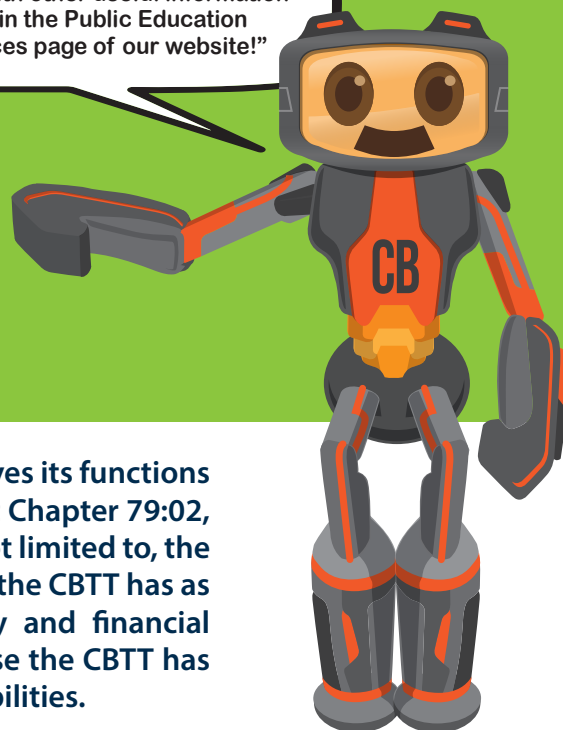


ROLES AND FUNCTIONS

“You can learn more by checking out our video on Roles and Functions along with other useful information located in the Public Education Resources page of our website!”



The Central Bank of Trinidad and Tobago (CBTT) derives its functions and powers from its parent Act, the Central Bank Act Chapter 79:02, and other legislation it administers, including, but not limited to, the Financial Institutions and Insurance Acts. Essentially the CBTT has as its principal mandate the promotion of monetary and financial stability in Trinidad and Tobago. To fulfil this purpose the CBTT has been given a range of functions, powers or responsibilities.

One of the CBTT's most well-known roles is the *issue and redemption of currency*. The CBTT is the only institution in the country authorised to perform this function. With the approval of the Ministry of Finance, the CBTT determines currency design and engages the services of reputable printers and minters to produce notes and coins. It works hard to safeguard the integrity of our currency by integrating security features into money design. Also it is the responsibility of the CBTT to ensure the provision of an adequate supply of currency to satisfy the needs of the public.

Another main role is the *promotion of monetary stability* and it does this by implementing monetary policy. Monetary policy refers to those actions and decisions undertaken by a central bank to promote economic growth and development. In the case of Trinidad and Tobago, the CBTT is mandated to maintain a low and stable rate of inflation, an orderly foreign exchange market and an adequate level of foreign exchange reserves. The local authorities believe that pursuing these aims will ultimately promote growth and development of the local economy.

In its role as *banker to the Government*, the CBTT maintains deposit accounts, effects domestic and foreign currency transactions and provides advice relative to these matters. Just as corporations and individuals hold deposit accounts at commercial banks, the Government holds deposit accounts at the CBTT. These accounts are used for receiving funds, making payments and clearing cheques issued by the Government. As agent to the Government, the CBTT issues securities on behalf of the Government of Trinidad and Tobago and state bodies.

The CBTT is also the *banker to the commercial banks*. All commercial banks must maintain a deposit account with the CBTT to settle transactions amongst themselves as well as for the maintenance of a cash reserve requirement (funds commercial banks are required to hold at the CBTT). Aligned to this function, the CBTT provides liquidity to the commercial banks, if needed, through an Intraday Liquidity Facility which allows for the timely settlement of transactions during the day. Also, in conjunction with the commercial banks, the CBTT operates the Clearinghouse for cheques.

Management of the foreign exchange market is another responsibility of the CBTT with its power derived from the Exchange Control and Central Bank Acts. One aspect of this involves providing operating licences to foreign exchange Authorised Dealers, Bureaux de Change and other identified agents. Additionally, to maintain an orderly foreign exchange market the CBTT may intervene in the market to influence the exchange rate by selling or buying foreign currency. Before the CBTT makes a decision to intervene in the foreign exchange market, it assesses a number of variables including current economic conditions, competitiveness of the exchange rate, short-term imbalances and the level of international reserves.

The CBTT is also required to *manage the country's foreign exchange reserves*. Reserve assets are those external assets that are readily available to and controlled by the CBTT for meeting balance of payments¹ financing needs, for intervention in exchange markets and for other related purposes. The instruments included in reserve assets are

¹The balance of payments refers to economic transactions (payments and receipts) between residents of Trinidad and Tobago and the rest of the world.

monetary gold, special drawing rights, reserve position in the Fund, currency and deposits, securities, financial derivatives and other claims². Foreign exchange reserve management therefore involves the preservation of the capital value of reserve assets, the maintenance of adequate liquid foreign assets to make debt service and other payments on behalf of the Central Government and for the CBTT's own account. Since 2007, the CBTT has also been given responsibility for the management of the Heritage and Stabilisation Fund. This fund, however, is not counted as part of the country's reserves; it is a fund created for saving and investing surplus petroleum revenues for use in smoothing Government expenditure during downturns, and for future generations.

As regulator of financial institutions, the CBTT also has a general mandate of *financial system stability*. This involves maintaining a financial system able to

withstand adverse shocks. To promote a sound and resilient financial system, the Central Bank supervises all institutions it regulates to determine whether they are in sound financial condition. These institutions include commercial banks, non-bank financial institutions, insurance companies and related entities, pension plans and bureaux de change. The CBTT is also required to promote efficient and fair banking and financial services markets and maintain an appropriate level of protection for depositors, policyholders and pension plan members.

Finally, the Central Bank has an economic *research and intelligence function*. The Central Bank monitors domestic and international economic developments and presents its analyses in several routine publications and economic research papers.

The Central Bank of Trinidad & Tobago Roles and Functions



² International Monetary Fund, Balance of Payments and International Investment Position, Sixth Edition (BPM6), Paragraph 6.64.