

Loi M Bakani: Bank of Papua New Guinea's achievements and milestones

Speech by Mr Loi M Bakani, Governor of the Bank of Papua New Guinea, at PNG's 44th Anniversary Ball, Port Moresby, 4 November 2017.

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Good evening All.

From here the view is wonderful! I see a sea of smiling faces of the people who contribute to the success of the Bank of Papua New Guinea. What a glamorous audience!

I am again delighted to welcome you all to the Bank of Papua New Guinea's 44th Anniversary Ball. As well as our special guests and Members of the Board joining us here tonight, on behalf of the Bank's senior executive team I would also like to acknowledge the spouses of our staff members. We really appreciate the support you give our staff on the home front. All your presences tonight adds impetus to the occasion.

We are here tonight to mark the 44th anniversary of the Bank's establishment and to celebrate our achievements over the past 12 months.

In our journey, we can be proud of a number of great achievements and milestones in;

A. Conduct of Monetary Policy

2017 has been a challenging year for the conduct of monetary policy given the government's cashflow constraints and the 2017 National Election. The Bank however managed its price stability objectives by keeping inflation at 6.0 percent in the first quarter and 5.8 percent in the second quarter of 2017. This was done through the successful sterilisation of excess liquidity in the financial system. Since price stability is the main objective of the Central Bank, critiques can be silenced by the inflation outcomes for the first and second quarters of 2017.

Fiscal considerations continue to play a part in the conduct of monetary policy. The Bank continues to coordinate with Government's fiscal policy to achieve the right policy mix that will sustain growth that is non-inflationary in the medium to long term. As part of the new Government's 100 Day 25 Point Plan to restore confidence in the economy, it was agreed for the Bank for foreign exchange intervention of USD100.0 million to assist clear some of the outstanding import orders in FX market. That amount was completed by the week ending 27th October 2017. So the Bank has honoured its commitment.

The Bank has introduced a new Tap facility to on-sell Government securities, comprising both Treasury bills and Treasury bonds, to allow broader participation from individuals, businesses, Government agencies, other institutions and offshore investors. The purpose is to develop a savings culture in the country, provide additional avenue for investment and encourage the development of the domestic capital market. The number of individual investments in the Tap facility is continuously increasing.

Going forward, and into the new year 2018, current challenges to monetary policy will remain and new opportunities arise with the country hosting the APEC Summit in 2018.

B. Financial System Supervision

In 2017, as in all past years, the financial system of our country continues to be stable as a result of prudent oversight and management by boards and management teams of the respective licensed financial institutions (LFIs). This is testament of our strong supervisory enforcements

and our continuous prudential consultations with the LFIs. Key performance indicators of the LFIs such as strong capital, very low non-performing loans and so forth are healthy signs of the financial system. This is essential to ensure the ongoing protection of depositors' money in banks, finance companies and microbanks, contributors funds in Super Funds, policyholders covers with life insurance companies, and members' funds in S&L societies.

Our commitment to financial inclusion and education has been strengthened through our close connection to CEFI, the Centre for Excellence for Financial Inclusion. During the year we hosted three important events, the Pacific Islands Regional Initiative, the first PNG blockchain seminar and the Financial Inclusion Innovation Summit, all aiming to help bring cost-effective financial services to people in our society who do not have easy access to traditional banking.

A. Blockchain.

We are keeping a close eye on the future, with innovations like blockchain technology, where our society may use cashless financial solutions to fuel development, particularly in remote areas.

I believe that Blockchain can help us tackle some of the biggest problems we have in PNG including identity, financial inclusion and access to green energy

But for now cash is also our business. We are making very good progress in the construction of the Lae Currency Distribution Facility. We are now about to start staff recruitment planning.

B. Payment systems.

We have transformed our payment system to world standards through the integration of IT systems. These have increased efficiency in the payments, clearing, and settlement systems. We now have the Real Time Gross Settlements (RTGS) Systems that allow settlements in real time, full automation of the Clearing House, cheques that took more than 7 days to clear can now be cleared in just two days. Direct Credits has given our people convenience to bank at any bank.

We are now focusing on the national switch to provide our financial system and our people the convenience of sharing payment devices offered by the various financial institutions.

C. Currency

Our staff have been on the road around the country talking to local PNGNs about the important every day money issues and investments.

We are committed to meet the demand of our cash based society. We are taking the Bank to our people by building a fully integrated currency operation in Lae to be open in the third quarter of 2018. We have resized our family of currency Notes and introduced new sophisticated security features on them – this is to ensure our bank notes have built in protection against counterfeiting.

The Bank will issue a special and limited K100 banknote to commemorate the 2018 APEC Summit to be hosted by the Government of Papua New Guinea.

The new K100 banknote will retain its original design elements and security features of the existing banknote except that it will have the overprint design of the APEC logo, and additional security feature called SPARK Live will be added onto the banknote. This security feature will be applied on the K50 and K100 banknotes. The Bank will also issue special coloured 50 toea circulation coin with the APEC logo design.

The Bank also produced a special coloured K5 Silver coin depicting the logo of the Rugby League World Cup as numismatic item to commemorate the event.

D. Administrative Support

Behind the scenes, our work is supported by corporate services machinery, keeping our systems and technology up to the challenge of meeting our evolving requirements, working to have the right people on staff who have the appropriate ongoing training and development – ensuring our premises enable us to work safely and efficiently.

We recently commissioned the Bakani Data Centre to support our transformation from manual to fully automated and integrated processes using evolving technologies. This has, and will continue to deliver efficiencies to our work process. We have also introduced a Time and Attendance system and improving our file management system and moving towards digitalising records.

E. Board

We have a dynamic Board, made up of representatives from different sectors of the economy. We recently had the first Board meeting offshore in the Bank's history, in FSM. Whilst we received criticism, the trip achieved the desired outcome of fact finding mission for our business entities in identifying potential business opportunities that will promote PNG business overseas.

F. Challenges

We have many challenges in front of us. The much talked about foreign exchange issues, the unbanked, high liquidity, break-down in monetary policy transmission and sovereign wealth fund are just some of the issues that we must address collectively internally and with other government institutions. In addition, international geopolitical issues that has economic implication brings another dimension of challenge we are faced with; in our implementation of policies and surveillance of the financial system and the foreign exchange market. We must develop in-house skills and resources to address these issues and withstand headwinds from global economic developments.

G. One Bank

I have mentioned some of the areas within the Bank that have achieved important milestones since our last anniversary. Be assured I am well aware that these were not the only significant steps forward we made in our 44th year. With this in mind, let us think about the notion of One Bank One BPNG, which is one of our key aims, outlined in the Bank's Strategic Plan 2016–2020.

Our aim is to present one face to the world, rather than a number of units stitched together to create departments. We have come a long way, through reworking the structure of the Bank to reflect function rather than historical hierarchy.

Last but not the least.

I would like to thank my fellow Board members for their support during the past 12 months. Our Board is active and involved. Ladies and Gentlemen, it is my pleasure to introduce our newly appointed Board Member, Mr Christopher Hnanguie, who is the Chairman of the Securities Commission of Papua New Guinea. Welcome to the Bank of Papua New Guinea Mr Hnanguie.

My sincere thanks go to our senior executives, Deputy Governor Dr Gae Kauzi (at this juncture, I kindly ask everyone to remember Deputy Governor in your prayers for a continuous and speedy recovery), Assistant Governors Mrs Elizabeth Genia, Mr Joe Teria, Mr Ellison Pidik for their commitment and leadership. Thank you also to the Director FASU, Mr Benny Popoitai and Department managers for helping us establish the path forward to One Bank, and working collaboratively to make it happen.

And a heartfelt thank you to our staff. You really are the key to ensuring One Bank becomes a reality. I look forward to standing here next year at our 45th anniversary ball, thanking you all for playing your part in achieving that goal.

Finally, I have considered a new initiative, to support, recognise and reward best performing staff (s) for going out of their way to create incentives that implement and add value to the bank. I have directed Corporate Affairs Group in consultation with the other groups to put the framework together for next year onwards. For this Year, I will be making some announcements towards the end of the year after consultations with HR and the Respective Assistant Governors.

I am sure you will all agree I have spent enough time singing everyone's praises and that now it is well and truly time to relax and celebrate.

Welcome, one and all!

Enjoy the rest of the evening.

Thank you.