



**CENTRAL BANK OF
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Media Release

Changes to the Central Bank's Monetary Policy Decision Making Framework

The global financial crisis and its aftermath have brought about new and different challenges for central banks. The highly interconnected world of macro-financial linkages and the uncertainty they create require continuous adaptation of decision making frameworks for central banking policies to assure their ongoing relevance and appropriateness.

The Central Bank of Trinidad and Tobago has a broad mandate that goes beyond price stability to supporting growth, external sector stability, financial stability and developing institutions and practices that strengthen financial markets and foster financial inclusion.

As part of the Central Bank's ongoing process of adapting to meet new challenges, we have reviewed the decision making framework for monetary policy and are introducing a number of changes to ensure greater consistency with international best practice and with our own specific macroeconomic and institutional context.

These changes are as follows:

An Expanded Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC), which has overall responsibility for formulating monetary policy, will now include two external members. The external committee members would help to ensure that the MPC benefits from specialized expertise and diverse viewpoints in its policymaking deliberations.

The Monetary Policy Committee (MPC) will now comprise seven members as follows:

Chairperson

- Governor

Members

- Deputy Governor responsible for Research and Policy
- Deputy Governor responsible for Operations
- Chief Economist
- Senior Manager responsible for Market Operations
- Two External Members

The two initial external members are Professor Miguel Carrillo, Executive Director, Arthur Lok Jack Graduate School of Business and Professor Emeritus Ramesh Ramsaran, Institute of International Relations, UWI, St. Augustine. They will both serve for a period of two years.

Functions of MPC

The primary functions of the MPC would be to:

- Determine the appropriate stance of monetary policy in the short to medium term based on internally generated evaluations of global and domestic monetary, financial and macroeconomic developments.
- Review regularly, the monetary policy framework and adopt changes when necessary.
- Communicate monetary/financial policy decisions to the public.

New Meeting Frequency

The MPC will meet every two months, rather than every month as previously obtained. This will give the Committee a better opportunity to fully consider economic and financial conditions, including important issues and policy alternatives. If necessary, the MPC can convene unscheduled meetings.

New Monetary Policy Announcement

The Bank's monetary policy decisions, including the setting of the repo rate, will be communicated to the public in the form of a 'Monetary Policy Announcement' on the Friday evening after the MPC meeting. An advance release calendar of monetary policy announcements will be published on the Central Bank's website.

The release every two months of the Monetary Policy Announcement will be supplemented with the biannual Monetary Policy Report and Economic Bulletin. This ensures that the Central Bank maintains a consistent flow of economic data to the general public and financial markets.

Establishment of Monetary Policy Secretariat

The work of the MPC will be supported by a MPC Secretariat which will meet every month. The Secretariat replaces the former Monetary Policy Support Committee, and its composition and responsibilities are as follows:

Composition of the MPC Secretariat

Chairperson

- Chief Economist

Members

- Manager, Research Department
- Manager, Domestic Market Operations
- Manager, Reserve Management Department
- Manager, Statistics Department
- Senior Economist, Monetary Policy Unit, Research Department

The responsibilities of the MPC Secretariat are to:

- Prepare the agenda of the MPC meetings.
- Prepare documents for the MPC meetings, including forecasts on domestic and international economic conditions.
- Prepare an assessment of the economic and financial conditions, including important issues and policy alternatives for consideration by the MPC.
- Prepare a summary of key issues for the MPC meetings, including recommendations to the MPC on the appropriate monetary policy stance.

- Prepare a draft Monetary Policy Announcement to promote better public understanding of monetary policy and effective communication with the public and investors.

The first meeting of the modified MPC will take place in September 2013 and the inaugural Monetary Policy Announcement will be made on September 27, 2013.

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