



**INVESTMENT POLICY STATEMENT REGARDING FOREIGN CURRENCY CASH RESERVES OF
COMMERCIAL BANKS**

PREAMBLE

The General Regulations governing the foreign currency cash reserve scheme for the commercial banks in Suriname (banks), concerning the foreign exchange operations, was revised on the 27th May 2019 (May 2019 Regulations), and further amended by guideline "Wijzigingsvoorschrift Kasreserveveregeling voor de deviezenbanken in Suriname betreffende het vreemde valutabedrijf" dated 30 January 2020.

As outlined in the May 2019 Regulations, "The purpose of the cash reserve scheme in foreign currencies is that, from a socio-economic point of view, the stability in the value of the Surinamese dollar is also promoted, while at the same time from the prudential supervision perspective, a liquidity buffer is formed to hedge the risk of withdrawal of foreign currency assets to some extent."

In pursuing these objectives, the Central Bank of Suriname (the Bank or CBvS), would from time to time update the applicable Regulation which requires banks to hold certain percentages of foreign currency cash reserves, a part of which would be placed at the Bank.

The current percentages applicable are:

- 40% of the compulsory 50% foreign currency cash reserves of commercial banks (FCCR) in US dollars at the Bank, in a USD cash reserve account. The remaining 60% of the USD FCCR will be held with correspondent banks with a credit rating of at least 'A' from the rating bureau Standard & Poor's, or equivalent thereof of a similar rating bureau, or invested in eligible instruments outlined in this document.
- 70% of the compulsory 50% FCCR in Euros at the Bank in a EUR cash reserve account. The remaining 30% of the EUR FCCR will be held with correspondent banks with a credit rating of at least 'A' rating from the rating bureau Standard & Poor's, or equivalent thereof of a similar rating bureau, or invested in eligible instruments outlined in this document.

The Bank, in the May 2019 Regulations and the amended guideline, has agreed to the establishment of a Strategic Investment Committee (SIC) responsible for:

- Developing the investment policy for the FCCR
- Monitoring the investments of the FCCR at the Bank based on the reporting from the Bank
- Reporting quarterly to the banks on the performance of the investment portfolio of the FCCR.

The FCCR funds are assets of the banks, representing a part of the liabilities of the banks owed to depositors. The safeguarding of these funds are of utmost importance for the confidence of depositors in the banks, and the stability of the banking system. The investments must therefore be made with the highest level of prudence and a large degree of transparency to the banks and depositors. This is an absolute necessity for financial stability.

INVESTMENT POLICY STATEMENT

This Investment Policy Statement (“IPS”) governs the management of the banks foreign currency cash reserves (FCCR) held by the Bank, in accordance with the May 2019 Regulations relating to the foreign currency cash reserve scheme for banks in Suriname. This policy statement may be revised from time to time based on any future changes that may be made to the General Regulations by the Bank.

1. GENERAL

This Investment Policy Statement is intended to ensure that all investment-related decisions are made in a prudent manner, and in accordance with the May 2019 Regulations and Guideline of January 30, 2020 issued by the Bank, and the Investment Policy outlined in this document. The underlying philosophy and process for the selection, monitoring and evaluation of investment options are outlined below. The provisions of this IPS shall apply to all investments in securities made by the SIC which fall under the FCCR scheme.

Specifically, this Investment Policy Statement:

- Defines the investment objectives.
- Defines the roles of those responsible for the investments.
- Describes desired securities.
- Provides for an appropriate diversification of holdings of securities.
- Establishes investment procedures, measurement standards and monitoring procedures.

This Investment Policy Statement should be reviewed at least annually, and, if appropriate, be amended to reflect changes in the regulatory environment, the economic environment, the investment objectives, and/or other factors relevant as necessary.

2. RESPONSIBILITIES

Strategic Investment Committee

The Strategic Investment Committee (SIC) is responsible for developing and periodically reviewing the IPS of the FCCR of the commercial banks. The frequency of the review will be at least once per year in January, and any changes would be subject to approval by the Bank and the SBV.



The SIC will consist of two (2) representatives of the commercial banks, as nominated by the Suriname Bankers Association (SBV), and one (1) representative of the Central Bank of Suriname that chairs the Committee. In addition, one back-up member is nominated by/for the Suriname Bankers Association and one back-up member is nominated by/for the Central Bank of Suriname, in case a member is temporarily unavailable.

The SIC is responsible for approving investments of the FCCR in line with the policy and the placement and administration of FCCR in the various asset classes is the responsibility of the Bank in accordance with its investment procedures.

Investment Policy – Approval

The Investment Policy is developed by the SIC and approved by the Bank and the SBV.

Investment Approvals/Management

The SIC will review and recommend the investments of the FCCR, in accordance with this IPS. The SIC will thereafter arrange for the placement of the investments in line with its internal procedures. The day-to-day management of the portfolio follows the investment procedures of the SIC.

Reporting

The Bank will issue monthly reports to the SIC as well as the individual banks regarding the investment portfolio of the FCCR. This report includes but is not limited to the income of the fund or that of the individual banks, confirmation that the allocation of funds is in accordance with the IPS and a statement that the value of the fund is representative of the value of the FCCR funds placed with the Bank by the banks.

The following shall be reviewed quarterly by the Auditor:

- All bond purchases/maturities
- Treasury Bill transactions
- Deposits held at banks
- Securities held at the end of each quarter
- Security duration and market value risk
- Market appreciation or depreciation of securities value
- Portfolio mix
- Alignment of portfolio to Investment Portfolio Strategy
- Return on Investment

The report of the auditors will be shared with the banks on a quarterly basis at ultimately the next quarter following the reporting quarter. The Auditor's report is to be circulated to the banks through their representatives in the SIC.



Auditors

The SIC, with the approval of the Bank, shall hire an external Auditor to prepare a report on the FCCR funds to the SIC and Bank on a quarterly basis. Such report shall include but is not limited to the returns on the fund, confirmation that asset allocation and limits are in conformity with the IPS and attest to value of the fund being representative of the value of funds placed with the Bank by the banks. The Auditor's audit procedure may be executed following an "agreed upon procedure" engagement.

3. INVESTMENT OBJECTIVES

Unless otherwise provided by this IPS, the investments in securities as a whole shall be undertaken in accordance with the following objectives:

Ring Fencing/Independence of Fund - the FCCR funds are not to be mixed with any other source of funding.

Preservation of Capital - To preserve the capital value of investment securities through low risk, short-term investments, in accordance with the IPS.

Liquidity - To ensure that the banks are able to meet their day-to-day requirements and all statutory liquidity requirements, the maturity structure and mix of investments must at all times be in conformity with the IPS.

Risk - To maintain a low degree of credit risk and an acceptable degree of price risk resulting from changes in the level of interest rates.

Returns - The net income (after deduction of related bank costs and external auditor's fee or consulting fees) from the FCCR investments will be allocated to the banks on a quarterly basis in proportion to each banks share in the FCCR funds. The Bank will earn a fee of 25% of the net income, on a quarterly basis.

These objectives limit the types of securities which may be purchased by the SIC. To emphasize the need for liquidity and preservation of capital, this IPS further constraints security investment activity as set forth below.

4. SECURITY - TYPES AND RESTRICTIONS

Highly Desirable Securities

The eligible investments for the FCCR are limited to those described below:

1. Current accounts and certificates of deposits issued by banks located outside of Suriname with investment grade rating of at least 'A'
2. Treasury Bills of tenors 30 days and 180 days issued by the U.S. Government or Government Agencies.



3. Debt instruments issued or fully guaranteed by a sovereign state, with an investment grade rating of at least 'A'.
4. Debt instruments implicitly guaranteed by the U.S. Government (i.e. agency bonds), with an investment grade rating of at least 'A'.
5. Bonds issued by banks located outside of Suriname, with an investment grade rating of at least 'A'.

The rating must be from a recognized reputable international rating agency such as Fitch Ratings, Moody's Investors Service or Standard & Poor's.

Portfolio Characteristics

The USD reserve shall only be placed in USD-denominated investments and the EUR reserve shall only be placed in EUR-denominated investments. The SIC will eventually need to convert USD to EUR to be in conformity with the IPS; the foreign exchange risk will be for the account of the Bank, which exchanged part of the EUR cash reserve into USD.

Portfolio Mix

Instrument	Maximum Limit of FCCR
Overnight Funds in Central Bank/foreign banks (cash)	Minimum 5% Maximum 30%
Up to six (6) months deposits with foreign banks	15%
USD Treasury Bills 30 days to 180 days	30%
Bonds in USD or EUR	50%

Portfolio Mix Limits

Instrument	Issuer/Placement	'A' Rated Institutions
Overnight Funds	Foreign Banks/Central Bank	100% of Limit
Deposits with Foreign Banks	Foreign banks	100% of Limit
USD Treasury Bills – 30-180 days	US Government/Government Agencies	100% of Limit
Bonds	As outlined below	USD/EUR 10M maximum/issuer

Bonds Portfolio

Portfolio Characteristic	Tolerances/Limits
Issuer Maximum (except Sovereign States)	USD/EUR 10M
Issuer	Banks, sovereign states, government agencies (or fully covered by banks, sovereign states or government agencies)
Tenor per investment	maximum 48 months



Average portfolio duration	maximum 36 months
Liquidity status	bonds actively traded
Bond Rating	minimum of 'A' by rating agencies

Prohibited Securities/Investment Activity:

1. Short Sales. This is the sale of a security that is not owned by the Investment Fund
2. Equities
3. Commodities* or securities backed by commodities
4. Stripped mortgage backed securities
5. Corporate bonds except bonds issued by banks
6. Securities with a credit rating lower than 'A' **)
7. Securities issued by the Government of Suriname **)
8. Sale of securities in the FCCR investments, except those investments where the credit rating falls below 'A' and except sale of securities for liquidity needs
9. Speculative trading of any kind
10. Cash held in vaults (physical cash notes or coins) ***)

*) Exception is made for gold, as the SIC is granted a waiver by the CBvS to hold this commodity. Losses arising from gold price changes will be for the account of the Bank.

**) Exception is made for the Government of Suriname 2026 bond, as this security does not satisfy IPS requirements. The SIC is, however, granted a waiver to hold this investment till maturity. Losses arising from non-payment risk, will be for the account of the Bank.

***) Exception is made for cash held in vaults, as the SIC is granted a waiver by the CBvS to hold cash held at vaults because these assets currently cannot be placed on foreign bank accounts.

5. DIVERSIFICATION OF INVESTMENTS

Efforts shall be made to achieve diversification across asset classes, sectors, quality and issuers in the investment portfolio on the premise that portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. In particular, the SIC should avoid unwarranted concentration of funds in a single entity that is subject to credit risk. As such, investment purchases shall be evaluated in light of all relevant guidelines set forth for exposure limits, as set out in section 4, or if deemed necessary by the SIC, to apply even more stringent exposure limits.

A mix appropriate to the returns, liquidity profile, risk tolerance and investment mix in line with market conditions should be pursued.



6. MANAGEMENT

Transaction Procedures

The purchase, sale and/or exchange of securities are the responsibility of the SIC according to its investment procedures, once the investment is approved by all members of the SIC.

Portfolio Accounting

The securities will be in the accounts of the Bank and will be reflected as obligations of the Bank to the banks at the full face-value of the FCCR funds placed with the Bank in compliance with the current Regulation.

Portfolio Segmentation

The valuation and the reporting of the investment portfolio must be managed in accordance with current IFRS/IAS requirements.

Determination of Fair Values

The determination of fair value prices of securities shall be outsourced to an independent third party. Valuations may be accepted from an investment portfolio service or correspondent bank. The Bank shall inquire and document that the valuation methodologies employed by the third party are adequate and consistent with IFRS-7 and 9, and IAS 39.

Securities that no longer meet investment objectives or criteria

Investment Securities which no longer meet investment objectives or criteria must either be sold or receive discretionary approval to retain it/them to maturity.

7. DOCUMENTATION

The Bank will exercise the same degree of care in keeping documentation of security transactions as it does with other assets of the Bank. The retention of all supporting documentation will include the following and are to be held for a period of 10 years after the final maturity date of the security:

- Description of each security purchased
- Name of Dealer/Broker
- Trade date, settlement date
- Issuer
- Coupon
- Price
- Yield
- Duration, average life, maturity
- Par value
- If applicable, a description of collateral



8. OTHER PROCEDURES FOR THE BANK

Investment/Broker Firms - security transactions will only be conducted with strong reputable security dealer/firms as selected by the Bank in cooperation with the SIC.

Payment, Delivery and Safekeeping - With respect to payment, delivery and the safekeeping of securities, the following policies will be followed:

1. When physical delivery of securities is made, payment for securities will be made against delivery of said security, and for sales of securities, delivery will be made against payment for said security;
2. When a security is purchased, evidence of the transfer of the funds shall be retained until the security matures and the funds are returned;
3. Securities not in the physical possession of the Bank or in "book entry" form, may be held in a custodial safekeeping account with a financial institution with an investment grade rating no lower than 'A' - as determined by Standard & Poor's Rating Services (or the equivalent rating by any other recognized rating agency) and/or a reputable securities firm approved by the Bank.
4. Securities held in a custodial safekeeping account will be evidenced by a safekeeping receipt or other evidence of a safekeeping obligation on a monthly basis.

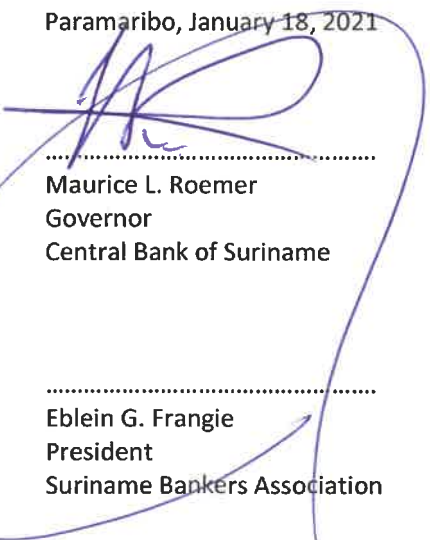
9. CONFLICT OF INTEREST

Any officer of the SIC or the Bank who is directly involved in recommending and/or approving the purchase or sale of securities on behalf of the Investment Fund, shall report any personal securities transactions in similar securities to the Bank at least quarterly.

Members of the SIC and the Bank are not permitted to receive any gift, gratuity or expense reimbursement in the execution of their functions by any issuer of securities that an investment has been made or is to be made.

This policy is to be reviewed at least annually in January by the SIC. Any changes would be subject to approval by the Bank and the SBV.

Paramaribo, January 18, 2021



.....
Maurice L. Roemer
Governor
Central Bank of Suriname

.....
Eblein G. Frangie
President
Suriname Bankers Association