



**INDEPENDENT ADVISORY GROUP
REVIEW OF THE CENTRAL BANKING ACT 2000 & FINANCIAL SECTOR REGULATION
c/- Ministry of Treasury, Level 10, The Treasury, Waigani, NCD**

PUBLIC NOTICE

**REVIEW OF THE
PNG CENTRAL BANKING ACT 2000 AND FINANCIAL SECTOR REGULATION**

The Government through the Minister for Treasury appointed and commissioned in April 2021 the Independent Advisory Group (IAG), comprising of Sir Wilson Kamit, former Governor of the Bank of PNG, Prof. Stephen Howes, Professor of Economics, Director of Development Policy Centre, Crawford School, Australian National University, and Mr. Robert Igara, Chair, currently Chancellor of the University of Papua New Guinea and former Chief Secretary to Government.

Phase I of Review

In November 2021, the IAG completed Phase I of its review mandate and provided its Report on its findings on the Review of the *Central Banking Act 2000*. The Phase I Report, which can be found at the IAG website <https://pngcentralbankactiag.org/> addressed the Terms of Reference (TOR) issued by the Minister for Treasury on 13 May 2021 covering: governance, accountability and transparency; government financing; crisis management; the Bank's objectives; and issues for consideration in Phase II of the Review. The report included thirty-one recommendations which were brought to the attention of the National Executive Council (NEC). NEC and Parliamentary deliberations resulted in the unanimous passage of the *Central Banking (Amendment) Act 2021* which included –

- A restatement of the objectives of the Central Bank, in particular –
 - formulating and implementing monetary policy with a view not only to achieving and maintaining price stability, but also promoting employment and economic growth, especially of the non-mineral and non-petroleum sector;
 - formulating financial regulations to promote not only the stability but also the development of the financial system in Papua New Guinea; and
 - adding a new objective, namely the provision of efficient and responsive banking services to the Government.
- A strengthened role of the Board of the Central Bank, especially over monetary policy and financial sector regulation.
- Changes in governance arrangements (improved selection of Board Directors and reduced term for Governor), and measures to improve transparency and communication with Government.
- The introduction of limits of Central Bank holdings of Government securities, with temporary increases allowed in periods of national emergency.

Phase II of Review

With the successful completion of the IAG's Phase I work, and decision of the National Executive Council in November 2021, the Minister for Treasury approved on 7 April 2022 the Terms of Reference for Phase II of the IAG's mandate.

The main focus for Phase II is on the **financial sector** (which covers banks, finance companies, superannuation funds, insurance companies and money lenders). This will include a review of financial sector regulatory and supervisory arrangements to increase competition and improve access, for our people and businesses especially SMEs throughout our nation, and development of PNG's government bond markets to reduce borrowing costs.

IAG Chair, Mr Robert Igara commented, "We need to encourage competition, investment, accessibility, and growth in our financial sector, and use modern technology to increase productivity and efficiency, look at our laws governing our banks and institutions as well as the insurance and superannuation industries, and ask whether they are robust enough to support these reforms. We need to relook at our Anti-Money Laundering & Counter Terrorism Act 2014 and whether it poses a threat to the accessibility of our banking system to farmers and small businesses. We need to relook at whether our central bank has the appropriate legislation to fulfill its functions in light of changing technologies and global banking dynamics."

The Phase II TOR also cover a range of outstanding Phase I issues, including relating to BPNG's governance of the financial sector, and a commitment to transparency, dissemination, outreach, consultation, and accountability.

Meaningful Participation and Consultations with Stakeholders

With approval of Phase II TOR, the IAG now plans to undertake consultations with all stakeholders, including with stakeholders in Provinces.

The IAG will also be conducting regional awareness on the Phase I report findings and the TOR for Phase II with key stakeholders and the media. The purpose of this consultations is to promote awareness and understanding of the critical role and responsibilities of the Central Bank (Bank of PNG), and to enable stakeholders to monitor and engage in economic policy making and implementation discussions in our nation.

The IAG will also have wider consultations with key organizations both public and private to gather their views on the review that is currently being undertaken. This consultative process is critical for this important reform agenda for our business sector that plays a vital role in our country's economy.

"This review covers important aspects of our financial sector that affect every PNG citizen. I urge all stakeholders to participate in this important reform agenda.", Mr Igara said.

Access to IAG Documents and Submissions to IAG on Phase II Issues

To promote consultation and dialogue, the IAG invites submissions from organizations and individuals to respond to any of the items raised in the TOR.

The **Phase II TOR** can be found on the IAG's website: <https://pngcentralbankactiag.org>.

Submissions are due on July 22 2022, and should be sent to pngcbaiag@gmail.com.

The IAG will be releasing an **Issues Paper** before **July 22, 2022** which interested parties can consult before finalizing their submission.

“On behalf of the Independent Advisory Group, I invite all interested stakeholders, both institutions and individuals to participate meaningfully in the consultation process including in meetings convened by the IAG, and through written submissions.”

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Authorized for publication.



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