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ROAD MAP 2021

MONETARY AND FINANCIAL SECTOR POLICIES FOR 2021 AND BEYOND

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CENTRAL BANK OF SRI LANKA

Road Map 2021:

Monetary and Financial Sector Policies

for 2021 and Beyond

Delivered by

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1. Introduction

Your Excellencies, members of the Monetary Board, Deputy Governors, Assistant Governors and other Officials of the Central Bank, Officials of the Government and the financial sector, Ladies and Gentlemen, I warmly welcome you all for the Road Map 2021 of the Central Bank of Sri Lanka (CBSL).

I am continuing a tradition that started in 2007. This Road Map statement covers 2021 and a few years beyond. I will be articulating the broad directions of monetary and financial sector policies over the said period. I am unfortunately compelled by circumstances to make this presentation in the virtual format. The COVID-19 pandemic has changed, in totally unimaginable ways, how societies, economies and institutions operate.

The year 2020 was a period most of us would like to forget in a hurry, primarily because of horrendous effects, which the coronavirus pandemic has had over humanity throughout the world. The pandemic that we are currently experiencing is by far the most severe global crisis after World War II. Throughout the last ten-odd months of 2020, all we heard was news of misery, deaths and fear. Our lives have taken a massive shock and we still do not know when we will be able to get back to normalcy again. However, a new year is waiting for us and there is hope as well as some real evidence that things will start to get better relatively soon. As we leave the unpleasant memories of 2020 behind, it is important to feel positive about the future and it would be good to spread some positivity around, whatever the doomsayers around us may say.

Like many other economies globally, the Sri Lankan economy was also severely affected by the mobility restrictions imposed to limit the spread of the pandemic, particularly during its first wave within the country. The Government and the Central Bank had to step in swiftly to support individuals, families, and businesses on a mass scale. The Central Bank introduced unprecedented measures to ease monetary conditions and to reduce the cost of loanable funds. Meanwhile, the Government implemented a sizeable package of fiscal stimulus through a variety of measures including tax reductions and targeted subsidies and transfers. Social distancing measures dampened economic activity, causing a significant reduction in Government revenues. This happened in the backdrop of sharp increases, again pandemic-related, in Government expenditures. The consequent increase in the Government's revenue-expenditure gap was naturally financed by the Central Bank. The Government has now announced in the Budget 2021 a novel approach, along with specific strategies, to address the challenges faced by the economy, including large debt service payments. International rating agencies downgraded the country's Sovereign rating; regardless, the Government continued with its expenditure programme, also honouring all its debt obligations punctually and pledging with confidence that it will continue to do so in the time to come. The Central Bank has given utmost priority to proactively address near-term stresses in the balance of payments. The external debt of the Government has been managed with a view to ensuring the successful fulfilment of the country's external obligations in the period ahead.

The COVID-19 pandemic has also offered us opportunities to address some of the long-standing structural weaknesses of the economy. The following are some of these structural weaknesses: relative neglect of domestic production, excessive product and market concentration of exports, heavily import-dependent consumption and production, prevalence of poverty pockets and economically vulnerable social groups, the so-called dual deficit (in the budget as well as on the external current account), and the over-reliance on foreign debt. The Budget 2021 envisaged the revival of the real economy supported by measures aimed at encouraging a production-driven economy, through domestic as well as foreign investment, along with a more rational view on openness in external trade. The boost received by agricultural production and related higher value chain activities has been substantial. These measures, taken as a whole, would help the country to build buffers to sustain macroeconomic stability over the medium-term.

With this background, let me begin the Road Map 2021 presentation with a brief assessment of the economic performance during 2020.

Sri Lanka experienced the largest economic contraction since the beginning of GDP compilation, in the second quarter of 2020, driven by disruptions during the mobility restrictions in the April-May period. As a result of these restrictions, a large proportion of the population, especially those in informal sectors and Micro, Small and Medium-sized Enterprises (MSMEs), had to face severe difficulties. Certain other sectors had to implement novel changes to the working environment, where digital modes were commonly used to carry out their operations. These changes also resulted in considerable difficulties in the measurement of economic activities, highlighting the need to update such methodologies to capture changing economic circumstances. Amidst the below potential economic growth, headline inflation remained muted, despite some acceleration in food inflation. The Colombo Consumer Price Index (CCPI) based headline inflation remained broadly within 4-6 per cent range over the year under the current flexible inflation targeting framework. Meanwhile, core inflation remained subdued, highlighting low levels of demand-driven inflationary pressures. By the third quarter, the economy recorded a notable upswing, particularly on a quarter-on-quarter basis, before being disrupted by the second wave of COVID-19 once again in the fourth quarter.

Low levels of inflation and well anchored inflation expectations within the targeted range allowed the Central Bank to ease monetary policy to unprecedented levels to support the ailing economy. Accordingly, policy interest rates and the Statutory Reserve Ratio (SRR) were reduced to their lowest levels in history and special lending schemes were initiated at concessionary rates, while interest rate caps on selected lending products were introduced to expedite the monetary policy transmission process. Further, the Central Bank purchased Treasury bills from the primary market to accommodate the emergency financing needs of the Government. Meanwhile, the Central Bank allowed an elevated level of excess liquidity to remain in the domestic money market with a view to inducing a further expansion in credit to the private sector. As a result of these substantial monetary easing measures, market interest rates declined significantly, with most benchmark interest rates reaching historically low levels. Most lending rates, which were at double digit levels, reduced substantially, resulting in a decline of average new lending rates to single digit levels, thus enabling the economy to derive the full benefit of single digit inflation maintained for over a decade. A gradual increase in credit extended to the private sector was observed in recent months, while credit to the public sector recorded an extraordinary increase, thus leading to a substantial increase in money supply during 2020, playing its countercyclical role amidst the pandemic driven economic contraction.

The prevailing low interest rate regime has highlighted the need for improvements in the capital markets of the country to introduce alternative, novel, safe, and attractive financial products, particularly for savers who face low deposit rates. More importantly, the financial industry, as a whole, needs to play a key role in driving economic growth by directing various financial products towards growth promoting activities.

The external sector that was severely affected at the initial stages of the pandemic, marked a notable rebound from mid-2020. Proactive measures introduced to restrict non-essential merchandise imports and outward investment, lower global petroleum prices as well as larger than expected remittances from migrant workers helped contain the pressure on the exchange rate and challenges in the external sector to a great extent. The trade deficit contracted notably, largely with the reduction in merchandise imports in 2020, contributing to strengthening the external current account balance. Low earnings were recorded from tourism, and other services exports due to the impact of the pandemic. Partly cushioning the impact, a notable rebound in workers' remittances was observed, despite various challenges faced by migrant workers. The pandemic affected cross border financial flows notably. Foreign direct investment (FDI) inflows were low, similar to all emerging economies, while outflows were recorded from the rupee denominated Government securities and equity markets, although the latter performed notably well with active participation of domestic investors. However, gross official reserves remained at adequate levels, while the Sri Lanka rupee remained resilient. The Central Bank entered into a currency swap agreement with the Reserve Bank of India (RBI), and also entered into a repurchase agreement with the Federal Reserve Bank, New York as a temporary source of foreign currency liquidity. Despite difficult conditions, the Central Bank continued to purchase foreign exchange from the domestic foreign exchange market to build-up reserves, recording net purchases of around US dollars 300 million during 2020. Policies to promote exports, enhance domestic production, and reduce import expenditure, are expected to help maintain the momentum of market purchases of foreign exchange by the Central Bank, supporting the external sector stability in the period ahead.

The performance of the fiscal sector during 2020 was significantly affected by the decline in Government revenue amidst the economic fallout. The resultant budget deficit was financed entirely through low-cost domestic sources, which alleviated fiscal pressures to a great extent. The Government presented the Budget 2021 with a development orientation, thus promoting the domestic production economy. Successful implementation of the Government's announced plans to reduce the budget deficit over the medium-term remains critical in ensuring macroeconomic stability and sustainability of public debt in the period ahead.

Amidst numerous uncertainties and unprecedented challenges posed by the pandemic, the stability of the domestic financial system was maintained during 2020. The Central Bank took a series of extraordinary regulatory measures to provide liquidity and flexibility to financial institutions to support businesses and individuals affected by the COVID-19 outbreak. Meanwhile, actions were taken to cancel the licenses of several distressed non-bank financial institutions (NBFIs), and the process of repaying depositors of such companies is in progress. In order to address the weaknesses and risks in the NBFI sector, a Master Plan to establish resilient and well performing licensed finance companies is underway.

In 2020, the Central Bank redoubled its efforts to implement new technologies to strengthen the payments and settlements infrastructure. While meeting the increased demand for currency, uninterrupted operations were ensured in other Payments and Settlements Systems during the pandemic. In order to promote the usage of digital payment mechanisms by the general public, the year 2020 was designated as the year of digital transactions and many promotional activities were carried out to increase awareness and outreach of such mechanism among the general public. We expect that the general public will increasingly make use of these more efficient methods of payment as we progress.

As the custodian of the Employees' Provident Fund (EPF), the Central Bank continued to carry out its management by prudent investment activities and fulfilling the requirements of its members in a timely and efficient manner, despite the difficulties caused by the pandemic.

Public debt management was carried out effectively under extremely challenging circumstances. The function of debt management faced a multitude of challenges due to macroeconomic stresses emanated from the pandemic, the absence of a full-year budgetary provisions since the beginning of the year, and various constraints for countries like Sri Lanka to access international capital markets. However, the Central Bank successfully implemented a prudent debt management strategy in collaboration with the Ministry of Finance in accomplishing the financing requirements of the Government in 2020, taking advantage of the prevailing policy environment and conducive domestic liquidity conditions. Further, amidst challenges to raise instrument-based finances in the international capital markets, measures were taken to explore bilateral and multilateral sources of financing and syndicate options, while facilitating timely honouring of all Government debt obligations.

In recognition of the work carried out by the Financial Intelligence Unit (FIU) and other stakeholders on anti-money laundering and countering the financing of terrorism (AML/CFT), the European Commission (EC) de-listed Sri Lanka from its list of High Risk Third Countries that have strategic deficiencies in their AML/CFT regimes during 2020, following the delisting of Sri Lanka by the Financial Action Task Force (FATF) from its "Grey List" in October 2019.

The Central Bank strengthened its regional development function during the year. The Central Bank supported the businesses and individuals during the pandemic by operationalising the Saubagya COVID-19 Renaissance Loan Scheme Facility in 3 phases. In addition to continuing other development-oriented credit schemes with the support of the six Regional Offices, the Central Bank continuously worked towards enhancing financial inclusion in its mission to promote inclusive growth in the country.

As highlighted above, the Central Bank played a crucial role in easing the economic impact of the COVID-19 pandemic during 2020. Since the threat of the pandemic is still at large, several challenges lie ahead in 2021 as well. However, we believe that a swift transition into a high growth path, as envisaged in the Government's policy framework of 'Vistas of Prosperity and Splendour', is imperative to solve many critical issues faced by the country. Given the low inflation environment and well anchored inflation expectations, the policy framework of the Central Bank will be driven towards supporting this high growth path over the medium-term. The Central Bank will, of course, continuously work towards maintaining the stability of the financial system and remain vigilant on price developments to address any emerging demand-driven threats to price stability.

The above provides the backdrop to the Road Map 2021. The broad policy framework of the Central Bank presented here, would encourage all stakeholders of the economy to develop their own policy agendas for near to medium-term.

The Road Map 2021 is outlined under three sections:

Section 2: Monetary policy strategy and policies for 2021 and beyond

Section 3: Policies related to the financial sector performance and stability in 2021 and beyond, and

Section 4: Policies related to ancillary and agency functions.

2. Monetary Policy Strategies and Policies for 2021 and Beyond

Moving along with the rest of the global economy, Sri Lanka suffered a notable economic setback in 2020, particularly in the second quarter. With inflation remaining under control, the Central Bank took multiple measures on an unprecedented scale to help support the real economy affected by the pandemic. These measures, together with stimulus programmes initiated by the Government, led to a better-than-expected recovery in economic activity during the third quarter of 2020. The outbreak of the second wave of COVID-19 however, disturbed the momentum of economic recovery to some extent during the final quarter of the year. The marginal decline in the first, and the relatively large decline in the second quarter of 2020 were followed by a marginally positive growth in the third quarter. With observed developments in the fourth quarter, we expect the economy to record an annual contraction of around 3.9 per cent. The Central Bank is of the view that continued support through monetary and fiscal interventions is essential to provide adequate impetus to the economy amidst the challenging domestic and global macroeconomic conditions. Therefore, the Central Bank will continue the prevailing accommodative monetary policy stance in 2021 to ensure the envisaged recovery of economic activity. We would of course, be closely monitoring developments to avoid any strong demand-driven pressures on inflationary trends.

It is well known that the Sri Lankan economy has been operating well below its potential for the past several years, and the outbreak of COVID-19 exacerbated this condition. Growth-conducive policy measures introduced in 2020, we believe, would take a while to be effectively transmitted to the real economy. To catch up with the lost momentum and to sustainably realign itself with the envisaged high growth path the economy would need some time. Until the economy reaches its full potential, it is unlikely that there would be any notable domestic demand pressures, despite the large monetary expansion witnessed at present. The Central Bank will continue to remain vigilant but is confident that inflation will remain within the targeted range of 4-6 per cent over the medium-term. Inflation risks could emanate from exogenous factors such as increases in global petroleum prices and the possible improvement in global demand as well as pressures that could emanate from domestic supply-side factors.

Proactive Government policies are expected to address such supply side factors, helping the Central Bank's efforts to maintain inflation in the envisaged range.

Capitalising on the achievement of 12-years of single-digit inflation, the Central Bank intends to establish a permanent single digit interest rate structure in the economy. We will remain focused on maintaining market interest rates at single digit levels going forward. The business community will benefit from low-cost borrowing facilities corresponding to a low interest rate regime. This is imperative to promote investment and entrepreneurship in the country, the needed foundation for sustained high economic growth. The availability of low-cost funding on a sustainable basis would encourage businesses, including start-ups, to venture into new industries and sectors that have high growth potential.

The Central Bank recognises that certain social groups, such as fixed income earners, particularly senior citizens depending on retirement pensions, will be adversely affected by low deposit interest rates. The sustainable solution to this problem lies in long-term income growth and institutional developments involving mutual funds, insurance and annuity schemes, pension, and superannuation schemes. The Central Bank will continue to work with the financial sector to develop new financial products that will support such vulnerable segments in the society. The Government has also proposed to introduce a contributory pension scheme to assist those in public enterprises, as well as the private sector. As the Budget 2021 proposed, other social safety net schemes will be developed to support the economically vulnerable groups in a low inflation, low-interest rate environment.

Low lending rates and adequate levels of liquidity in the market would help channel funds to the private sector in the form of low-cost loans. The Central Bank expects credit to the private sector to expand by around 14.0 per cent in 2021 and at least by around 12.0-12.5 per cent annually over the medium-term, thereby supporting the envisaged growth of the economy.

For the sustainability of the low interest rate structure, it is essential that foreign exchange leakages for non-essential imports and outward investment are minimised, thereby allowing the domestic production economy to reap the intended benefits from easy monetary conditions. Monetary policy will also be reoriented towards supporting the identified sectors of the economy, and lending targets to priority sectors and winning industries will be introduced during the year, following consultation with relevant stakeholders.

Overall, while working within a framework of market economy, the performance of the open economy policies introduced from 1977 will be reviewed vigorously, so that the country and its economic agents could follow a focused approach to becoming an industrial economy. A policy framework with such long-term objectives would generate greater macroeconomic benefits than being driven by short-term vicissitudes in the market and unbridled desire for short-term financial gains. In accordance with the policy framework outlined in the 'Vistas of Prosperity and Splendour' and the Budget 2021, the Government has provided policy support to improve domestic production, particularly in Agriculture and Industry sectors. These fiscal stimuli and incentives would help expand the domestic capital base, improving domestic supplies. These developments would reduce the import dependence of the country, enhancing domestic production ratios in agricultural and industrial supplies. Furthermore, domestic supply improvements would enhance Sri Lanka's external competitiveness and export potential, while also reducing seasonal volatilities in domestic inflation to a great extent. These features of the new macroeconomic policy framework will be incorporated into economic management decisions of the Central Bank more closely, to ensure a coordinated approach to pushing the country on to a rapid growth path and sustained prosperity.

We are traversing through challenging times. It is important to closely monitor domestic as well as global monetary and macroeconomic developments to be able to effectively deal with renewed and impending challenges. In this regard, the Central Bank will make use of conventional as well as unconventional data sources to conduct regular analysis to inform monetary policy decision making. In addition to the use of conventional data sources and methods such as inflation expectations surveys and business outlook surveys, we will continue to use high frequency data from alternative repositories and adopt novel techniques including machine learning and other data science techniques to enhance our understanding of new developments. We will continue to use medium-term forecasts from the semi-structural macroeconomic model under the Forecasting and Policy Analysis System (FPAS) and provide information on the outlook of key macroeconomic variables, including inflation and economic growth, to provide guidance to key stakeholders. As part of this process, the Central Bank intends to publish a comprehensive Monetary Policy Report (MPR) commencing in the second half of this year. This would present an analysis of developments as well as projections of key macroeconomic variables. We believe that the communication of these macroeconomic projections will increase transparency, provide clarity on the future trajectories, and highlight any risks surrounding such trajectories over the medium-term.

In 2020, we encountered an extremely challenging external environment and therefore had to introduce strict policy measures to rationalise on non-essential merchandise imports, while encouraging foreign exchange flows into the country. These measures helped contain the pressure on the exchange rate without depleting foreign reserves. The Central Bank's stance on allowing market forces to determine the exchange rate will remain unchanged going forward. However, any excessive volatility in the exchange rate due to speculative moves by some market participants or cashflow mismatches would be strictly monitored and corrective action taken for the greater good of the overall economy. Market manipulations by a few for undue personal gain during difficult times at the expense of the masses will not be tolerated. While the exchange rate would be allowed to act as a shock absorber to alleviate the impact of external developments on the domestic economy, the Central Bank would continue to intervene in the domestic foreign exchange market to reduce undue volatilities in the exchange rate as well as to build up international reserves as appropriate, as done in 2020. The Central Bank trusts that the envisaged real sector developments will help maintain exchange rate stability. It is worth recalling that a planned reduction of the trade deficit, perhaps the more intractable one in the twin deficits, has been shown to be possible by 2020 data.

Meanwhile, the Central Bank will introduce its International Transactions Reporting System (ITRS) by the end of this year. Considerable progress in preparatory work in this regard has been made during 2020. Upon establishment, the ITRS would provide a comprehensive platform for monitoring cross border and foreign currency transactions through the banking sector. We expect continuous cooperation of the banking sector in the coming months for the successful implementation of this project as scheduled.

The pandemic and its wide-ranging impacts have urged all of us to rethink our economic strategies. In the past, we borrowed from the international markets and multilateral agencies to develop the nation, and as a result, our foreign debt had increased notably. Foreign commercial borrowing, commencing from 2009, remained in the initial years at subdued levels with total International Sovereign Bonds (ISBs) issued in the initial six years, 2009-2014, amounting to US dollars 5,000 million. ISBs issued in the next five years from 2015-2019 rose to US dollars 12,050 million, pushing up the country's foreign debt from commercial sources substantially. Sri Lanka's prospects of external financing have been adversely affected in the current market environment of global risk aversion and financial market volatility. In this backdrop, the Government's policy initiatives towards moving into domestic financing sources to fund the development projects are appreciated. To support these initiatives, the financial markets need to be proactive, maximising domestic funding sources for growth-oriented endeavours of the public as well as the private sectors.

The Central Bank and the Government will continue to pursue a coordinated approach in steering the economy through these challenging times. The successful implementation of the envisaged medium-term fiscal framework of the Government is imperative to achieve the needed fiscal space and to attain the targeted goal of a budget deficit of 4 per cent of GDP by 2025. This would be of immense use in the envisaged programme of sustained stable growth with price stability. Low inflation, by helping to sustain the low interest rate regime, would bring down funding costs to both the Government and the private sector. The Central Bank will work jointly with the Government to introduce and implement essential structural changes that are required to drive the economy along the envisaged growth path. The implementation of these structural reforms, along with the picking up of Government revenues and rationalisation of Government expenditures, should ensure sustainability and easy management of public debt in the period ahead. Meanwhile, the Government has created a conducive environment for investment through necessary tax reforms as well as legislative reforms, thereby making Sri Lanka a destination of promise for investment, domestic and foreign alike. Further, the Government has announced that it would adopt a selective approach in resorting to foreign funded projects, while providing opportunities for domestic investors. Such rebalancing of foreign debt and providing incentives for domestic as well as foreign direct investment will pave the way for consolidating foreign debt in the period ahead, while minimising pressures on the official reserves and the exchange rate. Proposals in the Budget 2021 to develop the Colombo Port City Special Economic Zone as an attractive business gateway linking markets in the East and the West, to promote the Colombo and Hambantota ports as commodity trading hubs, and to establish a modern investment zone for local and foreign private investors under the Strategic Development Act, are expected to entice a sizable flow of foreign capital into the country in the period ahead. Along with the expected inflows in terms of capital flows, acceptable project loans and support from friendly nations, the Central Bank expects to purchase a sizable part of export proceeds and workers' remittances from the market without putting pressure on the exchange rate, enabling the maintenance of an adequate level of reserves during the year.

The Central Bank will continue to announce its monetary policy decisions based on an advance release calendar. The release dates for the year 2021 are given below:

Advance Release Calendar for Monetary Policy Announcements in 2021

Announcement No.	Date of Announcement
1	19 January, Tuesday
2	04 March, Thursday
3	08 April, Thursday
4	20 May, Thursday
5	08 July, Thursday
6	19 August, Thursday
7	14 October, Thursday
8	25 November, Thursday

3. Financial Sector Policies for 2021 and Beyond

The contribution of all sectors of the economy is imperative to reach a high and sustainable economic growth trajectory in the period ahead. The financial sector of the country plays a vital role in improving productivity through efficient allocation of resources. Carrying out the Central Bank's mandate of maintaining stability in the financial system was challenging in 2020 amidst the outbreak of COVID-19. Unforeseen consequences brought about by the pandemic on to businesses and individuals tested the soundness and capabilities of the financial system. The Central Bank's efforts to maintain a dynamic and resilient financial sector, amidst the challenging global and domestic conditions, required effective supervision, regulation, prudential risk management, and reliable payments and settlements systems.

As the COVID-19 pandemic spread, the Central Bank took prompt action by its own initiative as well as in facilitating the decision taken by the Cabinet of Ministers on the direction issued by His Excellency the President to provide relief measures for affected businesses and individuals through the financial system. As such, numerous policy, operational, and regulatory measures were implemented during 2020. As the pandemic hit the cashflows of most businesses and individuals, the Central Bank ordered licensed banks to provide a series of concessions including debt moratoria and working capital facilities to eligible performing and non-performing Small and Medium scale Enterprises (SMEs) engaged in manufacturing, services, agriculture, and construction sectors. Considering the difficulties faced by businesses and individuals due to the second wave of COVID-19, licensed banks were instructed to further extend the debt moratoria granted to affected businesses and individuals. In addition, licensed banks were informed to cap the additional interest charged at 7.00 per cent per annum for the moratorium period in relation to the Equal Monthly Instalment (EMI) loans and 4.00 per cent per annum for leasing facilities granted for buses providing public transport services. Credit support schemes for eligible SME borrowers were also implemented. In this regard, the Central Bank facilitated the banks to provide working capital to eligible customers at concessionary interest rates. With a view to supporting marginal borrowers, banks were suspended from charging fees on cheque returns, stop payments, and late payments on credit facilities. Recovery actions on non-performing borrowers were also suspended and penal interest charged for non-performing loans was waived off.

Maximum interest rates on lending products, such as credit cards, pawning, pre-arranged temporary overdrafts, penal rates, and housing loans were also imposed as a targeted measure to reduce specific interest rates that the Central Bank considered to be excessive, as a concession for marginal borrowers and improve the monetary transmission mechanism.

As the purpose of the financial sector is to facilitate other sectors in the economy to meet their financial requirements, the Central Bank implemented extraordinary regulatory measures thereby providing liquidity to banks, expecting to overcome any possible adverse impact on the liquidity position while easing the pressure on the financial sector. At the same time, certain amendments to the Banking Act Directions were made, considering the benefits to the banking system through investments by Multilateral Financial Organisations such as the World Bank, International Finance Corporation (IFC), and the Asian Development Bank (ADB).

Despite the difficulties, the banking sector expanded in 2020, supported also by the reduction in corporate income and other tax rates, thus recording an increase in profit and the Return on Equity (ROE) after tax, whilst exhibiting resilience by maintaining capital and liquidity well above the regulatory minimum.

Various forms of support and relaxations of rules extended to the banking sector and the financial system during 2020 were aimed at safeguarding the financial system, on the one hand, and facilitating a faster economic recovery, on the other. Licensed banks and other financial institutions are therefore, urged to pass on the benefits of these relaxations to their customers, fostering a conducive financial environment for businesses and individuals, thus enabling a faster recovery of economic activity in a mutually beneficial economic environment. The financial sector ought to develop a new business model, taking into consideration background conditions of the new normal, and must become more customer-centric.

The Central Bank is currently in the process of developing the Group-wide Consolidated Supervision (GCS) framework to be adopted under risk-based supervision of financial groups. In 2020, the Central Bank commenced the implementation of GCS framework by carrying out limited GCS, based on the observations of relevant supervisory authorities. In addition, in 2021, the Central Bank will consider providing other regulatory relaxations to banks, where possible, considering the extraordinary circumstances that prevailed in 2020. The Central Bank also expects to review the Banking Act during the year, expecting to upgrade the legal and regulatory framework of licensed banks to further strengthen the financial system of the country. Banking institutions for identifiable market niches, such as development banks, are accepted. Large commercial banks will be encouraged to continue looking into avenues of expanding into regional markets. Further, the Central Bank will continue to facilitate a market-driven consolidation process, enabling small and medium sized banks to merge with other banks, preferably with larger banks having sound financial positions and viable business models.

The COVID-19 pandemic underscored the need for crisis preparedness. Licensed banks will be required to implement Recovery plans to strengthen crisis preparedness, enhancing their ability to respond effectively to adverse scenarios. Directions will be issued in due course, providing necessary guidelines. The Central Bank will continue to adapt its supervisory approaches to suit the new normal. A regulatory framework for technology risk management and resilience of licensed banks will also be introduced. This would prompt banks to upgrade and strengthen their information systems and technology platforms in line with the international standards and best practices. In this regard, the Central Bank will explore the possibilities of implementation of Supervisory Technology (SupTech) and Regulatory Technology (RegTech) solutions to streamline the data-intensive offsite supervision function by harnessing the capabilities of artificial intelligence (AI) and machine learning. Adoption of such frameworks and supportive human resource policies will enable the Central Bank to keep pace with the rapidly evolving technology-driven financial innovations, so that financial system stability could be further strengthened in the period ahead.

In the period ahead, the Central Bank will work closely with the Government in facilitating the establishment of the proposed National Development Banking Corporation (NDBC) by merging the State Mortgage and Investment Bank (SMIB), the Housing Development Finance Corporation (HDFC), and Pradeshiya Sanwardhana Bank (PSB), enabling a new era of development banking in Sri Lanka.

Along with other business sectors, the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector also faced significant challenges during 2020. The performance of this sector weakened during the year due to negative credit growth, declining profitability, and an increase in non-performing loans (NPLs). The slowdown in the sector was mainly contributed by subdued economic activity due to various restrictions imposed amidst the COVID-19 pandemic. The Central Bank continued to monitor key prudential indicators, while considering how companies with weak financial positions could be revived and how measures could be introduced to clean up their balance sheets. To safeguard depositors and to ensure long-term stability of the financial sector, necessary action has been taken to cease or limit finance business operations of those finance companies, which have continued to display weak performance. Further, several measures were introduced providing flexibility to LFCs and SLCs in order to facilitate their operations in supporting businesses and individuals affected by the COVID-19 pandemic.

Directions were issued to LFCs and SLCs to provide relief measures to businesses and individuals affected by COVID-19. Guidelines were provided for the implementation of a special credit support scheme for SME borrowers. In addition, Directions issued on loan-to-value ratio for locally assembled motor vehicles were revised. As the sector was under noticeable pressure, the effective date of Directions on liquid assets to be maintained by LFCs was further extended.

The Central Bank continued to address the challenges faced in creating strong non-bank deposit-taking financial institutions. Guidelines were issued to LFCs on the Prompt Corrective Action (PCA) Framework, with a view to ensuring financial soundness of the institutions concerned. This would protect the interest of depositors and maintain public confidence in the financial system. These guidelines will be effective from July 2022. Several regulatory and supervisory frameworks were initiated to strengthen the business models of certain LFCs and to prevent failures.

The need to strengthen the NBFI sector has been well recognised by the Government and the Central Bank as well as the general public. Therefore, the restructuring of this sector will be pursued as a national priority in earnest in the period ahead. The Central Bank is in the process of implementing a medium-term consolidation plan to ensure that strong and stable LFCs will be able to make an effective contribution to the economic needs of the country. The stability of the sector is expected to be reinforced over the medium-term horizon, supported by the forthcoming changes to the existing regulatory framework.

Meanwhile, the macroprudential surveillance framework of the Central Bank will be further strengthened and extended, covering new areas of analysis to enhance the existing framework. The macroprudential policy formulation process would thus be refined with a view to forming a stronger financial system for the benefit of the broader economy.

In 2020, the Central Bank took measures to operationalise the Road Map for Sustainable Finance based on a time-bound action plan. An inter-regulatory committee has been set-up to accelerate the collective progress under the Road Map. In line with international best practices, an applicable taxonomy will be formulated in 2021, enabling stakeholders to practice sustainable finance.

Enactment of a legal framework to regulate unregulated moneylending activities, thereby creating a better and more effective regulatory environment for moneylending institutions, is of utmost importance. For this purpose, the Monetary Board has approved the draft of a Microfinance and Credit Regulatory Authority Act (MCRA). The approval of the Cabinet of Ministers for this is awaited. Once enacted, this will be helpful in further strengthening financial system stability and improving financial inclusion in the country.

All stakeholders in the evolving financial system have an important role to play, especially in times of a low interest rate environment, where high rewards are often associated with high risks. As such, depositors should always be cautious in investment preferences, balancing risks and rewards, while the financial institutions are required to take calculated risks and offer competitive returns so that the financial system becomes efficient and sound. On the other hand, the financial sector is expected to take a longer-term view on accommodation, particularly considering generally ignored aspects of projects, such as the contribution to environmental sustainability, and sustainable and inclusive development.

The year 2020 was designated as the year of digital transactions. Thus, many promotional activities were carried out throughout the year to popularise digital payment mechanisms among the public. LANKAQR is one such initiative implemented, covering the entire island, and it received wide recognition by stakeholders. In fact, the adoption of digital payment platforms proved extremely useful during the pandemic.

On the payments and settlements front, uninterrupted operations were made possible during 2020, through an increased focus on new technologies. Major focus areas included strengthening of the regulatory framework, ensuring the safety of customer funds and information, and enhancing the efficiency of payments and settlements systems. Accordingly, a FinTech Regulatory Sandbox was established, providing a testing platform for innovative products. Also, Shared Know-Your-Customer (KYC) Blockchain Proof of Concepts (POCs) were developed by three interested contributors, in collaboration with licensed commercial banks, which are currently being tested. Apart from these, the Central Bank is actively seeking possibilities to develop and promote other forms payment mechanisms to attract capital flows and to enable e-commerce, thus facilitating cross-border trade. An implementation framework for Open Banking in Sri Lanka is being investigated. The Central Bank has already commenced discussions with international payment service providers, such as *PayPal*, to enable payment receipt facilities for Sri Lankan residents, and we expect positive outcomes in the near future. As the future of the global financial architecture is essentially digital, the Central Bank will continue its deliberations with local and international stakeholders on its treatment of digital currencies, using thorough cost-benefit analyses and a long-term perspective.

A robust resolution framework is an essential part of a healthy financial system. The Central Bank has already taken measures to put in place such a framework with the aim of maintaining overall financial system stability. We have already commenced revising the Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS) Regulations to ensure an efficient and effective compensation payment mechanism in the event of financial institution failures. The Central Bank will also take measures under the Resolution framework to mitigate the contagion effect of any failure of a financial institution and to stem spillover effects on the real economy.

A major challenge encountered by the Sri Lankan financial markets during 2020 was the substantial outflow of foreign investment from domestic capital markets. The Government securities market, which has the largest share in the domestic capital market, recorded a notable foreign investment outflow within the first few months of 2020. Like most other emerging markets, the Sri Lankan equity market also experienced increased volatility in 2020, in the backdrop of numerous uncertainties posed by the COVID-19 pandemic. However, the Colombo Stock Exchange (CSE) has become one of the best performing markets in the Asian region, with improved market indices and high turnover. Going forward, the capital markets are expected to perform a greater role, as the country can no longer afford a high interest rate environment as in the past. Well-developed capital markets will be essential to ensure better returns for savers while providing equity capital and other forms of financing for businesses.

As the economy is expected to bounce back swiftly in the period ahead, the Sri Lankan financial markets and regulatory bodies should stand ready to welcome required changes to attract and sustain investment. It is expected that the rapid development of the Colombo Port City Special Economic Zone, of which the commercial and retail asset components are set to break ground in mid-2021, would catalyse growth performance in the financial sector. The Central Bank will work with the Government to operate the regulatory framework, as developed by the relevant Act of Parliament, in respect of the Colombo Port City Special Economic Zone. Such joint work will ensure the seamless cohabitation of the national financial sector regulatory framework with the expected special legislation covering the international financial centre in the Port City.

4. Policies to Strengthen the Broader Economy

Thus far, I have discussed the core functions of the Central Bank and related plans and policies. Let me now turn to the ancillary and agency functions of the Central Bank. The Bank is engaged in these, while supporting the smooth functioning of the financial system and further strengthening of the broader economy.

Currency Management

As you all are aware, the Central Bank has the exclusive right of managing the currency-issue operations in Sri Lanka. We continue facilitating the use of technology-driven non-cash modes of payment. The period of the pandemic, however, witnessed an increase in the demand for currency. This shows the tendency among the public to hold more currency, driven by precautionary motive, at times of crisis like these.

To improve the efficiency of cash operations amidst the pandemic, we opened the cash exchange counter adhering to the Government's health and safety guidelines and continued the acceptance of unfit currency. To facilitate the smooth functioning of cash operations, the Central Bank introduced the mechanism of exchange of excess serviceable currency notes among banks, without coming to the Central Bank. A technical platform to facilitate the exchange of serviceable-quality currency among banks will be implemented going forward. Further, to strengthen maintaining contingency currency stocks, we expect to transfer a part of currency notes and coins in stock from the Central Bank head office to the newly established Contingency Vault outside the Western Province.

In 2020, the Central Bank celebrated its 70th anniversary. To mark this event, an uncirculated commemorative coin with a value of Rs. 20 was issued, and a circulation standard commemorative coin will be issued soon. A new currency note for Rs. 2,000 will be introduced in 2021, as part of the existing 11th note series with improved security features.

Public Debt Management

The Central Bank is the fiscal agent of the Government. The statutory responsibility in this function entails executing a prudent debt management strategy to accommodate the financing needs of the Government at the lowest possible cost. In this role, the Bank should allow for only a reasonable degree of risk and should guarantee debt sustainability over the medium-term.

The emphasis of the medium-term debt management strategy continued to focus on containing outstanding foreign currency debt as a share of total outstanding debt, expanding the average time to maturity (ATM) of the debt portfolio, and managing the exposure to short-term debt. In extremely challenging macroeconomic circumstances, we maintained 100 per cent accuracy and timeliness in servicing debt payments during 2020. We will continue doing so in future as well.

To ensure the maintenance of the Government's unblemished debt service record in the period ahead, the Monetary Board, at the last meeting of 2020, established a two-tier Task Force on External Debt Monitoring. This Task Force is led by a member of the Monetary Board and is intended to closely monitor external debt dynamics vis-à-vis the adequacy of reserves, and to make regular recommendations to the Governor.

Followed by unprecedented monetary easing measures, a "maximum yield rate of acceptance" arrangement for all Treasury bills and Treasury bonds auctions was introduced in May 2020, and this led to reducing the average cost of Government securities issuances to all time low levels. Prudent liability management will enable capitalising domestic and international market opportunities to minimise the cost of borrowing, while maintaining a prudent risk profile for Government securities.

In enhancing the effectiveness of primary auction participation for Government securities, the Central Bank continued to publish a Government securities Auction Calendar on a quarterly basis. From 2021, the Auction Calendar will be issued for a six-month or longer period in consultation with the Ministry of Finance. Issuance of Sri Lanka Development Bonds (SLDBs) was facilitated through a direct issuance arrangement. Going forward, the Central Bank will issue fixed rate and multi-currency SLDBs, thereby facilitating the financial sector foreign currency deposit mobilisation.

Arrangements to streamline holiday treatment of Treasury bills in line with Treasury bonds are in the pipeline and issue new International Securities Identification Numbers (ISINs) for 364-day Treasury bill, and issuing 91-day and 182-day maturities based on remaining maturity is envisaged for 2021. The avenues for implementing a new web-based Treasury bill auction system and a direct issuance window for Treasury bonds are currently being explored.

The Central Bank is working expeditiously towards establishing a state-of-the-art Electronic Trading Platform (ETP) and a Central Counterparty Clearing House (CCP) for Government securities and domestic foreign exchange transactions along with the required regulatory framework, concurrent with the modernisation of the existing Real-time Gross Settlement System (RTGS) and the Central Depository System (CDS) for Government securities. CCP is also expected to be expanded to cover other asset classes in the future. These initiatives are expected to enhance money and capital market operations of the country, mitigate counterparty risk, improve market liquidity, price transparency, and investor confidence, thereby facilitating low borrowing costs for the Government.

Management of the Employees' Provident Fund

The Central Bank continues to manage the largest superannuation fund in Sri Lanka, the Employees' Provident Fund (EPF), with a view to facilitating a diversified medium- to long-term investment strategy. The intent has always been to provide the maximum possible return to members, while adhering to stringent investment guidelines. We have engaged in primary and secondary market investments in Government securities and equity transactions while also investing in corporate debentures.

Going forward, we expect to revise the Investment Guidelines to be in line with the latest market developments. The intention is to facilitate a more prudent investment decision making process, while strengthening the existing internal control environment. We expect to rebalance the investment portfolio to generate a high risk-adjusted rate of return compared to market rates, while seeking alternative investment avenues to diversify the investment portfolio given the current low interest rate environment.

Further, to enhance the operational efficiency and provide an optimal service to the stakeholders, we plan to implement a business process reengineering in 2021, with the assistance of competent consultants, thereby implementing a member-centric integrated IT solution, and investment and accounting modules.

Foreign Exchange Management

Addressing foreign exchange market issues that arose with the spread of the COVID-19 pandemic, we took a number of regulatory measures, such as restrictions on the importation of certain non-essential consumer goods and certain types of financial outflows, to stabilise the exchange rate and strengthen the foreign currency reserve position of the country.

With a view to encouraging inward remittances to the country, a scheme titled Special Deposit Accounts (SDA) was introduced to be opened with fresh inward remittances, and it has helped to receive a notable amount of foreign exchange.

Considering the difficulties faced by foreign exchange earners who hold Business Foreign Currency Accounts (BFCAs) and Sri Lankan expatriate employees who are holders of Personal Foreign Currency Accounts (PFCAs) with reduced foreign exchange inflows, Authorised Dealers were allowed to recover such foreign currency loans granted to the borrowers, in Sri Lanka rupees, as a last resort, subject to conditions.

To sustain the improvements in the external environment, the validity period of the Order issued for the suspension of outflows on account of certain capital transactions has been extended for another six months from January 2021.

Further, we expect to introduce revised criteria for granting permission to promote foreign exchange activities by facilitating eligible persons in order to promote foreign exchange activities in the market. Revised Regulations and Directions considering the requirements of stakeholders are to be issued under the Foreign Exchange Act (FEA), further facilitating and simplifying cross-border foreign exchange transactions.

Going forward, the foreign exchange management framework will be reviewed in order to facilitate and simplify foreign exchange transactions. This will also prevent any leakage of foreign exchange from the Sri Lankan economy through unjustifiable means and any drain of domestic resources due to speculative actions by individuals and firms.

Financial Intelligence

Following the de-listing of Sri Lanka from the Grey List of Financial Action Task Force (FATF) in 2019, the European Commission also de-listed Sri Lanka in May 2020 from its list of High-Risk Third Countries that have strategic deficiencies in their anti-money laundering and countering the financing of terrorism (AML/CFT) regimes. We worked under the guidance of the National Coordinating Committee (NCC) to strengthen the related policy framework on AML/CFT, and carried out the coordination of the Cabinet approved National Action Plan with stakeholders to address the concerns relating to the AML/CFT framework.

The supervisory role for Financial Institutions and Designated Non-Finance Businesses and Professions was guided by timely issuance of Rules, Regulations, Guidelines, and Circulars. To strengthen the AML/CFT compliance, we issued several circulars and guidelines during 2020, focusing on AML/CFT compliance obligations. Further, a Circular was issued to all Financial Institutions, advising them to increase the vigilance towards possible Money Laundering or Terrorist Financing risks that could arise with the pandemic. We have also ensured that Sri Lanka adheres to international norms and the United Nations Security Council Resolutions.

In 2020, a Memorandum of Understanding (MOU) was signed with the Chief of National Intelligence to exchange intelligence, increasing the total number of MOUs signed with domestic agencies by the Financial Intelligence Unit to 12. Further, we continued to conduct on-site examinations and programmes for enhancing awareness among related parties and imposed penalties for non-compliance within the provisions of the Financial Transactions Reporting Act and Rules issued thereunder.

Going forward, we expect to coordinate with the stakeholders to develop individual AML/CFT policies in line with the National AML/CFT Policy. Further, the National Risk Assessment on Money Laundering and Terrorist Financing will be updated during 2021 in collaboration with all relevant stakeholders. We also expect to take necessary action to amend relevant legislations to strengthen the legal framework in line with international standards. Further, it is expected to complete the "goAML" online reporting and analysing system to streamline the reporting process and increase analytical capabilities. At the same time, we will also facilitate the implementation process of relevant United Nations Security Council Resolutions on proliferation financing and terrorist financing by the Competent Authority.

Regional Development

In addition to the regular operations to promote financial inclusiveness in the march toward an inclusive and stable financial system, the Central Bank implemented, in collaboration with the Government, a number of operational activities for economic revival by revamping businesses affected by the COVID-19 pandemic. The Saubagya COVID-19 Renaissance Loan Scheme Facility was implemented in three phases to provide working capital loans at highly concessionary terms to businesses affected by the COVID-19 outbreak. The Central Bank approved a total of around Rs. 180 billion loans to around 62,000 affected enterprises under this scheme. Several other loan schemes, including credit guarantee and interest subsidy schemes, were also operated to expand credit to MSMEs in needy sectors. Our aim was to channel the credit to growth-oriented SMEs, which are the backbone in the production economy.

We continued in our efforts to improve financial literacy through the Financial Literacy and Capacity Building Programmes and those to address information asymmetries in various markets. The lack of financial literacy has led to issues such as depositors going after high returns without due consideration to risks involved. The National

Financial Inclusion Strategy will be implemented in 2021, to enhance financial inclusion, aimed at increasing the usage and availability of quality financial products in the market that are affordable and sustainable. Further, the establishment of the National Financial Inclusion Council and National Financial Inclusion Management Committee will remain key priorities in the period ahead. Several projects are being planned to support micro and small-scale entrepreneurs in raising their income, improving financial literacy, providing formal financial sector support, and enhancing awareness among the rural community. We also plan to promote an eco-friendly green village environment to improve healthy living standards while focusing on uplifting the livelihood of the underserved people.

Financial Consumer Relations

We have set up a new Department at the Central Bank with a mandate of serving as the single point of contact handling all external complaints and grievances directed to the Central Bank on entities regulated by the Central Bank. It will ensure that the policies and regulatory measures adopted by the Central Bank are implemented at the grassroots level supporting the public. This new Department is in the process of drafting a Regulation in relation to developing a comprehensive financial consumer protection framework covering the entities under its purview, enabling to proactively engage in regulation of financial market conduct and other related activities. Going forward, a new contact centre is to be set up, which will facilitate the effective discharge of its activities with easy access for financial consumers. Further, it is expected to introduce a new Financial Consumer Protection Act to cover all financial institutions, while measures will also be taken in the period ahead to setup an autonomous financial consumer protection authority covering all the stakeholders in the financial industry.

5. Concluding Remarks

Ladies and Gentlemen,

Let me begin to close my long address with a brief conclusion and necessary acknowledgements.

As stated at the outset, Sri Lanka experienced heightened vulnerabilities during 2020. With prudent measures of the Government and the Central Bank, the impact of these vulnerabilities has largely been contained. The policy and regulatory measures implemented thus far have helped us to counter the adverse impact of multipronged shocks on the economy and wellbeing of the people. Nevertheless, given the high degree of risk and uncertainty associated with global business cycle and other shocks, we need to continue to be cautious and be vigilant on possible pressures on macroeconomic and financial system stability. Further, the severity of the challenges brought about by the pandemic cannot be addressed by the Government and the Central Bank alone. It requires a collaborative approach involving all the stakeholders in the economy. Only with such support, and proactive decision making and appropriate policy measures, we will be able to mitigate any future challenges and uncertainties and steer the real economy and the financial sector in the right direction. The Central Bank remains committed to achieving the objectives of maintaining economic and price stability, and financial system stability, thereby encouraging and promoting productive use of resources of the country. This would help create balanced macroeconomic conditions capable of generating sustained and equitable economic growth over the medium-term. Looking beyond the medium-term, we should make opportunities created by the COVID-19 pandemic to plan for the longer-term, for a sustained high growth, which must be digitally-inclusive, technology-driven, and environment-friendly, so that the future generations of Sri Lanka will enjoy a high degree of economic freedom, prosperity, and splendour. The COVID-19 pandemic has delivered a strong message to all communities that achieving sustainable development goals (SDGs) should take centre-stage in the post-pandemic policymaking, and the Central Bank will remain committed to performing an active role alongside the Government and other stakeholders to achieve our collective goal of shared prosperity.

We believe that the future policy directions and actions set out in the Road Map will serve as a guide for stakeholders to formulate and align their actions in line with the broad contours of economic policy for the medium-term and beyond.

Before concluding my speech, allow me to convey my sincere gratitude and appreciation to several individuals who contributed and supported the efforts to carry out the functions of the Central Bank. First and foremost, I am extremely grateful to His Excellency the President Gotabaya Rajapaksa and the Honourable Prime Minister and the Minister of Finance Mahinda Rajapaksa for their leadership, guidance, and support, especially in making every effort to ensure close coordination between the Government and the Central Bank. I would also like to thank Honourable Ajith Nivard Cabraal, State Minister of Money and Capital Market and State Enterprise Reforms, Honourable Shehan Semasinghe, State Minister of Samurdhi, Household Economy, Micro Finance, Self-Employment, Business Development, and Underutilised State Resources Development, and Dr. P B Jayasundera, the Secretary to His Excellency the President, for their invaluable support to the work of the Central Bank.

I highly appreciate the ample support and valuable discussions and inputs from the Members of the Monetary Board of the Central Bank, especially during these challenging times. My profound appreciation goes to the Secretary to the Treasury, Mr. S R Attygalle, the ex-officio member of the Monetary Board, and appointed members of the Monetary Board, Mr. Sanjeeva Jayawardena PC, Dr. (Mrs.) Ranee Jayamaha and Mr. Samantha Kumarasinghe for their constant support, which is instrumental and substantive in decision making. The appointed members who served the Monetary Board during the early part of 2020, Mr. Chrisantha Perera, Mr. Nihal Fonseka and Dr. (Ms.) Dushni Weerakoon also deserve to be thanked for their support in Monetary Board decision making during their period of service. I also wish to acknowledge the contributions of the Chairmen and members of the reformulated Monetary Policy Consultative Committee and the Financial System Stability Consultative Committee, as well as the members of other Advisory Committees of the Central Bank. The co-operation extended by the Chairpersons and Chief Executive Officers of banks and other financial institutions, and the support of other regulatory agencies and public institutions, are gratefully acknowledged.

I am grateful to the Deputy Governors, Mr. K M M Siriwardana, Mrs. T M J Y P Fernando, and Mr. N W G R D Nanayakkara, for their support and contribution in terms of highly professional advice and recommendations. Services rendered by former Senior Deputy Governor, Dr. Nandalal Weerasinghe, and former Deputy Governor, Mr. H A Karunaratne, are gratefully mentioned. I would also like to express my sincere gratitude to the Assistant Governors, Senior Heads and Heads of Department, particularly the Director of Economic Research and the Staff of the Economic Research Department for their effort in producing this policy document. It is my pleasure to acknowledge my colleagues in the Governor's Secretariat who support me on a day-to-day basis. I also thank all Staff of the Central Bank who always stood by the expectations and have a meaningful contribution to the nation with vigour and enthusiasm even during very challenging times.

Let me conclude my speech by reiterating that we live through difficult and uncertain times where extraordinary efforts are required to boost economic confidence on a broad basis in non-partisan lines. I believe that the collaborative approach and continuous support in trying circumstances will endure a sustainable growth momentum in Sri Lanka. Theodore Roosevelt, one of the greatest U.S. presidents in history, once said: "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing". I believe that in times of difficulty to build resilience to help us overcome adversity, we must take decisions, carefully no doubt to avoid mistakes, but leading to action, nevertheless. I am sure the policies and plans unveiled in relation to the monetary and financial sector will create a conducive environment for economic agents to take a long-term view of the economy.

Thank you, and I wish you all a Happy and Prosperous New Year 2021.