



CENTRAL BANK OF SEYCHELLES

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PRESS COMMUNIQUÉ

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Central Bank Announces Revision to Monetary Policy Implementation

On May 29, 2017, the Board of the Central Bank of Seychelles approved revisions to the current monetary policy framework with the objective to make it more forward looking and provide clearer guidance on short-term interest rates, thus reducing volatility and promoting domestic price stability.

This will be done through the standing facilities used by the Central Bank to help commercial banks with their short-term liquidity management by offering overnight deposit and lending arrangements, the rates of which form the basis of an interest rate corridor.

The floor of the corridor sets the rate that the Central Bank will pay commercial banks when they place their end-of-day excess funds in an overnight deposit. On the other hand, when commercial banks have to borrow from the Central Bank on an overnight basis as a last resort, the applicable interest rate that CBS will charge for this facility forms the ceiling of the corridor.

Hence, this should ensure that CBS sets the short-term interest rates on facilities it offers to commercial banks whilst the latter use them in the pricing of their own loans and deposits.

It is to be noted that the corridor will be employed by CBS to convey its interest rate signals to commercial banks. The revision made to the monetary policy framework is expected to improve the transmission of interest rates and does not suggest an immediate increase or decrease in the overall interest rate level at commercial banks, but should provide guidance on where they should be, based on the prevailing economic environment.

The CBS Board will be approving the rates for the corridor on a quarterly basis during its monetary policy meeting. The details of the corridor will be discussed at the next Board meeting which will be held in June 2017 and as per the established practice, CBS will communicate its outcome through the media.

Further details of the revision to the monetary policy framework are available on the CBS website (www.cbs.sc).