

**STATEMENT BY GOVERNOR OF THE EASTERN CARIBBEAN CENTRAL BANK
THE HONOURABLE SIR K DWIGHT VENNER**

on

The Eastern Caribbean Central Bank Assuming Control of the
Caribbean Commercial Bank (Anguilla) Limited and the National Bank of Anguilla Limited
Issued 12 August 2013

Citizens and residents of Anguilla.

The Eastern Caribbean Central Bank, after due consultation with the Monetary Council, has been directed to exercise the powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 1983 and has assumed control of the two indigenous banks which operate in Anguilla - the Caribbean Commercial Bank (Anguilla) Limited (CCB) and the National Bank of Anguilla Limited (NBA).

The circumstances under which this action has been taken are as follows:

1. The economies of the Eastern Caribbean Currency Union (ECCU) are mainly dependent for their growth on two sectors, tourism and construction;
2. The global crisis has had a major impact on these sectors;
3. Growth in Anguilla has virtually collapsed, falling from an average of 15.8 per cent between 2005 and 2007 to an average contraction of 5.5 per cent for the period 2008-2012; and
4. The banks have seen their non-performing loans escalate to levels beyond the guidelines set by the Central Bank and this in turn has resulted in the banks not meeting their capital requirements.

Over the last two years, the banks have been under very close supervision by the ECCB. The Central Bank has had several onsite inspections of the two institutions and their Directors and Managements have visited the headquarters of the ECCB for consultations. A major diagnosis of the banking sector, including these two banks, was conducted in 2011 by the Task Force on the ECCU Financial System chaired by the ECCB with the International Monetary Fund (IMF), The World Bank, the Caribbean Development Bank (CDB) and ECCU government representatives as members. The results heightened concerns over the operations of the banks. The Monetary Council, in response to the results of the diagnosis, directed the Central Bank to prepare a comprehensive resolution strategy which was subsequently approved by the Council.

As concern grew over the performance and condition of these two institutions, the Monetary Council's Ministerial Sub-committee on Banking met on several occasions to receive updates on the situation. The Foreign and Commonwealth Office of the British Government was also engaged in these discussions and subsequently the IMF and The World Bank. The case for intervention was finally presented to the Ministerial Sub-committee on Banking, which accepted it and made the recommendation to the full Monetary Council.

The objective of this action is intended to:

1. Stabilise and restructure both banks and return them to a state of normality;
2. Protect depositors and creditors; and
3. Ensure the stability of the banking system in Anguilla and by extension the entire currency union.

Following the assumption of control, the banks will be placed under a period of conservatorship. The ECCB will have full control of the banks for the next six months in the first instance to ensure that these changes are carried out to the satisfaction of the Monetary Council and the Government of Anguilla. The ECCB will be supported by teams of experienced professionals from the IMF and The World Bank as well as senior banking personnel from the region who will begin the restructuring of both banks.

The ECCB has been assured of and has had the full support of the British Government in this operation. It will also have the support of the World Bank through funds provided by the Department for International Development (DFID).

We will also have support from the IMF through funds provided by the Department of Foreign Affairs, Trade and Development, formerly the Canadian International Development Agency (CIDA) for the resolution strategy prepared for the banking sector in the ECCU. The Anguilla Financial Services Commission will also be working closely with the Central Bank in this exercise.

Banking business will continue in the normal fashion on Tuesday morning (13 August 2013). The situation is fully under control and in the hands of trained professionals who have the experience of carrying out these tasks and are backed up by the IMF, The World Bank and the British Government.

We look forward to the full cooperation of the public as well as the financial and commercial communities as we seek to resolve this situation in the quickest possible time and have every confidence that the indomitable spirit of the Anguillan people and their collective wisdom will bring this matter to a successful conclusion.