

The Central Bank of Samoa (CBS)

What does the Central Bank do?

Like most countries around the world, Sāmoa has a central bank to promote economic prosperity.

There are four main jobs the CBS is tasked with.



1. Managing money and monetary policy

Money is an important part of modern society, and the amount of money in a country can have a great effect on all of our lives.

When a country has too much money for the amount of goods available then the supply of goods will run out. This can lead to the price of goods going up, a process widely known as inflation.

Too little money in the country can also be a problem. It can restrict the opportunities for people to invest as the cost of borrowing money,

the rate of interest, will be very high as people scramble for the available funds.

So having just the right amount of money in the country is an important aim and this is what monetary policy tries to achieve.

In Sāmoa the most common method is to trade in the financial markets by buying and selling securities. The aim is to make financial institutions more or less willing to lend and ad-



just their interest rates accordingly.

Effectively adjusting the foreign exchange rate is another way of implementing monetary policy.

2. Prudential supervision of the banking system

Commercial banks make up the largest financial institution group in

Sāmoa and play two basic roles.

Firstly, they borrow money from one group of people – depositors – and lend it to another – borrowers.

Secondly, they help individuals, businesses and other organisations to transfer funds between each other using bank deposits.

If a bank were to run its business badly the consequences would be very serious.

For this reason CBS keeps a close eye on Sāmoa's banks to ensure they are not taking too many risks and their operating systems are good enough to prevent fraud and theft.



That means the banks are supervised to ensure they are acting prudently or sensibly.

3. Currency issue and the payments system

Currency is represented in part by the notes and coins we all carry around to make transactions with friends, relatives and complete strangers.

But it is only possible to use currency in this way if people have faith in its value and are sure the currency they accept today will be accepted for the same value in the future.

That's why in Sāmoa (as with nearly all countries around the world) currency is issued by the government.

There are other ways of making payments as well, cheques, bank

drafts, credit and debit cards, and CBS ensures the systems operating these methods of payment are operating efficiently too.

4. Foreign reserves management

CBS holds Sāmoa's foreign currency assets in a range of currencies and financial assets.

Official reserves are often included in market assessments on whether a country can pay its way in international trade and payments transactions.

This means it is important for the Central Bank to keep a large and stable base of foreign currency assets to facilitate the import and export of critical goods and services, as well as Sāmoa's international obligations.