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PRESS RELEASE

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Samoa's Banking System remains sound and unaffected by the global banking crises

The March 2023 banking crises in the United States of America that have seen the collapse of two of its major regional banks and lenders with ties to the technological start-up industry (the Silicon Valley Bank and the Signature Bank) as well as the winding down of operations of crypto-focused Silvergate Bank have no direct impact on Samoa's banking system to date. Similarly, the four licensed commercial banks (2 local banks and 2 foreign subsidiary banks) in Samoa have no direct banking relationships with the failed Credit Suisse Bank in Switzerland.

As at end February 2023, Samoa's banking system remains well capitalized with a capital adequacy ratio of 32.6 percent (**well above the required minimum of 15.0 percent**) and continues to be highly liquid with a liquid asset ratio of 31.9 percent (**relative to a 10.0 percent benchmark ratio**).

Institutionally, all the four commercial banks remain well-above the minimum capital requirement, with strong liquidity positions. Moreover, the prudential safeguards imposed by the Central Bank of Samoa (of minimum 15.0 percent for the capital adequacy ratio) are above and beyond the **minimum international capital requirements of 10.5 percent** for Basel 3. To this extent, the Central Bank reassures the general public that our banking system remains sound and resilient to date.

Furthermore, Samoa's official foreign exchange reserves remains well-diversified and safely secured across overseas banks with no direct links to any of the failed banks. At present, the current banking instability in these foreign jurisdictions may only have an indirect effect on Samoa's economy through the foreign exchange rates, where the volatility has been minimal so far.

Nevertheless, this does not make us complacent to the potential impact that these overseas events can have on Samoa's financial and macroeconomic stability. We note this current global banking turmoil continues to put the international markets and investors on edge and may have the potential to affect other financial institutions in both the United States and Europe. Together with the current global financial conditions, these developments have contributed to fears of a global recession in the near future.

In view of this, the Central Bank of Samoa remains vigilant and will continue to monitor this global situation and will take appropriate policy action should any potential adverse impact arise on our small island developing country.