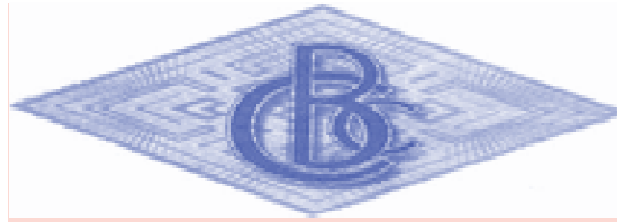


BANQUE CENTRALE DU CONGO



MONETARY POLICY FRAMEWORKS IN A CHANGING FINANCIAL LANDSCAPE

The case of BCC

AACB

Nairobi /May 2015

SUMMARY

- I. BCC MONETARY POLICY PROVISIONS**
- II. THE EVOLVING FINANCIAL SYSTEM**
- III. CHANGES IN THE MONETARY POLICY FRAMEWORK**

1. BCC monetary policy provisions

The Central Bank is targeting monetary aggregates

End goal: Price stability

Intermediate objective: money supply exclusive of foreign currency provisions and deposits

Operational objective: the monetary base

The BCC uses indirect instruments:

- Interest rate
- Compulsory reserves coefficient
- BCC bonds
- Intervention in the foreign exchange market

2. The financial system in DRC

Financial markets in DRC are not very developed

The long term component (capital markets) is not organised.

The short term component is just beginning to develop and includes:

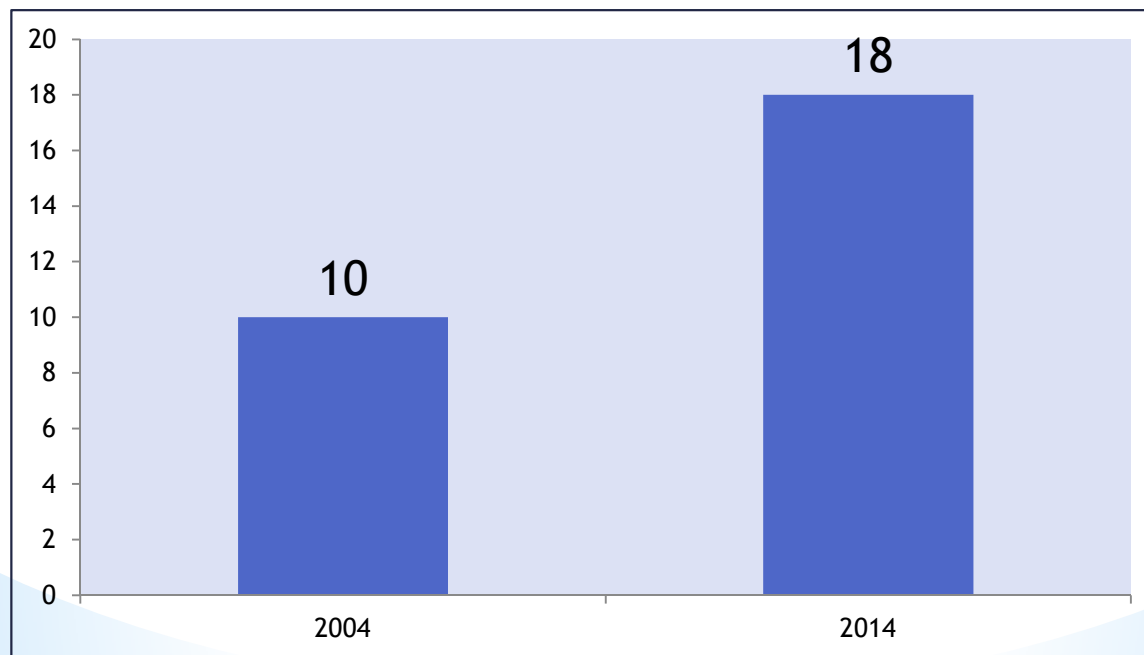
The interbank market: where transactions are done between commercial banks;

The bank market: in which the Central Bank takes part and covers the refinancing of commercial banks (bank market) as well as the auction of debt certificates issued by the BCC (BCC bonds).

2. The financial system in DRC

However, we are recording development in institutions and operations

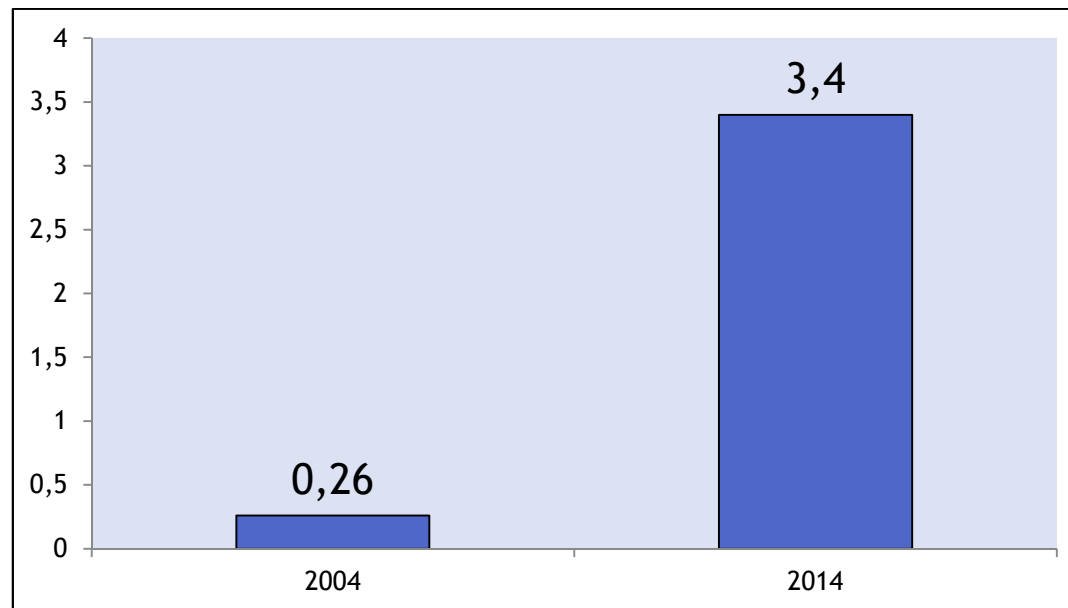
Increase in the number of banks: 18 operational banks as against 10 in 2004;



2. The financial system in DRC

However, we are recording development in institutions and operations

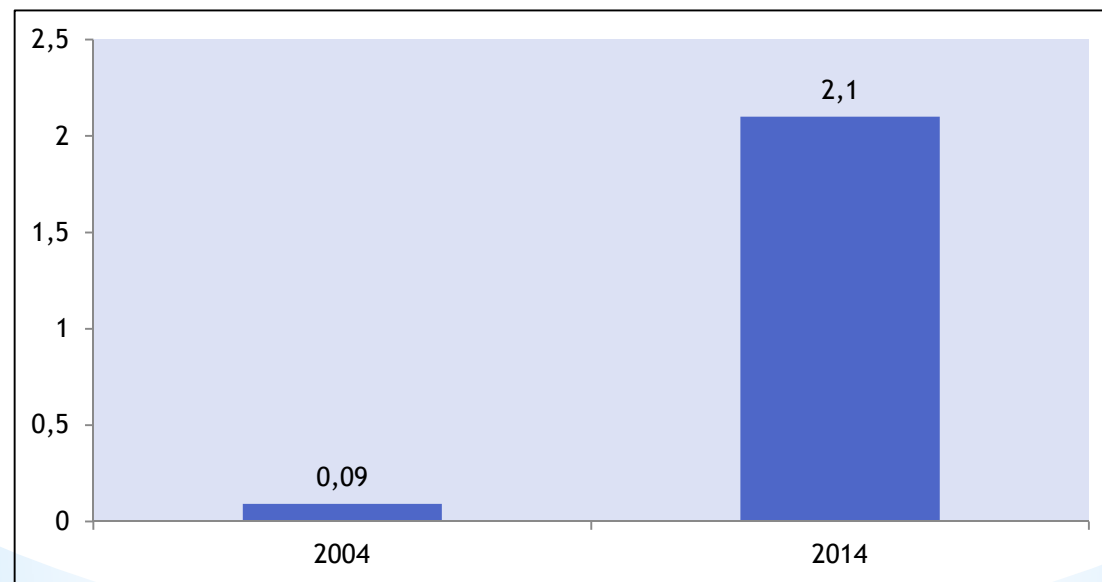
Increase in the volume of bank deposits: from 261 million at the end of 2004 to USD 3.4 billion by late 2014;



2. The financial system in DRC

However, we are recording development in institutions and operations

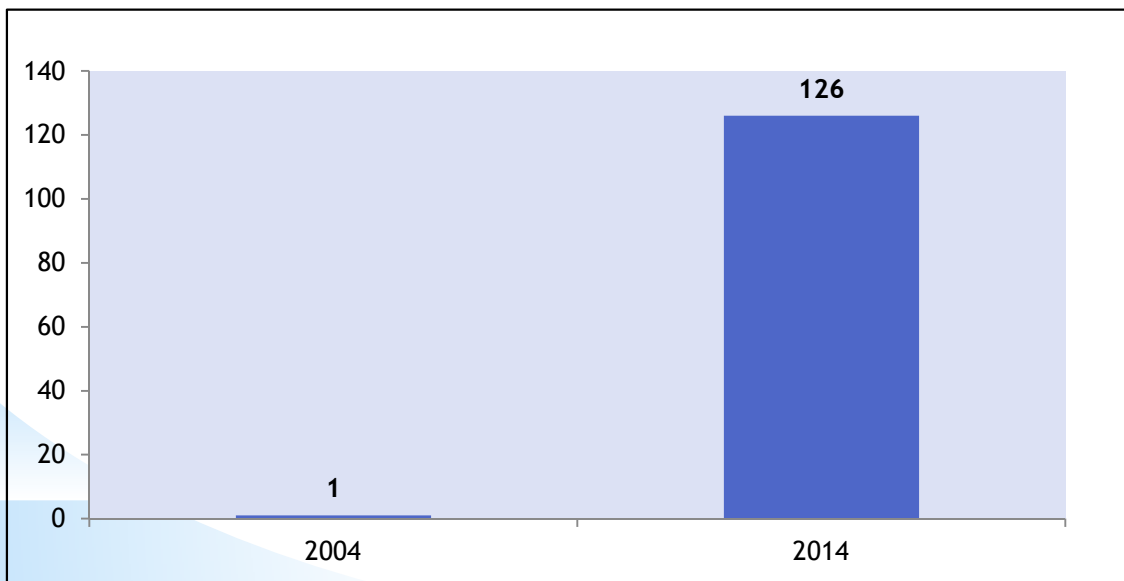
Increase in bank credit: from USD 85 million in 2004 to USD 2.1 billion by late 2014.



2. The financial system in DRC

However we are recording development in institutions and operations

Strong expansion of microfinance activities: Increase in the number of cooperatives



2. The financial system in DRC

Development of institutions and operations

Development of mobile banking with increased financial inclusion

- Tigo cash
- Airtel money
- M-pesa
- ...

3. Evolving trends in BCC monetary policy

From 2001

- * reform of the currency exchange regulation with the adoption of floating exchange rates;

- * recalibration of central bank activities around its main mission of achieving price stability;

- * removal of instruments for direct supervision of credit such as credit ceilings;

- * formalization of BCC's independence through the law

3. Evolving trends in BCC monetary policy

Towards 2005

- * Definition of intermediate and operational objectives

- * Reform of the operational framework: deployment of a market instrument: auction sale of BCC bonds to absorb excess liquidity;

As from 2008

- * Strengthening of indirect instruments: adjudication of operations on BCC bonds

- * Establishment of a framework for liquidity forecasts

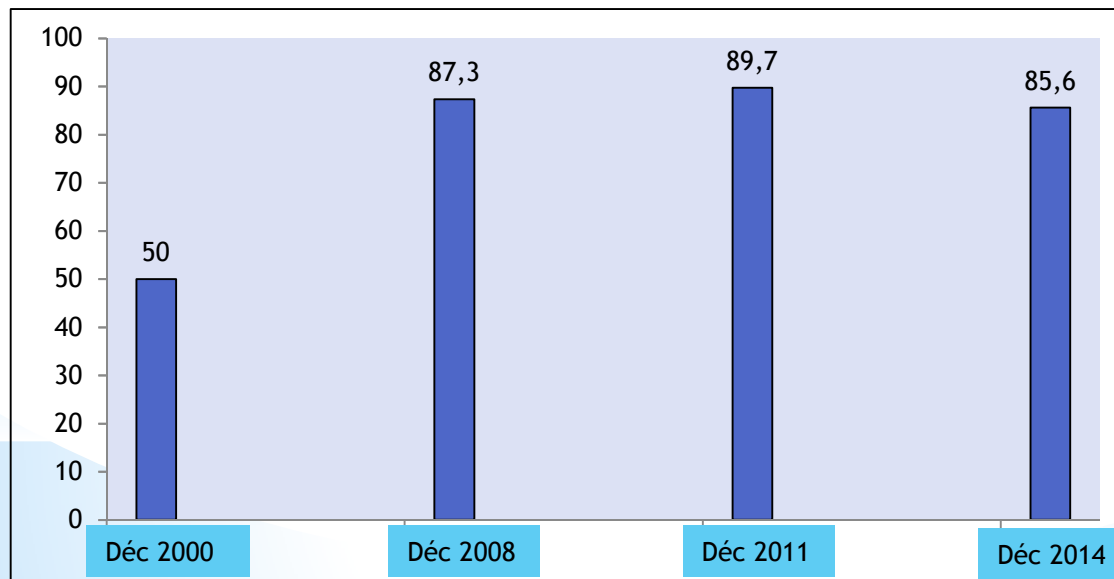
3. BCC monetary policy framework

From 2013

Increased liquidity outside the banking system and decrease in bank liquidity

Persistent dollarization resulting from significant capital inflows and foreign banks

Currency deposits in total deposits



3. Monetary policy framework

- ❑ Systematic injection of bank liquidity via BCC bonds and the purchase of currency

- ❑ Introduction of discriminatory standards in the setting of compulsory reserve requirements to contribute towards de-dollarization:
 - High coefficient for currency deposits

 - Low coefficient for deposits in local currency

- ❑ Drop in the coefficients for compulsory reserves

*THANKS
FOR YOUR
ATTENTION