



CENTRAL BANK of SOLOMON ISLANDS

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Press Release: 07/2024

Tuesday 4th June, 2024

CBSI: Financial System Demonstrates Resilience Amid Global Challenges in Second Half of 2023

The Central Bank of Solomon Islands (CBSI) is pleased to release the Financial Stability Report for the second half of 2023. Despite facing significant global challenges including inflationary pressure, ongoing geopolitical tensions and climate change threats, CBSI notes the resilience of the country's financial system promoted stability.

This resilience is largely due to the robustness of commercial banks and other licensed financial institutions (FIs), along with the proactive measures taken by key stakeholders, including households and businesses, to handle both internal and external challenges. These efforts have enabled the financial system to navigate both global and domestic headwinds effectively.

Strong capital buffers, high liquidity, and robust governance systems within commercial banks and other FIs have further reinforced the resilience of the financial system, contributing significantly to its stability.

However, the Solomon Islands' financial sector is not immune to potential adverse macro-economic and financial conditions, and escalating geopolitical tensions, which could potentially impact the resilience and stability of the system. Notable challenges include credit, cybersecurity, liquidity, operational, governance, investment, strategic, and insurance risks. Fiscal delays in settling creditors and slow court processes have exacerbated credit risk and may potentially lead to a build-up of toxic assets in the system if not resolved promptly. Additionally, outdated legislative frameworks have hindered or delayed supervisory actions needed to promptly correct errors and avert breaches that could threaten financial stability.

In light of these challenges, managing risks effectively is crucial in the financial sector. It is also imperative that the stability of the system must be balanced by stakeholders' optimism and regulatory guidance to strengthen collaboration with and amongst licensed financial institutions.

The Financial Stability Report (FSR) provides a snapshot twice a year on the performance of the domestic financial system and outlines the key risks and vulnerabilities the system is facing.

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