

## Commonwealth Central Bank Governors Meeting

### Washington DC, 5 October 2016

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#### SUMMARY OF DISCUSSION

1. Commonwealth Central Bank Governors met on the eve of the IMF/World Bank annual meetings to discuss the monetary policy challenges of BREXIT and de-risking, two issues of continued and considerable importance for the majority of the Commonwealth's membership. It was the first time that Commonwealth countries formally convened to share views on BREXIT, and an opportune moment for Governors to reflect on the previous day's high level discussions on de-risking, hosted by the IMF.
2. Dr Charles Soludo, a former Governor of the Central Bank of Nigeria, delivered the key note address, which focused on "monetary policy under uncertainty: the implications of Brexit." The meeting's discussions on de-risking benefited from interventions by the U.S Treasury, the Financial Action Task Force (FATF) and the Institute of International Finance (IIF).

#### BREXIT

3. Dr Soludo thanked the Secretariat for the background documents on Brexit. His main message to Governors was that whilst the consequences of Brexit may be uncertain, Commonwealth countries should be proactive in their thinking, particularly with regards to the design of new instruments that could help weather unforeseen effects, and seek to exploit opportunities from Brexit.
4. Against this backdrop, Governors exchanged perspectives on the specific challenges that could arise from Brexit. On the trade front Governors were not as concerned, primarily because of the pre-Brexit efforts to diversify their economies. Those countries highly dependent on the U.K's demand for tourism services, particularly in the Caribbean, echoed the need for such countries to remain watchful.
5. More attention was paid to the possible effects from a lower pound sterling on Commonwealth remittances, development assistance receipts and investment, but Governors seemed to agree that the current exchange rate volatility being observed is likely to be short lived.

6. Governors heard about a proposal to use the newly established Commonwealth Trade Ministers' platform to further discuss the implications and trade possibilities stemming from BREXIT. In March of 2017, for the first time in the Commonwealth's history, trade ministers will meet to discuss current trade issues. Governors encouraged the U.K and the Commonwealth to meet as a group on this important topic.

#### **The Unintended Consequences of De-Risking**

7. The U.S Treasury, FATF and the IIF briefed Commonwealth Governors on the actions being taken and the proposed way forward to address the increased withdrawal of correspondent banking services and the potential risks that this poses for developing countries. Additionally, members received a report from the Governor of the Eastern Caribbean Central Bank, Mr Timothy Antoine, on the lessons gleaned from an IMF forum on the withdrawal of correspondent banking held the previous day.
8. Central Bank Governors acknowledged the increased international attention given to de-risking, and welcomed the ongoing work undertaken to date by international bodies such as the Commonwealth Secretariat, the Financial Stability Board, the IMF, FATF and the World Bank in developing a better understanding of the complex drivers of 'de-risking' and identifying solutions on the way forward.
9. Governors noted that the impacts of de-risking and the potential way forward to mitigate those impacts varied by jurisdiction. Whilst acknowledging the importance of capacity building in helping developing countries to implement and maintain regulatory standards such as those relating to anti-money laundering and countering the financing of terrorism, in many case this in and of itself would not be sufficient.
10. As part of broader efforts to take forward solutions, there was a call to develop a greater understanding around the nature and potential value of emerging and innovative solutions, such as those offered by financial technologies which have the potential to reduce the compliance costs faced by banks.

*Washington, DC  
5 October 2015*