

Words of Welcome

delivered by
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On the occasion of the first CBCS Central Banking Conference
Caribbean Central Banking since the Financial Crisis

Sonesta Maho Beach Resort, Sint Maarten
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Excellencies, distinguished guests,
ladies and gentlemen, good morning.

It is with great pleasure that I welcome you to our first central banking conference. I want to extend a special welcome to our speakers who were gracious enough to accept our invitation. For our foreign participants, a special word of thanks and we hope that you will enjoy your stay in Sint Maarten.

Ladies and gentlemen, as the Central Bank of the monetary union, we are responsible for the monetary policy for the entire Union. However, since the Bank is headquartered in Willemstad, its activities and functions may sometimes appear unclear to those outside Sint Maarten's financial services and government. Hopefully through conferences like this, we can offer a glimpse inside the Bank and a better understanding of its role in the Sint Maarten community. We wish to demonstrate that the Bank remains a vital institution in fostering the further social and economic growth of this young country.

Another important objective of this central banking conference is to provide practitioners of the science of economics with more insights into the developments in the areas of macroeconomics, banking, and finance that are particularly relevant for Caribbean central banks, governments, and the financial sector. The overarching theme of this year's conference is the challenges and opportunities of Caribbean central banking in the aftermath of the 2008 global financial crisis—an event whose repercussions are still being felt. Since the start of the crisis, central banks in various countries have been at the forefront with policy responses to mitigate its impact on the economy. Ladies and gentlemen, central banks in their crucial role as lenders of last resort, are able to create much needed liquidity in times of shock through purchases of financial instruments. Nevertheless, challenges remain. An undue burden has been placed on central banks making them virtually solely responsible for fostering economic growth.

Because of this role, we consider it of utmost importance to foster discussions and share experiences with local and regional peers on these important topics that can contribute to a more resilient financial sector and a better macroeconomic environment.

Over the course of these two days, experts from the Eastern Caribbean Central Bank, the Bank of Jamaica, the Caribbean Regional Technical Assistance Centre of the IMF, the Center of Latin American Monetary Studies, the University of Tilburg, the University of the West Indies, and the Caribbean Centre for Money and Finance will share their views on monetary unions and monetary policy in a Caribbean context, the importance of stability and resilience within the financial system, and behavioral economics and the benefits of financial literacy. All of these topics are of particular relevance for both Curaçao and Sint Maarten.

Ladies and gentlemen, since becoming a monetary union in 2010, extensive discussions have been held on the benefits and costs of the monetary union between Curaçao and Sint Maarten and whether it is in our collective interest to forge ahead together or go our separate ways. One of the main goals of the Bank's strategic plan is to increase public knowledge about monetary unions to facilitate productive dialogue. We are very glad, therefore, that the Deputy Governor of the Eastern Caribbean Central Bank, Mr. Trevor Brathwaite, is here today to provide us with insight into a Caribbean monetary union that has been in existence since 1983. His views and experience will no doubt prove invaluable to our own ongoing deliberations on the costs and benefits of monetary unions, particularly given the many similarities that exist between the monetary union of Curaçao and Sint Maarten and that of the Eastern Caribbean, including the size and openness of the economies of member countries, their vulnerabilities to external shocks, and the exchange rate peg to the US dollar.

With respect to monetary policy, we will address the topic of the transmission mechanism during this conference. The monetary transmission mechanism is an interesting but complex topic that concerns how policy-induced changes in the nominal stock of money or the short-term interest rate impact economic activity. In other words, the monetary transmission mechanism assesses the effectiveness of monetary policy. Ms. Carey-Anne Williams from the Bank of Jamaica will share with us her empirical work on the monetary transmission mechanism in Jamaica.

Another consequence of the 2008 global financial crisis was the significant tightening of the regulatory framework of the international financial system. In response, the Bank has made a number of efforts to enhance the effectiveness of its supervisory instruments, improve transparency in the local financial market, and intensify its efforts to provide more protection for consumers in financial transactions. Similar to other central banks, the Bank has also created a Financial Stability Department, which actively monitors and identifies risks in the financial sector with the objective of reducing the potential build-up of risks in the financial sector of Curaçao and Sint Maarten, thereby reducing potential spillovers into the real economy. During the past two years, a lot of attention has been given to enhancing the awareness of our financial sector regarding the importance of financial stability. Therefore, I am delighted that Dr. Shelton Nicholls from the Caribbean Regional Technical Assistance Centre (CARTAC) of the IMF and Dr. Alberto Ortiz Bolaños from the Center of Latin American Monetary Studies will shed some light on the importance of financial stability and resilience from a Latin American and Caribbean perspective.

During this conference, ladies and gentlemen, we also will address the topic of behavioral economics and its impact on personal finance. Behavioral economics is a relatively new field in economics that attempts to incorporate insights from psychology into economic models and analyses. In this context, behavioral economics questions the traditional assumption of fully rational individuals with purely self-centered preferences. This field of economics has increased rapidly over the last decade and offers a new perspective on individual decision-making and consumer protection. These topics are very relevant today as governments and central banks focus on empowering consumers through financial education.

In Curaçao and Sint Maarten, improving financial literacy among their citizens is crucial to combat illicit activities such as loan sharking, whereby people fall victim to unscrupulous creditors. Although we can attempt to combat these practices through more legislation, financial education on these practices is critical to enable the consumer to make better financial decisions. That is why we have invited Professor Prast from the University of Tilburg and dr. Dave Sheerattan from the Caribbean Centre of Money and Finance and the University of the West Indies to share their views on behavioral economics and its implications for personal finance.

Finally, we will conclude this conference with various public presentations on the tasks and responsibilities of the *Centrale Bank van Curaçao en Sint Maarten* and its essential role in the macroeconomic and financial environment of both countries. In particular, we will focus on the areas of monetary supervision and macroprudential supervision.

Ladies and gentlemen, let me conclude by thanking you again for your presence and wishing you fruitful discussions during the next two days.

Thank you for your attention.