes the intermediary and goes straight from issuer to beneficiary, thus it is discouraged from the regulator's perspective. It is not prohibited by CBSI, hence, anyone who is into crypto is doing it at his/her own risk.

⁸ Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard

⁹ Ha'a Hauirae, Chief Legal Drafts Counsel, Attorney Generals Chamber, Daily Hansard

¹⁰ Luke Forau, Governor, Central Bank of Solomon Islands, Daily Hansard

Inclusive Gross Domestic Product (GDP) growth

- 3.7 The Committee is very concerned with the issue of inclusive growth and raised that Gross Domestic Product (GDP) growth has been concentrated in the hands of a very small number of individuals, and it wants to see growth evenly distributed.
- 3.8 The Ministry¹¹ stated that in this regard, it makes sense for the Government and Central Bank of Solomon Islands (CBSI) to work together on policy design and to identify those sectors of the economy that require growth in order to further development. This Bill gives legislative mandate for both to work together on this. The Ministry has in recent years closely discussed with CBSI to advise Government on which sector to be prioritized to ensure economic growth.
- 3.9 The Ministry¹² further stated that they have also been working closely with CBSI on the issue of inclusiveness and this includes work on the data and information both in terms of productive resource sector and financial sector.
- 3.10 The Committee is very concerned that the CBSI is passively advising the Government because the Government is not compelled to take up the recommendations from CBSI therefore, there is no inclusiveness. The Committee is of the view that currently there is no real economic growth in the country. It is also of the view that there needs to be a mechanism in place where the interface between the Ministry and CBSI is robust and forces the Government to respond to CBSI's recommendations whether or not they take on board the recommendations.
- 3.11 The Ministry¹³ further added that the Economic Reform Unit has a good relationship with CBSI and that they do have consultations with CBSI. These consultations are geared towards discussing economic indicators, way forward etc. On a policy level, the Ministry's Economic Reform Unit has also signed an Memorandum of Understanding (MOU) with Griffith University and the Central Bank. Under this MOU the Economic Reform Unit with the Central Bank are drafting a joint working paper together on policy issues.
- 3.12 The Committee is however, concerned that there is no law that compels the Central Bank to report to the Government on policy issues and there is nothing in the law compelling the Government to respond to that as well. Thus, it raised the question of whether the review and consultation process of this Bill covered this issue and if there was deliberate decision not to include it here in these amendments?

Recommendation 1

That a clause be added in the Bill to establish a formal mechanism for CBSI to advise the Ministry of Finance on matters of economic policy. Such a clause would compel the Government to formally respond to such advice indicating what steps, if any, it will take

¹¹ Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard

¹² Ibid

¹³ Primula Kingmele, Director, Economic Reform Unit, MOFT, Daily Hansard Transcript

in response. This will provide accountability for any advice offered by the CBSI to the Government.

- 3.13 The Ministry¹⁴ stated that there are various commitment from the Government, though it might not directly compel the Government but there other commitments in place. He further stated that there are some initiatives that have been implemented through the Central Bank. These includes supporting other sectors, like the credit guarantee schemes, the export initiatives that are operated by other commercial banks including Development Bank of Solomon Islands and so forth.
- 3.14 The Committee however, is of the view that it is time to make CBSI truly independent, the board should be independent and the law should compel the Government to respond to the recommendations, this would create a more robust mechanism. The Committee is also of the opinion that the Minister's response on the floor of parliament is too general, much more needs to be done on this, the Government needs to respond to these recommendations. Furthermore, the current economy model is an exploitative model and not an inclusive model. This is a concerning issue because currently there is no legal mechanism in place so who is the Government receiving advice from?

Recommendation 2

Subject to 1 above, that the principal Act be amended to make the CBSI Board truly independent of the Government by removing the PS (MoFT) as an ex-officio member of the board.

Ministry relationship with CBSI in terms of budget deficits

- 3.15 The Committee sought information on whether the Ministry discusses the budget deficit with the Central Bank of Solomon Islands (CBSI). It is concerning that the deficit increases every year, thus the Committee is of the view that the Government must discuss how to finance a deficit budget with the CBSI. The Committee further asked the ministry on whether such relationship to discuss budget deficits between the Ministry and CBSI exists in the law.
- 3.16 The Ministry¹⁵ stated that there is no specific mention of such relationship in any law. However, in terms of the Ministry's consultation and working relationship with CBSI, there is a process of discussion with the Central Bank in terms of how to fund the deficit of the Government.

Debt Management Advisory Committee

¹⁴ Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard

¹⁵ Ibid

is a process of discussion with the Central Bank in terms of how to fund the deficit of the Government.

Debt Management Advisory Committee

- 3.17 The Committee is of the view that the Central Bank of Solomon Islands (CBSI) has to be part of the Debt Management Unit. This is built in the law but over the years this relationship has deteriorated and not taken seriously by the Government. The Committee emphasized that it is an important relationship especially in terms of borrowings.
- 3.18 The Ministry¹⁹ stated that the Governor of CBSI is on the Debt Management Advisory Committee, and essentially the policy behind this committee is to ensure both parties work closely in terms of guiding the Government in terms of sustainability, especially on Government borrowings.

Recommendation 3

Consistent with 1 above, that the Public Finance Management Act be amended to remove the Governor of CBSI from the MOFT Debt Management Advisory Committee to further preserve the CBSI's independence and advice.

Appetite for Government stock

- 3.19 The Committee sought clarity on what it takes for Commercial Banks to have the appetite for Government stock.
- 3.20 Pan Oceanic Bank (POB) Chief Executive Officer (CEO)²⁰ stated that it depends entirely on the balance of payment of Solomon Islands. If you just take the last four years, the balance of payment is negative compared to the positive ones. And then the second thing is the interest rate because it is higher than bond rates.

Investment in State Own Enterprises (SOE) by National Provident Fund (NPF)

- 3.21 The Committee was informed during the inquiry that the State Owned Enterprises established under the Central Bank of Solomon Islands (CBSI) are categorized under the National Provident Fund (NPF) policy as low risk and has low return.
- 3.22 The Committee expressed concern that the NPF investment in State Own Enterprises (SOE) is risk and yield low return. The NPF inform the Committee that it is regarded as low risk and low return because the Treasury Bill (TB) is short term and then the Government Development Bonds are long term. Despite that, it is also considered as investment, the return

¹⁹ Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard

²⁰ Upul Hettiarachchi, CEO, Pan Oceanic Bank, Daily Hansard Transcript

is always there, except that it will be low compared to the high risk and high return portfolio area.

Debt ceiling

- 3.23 The Committee noted that there is a significant increase in the debt ceiling from 5% to 15%.
- 3.24 The ANZ Country Head²¹ expressed concern in his evidence that the country must be cautioned and watchful especially on the debt level. He further pointed that the Government must be strongly warned not to go beyond 15% debt ceiling mark.

Payment process for Treasury Bill and development bonds

- 3.25 The Committee sought further clarification regarding the payment process that National Provident Fund (NPF) normally engaged in between the Treasury Bill and the Development Boards to Central Bank.
- 3.26 National Provident Fund (NPF)²² clarified that, NPF actually have a tender process which they normally put out for tender. However, since NPF is a big player in the market, the CBSI usually advice NPF and then NPF proceeds with the payment of Treasury Bill.

Interest Rates

- 3.27 The Committee is interested to know the reasonable rate cutting for commercial activities.
- 3.28 The Governor²³ informed the Committee that currently they are preparing a regulation for the interest rate. They have been looking at a wider margins in most cases at areas where the market fails and adjust what is on the ground. Currently the Central Bank is tightening its monetary policy to contain inflation, especially in larger economies to reach 2 percent. In terms of margin the rates is coming down from 13 percent to 10 percent. By global standards the margins are still high around 7 to 8 percent, and the Governor is hoping that it will come down soon.
- 3.29 The Committee noted the requirements on the bank rates that affects the Central Bank's ability to influence other banks.
- 3.30 The Governor²⁴ explained that influence given is through sessions and not by regulations hoping that the legislation will do something, even if the bank influences the headquarters they have to follow domestic regulator as well. The governor confirmed that they will apply this approach as soon as the Bill is passed.

²¹ Martin Beattie, ANZ Country Head, ANZ Bank, Daily Hansard Transcript

²² Don Fakarii, Acting General Manager, National Provident Fund, Daily Hansard Transcript

²³ Luke Forau, Governor, Central Bank of Solomon Islands, Daily Hansard

²⁴ Ibid

the interest rates that will be used. The Governor affirms there is room for consultation with the commercial banks.

Loans

- 3.32 The Committee noted that a lot of fees involving loan requirements. A customer receives approval fees and other fees even before they get the principle money that they have applied for. The Committee urged the Governor to use his powers to control these fees.
- 3.33 The Governor²² stated that there is no provision to charge interest rates plus fees under the Act.

Recommendation 4

That the Bill be amended to empower CBSI to prescribe bank non-interest fees.

²² Luke Forau, Governor, Central Bank of Solomon Islands, Daily Hansard

4.0 CONTENT ISSUES

Clause 5 – Section 8 amended

- 4.1 Clause 5 states, *Section (8) (3) of the Principal Act is amended by inserting after the word "Government", the words "to grow the economy"*.

Issues with the proposed clause:

- 4.2 The Committee is of the view that the amendment on clause 5 with regards to the phrase '*to grow the economy*' will require an added objective for the Central Bank of Solomon Islands (CBSI). The issue is that the phrase '*growing the economy*' in clause 5 is too broad and it can be interpreted in numerous ways. Thus, with this added phrase the Committee is concerned on how the ministry will make sure that there are other provisions in the Bill to enable the CBSI to ensure the growth of the economy.
- 4.3 The Ministry²³ stated that in terms of the policy objective of the Bill, it will permit the CBSI to carry out its significant functions such as promoting services such as the payment system, electronic payment system and so forth.
- 4.4 The Committee is however, concerned that the CBSI is given a function that is not in its domain and it may not have the tools or capability to carry out that function.
- 4.5 The Governor²⁴ explained that their key primary objectives is to ensure to achieve or maintain domestic price stability. Secondly, is financial stability and lastly is without prejudice to attain the two first objectives. CBSI can support the Government in terms of economic policies through the addition of clause 5 that is to grow the economy.
- 4.6 The Committee is of the view that growing the economy must include active participation in the economy not just advices provided by CBSI. There must be tools that the law provides. Currently the CBSI comes up with the new export financing facility and the financial inclusion and these are part of section 3. They are stepping out of their comfort zones and focus on inflation, there is also impact of technology that helps with monitoring, that would make them ensure they are exposed to types of risks.

Clause 6 – Section 12 amended

- 4.7 Clause 6 states, *Section 12(1) of the Principal Act is amended:*
- (a) *In paragraph (b), delete "collateral." And substitute "collateral; and": and*
- (b) *After paragraph (b) insert a new paragraph (c):*

²³ Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard

²⁴ Luke Forau, Governor, Central Bank of Solomon Islands, Daily Hansard

“(c) despite section 36(4), buy and sell treasury bills in the primary market for monetary policy purposes.”.

Issues with the proposed clause:

- 4.8 The Government is seeking to amend section 12 of the Principle Act to allow the Central Bank of Solomon Islands (CBSI) to buy and sell Treasury Bills in the primary market, an exception to section 36 (4) of the Principle Act which prohibits the CBSI from purchasing Government securities in the primary market.
- 4.9 The Ministry²⁵ agreed that the current Act restricts CBSI from buying Treasury Bills in the primary market so clause 6 of the Bill allows the Central Bank to participate in the buying and selling of Treasury Bills.
- 4.10 The Committee noted that currently there is no provision for CBSI to buy Treasury Bills on secondary markets so why is it involved in this market.
- 4.11 The Ministry²⁶ clarified that the CBSI is only allowed to enter the secondary market for Development Bonds. CBSI continues to take part in this market. The Ministry further stated that section 6 deals with Treasury Bills only while section 36 deals with Government security.
- 4.12 The Committee however, questioned why the Ministry would want to differentiate Treasury Bills and Development Bonds. Current section 12(1) (a) of the Act gives CBSI the right to deal with both international and national bonds. The Committee is of the view that these two are both debt instruments that are Government securities which are in the market and the CBSI can be involved in. Thus, with the current wording any other security can be added under section 36(4) of the Principle Act because it is too broad.
- 4.13 Therefore, if the Bill wants to permit the CBSI to be involved in all these markets then only section 36(4) should be amended so that CBSI can be allowed to be involve in all markets but must be secondary markets only.
- 4.14 However, both the Ministry of Finance and the CBSI stated the intention with this amendment is purely for monetary policy purposes and not Government borrowing per se. The Committee notes this distinction and agrees with the proposal.

Clause 7 – Section 15 amended

- 4.15 Clause 7 states, *Section 15 of the Principal Act is amended:*
- (a) *in subsection (2) by repealing “90 calendar days” and substituting “365 calendar days,” and*
- (b) *in subsection (5) by repealing “180 calendar days.” And substituting “365 calendar days, and subject to the approval of the Board, within an additional 182 calendar days.*

²⁵ Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard

²⁶ Robert Meyenn, Director Debt Management Unit, MOFT, Daily Hansard Transcript

Issues with the proposed clause:

- 4.16 The Committee questioned why there is amendment to section 15 of the Principle Act on repayment terms on the loans thus, the increase from 90 to 180 days in the new sub-section 5 of clause 7.
- 4.17 The Ministry²⁷ stated that this is to allow the parties more time to deal with the issues. From past experience the time frame is often too short hence, the increase in the number of days.

Clause 8 – New Section 15A inserted

- 4.18 Clause 8 states, *The Principal Act is amended by inserting a new section after section 15:*

“15A Interest rates

*The Central Bank may prescribe market interest rates if it considers necessary,
subject to the Board’s approval.”*

Issues with the proposed clause:

- 4.19 The Committee commends the Ministry on clause 8, where CBSI is given the power to prescribe market interests but sought information on how financial institutions reacted to this amendment.
- 4.20 The Ministry²⁸ stated that there is a level playing field prescribed market rate that applies to all market institutions. Thus, once prescribed it will apply to all financial institutions. In terms of the feedback from financial institutions, the Ministry stated that all the financial institutions are in agreement with these amendments.
- 4.21 The Committee further stressed the need for a legal mechanism to require the Central Bank to factor in Governments' fiscal objectives. The Committee also questioned the Ministry on how this will work and whether the Ministry will be able to not be directly involved in this matter (prescribing of interest rate)?
- 4.22 The Ministry²⁹ noted the Committee’s comment but is of the view that there are other benefits from the Ministry’s participation as a representative of the Government such as having its inputs from the Government’s perspective on promoting economic activities in the board. For example inputs that can drive business activity and inputs on protecting depositors in terms of the range of interest that will be implemented. Thus, the Ministry is of the view that there is a value in terms of inputs from the Government into such proposals.

Clause 9 (a) – Section 17 amended

- 4.23 Clause 9 (a) states, in subsection (1) substitute the word “yield” and “return”; and

Issues with proposed clause:

²⁷ McKinnin Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard Transcript

²⁸ Ibid

²⁹ Ibid

- 4.24 The Committee sought clarification on section 17(a) the term 'yield' why it is replaced with the term 'return'.
- 4.25 The Governor³⁰ in response stated that return includes yield. This refers to the investment they do in managing their foreign reserves off shore. If both are included they will be repeating the other one.
- 4.26 The Committee also asked how yield was monitored on the broader return reporting.
- 4.27 The Governor³¹ stated that all the CBSI's investments were done according to a reserve management policy, to allocate how much to be invested in and other instruments. Yield was more narrowly used to a specific allocation in an asset whereas return covers all other portfolios that were on hold, hence the bank ensure the safety of the reserves have enough liquidity and then you can invest the return coming out from the whole portfolio.

Clause 15 – Section 25 amended

- 4.28 Clause 15 states, *Section 25 of the principal act is amended:*
- (a) *in subsection (1), by substituting the words "currency notes and coins" with the words "currency notes, banknotes, coins, and electronic money"; and*
- (b) *in subsection (2):*
- i. *By placing a full stop after the word "offence";*
 - ii. *Repealing the words "and liable on conviction to a fine not exceeding fifty thousand penalty units or imprisonment of seven years.": and*
 - iii. *Inserting the following immediately after subsection (2):*
- "Maximum penalty: 2,000,000 penalty units, or 20 years imprisonment, or both such fine and imprisonment."*

Issues with the proposed clause:

- 4.29 The Committee enquired into the policy objective for the increase of penalties from 50,000 to 2,000,000 and 7 years to 20 years.
- 4.30 The Ministry³² stated that this is to imply the seriousness of the crime that is why there is an increase in the penalty.

Clause 18 – Section 36 amended

- 4.31 Clause 18 provides for section 36 (6) of the Principal Act to be amended in the following manner: to increase the threshold of Government advances from the existing 5% to 15% as a new threshold. It further provides only in a State of Emergency, the CBSI may allow an

³⁰ Luke Forau, Governor, Central Bank of Solomon Islands, Daily Hansard Transcript

³¹ Ibid

³² Mckinnie Dentana, Permanent Secretary, Ministry of Finance and Treasury (MOFT), Daily Hansard Transcript

additional temporary advance to Government, to which shall not exceed 5% of the threshold of the annual average Government ordinary revenue for the three financial years preceding for which the accounts are available. It also provides that any additional advances to Government must be fully repaid within two (2) years.

Issues with the proposed clause:

- 4.32 The Committee noted that there is a significant increase in the debt ceiling from 5% to 15%.
- 4.33 The ANZ Bank Country Head³³ is very concerned about the increase and stated that the country must be cautioned and watchful especially on the debt level. He further pointed that the Government must be strongly warned not to go beyond 15% debt ceiling mark.

END OF REPORT

³³ Martin Beattie, ANZ Country Head, ANZ Bank, Daily Hansard Transcript

5.0 APPENDICES

Appendix 1: Witnesses

| Date | Name | Position & Organisation |
|----------------------------------------------------------------|------------------------|--------------------------------------|
| Thurs 28th Sept 2023 10:06 am – 11:33 am | Mr. McKinnie Dentana | Permanent Secretary, MoFT |
| | Mr. Robert Meyenn | Director Debt Management Unit |
| | Ms. Primula Kingmele | Director Economic Reform Unit |
| | Mr. Kevis Kimasaru | Chief Policy Analyst, ERU |
| | Mr. Jamie Kenasi | Senior Policy Analyst, ERU |
| 11:35 am – 12:05pm | Mr. Nafitalai Cakacaka | Chief Executive Officer (CEO), DBSI |
| | Mr. Upul Hettiarachchi | Chief Executive Officer (CEO), POB |
| | Ms. Sandra Fore | Country Head, BSP |
| | Mr. Martin Beattie | Country Head, ANZ |
| | Mrs. Laurish Pio | Manager Compliance, BSP |
| | Mr. Stanley P. Havai | MBRC, DBSI |
| 2:43 pm – 3:00 pm | Mr. Ake Poa | Senior Legal Officer, SIEA |
| | Mr. Don Fakarii | Manager IT(GM/Ag), SINPF |
| Friday 29th Sept 2023 09:58 am – 12:12 pm | Dr. Luke Forau | Governor, CBSI |
| | Mr. Michael Kikiolo | Adviser Policy, CBSI |
| | Mr. Anthony Makabo | Manager Legal, CBSI |
| | Ms. Primula Kingmele | MoFT Director, MoFT |
| | Mr. Joe Vasuni | Chief Manager Currency Banking, CBSI |
| | Ms. Ha'a Huriau | CLC, AGC |
| | Mr. Kevis Kimasaru | Chief Policy Analyst, CBSI |
| | Ms. Kerrie Faradatolo | SLDC, AGC |
| | Mr. James Kerasi | Senior Policy Analyst, CBSI |

Appendix 2: Minutes of Proceedings



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

P.O. Box G19,
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Minutes of Proceeding

Committee Hearing into the Central Bank of Solomon Islands (Amendment) Bill 2023 (No.14 of 2023)

Day 1/2023

Thursday 28th September 2023, CRIL, Parliament Building, 10:06 a.m

1. Members Present

Hon. John Maneniaru, MP- Chairman
Hon. Matthew Wale, MP
Hon. Rick Houenipwela, MP

2. Apologies

Hon. John Dean Kuku, MP
Hon. Peter Kenilorea Jnr, MP
Hon. Derrick Manu'ari, MP
Hon. Silas Vaqara Tausinga, MP
Hon. Lilly Maefai, MP

3. Secretary

Ms. Ivory Iruha'a

4. Secretariat

Ms. Salome Pilumate, Committee Secretary
Mr. Heston Rence, Committee Secretary
Ms. Cordney Wale, Committee Secretary
Ms. Monica Sekonga, Senior Admin-Committees
Mr. Greg Kinimete, Hansard Officer
Ms. Sherilyn Ragoso, Hansard Officer
Mr. Pamentha Golo, IT Support Officer

5. Prayer

MP for Small Malaita, Hon. Rick Houenipwela said the opening prayer.

6. Welcome/ Opening remarks

The Chairman of the BLC welcomes members of the committee, witnesses, committee secretariat and supporting staff and then said his opening remarks. The Chair informs the witnesses of the Parliamentary privileges.

7. Inquiry into the Central Bank of Solomon Islands (Amendment) Bill 2023 (No.14 of 2023)

The hearing proper commenced and the following witnesses from the Ministry of Finance and Treasury (MoFT) were admitted:

Hearing 1 Witnesses

- i. Mr. McKinnie Dentana – Permanent Secretary
- ii. Mr. Robert Meyenn – Director DMU
- iii. Ms. Primula Kingmele, Director ERU
- iv. Mr. Kevis Kimasaru, Chief Policy Analyst
- v. Mr. Jamie Kenasi, Senior Policy Analyst

The witnesses made their presentation before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

The hearing is suspended at 11:33 a.m.

The Hearing proper resumed at 11:35 a.m and the following witnesses from the Financial Institutions (ANZ, BSP, and POB & DBSI) were admitted:

Hearing 2 Witnesses

- i. Mr. Nafitalai Cakacaka, DBSI CEO
- ii. Mr. Upul H, POB CEO
- iii. Ms. Sandra Fore, BSP Country Head
- iv. Mr. Martin Beattie, ANZ Country
- v. Mrs. Laurish Pio, Manager Compliance
- vi. Mr. Stanley P. Havai, DBSI MBRC

The witnesses made their presentations before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

The hearing is suspended for lunch at 12:05 p.m.

The hearing proper resumed at 2:43 p.m and the following witnesses from the Solomon Islands National Provident Fund (SINPF) and the Solomon Islands Electricity Authority (SIEA).

Hearing 3 Witnesses

- i. Mr. Ake Poa, Senior Legal Officer, SIEA
- ii. Mr. Don Fakarii, Manager IT(GM/ag), SINPF

The witnesses made their presentations before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

8. Closing

Closing prayer was said by Hon. Matthew Wale

9. Adjournment

The hearing adjourned at 3:00 p.m.

Day 2/2023

Friday 29th September, CRIL, Parliament Building, 09:58 a.m

1. Members Present

Hon. John Maneniaru, MP- Chairman
Hon. Matthew Wale, MP
Hon. John Dean Kuku, MP
Hon. Rick Houenipwela, MP

2. Apologies

Hon. Silas Vaqara Tausinga, MP
Hon. Lilly Maefai, MP
Hon. Derrick Manu'ari, MP
Hon. Peter Kenilorea Jnr, MP

3. Secretary

Ms. Ivory Iruha'a

4. Secretariat

Ms. Salome Pilumate, Committee Secretary

Ms. Cordney Masimae Wale, Secretary

Mr. Heston Rence, Committee Secretary

Mr. Hazel Fafale, Hansard Officer

Mr. Pamenta Golo, IT Officer

5. Prayer

MP for Small Malaita, Hon. Rick Hou said the opening prayer.

6. Welcome/ Opening remarks

The Chairman of the BLC welcomes members of the committee, witnesses, committee secretariat and supporting staff and then said his opening remarks. The Chair informs the witnesses of the Parliamentary privileges.

7. Inquiry into the Central Bank of Solomon Islands (Amendment) Bill 2023 (No.14 of 2023)

The Hearing proper commenced and the following witnesses from the Central Bank of Solomon Islands (CBSI), Ministry of Finance & Treasury (MoFT) and Representatives from the Attorney General's Chamber were admitted:

Hearing 4 Witnesses

- i. Dr. Luke Forau, Governor, CBSI
- ii. Mr. Michael Kikiolo, Adviser Policy, CBSI
- iii. Mr. Anthony Makabo, Manager Legal, CBSI
- iv. Ms. Primula Kingmele, MoFT Director, MoFT
- v. Mr. Joe Vasuni, Chief Manager currency banking, CBSI
- vi. Ms. Ha'a Huriau, CLC, AGC
- vii. Mr. Kevis Kimasaru, Chief Policy Analyst, CBSI
- viii. Ms. Kerrie Faradatolo, SLDC, AGC
- ix. Mr. James Kerasi, Senior Policy Analyst, CBSI

The witnesses made their opening presentation before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

8. Closing

Closing prayer was said by Mr. Luke Forau, Governor CBSI.

9. Adjournment

The hearing adjourned at 12:12 p.m.

Appendix 3: Submissions

Table Documents

| No | Author |
|----|-----------------------------------------------------------------------------------------------------------------------|
| 1. | DBSI – Response to the Central Bank Of Solomon Islands (AMENDMENT) BILL 2023 |
| 2. | CBSI – Submission to the Bills and Legislation Committee on the Central Bank of Solomon Islands (Amendment) Bill 2023 |

Other Submissions

| No | Author |
|----|-------------------------------------------------------------------------------------------------------------------------------|
| 1. | MoFT – Talking Points on CBSI (Amendment) Bill 2023 – Inquiry 28th September, 2023 |
| 2. | SIEA – Written Submission to the Bills and Legislation Committee on the Central Bank of Solomon Islands (Amendment) Bill 2023 |
| 3. | SINPF– Brief response to the Central Bank of Solomon Islands (Amendment) Bill 2023 |
| 4. | SINPF – 2017 Asset Allocation Guidelines |
| 5. | BSP – Submission on the Central Bank of Solomon Islands (Amendment) Bill 2023 |
| 6. | MoFT – CBSI for Cabinet Decision. Policy Paper to Amend CBSI Act 2012 |
| 7. | MoFT – BLC Generic Template |

