TECHNICAL ASSISTANCE REPORT

REPUBLIC OF THE MARSHALL ISLANDS

Operationalizing A New Monetary Authority

June 2026

Prepared By

Elias Kazarian (Advisor) and Rudy Wytenburg (External Expert)

Authoring Departments:

Monetary and Capital Markets Department

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International Monetary Fund, IMF Publications
P.O. Box 92780, Washington, DC 20090, U.S.A.
T. +(1) 202.623.7430 • F. +(1) 202.623.7201
publications@IMF.org
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Contents

Boxes

Figures

Tables

Appendices

Glossary

ACH	Automated Clearing House
AC	Audit Committee
AI	Artificial Intelligence
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
API	Application Programming Interfaces
B2B	Business-to-Business
B2G	Business-to-Government
BCM	Business Continuity Management
BCP	Business Continuity Plans
BOD	Banking Operations Department
BOG	Bank of Guam
BOMI	Bank of Marshall Islands
BTD	Banking and Treasury Division
CBS	Central Banking System
CIA	Chief Internal Auditor
CMP	Crisis Management Plans
COP	Confirmation of Payee
COSO	Committee of Sponsoring Organizations
CPA	Certified Public Accountant
CRO	Chief Risk Officer
CSD	Central Securities depository
DRP	Disaster Recovery Plans
EMC	Executive Management Committee
EM-CSD	Executive Manager, Corporate Services Department
FRMD	Foreign Exchange Reserve Management Division
FSD	Financial Supervision Department
G2P	Government-to-Person
GCC	General Computing Controls
GIAS	Global Internal Audit Standards
HR	Human Resources
HRCNC	Human Resources Compensation and Nominations Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IPS	Instant Payment System
IPCS	Integrated Payment and Clearing System
ISO	International Organization for Standardization
IT	Information Technology
ITIL	Information Technology Infrastructure Library
KYC	Know Your Customer
MCM	IMF Monetary and Capital Markets Department

MIMA	Marshall Islands Monetary Authority
MIS	Management Information System
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPD	Monetary Policy Division
NIIP	National Infrastructure and Investment Plan
NIST	National Institute of Standards and Technology
NPC	National Payment Council
NPS	National Payment Strategy
OBC	Office of Banking Commission
ODFI	Originating Depository Financial Institution
OVD	Payment Oversight and Policy Division
P2M	Person-to-Merchant
P2P	Person-to-Person
PFMI	Principles for Financial Market Infrastructures
PKI	Public Key Infrastructure
PMU	Project Management Unit
POD	Payment Operations Division
POS	Point of Sale
PRD	Policy and Research Division
QR	Quick Response
RDFI	Receiving Depository Financial Institution
RFP	Requests for Proposal
RMF	Risk Management Framework
RMI	Republic of the Marshall Islands
RTGS	Real-Time Gross Settlement
SDR	Special Drawing Rights
SLA	Service-Level Agreements
SMS	Short Message Service
SOE	State Owned Entreprises
STP	Straight-Through Processing
SSS	Securities Settlement System
TA	Technical Assistance
TOGAF	The Open Group Architecture Framework
TOR	Terms of Reference
UBI	Universal Basic Income
US GAAP	Generally Accepted Accounting Principles as applied in USA
USD	United States Dollar

Preface

At the request of the authorities of the Republic of Marshall Islands (RMI), a Monetary and Capital Markets (MCM) Department mission visited Majuro, Marshall Islands from March 23 to April 2, 2026, to assist the authorities in the establishment of a Monetary Authority through the institutionalization of good governance practices and the implementation of a payments and banking system.[1]

The Mission met with Minister of Finance Mr. David Paul and Acting Secretary Ms. Deeann K. Reimers. The Mission also met with the Chairman of the Board and Governor Mr. Sultan Korean, the three independent Board members Mr. Leo Seewald, Dr. Gerd-Peter Dittus, and Ms. Lindsay Motil Timarong. In addition, the Mission discussed key payments and banking processes with representatives from the Bank of Guam, Bank of Marshall Islands, and Pacific Regional Bank, being the three banks that operate in the Republic of the Marshall Islands.

The Mission wishes to thank all stakeholders for their cooperation and especially the Governor of the MIMA and his team for their insights into the establishment of the MIMA and their continuous hospitality.

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[1] This report was prepared with the support of AI-enabled tools in accordance with IMF guidelines. The AI applications were used exclusively for functions such as grammar and text editing, drafting support, and preliminary qualitative synthesis. No data-driven machine learning methods were applied, and no personal or confidential data was used to train AI models.

Executive Summary

In response to a request from the authorities of the RMI, a technical assistance (TA) mission visited Majuro, from March 23 to April 2, 2026, to advise on the key steps to be taken to operationalize the recently established MIMA. The focus was on establishing key functions and tasks, as well as setting up a risk management framework (RMF), financial reporting and internal governance arrangements to ensure effective operations and the achievement of MIMA objectives.

The MIMA should adopt a comprehensive and holistic strategy for establishing its organizational structure. While the design must remain strategically forward-looking and closely aligned with the institution's core mandates and essential functions, it would be prudent to implement the structure and staffing the various divisions in phases. Considering forthcoming challenges such as the necessity for specialized skills and expertise, along with the current scale of the financial sector, initial efforts should focus on creating the Banking Operations Department (BOD). This department is prioritized because MIMA's primary and immediate focus is to deliver reliable and efficient payment services and products to financial market participants, government entities, state-owned enterprises (SOEs), and households.

The report describes the organizational structure and outlines the responsibilities of each division within the BOD. The BOD will consist of three divisions: The payment operations division (POD) will operate the integrated payment and clearing system (ICPS), covering both large-value and retail transactions. The banking and treasury division (BTD) will offer banking services to government bodies, financial institutions, and public entities; it will also manage cash flow, debt administration, and operate the central securities depository (CSD) for government debt instruments, as well as managing currency circulation. The foreign exchange reserve management division (FRMD) will be responsible for administering RMI's official foreign currency holdings.

The report also provides a comprehensive breakdown of the structure, responsibilities, and procedures for each division in the BOD. According to estimates, 18 staff members. would be needed to manage the department. Furthermore, the Payment Oversight and Policy Division (OVD) would require 5 staff members. However, this figure does not include IT specialists required for ongoing development and support of the three main systems: central banking system, integrated payment system, and reserve management system. It is recommended that these IT functions be outsourced to an external provider.

MIMA should prioritize the formulation of a comprehensive National Payments Strategy (NPS). This strategy helps the MIMA set and achieve its goals within a specified period, while involving public authorities, market participants, and the public in building a common understanding of the intended results. The NPS also acts as a framework for reaching strategic objectives, such as establishing inclusive payment policies and creating products and services that expand payment access for businesses, households, and the public sector while also considering the specific needs of the RMI economy. Furthermore, the MIMA should set up a consultation mechanism with the banks and relevant stakeholders to discuss payment matters.

The MOF and its agencies would be the biggest single client of the MIMA, and close coordination would be required to ensure smooth and timely services. The MIMA should establish a Service Level Agreement (SLA) with the MOF outlining the operational, financial, and reporting requirements for provided services. This agreement would mainly cover managing the consolidated account, cash handling, and fiscal agency responsibilities.

An Integrated Payment and Clearing System (IPCS) would effectively meet the needs of the RMI financial sector. At the current stage, there is no centralized payment system in the RMI. There are three banks which provide payment services, dominated by check payments. There is no e-money services provider. Consolidating the real time gross settlement (RTGS) system, automated clearing house (ACH), and instant payment system (IPS) into a single platform would enhance safety, cost efficiency, and interoperability within the RMI's financial ecosystem. Considering the sector's scale and existing resource and capacity constraints at MIMA, a fit-for-purpose, integrated, and scalable solution would help lower the costs to operate the system and could facilitate the development of new services and products in the evolving payment landscape of the RMI. The report provides a comprehensive analysis of the key components of this integrated system.

It is recommended MIMA lead efforts to develop and operate the IPCS combining RTGS, ACH, and IPS functions. Given the current volume of retail payments, the initial focus should be on enabling electronic clearing for wire transfers and check payments between banks, government bodies, SOEs, and related agencies. To enhance security and efficiency, the MIMA should require all payment transfer instructions to be processed digitally, including checks. Settlements will take place through accounts managed by MIMA for banks, government entities, and other stakeholders. When large-value transactions increase considerably, MIMA can choose to activate the RTGS component. Later, once ACH and RTGS are functioning smoothly, MIMA may assess whether to implement IPS functionality based on a thorough business evaluation.

The MIMA's Act provides guidance for establishing governance and oversight, however the Board membership should include the Deputy Governor. Strengthening governance must be prioritized to ensure the MIMA operates with transparency, accountability, and strategic oversight. This entails establishing the Board and its Committees with clearly defined mandates and adopting Terms of Reference (TOR) for each board committee. Appointment of a Board Secretary and development of a Board Governance Manual will ensure that obligations set out in the Act are met. Where necessary, amendments to the enabling Act should be pursued to align the MIMA's legal foundation with its operational and regulatory objectives.[2] These measures will provide the institutional backbone for effective leadership and policy direction.

A robust internal control framework should be implemented to safeguard assets, ensure compliance, and promote operational efficiency. This includes identifying and embedding key controls, formalizing a Delegation of Authority, and documenting all functional and administrative processes. Complementing this, the MIMA should establish both internal and external audit functions. For external audit, the procurement and contracting of a qualified audit firm must be undertaken promptly, with clear timelines for planning, execution, and reporting. Internally, the appointment of a Chief Internal Auditor (CIA), supported by an Internal Audit Manual, a defined risk taxonomy, and a multi-year audit plan, will enable systematic review of operations and timely corrective action. Regular reporting to the Audit Committee (AC) will ensure that the state of the control environment is continuously assessed and improved.

Accounting and financial management systems must be operationalized to international standards from the outset. Adoption of International Financial Reporting Standards (IFRS) will ensure transparency and comparability of financial statements, while interim arrangements—such as a Memorandum of Understanding (MOU) with the Ministry of Finance (MOF) and procurement of temporary accounting software—will bridge immediate capacity gaps. An accounting manual, segregation of duties, and structured budget processes, including a five-year financial plan and budgetary reserves, will support prudent fiscal management. These measures should be complemented by a clear framework for distinguishing between start-up and ongoing expenditures and funding channels, as well as a capacity assessment to determine the optimal mix of insourced and outsourced services.

[2] During the Mission, the MIMA indicated that it expects to table amendments to the Monetary Authority Act in August 2026.

Human capital development is critical to building a capable and adaptive institution. The appointment of Director, Human Capital and the agreement on an organizational design for both the start-up and steady-state phases will provide a clear staffing blueprint. A human capital strategy should align recruitment, sourcing, and retention approaches with the MIMA's mandate, supported by a competitive, market-aligned compensation and benefits framework. In parallel, core corporate services—including accounting, procurement, facilities management, and IT—must be established with strong governance controls and transparency, strategic vendor relationships, and clear SLAs.

Risk management, compliance, and communications functions should be embedded early to protect institutional integrity and maintain stakeholder trust. A Director, Risk Management should lead the development of a comprehensive risk framework, including appetite, tolerance, escalation protocols. The MIMA will need to establish and test a robust business continuity plan (BCP). Compliance structures must ensure adherence to all applicable laws and regulations, supported by policies on ethics, conflicts of interest, whistleblower protection, anti-corruption, and financial disclosure. Finally, a proactive communications strategy, with designated spokespersons and tailored stakeholder engagement plans, will position the MIMA as a credible, transparent, and responsive institution in the eyes of both domestic and international audiences.

The MIMA must prioritize rapid establishment of its governance mechanisms, core functions, and administrative support through timely recruitment of skilled senior personnel and targeted capacity building. It is also crucial to speedily recruit an executive manager to set up the BOD and prepare the request for proposal to introduce the integrated payment system. Early action is essential to avoid operational delays, ensure effective delivery of complex outputs, and embed sustainable systems, controls and oversight. Recruitment should be complemented by structured training, mentoring, and knowledge transfer to strengthen institutional resilience. Strategic use of external technical expertise can bridge immediate skill gaps, while continued IMF TA will provide consistent, high-quality guidance. Together, these measures will accelerate readiness and position MIMA for long-term effectiveness.

Recommendations[1]

Table 1. Key Recommendations

	Recommendations for Implementation	Para	Timeframe [2]
	Banking Operations Department		
1	Recruit executive manager to lead the BOD	8	Immediate
2	Phase in the recruitment of the head of divisions, starting with the head of the POD, followed by the head of BTD, and later followed by FRMD and OVD.	13, 21 33, 37	Near-Term Medium-term
3	Develop a NPS.	41	Near-term
4	Set up a coordination mechanism with the MOF for MIMA's services.	28	Near-term
5	Set up a consultation mechanism with relevant stakeholders to discuss payment matters.	60	Near-term
6	Develop a Payment System Law.	45	Medium-term
7	Establish a National Payment Council (NPC).	39	Medium-term
	Payment Infrastructure		
8	Prepare Request for Proposal (RFP) for the central banking system.	30	Near-Term
9	Prepare RFP for the ICPS.	60	Near-term
10	Prepare RFP for CSD/securities settlement system (SSS).	60	Medium-term
	Establishing a Robust Governance Structure		
11	Agree organizational structure, sourcing strategies, and assign key divisional accountabilities.	127	Immediate
12	Recruit Legal Counsel, EM-CSD, Controller, Director HR, Director IT, CIA, Procurement Officer, Communications Specialist, Director Risk Management, Corporate Secretary, each as either an employee or on a contractual basis.	80, 103, 109, 125, 131,134, 147, 150, 173-174	Immediate
13	Agree MOU with MOF for continuation of administrative services.	112	Immediate
14	Select and issue contracts for External Audit Firm, outsourced Internal Audit services.	93–94	Immediate
15	Define IT Enterprise Architecture, initiate installation of IT infrastructure (HW/SW) requirements, security posture, networking applications, business environments and DRP frameworks.	136–137	Near-term
16	Amend MIMA Act to include Deputy Governor on Board; clarify roles between Board, AC and Internal Audit; as the most common	76–77, 111	Near-term

	Recommendations for Implementation	Para	Timeframe [2]
	'internationally recognized accounting standard, adopt IFRS as opposed to US GAAP as accounting standard.		
17	Finalize and approve fiscal 2027 budget including 5-year forecast.	118–124	Near-term
18	Assign communication spokespersons, develop communications strategy, implement multi-channel outreach tailored to unique audiences.	166–173	Near-term
19	For administrative roles, recruit all vacant management positions; initiate recruitment of administrative support positions as demands arise.	74	Near-term
20	Define Delegation of Authority framework, segregation of duties, and embed key internal controls across all deployed functions.	116	Near-term
21	Develop initial draft of RMF.	151	Medium-term
22	Establish a Compliance Framework with ethics, anti-corruption, and whistleblower policies.	159–161	Medium-term
23	Finalize accounting policies and financial statements based on September 2026 year-end.	111, 117	Medium-term
24	Establish Board Committees, agree TORs, draft Board Governance Manual.	77–81	Medium-term
25	Establish Internal Audit function, agree Audit Universe, and multi-year Audit Plan, develop structure for Internal Audit Manual.	104–108	Medium-term
26	For administrative and deployed (and soon to be deployed) operational units, draft and approve policies and detailed operating procedures.	109	Long-term

1/ See Appendices I and II for the respective roadmaps which include a more comprehensive list of actions to be undertaken.

2/ Immediate: 0–3 months; Near-term: 3–6 months; medium-term: 6–12 months; and long-term: 12 months plus. All recommendations are considered high priority due to interdependencies.

I. Introduction

1. **In response to a request from the RMI authorities, a TA mission visited Majuro in March 2023.** The mission objective was to advice on key modalities of establishing the Republic of Marshall Islands Monetary Authority (MIMA). The TA developed a conceptual model on the mandate, functions and tasks as well as the risks and challenges to set up the MIMA. It also prepared a draft bill that was submitted to Parliament.

2. **As a follow up, the MIMA requested TA for the purpose of elaborating the key components to make the MIMA operational.** The mission visited Majuro in March 23–April 2, 2026, with the focus of establishing the key policy functions, as well as setting up risk management, financial reporting and internal governance arrangements to ensure effective management, and oversight of the MIMA.

3. **In September 2025, the Parliament enacted the Marshall Islands Monetary Authority Act (hereafter referred to as the Act) that officially established the MIMA to provide safe and efficient payments services.** The act empowers the MIMA to develop and operate a sound and efficient payment system, function as a banker and fiscal agent to the government, manage the foreign exchange reserve, and promote financial stability.[3] The banking supervision function was transferred from the Banking Commission to the MIMA.

4. **With the establishment of the MIMA now underway, it must prioritize in what order the key functions and services are to be established.** This requires a pragmatic sequencing justified by meeting the urgent needs of the banking sector, as well as the available resources and capacity. As a priority, the mission assisted in establishing critical services, including risk management, financial reporting, internal auditing, and human resources over the medium term. The mission also detailed the BOD function, covering payment and settlement operations, treasury and fiscal functions serving the government and the business community, and currency management. The foreign reserve management function will be developed in the next phase following the recruitment of managers and staff.

5. **In addition, Part VIII of the MIMA Act, on capital, accounts, profit and loss, and capital shortfalls, provides for an initial statutory capital injection of USD 20 million (in equity) under Section 447(1).** This funding is partially intended to support MIMA's establishment, particularly the acquisition of plant, property and equipment (assets) (though not likely intended to cover operational costs as these are funded separately). As the Marshall Islands uses USD as its official currency under Section 443(1), the capital injection should be held in highly secure and liquid USD-denominated instruments until it is utilized to acquire plant and property. This could be managed through a brokerage account with a reputable investment firm.

6. **This report is structured as follows.** Section II reviews authorities' achievements since the 2023 TA mission, highlighting implemented activities. Section III details the BOD's structure, covering the Payment Operations, Banking and Treasury, and FRMD, as well as the objectives of the OVD Division within the Financial Stability Department. Section IV introduces an IPCS. Section V provides a roadmap and timeline for developing MIMA's core operational functions and

[3] Some recommendations included in this report require amendments the Monetary Authority Act and should be coordinated with the IMF's Legal Department. During the Mission, the MIMA indicated that it expects to table amendments to the Monetary Authority Act in August 2026 which should allow sufficient time to adopt the recommendations. Such recommendations are considered contingent upon the formal approval of the related legislative amendments. Delays in securing approval of proposed changes will impact the timing of implementing recommendations.

activities. Section VI provides guidance in establishing robust governance and administration for the MIMA. Section VII provides guidance on next steps related to engaging external experts.

II. Activities Since March 2023

7. **The 2023 mission report outlined several key milestones in a draft 'Future Road Map' to create the MIMA.** Most of the short-term recommendations have been completed, while those for the medium term are still pending. For example, the MIMA Act has been passed by Parliament, with USD 20 million as Statutory Capital being committed; an initial USD 1 million has been made available. Although the White Paper on establishing the MIMA was prepared and shared with relevant stakeholders, it has not yet been published. The MIMA has started the process of recruiting senior managers by defining job descriptions and plans to begin inviting candidates soon. The MIMA is also reaching out to regional central banks requesting help to develop internal policies and procedures. Regarding the introduction of ACH and RTGS systems, MIMA is still evaluating the details, and expects the IMF TA report to assist with this effort. Information about the implementation progress of the 2023 TA mission is provided in Appendix I.

III. Operationalizing Banking Operations Department

8. **The MIMA should adopt a comprehensive and holistic strategy in establishing its organizational structure.** While the design must remain strategically forward-looking and closely aligned with the institution's core mandates and essential functions, it would be prudent to implement this structure and to staff the various divisions in phases. Considering forthcoming challenges, such as the necessity for specialized skills and expertise, along with the current scale of the financial sector, initial efforts should focus on creating the BOD. This department is prioritized because MIMA's primary and immediate objective is to deliver reliable and efficient payment services and products to financial market participants, government entities, SOEs, and households. A comprehensive roadmap for establishing the operations is included in Appendix II(a).

9. **The BOD's functions and tasks comprise:**

- POD: Manages and operates an ICPS for both large value and retail transactions.
- BTD: Provides banking services to the government, financial institutions, and public entities, cash and debt management, and CSD for government debt instruments; and manages currency in circulation.
- FRMD: Administer the RMI's official foreign currencies, gold reserves, and other international assets.

10. **An executive manager will head the BOD, supported by around 18 staff members. Ideally, most team members should bring experience from central banking or a commercial bank.** The executive manager is tasked to:

- Operate MIMA's critical financial infrastructure, including payment, clearing and settlement systems, cash and debt management system, foreign reserves management system and currency operations.
- Oversee the development of the BOD's strategy, policy, and operating procedures.

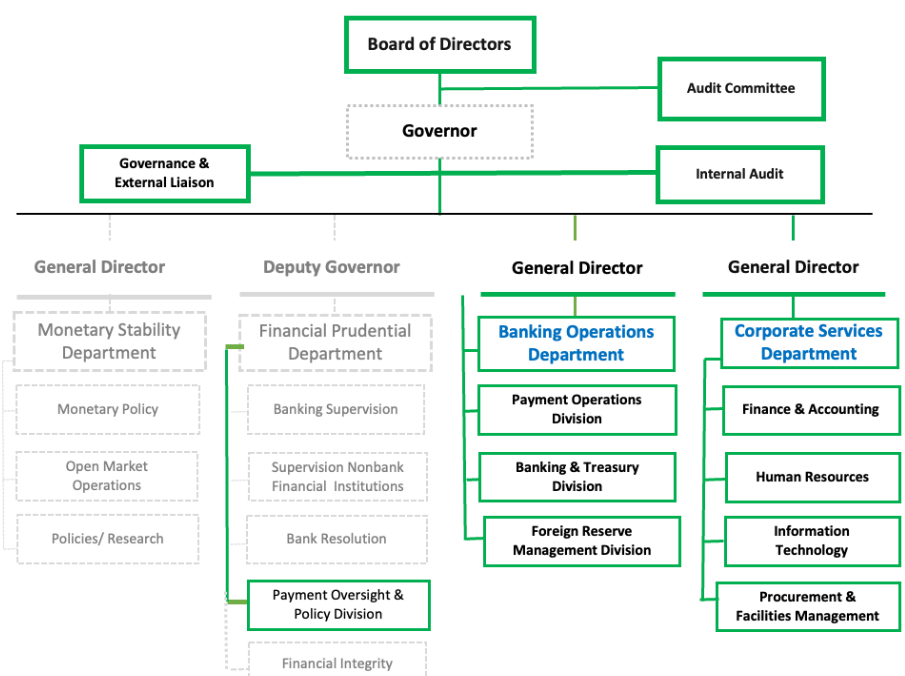
- Lead the selection and deployment of MIMA's core banking system and the integrated payment system.

- Develop BOD's internal procedures and put in place a transparent decision-making mechanism.
- Assist the Governor in the recruitment, management and promotion of the career development of the BOD's staff.
- Ensure compliance with relevant regulatory framework.
- With approval of the Governor, represent the MIMA in various committees and external and international engagements.

11. **The qualifications of the executive manager should be rigorous due to the crucial function of the BOD in ensuring sound and efficient payment transactions.** Recruitment should focus on extensive experience, deep regulatory knowledge, and advanced educational background. Key qualifications include:

- Academic background**:** A higher education degree, minimum bachelor's degree and preferably master's degree in economics, finance, banking, or related field.
- Work experience: 7–10 years of strong managerial and coordination skills in central banking or commercial banking, with a proven track record of at least 3–5 years in a senior management role.
- Operational expertise: Strong experience in central bank operations, including payment operations, clearing houses, foreign reserve management, and currency management.
- Regulatory knowledge: Deep understanding of banking, payment, and financial market regulations, anti-money laundering (AML)/know your customer (KYC) policies, and central bank prudential regulations.

Figure 1. Organigram of the MIMA*



* This report covers the MIMA's structure and functions that are framed with green color.
Source: IMF.

A. Payment Operations Division

12. **The POD will be tasked with operating the new integrated payment system.** This system includes the RTGS system, ACH, and IPS. In the future, once the government chooses to issue bonds and treasury bills, the MIMA may establish a CSD for government debt instruments. This capability should be incorporated into the integrated system

13. **The POD will also be responsible for providing technical support to participant banks and other financial institutions.** The payment system operates through a multi-step process designed to ensure the effective and secure transfer of funds between participants, including authorization, instruction validation, clearing, and settlement. Additionally, it is crucial that the entire process be supported by a robust RMF which identifies, monitors, and mitigates various risks such as liquidity, credit, settlement, and operational risks. See the discussion on payment systems below.

Structure of the POD

14. **The POD will typically be staffed by personnel with knowledge in IT and accounting and is overseen by a manager possessing substantial technical knowledge of payment systems and fintech.** For regulatory matters—including rule introduction and amendments, the division relies on legal professionals from other teams. The Division consists of three specialized teams, each managed by a designated leader and overseen by a manager:

    - *Manager: Oversees* will manage the operations of the payment infrastructure and implements the payment policies of the MIMA. The manager is also tasked with evaluating payment innovations and their effects on MIMA. In addition, responsibilities include developing the Division's strategic plans for the medium to long term, as well as ensuring that all division's operations are conducted efficiently and timeously.
    - The Operations Team will consist of three staff members who operate the integrated system, facilitate the onboarding of new participants, and provide ongoing support through the helpdesk.
    - The Compliance Team will be comprised of two staff members responsible for maintaining and developing internal rules and procedures for the integrated system.
    - The Development Team will include two staff members whose primary responsibilities are to analyze and propose new digital services and features. The technical development of new products and services is managed by MIMA's IT division or through an outsourced service provider.

Developing the Procedures of the System

15. **As the IPSC operator, MIMA will be responsible for establishing participation rules.** These rules form a fundamental component of the agreement between MIMA and the system's participants. MIMA will specify the eligibility requirements and membership criteria necessary for participation in the system. Generally, membership is extended to licensed financial institutions regulated by MIMA, the MOF, and other authorized domestic entities that offer payment and clearing services. The system rules set forth the obligations of both MIMA and the participants. For example, MIMA must operate the payment system safely and efficiently, adhering to internal standards and best practices, while participants are required to ensure that all payment information, procedures, and their RMFs comply with the system's requirements.

16. **MIMA will also be responsible for establishing the system's operational procedures.** This task follows the definition of system specifications and the development of the system by an external service provider. The operational procedures specify the network type to be utilized,

such as VPN or an international network provider. The system may also require participants to submit transactions using globally recognized messaging standards and implement Straight-Through Processing (STP). Furthermore, it is essential to secure payment information transmission throughout the process by employing appropriate digital signatures and certificates based on public key infrastructure (PKI). System rules will also outline the operating schedule, including operating days, hours, and designated cut-off times.

17. **The system rules will outline the RMF, including queue management, gridlock resolution, and return payments.** To take part in the settlement process, participants may be required to prefund the system's account. Additionally, the system might obligate participants to access an intraday liquidity facility from the MIMA, using appropriate collateral mechanisms to help minimize liquidity and credit risks.

18. **The MIMA will require participants to establish a robust BCP to ensure sustained operational resilience in the event of unexpected business disruptions.** Each participant is responsible for developing its own BCP and Disaster Recovery Plan (DRP), including a secondary site, related to their engagement in the payment system. These plans must be thoroughly formulated and documented, outlining recovery strategies that enable continued operations within an acceptable timeframe. Additionally, participants are expected to conduct periodic reviews and regularly test their BCP and DRP procedures.

19. **The MIMA will establish comprehensive rules and procedures for managing participant defaults.** The system will specify the exact point at which transactions are deemed final and irrevocable, ensuring that completed transactions cannot be reversed or unwound in the event of participant insolvency. Additionally, protocols will be implemented to address any pending transactions in the queues of defaulting participants.

20. **Further details regarding the design and specifications of the integrated system are provided in the section titled "Introduction of New Payment System"**

B. Banking and Treasury Division

21. **The BTD will be assigned multiple responsibilities and functions, which may be outlined as follows:**

- Treasury Services: Maintaining and managing the accounts of the MOF, as well as processing the revenues and expenditures of the MOF.
- Fiscal agent: Managing the issuance of, and operating primary market for, government securities.
- Payments Processing: Maintaining and processing the accounts of the banks, other financial institutions, public entities and funds of special agencies and programs, including the maintenance of the minimum reserve requirement of banks, and making electronic payments on behalf of public financial institutions and agencies.
- Currency in circulation**:** Ensure enough circulation of good quality USD bills and coins.

Structure of the BTD

22. **BTD staff generally possess backgrounds in accounting and banking services, while the manager is expected to demonstrate broader experience, including expertise in risk management and strong technical proficiency.** For legal matters such as contract execution and related arrangements, the division will rely on legal specialists from other service areas. The Division consists of three dedicated teams, overseen by a manager:

- Manager: in addition to managing the staff, this role involves overseeing the payment infrastructure operations and carrying out MIMA's payment policies. The manager will also lead the Division's efforts in evaluating payment innovation and its effects on MIMA. Additionally, the manager will set mid- to long-term strategic plans for the BTD and ensure both the quality and promptness of its activities.
- The Account Services Team consists of two staff members responsible for managing the accounting and record-keeping systems and preparing reports. One staff member executes government payments and SOE transactions, while the other is assigned to the banking sector and private entities.
- The Fiscal Services Team is composed of three staff members who manage the business segment of the CSD/SSS related to the issuance of government securities. System operations will be handled by the POD once this function is incorporated into the integrated system.
- The Currency in Circulation task is managed by one staff member responsible for planning and overseeing the vault, collection and distribution of currency. As this role may not require full-time commitment, the designated staff member may also undertake additional duties as necessary.

Developing the Operations of the BTD

23. **The BTD will offer treasury services to the RMI Government in its capacity as banker and treasury manager.** This includes managing government domestic debt, overseeing cash management, and handling various other governmental financial operations. The BTD is responsible for the receiving of revenues, custody, and disbursement of government funds. Accordingly, MIMA will process deposits, accept and collect checks made payable to the Government, and facilitate the holding and transfer of funds. Additionally, MIMA may also administer government cash management functions and provide accurate forecasts of short-term cash inflows and outflows.

24. **The MIMA will manage the government's consolidated 'single treasury account' as part of its cash management framework.** This approach enables the government to reduce idle balances within the banking system, resulting in cost efficiencies. Additionally, it facilitates optimal use of government cash resources by channeling interest savings from surplus funds in certain areas to offset shortages elsewhere. Without such consolidation, additional cash requirements may need to be met through borrowing.

25. **The government's single treasury account with the MIMA is organized as a master account, consisting of multiple sub-accounts.** At the apex, the main operational account reflects the net balances—both positive and negative—from dedicated accounts assigned to various ministries and agencies, each with its own distinct accounting identity. If necessary, a cash disbursement ceiling can be imposed on each spending entity based on these ledger accounts.

26. **The MIMA will also take care of the MOF's foreign currency needs.** Instead of the MOF maintaining separate foreign currency accounts for its external obligations, it would be preferable for the MOF to obtain foreign currency from the MIMA whenever needed. The MIMA can then decide whether to acquire the currency from the market or use foreign reserves. Alternatively, the MOF could consider holding foreign currency sub-accounts within the single treasury account.

27. **Like most central banks, the MIMA will operate the management of government debt by operating the primary market for government bonds and bills.** An auction system with standardized procedures will be established for the sale of government securities. This process

typically follows a consistent sequence from announcement through allocation, settlement and debt servicing, with the objective of promoting transparency, efficiency, and soundness.

28. **Like several emerging countries, MIMA will operate the CSD for government securities.** The CSD will handle issuance, settlement, servicing, and redemption of government debt instruments. Payments for these transactions may be added to the integrated payment system managed by MIMA, but this feature will be addressed later since establishing the payment and clearing system is the current priority.

Coordination between MIMA and MOF

29. **Strong operational coordination between MIMA and the MOF is essential.** An MOU with the MOF could be prepared, encompassing the following areas:

- The flow of information from the MOF on government's expected cash flows, which is an important input into the MIMA's liquidity forecasts.
- The flow of information to the MOF on the government's actual balance at MIMA (ideally in close to real time).
- The information on the modality and timing of market interventions; the timing of auctions or other operations in the money market.

30. **The MIMA will need to establish a SLA with the MOF outlining the operational, financial, and reporting requirements for provided services by MIMA.** This agreement would mainly cover managing the consolidated account, cash handling, and fiscal agency responsibilities. Commonly, an SLA addresses issues such as:

- Account Management: Specifies real-time information requirements, daily, and monthly reporting on account flows (opening/closing balances, receipts, payments).
- Banking Services: Sets turnaround times for the MIMA as a fiscal agent, payment agent, or settlement agent.
- Financial Terms: Defines fees for services, which should reflect actual costs, and the remuneration rate for government balances (usually linked to market rates or MIMA lending rates).
- Operational Risk: Outlines procedures for handling business continuity, such as system failures.
- Performance Evaluation: Establishes mechanisms for reviewing the MIMA's performance and compensation for breaches

31. **The MIMA is responsible for operating the accounts of banks and financial institutions operating within the RMI.** All commercial banks are required to maintain deposit accounts with MIMA' central banking account system for transaction settlement via the payment system and to satisfy cash reserve requirements. In accordance with this role, MIMA may provide liquidity to commercial banks as necessary through an Intraday Liquidity Facility, enabling prompt transaction settlements throughout the business day. This intraday liquidity will be governed by a suitable collateral management framework. Once the payment system becomes operational, these functions will be automated, allowing for electronic transfers. MIMA would need to install a central banking system to manage its activities and participants accounts. As priority, MIMA should prepare the RFP for the development and install of such a system.

32. **Due to its limited task, cash management could be handled within the BTD.** Since the RMI won't initially issue its own national currency, MIMA's role is to make sure U.S. dollars—banknotes and coins—are widely available and in good condition, withdrawing old or damaged

currency so individuals and businesses have access to reliable money for financial activities. MIMA must also routinely check banknote authenticity to prevent counterfeiting. Establishing a business relationship with relevant U.S. authorities, like the Federal Reserve System (or a major U.S. bank), will help guarantee an adequate supply of dollar bills and coins in the RMI. Ultimately, MIMA will manage a currency warehouse, requiring accurate forecasting, equipment to assess banknote quality, and secure storage facilities.

C. Foreign Exchange Reserves Management Division

33. **The MIMA will be responsible for managing the country's foreign exchange reserves.** Typically, larger central banks assign this function to a specialized department, whereas smaller central banks may house it within departments responsible for open market operations or banking activities. The BTD is expected to include a Division dedicated to foreign reserve management. MIMA's role is to ensure that external assets are readily accessible to meet balance of payments obligations, address financing requirements, and fulfill other related functions. Reserve assets typically comprise monetary gold, special drawing rights, reserve positions in the Fund, currency and deposits, securities, financial derivatives, and other claims. The management of foreign exchange reserves focuses on preserving the capital value of these assets and maintaining sufficient liquidity to cover government debt service and other payments, as well as those for MIMA's own account.

34. **The FRMD is managed by a team of three staff members**. Typically, with approximately 25 percent of employees handling policy and strategy formulation, 25 percent portfolio management, 25 percent working in risk management, and 25 percent focusing on back-office and technology**.** MIMA may assess whether outsourcing specific aspects of foreign reserve management could enhance effectiveness. Nevertheless, MIMA will retain responsibility for policy formulation and strategic oversight. As the RMI operates predominantly in USD, a significant portion of foreign exchange reserves is likely to be held in non-complex USD instruments prioritizing capital preservation and liquidity over earnings.

35. **This function will be further developed after establishing and staffing the BOD**.

IV. Operationalizing Payment System Oversight and Policy Division

36. **The OVD will be part of the Financial Prudential Department.** The rationale is to separate between the decision-making process for the operation of the IPCS and the oversight function of MIMA, aimed at minimizing any appearance of conflict of interest. The description of the OVD has been included in this section for the sake of completeness of MIMA's role and responsibility in the sphere of payment and clearing.

37. **The OVD will be tasked with establishing MIMA's oversight and policy framework.** It issues regulations and rules compatible with international standards to regulate the operations of the payment systems and other payment service providers operating in the RMI, including those systems operated by the MIMA itself. The oversight policy outlines the responsibilities, objectives, guiding principles, standards, scope, activities and tools, which will govern the oversight of payments, systems payment services providers and other infrastructure such as the CSD.

38. **The OVD will be responsible for licensing payment systems and electronic money providers.** The Division will also evaluate the soundness and resilience of these entities,

conducting both off-site and on-site examinations of payment systems and other service providers. Staffing should include personnel with legal, accounting, and economic expertise, managed by an individual possessing comprehensive knowledge of the payment ecosystem and regulatory frameworks. The manager should demonstrate strong leadership abilities, including capacity for policy analysis and formulation of recommendations related to regulatory improvements and policy development. The Division will be organized into two teams, each led by a manager:

- The Oversight Team consists of two staff members responsible for regulating and overseeing the integrated system (RTGS, ACH, IPS) as well as e-money service providers.
- The Policy Team is composed of two staff members dedicated to formulating policies aimed at promoting innovation, digitalization, and financial inclusion.

39. **Clear mechanisms must be established to prevent any perceived conflict of interest, thereby safeguarding the integrity and neutrality of MIMA's regulatory and oversight responsibilities.** Accordingly, the OVD should be distinctly separated from MIMA's payment operation functions of the POD, with independent decision-making and reporting structures aligned to different senior managers. As such, the OVD Division will be situated within the Financial Prudential Department but will remain operationally distinct from banking supervision duties.

40. **To effectively manage payment system modernization and fulfill its mandate, the MIMA must strengthen its capacity and resources in the payments domain.** Achieving this objective necessitates securing adequate funding, engaging skilled personnel, and implementing continuous training programs. Sufficient resources are essential for the robust regulation of key systems (RTGS, ACH, IPS), comprehensive policy development, licensing, examinations, and fostering innovation, digitalization, financial inclusion, as well as supporting the work of the council (NPC). Upon recruitment, staff should receive extensive and targeted training in payment and settlement systems, oversight and risk management practices and strategic planning to advance modernization, innovation, financial inclusion, and consumer protection.

Payment Oversight and Policy Framework of the MIMA

41. **Developing an oversight policy is crucial to support the overarching objective of safe, efficient and inclusive payment and settlement systems in the RMI.** This policy also serves as a structured framework for MIMA to further its payment system strategy. Moreover, implementing a risk-based oversight policy framework is fundamental for achieving MIMA's oversight objectives. This process necessitates the development and completion of the following components:

    1. Developing a NPS
    2. Developing payment system law and regulations
    3. Detailing payment system oversight framework
    4. Manuals for implementing a risk-based oversight approach
    5. Procedures for collecting and processing data
    6. Manuals for implementing offsite oversight
    7. Manuals for implementing onsite examinations

1. Developing a national payment strategy

42. The primary responsibility of the OVD is to formulate a comprehensive NPS. This strategy provides guidance for MIMA to define and accomplish its objectives within an established timeframe, while also informing and engaging relevant public authorities, market participants, and the public in cultivating a shared vision of the desired outcomes. The NPS serves as a strategic framework for MIMA, payment service providers, and other key stakeholders to develop inclusive policies, products, and solutions that broaden access to payment services for businesses, households, and the public sector. Its aims include delivering recommendations for designing a national payment infrastructure that aligns with international standards and best practices but is also adapted to the unique circumstances and requirements necessary to establish a secure, efficient, and inclusive national payment system in the RMI.

43. The NPS should be forward-thinking and encompass an extensive array of subjects across the payment ecosystem. This will include essential foundations such as different parts of the payment infrastructure—RTGS, ACH, IPS, electronic payments—and the legal and regulatory frameworks like payment laws, regulations, and rules. It must also clearly outline the features of the retail payments market in the RMI, addressing matters related to account structures, payment product design, and access. Additionally, the digitalization of financial transactions—including electronic money—is vital to modernizing national payments. High-volume payment streams are significant, and strategic consideration should be given to their utilization, starting with government payments, correspondent banking relationships, and concluding with international remittances. The delineation of oversight functions represents a central focus and is a critical duty of the MIMA.

44. A key focus of the NPS should be to encourage electronic payments in the RMI. Currently, cash remains the main payment method since retailers and suppliers perceive it as "safe." Checks are also widely used throughout the Marshallese economy, with an average of 35,270 checks settled each month, corresponding to about USD 68.7 million in 2025. Electronic payments are rarely used, regardless of transaction size, particularly among micro and small retailers. There are approximately 370 point-of-sale (POS) terminals across the 29 inhabited atolls and five islands, mostly located in Majuro, the capital. Monthly, POS transactions average 67,300 in volume and USD 4.5 million in value. Debit card payments also average 60,000 transactions per month, amounting to USD 3.9 million. Credit cards are seldom issued or utilized. For context, the population of RMI is roughly 40,100, with a GDP per capita of USD 6,800 based on 2025 nominal prices.

45. Financial literacy and inclusion should be foundational elements in the development of the NPS. Emphasis must be placed on harnessing digital technology to address geographical isolation and connectivity challenges, thereby enhancing access to financial services for the widely dispersed population of the RMI. Government payment programs, particularly benefit initiatives, can play a pivotal role in advancing financial inclusion by facilitating transaction accounts and encouraging further investment in supporting infrastructure and networks. Public administrations remain the largest users of payment services within the RMI. As a significant advancement for financial inclusion, the Universal Basic Income (UBI) program distributed payments to over 33,000 residents as digital cash payments in 2025. This initiative, integrated with digital connectivity, serves as a reliable channel for financial transactions among citizens. Nonetheless, the extent to which government payments have promoted the use of electronic payments—and consequently, broader financial inclusion—remains limited. Additionally, remittances from abroad, especially the United States, constitute an important component of household income in the Marshall Islands, amounting to USD 36.4 million in 2025. Transaction costs for these remittances remain high, ranging between 10 percent and 12 percent of the transferred amount.

2. Developing payment system law and regulations

46. **Establishing a solid legal and regulatory framework is essential for ensuring certainty and stability in payment activities.** The MIMA, as outlined in its act, has the authority to operate and promote safe, reliable, and efficient payment, clearing, and SSSs, and to oversee these systems. In addition, the MIMA can regulate, license, register, and oversee the payment systems, and other financial market infrastructures. It also holds the power to issue regulations, monitor compliance, and enforce corrective actions, including directing regulated systems to make remedial changes and imposing administrative penalties.

47. **While the MIMA's act provides enough power for MIMA to regulate and oversee payment systems, it would be advisable to issue a national payment law.** A detailed law provides the legal certainty required for payment transactions, identifies the rights and obligations of participants as well as system operators, requires the implementation of risk mitigation framework, including the settlement finality, in line with international standards Such as the Principles for Financial Market Infrastructures (PFMI). It also ensures that payment providers maintain high standards of security and transparency, preventing money laundering and protecting customer data. The law will also provide the MIMA with the authority to issue regulations for payment service providers, such as electronic money, card payments, and set standards for consumer protection.

3. Defining payment system oversight framework

48. **A payment system oversight framework is a mechanism used by central banks to ensure that payment systems, service providers, and instruments are safe, efficient, reliable, and inclusive.** This framework supports the implementation of monetary policy, upholds financial stability, and builds public trust. In this context, MIMA must clearly define its objectives and scope, such as promoting safety, efficiency, and integrity across payment systems, securities depositories, clearing and settlement processes, and electronic instruments like cards, wallets, etc. To implement its policies, the MIMA must regularly monitor, identify, assess, and address various risks linked to payment systems and service provider operations, including legal, settlement, liquidity, credit, and operational risks (such as cybersecurity and IT failures). The framework should also ensure robust and transparent governance. MIMA should develop procedures for corrective actions, such as mandating changes, imposing penalties, and influencing governance when necessary.

4. Manual for implementing a risk-based oversight approach

49. **Oversight should follow a risk-based approach, guided by international standards and best practices.** By using offsite reporting, onsite inspections, and independent third parties such as external auditors, MIMA can determine the appropriate level of risk for each payment system and service provider. The evaluation will consider risk levels, governance structures, RMFs, internal controls, and methods for mitigating risks. To better understand the probability and potential impact of various risks, payment system providers will be reviewed against the CPSS-IOSCO PFMI, guided by assessment methodology that addresses legal, settlement, financial, and operational risks, as well as governance, decision-making, responsibility allocation, and internal controls. Most central bank overseers have adopted the PFMI as a guiding oversight tool.

5. Procedures for collecting, processing, and reporting data and other information

50. **A comprehensive manual will be prepared outlining the guidelines for both onsite and offsite examinations, as well as specifying the baseline information and data requirements for payment systems and service providers.** This manual will formalize procedures to standardize internal controls and guarantee consistent quality of information and data across all systems and over time. MIMA will verify regulatory compliance by collecting and analyzing reports and information submitted regularly and, on an ad-hoc basis by regulated entities. Compliance will be assessed through offsite evaluation of the submitted data, supplemented by onsite examinations and targeted audits of regulated systems and service providers. The procedures for collecting and processing data and other pertinent information will be thoroughly documented within this manual.

6. Manuals for implementing offsite oversight

51. **Offsite activities will mainly concentrate on a particular set of standard indicators and benchmarks**, offering MIMA insights into safety, efficiency, internal control effectiveness, and related risks at each payment system and among its participants.

52. **Generally, the indicators encompass system participation, turnover, credit risk, liquidity risk, operational risk, and concentration, among others.** Additionally, quantitative and statistical data are collected, including the value and volume of processed payments, the number and value of failed transactions, incidents associated with settlement failures, occurrences of fraud, customer complaints, security-related events, and other operational risks.

53. **When analyzing certain issues or incidents, it may be necessary to add qualitative information to the quantitative data.** In these situations, the oversight team will ask payment system operators and participants for additional information and further explanations.

7. Manuals for implementing onsite examinations

54. **The MIMA should be granted authority to conduct onsite examinations of payment system and payment service providers.** Such oversight is performed both periodically and on need basis. Onsite examinations necessitate comprehensive planning and preparation, detailing the procedures the inspection team must follow before, during, and after the review. This process may involve:

- Inspection planning and scoping
- Review of off-site oversight reports and statistical data as support to investigate specific activity
- Inspection procedures
- Evaluation of board of directors, management, and staff
- Evaluation of internal procedures and auditing processes
- Assessment of change management processes
- Identification of various risks
- Assessment of data protection and cyber-resilience and information security and business continuity planning arrangements.

National Payment Council

55. **To advance the development of the payment system in the RMI, it is essential to engage all relevant stakeholders throughout the process.** The MIMA could initiate the formation of a NPC or a comparable entity to provide guidance to MIMA regarding its mandate for payment systems and service providers, as well as other aspects impacting the payment system, including

design, framework, and operational matters. The NPC may be established by decision of the Governor and might comprise representatives from commercial banks, card payment schemes, public agencies, and major market participants.

56. **The NPC serves as an advisory entity established to deliver strategic guidance and facilitate coordination within the payment ecosystem in the RMI.** The NPC assists MIMA's leadership by promoting the modernization of the payment system. Additionally, the NPC may encourage collaboration with regional and international partners, including NPCs and organizations focused on financial inclusion and financial literacy.

57. **Terms of Reference should define the NPC's objectives, composition, and procedures.** The main objectives are:

- Advise on the MIMA's payment system strategy.
- Facilitate collaboration among public and private stakeholders in payments modernization process.
- Support the development and implementation of the new payment infrastructure.
- Enhance innovation, digitalization, and financial inclusion and literacy.
- Advise on emerging risks, regulatory developments, and technological trends.
- Promote cashless payments and reduce cash usage and the reduction of check payments by strengthening the usage of electronic payments.
- Promote consumer confidence, safety and accessibility in innovative payment solutions.

58. **The NPC's activities will be supported by the MIMA staff and particularly the POD**. It will organize the meetings, take the minutes and submit supporting documents for NPC discussions.

V. Introduction of New Payment and Clearing System

59. **Establishing robust and efficient payment and settlement systems is essential for the effective functioning of the financial market in the RMI and for ensuring financial stability.** Traditionally, central banks manage RTGS systems for high-value transactions, whereas retail payment infrastructures—such as ACH, IPS, and national payment switches—are typically operated by the private sector. Nevertheless, in several major developing and emerging economies, central banks also operate retail payment infrastructures like ACH and IPS. This practice often stems from commercial banks either lacking adequate resources and capacity or being unable to reach consensus on the design and modalities of payment infrastructure due to competitive considerations.

60. **There is "no one-size-fits-all" model for adopting new infrastructures**, as payment and settlement systems must be tailored to the specific needs and circumstances of each country. Generally, contemporary payment and settlement systems comprise an RTGS system, ACH, and IPS. Additionally, a CSD for securities issuance and registration, along with a SSS, may serve as integral components within an integrated framework.

A. Objectives of Payment and Clearing System Modernization

61. **The MIMA should implement a modern payment and settlement system tailored to the RMI's unique institutional, demographic, and market growth characteristics.** To achieve this, MIMA may initiate consultations with relevant stakeholders to determine the appropriate

features for the new payment architecture. These discussions may occur within the NPC, once established, or through a comparable entity. During this stage, operational staff designated as the “Strategy Team”—comprising representatives from commercial banks, non-bank financial institutions, government agencies, business sectors, and network operators (including telecommunications and electricity companies)—should be engaged. The POD is expected to support the Strategy Team under the direction of the Director General of the BOD. This team will also be involved in the development the RFP for the IPCS that includes the business requirements and system specifications. At a later stage, a similar process will be utilized for the development of the CSD.

62. **Transparency and accountability play a pivotal role in building public confidence within the new payment ecosystem.** MIMA should ensure that its objectives, intentions, and governance structures are clearly disclosed to foster trust. The overarching strategy must comprehensively address consumer protection, as well as the associated risks, benefits, and costs of payment services. Strengthened transparency and accountability, upheld by rigorous regulation and governance, contribute to greater system reliability and accessibility for all members of the public.

63. **A further goal is to strengthen and widen financial markets.** An advanced payment system fosters a more accessible and creative financial sector that can respond to diverse needs. It enables digitalization and financial innovation by offering a reliable, efficient platform for emerging products and services. Enhanced infrastructure advances financial inclusion, reaching individuals who have been excluded regardless of their location. Additionally, it allows banks and payment service providers to upgrade customer experiences with modern technical standards.

B. An Integrated Payment and Clearing System

64. **An integrated payment infrastructure would address the needs of the RMI economy.** By combining RTGS, ACH, and IPS into one platform, it would create a safer, more cost-effective, and fully interoperable financial ecosystem for the RMI. Given the limited size of its financial system and constraints in resources and capacity at the MIMA, a customized, integrated, and scalable solution would help lower costs for operating and developing new services and products within an evolving payment environment in the RMI.

65. **The MIMA is recommended to spearhead the implementation of an IPCS that consolidates RTGS, ACH, and IPS functionalities.** Given the current retail payment volume, it is prudent to initially activate clearing capabilities to facilitate wire transfers and check payments among banks, government entities, SOEs, and relevant agencies (for the size of the market see to the section on NPS). To ensure secure and efficient clearing of checks and other payment transactions, both MIMA and the banking sector should transition to an electronic clearing system, with all transfers processed electronically. MIMA should mandate the adoption of check truncation mechanisms, allowing for the electronic transfer of digital images rather than physical paper. Settlements will be conducted on the accounts maintained by banks, government and other entities at MIMA. When large-value transaction volumes become significant, MIMA may consider activating the RTGS function. Furthermore, MIMA would need to carry out a rigorous campaign for the adoption of the PS by the MRMI population. Subsequently, as operational experience is gained with ACH and RTGS, MIMA could evaluate the introduction of IPS functionality. The main features of the IPCS are discussed below.

C. Key Features of the IPCS

66. **The RTGS function within the integrated system serves as the cornerstone of the national payment infrastructure, facilitating real-time, final interbank settlements as well as clearing positions generated by the ACH, and foreign exchange transactions.** By processing each transaction individually and instantaneously, the RTGS mitigates systemic, counterparty, settlement, credit, and liquidity risks. Additionally, it enhances liquidity management and enables participants to deliver improved, real-time services to MIMA participants. Key features of the RTGS system include:

- Immediate and final settlement: Transactions are settled instantly and irrevocably and cannot be reversed, reducing credit and liquidity risk.
- High security: The system employs advanced security protocols, including tokenization, encryption, and two-factor authentication, to safeguard sensitive information and mitigate fraud.
- Transparent status tracking: Users are provided with real-time notifications and have continuous visibility into the status of their transactions from initiation through settlement, thereby minimizing uncertainty.
- Efficiency and effectiveness: The system enables financial institutions to manage liquidity, optimize cash flows, and introduce new value-added services. Automated funding and defunding functionalities facilitate timely injection and withdrawal of liquidity as required. Additionally, direct participants are empowered to oversee the funds of their non-settling (indirect) participants. The system further supports liquidity optimization by queuing transactions and continuously monitoring and adjusting bank liquidity throughout the day.
- International standards compliance: The system meets CPMI-IOSCO PFMI and ISO 20022 messaging requirements.
- Modular, event-driven architecture: It uses decoupled, scalable components with message queues and Application Programing Interfaces (APIs) for efficient service integration, higher volumes, and enhanced automated processing.

67. **The ACH component within the integrated system is designed to manage large volumes of low-value payments, making it ideal for retail transactions, card payments, and direct debits or credits.** It can also facilitate the gradual phase-out of physical checks. Additionally, the ACH enables efficient bulk processing for payments such as salaries and vendor transactions, greatly improving the government's capacity to pay public-sector employees in a cost-effective manner. Key features of the ACH include:

- Processing: Transactions are collected, bundled, and submitted in batches at scheduled times by a financial institution (or other entity), instead of being processed individually. This method enables efficient handling of large volumes and lower transaction costs. The ACH may impose a maximum limit per transaction. Participants send each other batches of electronic credit and debit transfers through the ACH. Examples of credit transfers include direct deposit, payroll, social security benefits, and tax, while direct debits cover recurring mortgages and utility bills payments. The ACH receives these batch files, edits and sorts payments, delivers them to receiving institutions, and settles net payments by crediting and debiting the financial institutions' settlement accounts at the central bank or private bank.
- Operational rules: Define the roles, responsibilities, procedures for system, file format, operating time, etc.; aimed at ensuring consistent, secure, and effective electronic payments. In the U.S., ACH is governed by Nacha Operating Rules & Guidelines that specify transaction details, including the bank routing number and account number for both the Originating

Depository Financial Institution (ODFI) and the Receiving Depository Financial Institution (RDFI).

- Risk management: Involves a multiplayer framework defined by the ACH operating rules and the regulatory framework aimed at ensuring the soundness and protection of financial institutions, business, and end-users. Key risks are credit (default), fraud (unauthorized transactions), operational (system or processing failure), and compliance (regulatory sanctions). The credit risk is critical and occurs when the originating financial institution often credits a receiver before receiving the fund from the originator's account and the originator defaults. Many ACHs operate on a prefunded modality or set up a collateralization framework.

68. **IPS handles payment transactions instantly and continuously, 24/7**. Transfers between accounts usually happen within seconds, making funds immediately accessible to recipients. Transactions are easy to initiate via multiple platforms, including online banking, mobile wallets, card networks, automated teller machines (ATM), short message service (SMS), web browsers, or at physical branches, using identifiers such as aliases or quick response (QR) codes. This system supports effortless Person-to-Person (P2P), Person-to-Merchant (P2M), Business-to-Business (B2B), Business-to-Government (B2G), and Government-to-Person (G2P) payments, enabling users and organizations to transact with any service provider. Once the sender is verified and approved, payment instructions are transmitted by the bank through a central network. Although IPS solutions offer many benefits, they also come with distinctive risks and challenges that require careful attention. Some of these issues include:

- **Fraud and Security Risks:** The implementation of IPS may elevate the risk of fraud and cybercrime. Since transactions are processed instantaneously, banks and payment service providers have limited opportunity to detect and prevent fraudulent activities before completion. Once a transaction is executed, it is irrevocable. Consequently, financial institutions and businesses must invest in advanced, real-time fraud detection and prevention capabilities. To mitigate fraud, the Confirmation of Payee (COP) scheme was recently introduced in many IPS systems around the world, enabling prior verification of both the payee's and payer's identities for each transaction.
- **Investment in technology:** Implementing the IPS demands substantial upgrades to technology and infrastructure, making it a complex and expensive task for operators, banks, non-bank financial institutions, and businesses. Companies may need to add new APIs, update banking and IT back-end systems, and strengthen security measures.
- **Interoperability**: IPS must be broadly adopted and compatible with other systems to function well. As an integrated infrastructure, banks and businesses would be able connect with other payments systems such as RTGS, ACH and mobile payments. Furthermore, standardization of customer accounts into internationally compliant formats across all banks and other financial institutions would streamline interbank transfers and thereby improve accuracy and efficiency in retail payment processing.

69. **For an integrated payment system to function reliably, securely, efficiently, and with resilience, it must use a communication network based on international standards.** To fully benefit from new payment infrastructure, real-time connectivity is essential between MIMA and its participants, including government, banks, SOE, agencies, and other payment service providers. The network should also be capable of handling bulk payment file transfers. For instance, SWIFT serves as a global benchmark for messaging services, delivering features for connectivity, security, and management. However, the MIMA may use proprietary network and messaging mechanisms, although it should comply with international standards.

VI. Roadmap to Introduce the BOD

70. **The comprehensive roadmap in Appendix II(a) offers a detailed guide to the stages of launching new functions, developing regulatory frameworks, and setting up systems and procedures.** While disciplined consistency is crucial, task timelines may require adjustment; ultimately, the roadmap serves as a thorough checklist of what must be implemented.

VII. Establishing a Robust Governance Structure

71. **To ensure the MIMA's successful establishment, its governance framework must embed sustainability and credibility as operational imperatives.** These depend on autonomy, accountability, transparency, and professional competence, as set out in the Act. These principles must be integrated into institutional culture, daily decision-making, and communications to build trust among citizens, markets, and international partners. The fundamental governance framework should be legally safeguarded by the Monetary Authority Act. This requires not only legal provisions but also consistent practice, visible integrity, and clear stakeholder engagement.

72. **The Act defines the accountabilities and authorities of the Board, which must exercise its full statutory powers to provide effective oversight and strategic direction.** This includes approving budgets and financial statements, formulating internal policies, appointing senior executives and auditors, and overseeing risk management, compliance, and internal controls. Acting independently and with integrity, the Board will safeguard the mandate, ensure checks and balances, and reinforce a culture of accountability essential for long-term stability.

73. **The proposed organizational structure is broadly aligned with MIMA's mandate, though adjustments will be needed as functions are established.** Institutional design should reflect the MIMA's objectives without unnecessary complexity or duplication. Board committees require clear terms of reference, qualified membership, and effective procedures to ensure robust oversight. Alignment between mandate, structure, and operations will enable decisive action, responsiveness to emerging risks, and preservation of operational independence.

74. **Accountability and transparency must be embedded in governance, operations, and communications.** Regular engagement with the MOF and Parliament should be complemented by public disclosure on progress, audited financial statements, policy decisions, regulations, and performance outcomes. These practices ensure actions are lawful, proportionate, and open to scrutiny, enhancing public trust, investor confidence, and financial stability. Openness and predictability in governance foster domestic and international investment and strengthen economic resilience, making these practices critical to MIMA's credibility and effectiveness.

75. **A sequenced roadmap for establishing governance safeguards, administrative structures, and operational policies essential to the MIMA's mandate is available in Appendix II(b).** By addressing immediate and medium-term priorities, it enables the MIMA to build foundational capacities and transition toward fully functional operations. The roadmap is designed to accelerate institutional readiness, strengthen oversight, and ensure sustainable compliance with international standards. As senior level positions are recruited, lower level managerial and support positions must begin immediately.

A. Board Oversight and Tone at the Top

76. **The MIMA's Act provides safeguards for its autonomy and independence.** The Act clearly articulates MIMA's objectives in Section 406 and its functions in Section 407, while governance arrangements are detailed in Part IV (Sections 413–427) and operational procedures for the *'… Board of Directors and the Executive Committee*' are set out in Part V (Sections 428–430). Part I, Section 403 of the Act explicitly exempts MIMA from the RMI Constitution's Public Service Commission's procedures, reinforcing MIMA's institutional independence. These provisions collectively ensure that MIMA operates with a clear mandate, defined responsibilities, and the structural independence necessary for effective monetary governance.

77. **Composition of the Board of Directors should include the Deputy Governor.** Section 423(2) provides for the appointment of a Deputy Governor with Section 424 allowing the Governor to delegate any of his powers or functions to the Deputy Governor. However, Section 413 regarding the composition of the Board includes only the Governor and three non-executive members on the Board of Directors. Section 413(2) should be amended to include the Deputy Governor as a Board member to provide greater balance between the executive and non-executive members.[4] This amendment aligns with previous IMF recommendations (also refer to footnote above regarding amendments to the Act).

78. **Strong oversight mechanisms have been embedded in MIMA's governance structure to ensure accountability, transparency, and effective risk management.** Part IV, Section 413(n) mandates that Board of Directors oversee financial reporting, risk management, compliance, information technology (IT), security, and internal controls, while Section 413(g) empowers the Board to appoint key oversight bodies such as an Advisory Committee, AC, and the Internal Auditor (based on the recommendation of the Governor). Part IX (Sections 455–458) further strengthens these provisions by requiring internal and external audits, thereby institutionalizing rigorous financial and operational scrutiny. These legal requirements establish the foundation for a governance culture that prioritizes integrity, compliance, and proactive risk mitigation.

79. **To strengthen governance effectiveness, the Board should operationalize its oversight role through specialized committees with clear mandates and Terms of References (TOR).** An AC, composed of the three non-executive members, should also assume responsibilities typically assigned to a Risk Committee, including monitoring internal controls and operational integrity. A 'Human Resources Compensation and Nominations Committee' (HRCNC) could oversee executive appointments, succession planning, competency assessments, and remuneration structures. Committees will review information and recommendations from management as well as consider external evidence before making recommendations to the full Board. Final policy decisions should remain with the full Board to preserve strategic coherence, given its small size.

80. **To manage the complexity of early institutional development, the Board should consider establishing a Project and Investment Committee to oversee major initiatives and capital investments.**[5] While the Board's size may suggest limiting committees, targeted bodies with defined agendas, delegated authority, and documented minutes will enhance oversight, ensure

[4] If the Act is amended to appoint the Deputy Governor as a member of the Board of Directors, Section 429 will also require amendment as the Deputy Governor, as Board member, should not also serve as Board Secretary as this will create a conflict of interest.

[5] 'Investments' herein referring to investments in the MIMA's own infrastructure and operations, not financial investments in markets aimed at earning income.

accountability for high-value, potentially risky projects, and provide a transparent record of governance decisions—critical for building stakeholder confidence.

81. **Governance capacity should be reinforced through the appointment of a Board Secretary to coordinate agendas, manage documentation, and track follow-up on Board and committee decisions.** The Secretariat should prepare a comprehensive Board Governance Manual consolidating statutory duties, compliance requirements, fiduciary obligations, and reporting timelines. Annual self-assessments of Board and Committee's performance should inform procedural improvements. The Board should also define its approach to public disclosure of meeting minutes and key decisions, with the Secretariat ensuring systematic record-keeping and follow-up.

82. **An Executive Management Committee (EMC) should be established to translate Board-approved strategies into operational delivery.** Comprising the Governor, Deputy Governor, Legal Counsel, and Heads of Departments—with the CIA (also sometimes referred to as the Chief Audit Executive) attending ex officio—the EMC would oversee operationalization of annual work plans and budgets, monitor financial performance, ensure compliance with laws and audit recommendations, and coordinate departmental activities. Acting as the operational engine of the authority, the EMC would manage resources, address emerging risks, and maintain policy coherence, thereby ensuring institutional stability and operational credibility. The proposed EMC would serve in an advisory capacity to the Governor, while executive management decision making authority remains vested in the Governor.

B. Audit Committee

83. **Part IV, Section 414 (g) of the Act could be refined.** Subsection (g) indicates that the appointment of an AC could be discretionary "… on the recommendation of the Governor" whereas Section 457 clearly directs that the "… the Board shall appoint an Audit Committee." Appointment of the AC should not be interpreted as being discretionary.

84. **The AC should adopt a Charter based on the Institute of Internal Auditors' (IIA) model, adapted to the MIMA's specific context.** To safeguard independence, secretarial duties should be assigned to the Board Secretariat rather than the CIA as recommended by the IIA. This will avoid a potential conflict of interest with the AC being accountable for assessing the performance of the CIA. The Charter must clearly define the AC's scope, authority, and reporting lines, ensuring it can fulfil its oversight mandate effectively and without conflicts of interest. The AC would also need to approve the Charter for Internal Audit.

85. **The AC's core function is to provide the Board with independent assurance on the adequacy and effectiveness of internal controls, risk management, compliance, and financial reporting.** This requires systematic review of evidence from internal and external assurance providers, risk assessments, compliance monitoring, and operational control evaluations. Box 1 provides an overview of the roles of the AC—from where it can obtain information for forming its opinion on the state of controls within the MIMA. By integrating these inputs, the AC can form a holistic view of the authority's control environment to identify systemic weaknesses, recommend corrective measures, and monitor follow-up on unresolved issues to strengthen the control environment.

Box 1. Specific Roles of the Audit Committee

Functions and disciplines that the AC can draw on to form an opinion on the adequacy and effectiveness of internal controls, risk management, compliance, and financial reporting.

- **External Audit**: The AC will recommend the appointment, fees, and rotation of external auditors; ensure their independence; agree on audit scope; and meet with auditors at both planning and reporting stages to discuss findings and implications. The AC must discuss any Qualifications or Matters of Emphasis raised by the Audit Firm. Post completion of the audit, the AC should also assess the appropriateness quality of the work being conducted by the audit firm. The External Auditors Report should be published with the financial statements on the MIMA's website.

- **Internal Audit:** The AC approves the Internal Audit Charter and risk-based multi-year plan, ensuring the function is adequately resourced and independent. It monitors the CIA's progress against the plan, reviews high-priority findings, and tracks the implementation of management's corrective actions to ensure timely resolution and documented verification.

- **Financial Reporting Oversight:** The AC approves accounting policies and monitors the integrity of the externally reported financial statements. It ensures accurate disclosures for complex operations, such as payments, banking, and reserve management. It scrutinizes quarterly results against Board-approved budgets to advise on resource constraints (financial, human or other) or cost overruns / underspend.

- **Risk Management:** The AC reviews the identification and mitigation of strategic, operational, financial, legal, and reputational risks. It challenges risk frameworks and mitigation strategies, providing advice on improvements and assessing management's business continuity readiness for potential failures or risk events.

- **Compliance & Ethics:** The AC oversees adherence to laws, regulations, and codes of conduct. This includes monitoring whistleblowing mechanisms and ensuring that investigations into fraud or ethical breaches are conducted with strict impartiality.

- **Internal Control:** The AC evaluates the effectiveness of internal control framework and policies. It provides an opinion to the Board on whether these structures offer reasonable assurance against errors and irregularities, recommending enhancements where emerging risks or weaknesses are identified.

Through the integration of the outputs of the supporting functions form the input to the AC in providing the Board with a comprehensive view of the organization's operational integrity and regulatory compliance.

86. **To operate effectively, the AC should maintain a disciplined annual work plan and meeting schedule, with agendas and minutes formally documented.** A structured approach will help ensure sufficient time for the AC to focus on substantive discussions of performance, risk, and governance priorities. Proactive planning should minimize emergency meetings, while the Board Secretariat ensures timely follow-up on all decisions and action points. As a minimum, the AC should meet quarterly, plus one additional meeting with the External Auditors to discuss the audit plan.

87. **The AC must preserve its independence by holding private sessions, when necessary, while inviting the Governor or other executives to participate in discussions as appropriate.** Annual self-assessments of the AC's performance, alongside evaluations of internal audit, external audit, risk management, and compliance functions, will promote continuous improvement. By addressing sensitive issues openly and constructively among committee members, the AC reinforces transparency, accountability, and stakeholder confidence.

88. **The AC should provide the Board with a clear opinion on the effectiveness of systems and controls governing the authority's operations and outcomes.** While the Board determines strategic direction and institutional priorities, the AC assures that the frameworks, processes, and safeguards underpinning those strategies are functioning as intended. For example, the AC may confirm that foreign reserve management controls are robust, while the Board assesses whether the trades align with investment policy objectives. This distinction ensures governance roles remain clear, complementary, and effective.

C. Internal Control Framework

89. **The MIMA must design its control environment by defining clear standards, processes, and structures that set a strong tone at the top and reinforce accountability across all levels of the organization.** The design and implementation of internal controls is the accountability of management. The Board and Management must actively promote the importance of internal controls through visible leadership, clear expectations of conduct, and consistent reinforcement of governance principles. Box 2 discusses the link between governance and internal controls. The AC relies on the internal control framework to ensure accountability, transparency, compliance, and informed decision-making through structured oversight. Internal control should be understood as a dynamic, people-driven process aimed at achieving operational, reporting, and compliance objectives, providing reasonable—though not absolute—assurance, and adaptable to the MIMA's evolving structure and functions.

90. **The AC must ensure that the MIMA's internal control framework operates effectively while maintaining independence from its design and implementation.** This separation of duties safeguards objectivity and preserves the integrity of oversight. Management is responsible for designing and embedding control processes, while the AC evaluates their overall adequacy and effectiveness. Adopting the Institute of Internal Auditors' Three Lines Model will help clarify governance boundaries: operational management owns and manages risks; specialist functions monitor and challenge; and internal audit provides independent assurance to the AC and Board. This structure will ensure impartial oversight and a coherent system of accountability.

91. **The MIMA should institutionalize continuous evaluation of its controls to ensure they meet objectives related to operational efficiency, compliance, asset safeguarding, and reliable financial and performance reporting.** Controls must be embedded in operational processes, system designs, and contractual arrangements—both as a service provider to the financial sector and in managing services from external providers. Reporting mechanisms should be complete and accurate, with regular reconciliation of financial and operational data across systems to detect discrepancies. Follow-up on critical recommendations from prior audits or reviews must be systematically tracked to ensure timely resolution of deficiencies.

92. **A risk-aware culture should be actively cultivated to underpin the effectiveness of internal controls.** This requires strong leadership, structured processes, and a culture of accountability where roles, responsibilities, and delegations of authority are clearly defined and aligned with organizational structures. Reducing ambiguity in decision-making enhances operational integrity and ensures governance not only meets compliance requirements but also actively supports the MIMA's strategic objectives and institutional credibility. By embedding these practices, the MIMA can build a resilient governance framework that supports its mandate and strengthens stakeholder confidence.

Box 2. Attributes of Robust Governance and Internal Controls

A robust internal control system is a cornerstone of sound governance, fiduciary risk management, and operational efficiency. It is underpinned by a strong tone at the top, where leadership visibly prioritizes ethics, accountability, and independent oversight. Effective governance frameworks align organizational structures, policies, and procedures with the institution's mandate, mission, and strategic objectives, ensuring transparency, fairness, compliance, and accountability.

Core elements include rigorous risk assessment processes that continuously identify and prioritize vulnerabilities, enabling resources to be directed where exposure is greatest. Segregation of duties is maintained across key processes—such as procurement, financial management, and human resources—dividing initiation, authorization, and recording responsibilities to reduce the risk of error or fraud. Delegations of authority are explicit, documented, and aligned with operational needs, supported by mechanisms such as the four-eyes principle.

High-quality, timely, and accurate information flows across all levels of the organization, supported by integrated systems that serve as a single source of truth. Documented policies and procedures cover financial management, procurement, asset management, and human resources, with embedded system controls, automated workflows, and strict access rights.

Continuous monitoring, internal reviews, and independent audits ensure that controls remain effective and responsive to evolving risks and operational realities. These processes are complemented by routine reconciliations, inventory checks, and system-based validations, all supported by verifiable audit trails.

A culture of risk awareness and accountability is reinforced through capacity building, ethics training, and clear conflict-of-interest policies. Transparency is enhanced through public disclosure of financial and non-financial results, audit findings, and risk exposures, while compliance mapping ensures adherence to applicable laws, regulations, and standards.

When these elements are integrated, internal control systems not only safeguard assets and ensure compliance but also support efficient, effective, and credible delivery of results in alignment with institutional objectives.

93. **Internal controls are not the accountability of any one position but are a shared responsibility across all functions and levels.** This ensures the MIMA's governance integrity and operational effectiveness. The following sections outline how diverse roles collectively strengthen the control environment, fostering accountability, transparency, and compliance with international standards to support the MIMA in delivering against its mandate.

D. External Audit

94. **The Board must exercise its statutory authority to appoint qualified External Auditors in accordance with the Act and international best practice.** Sections 414(l) and (m) empower the Board to select and appoint auditors, while Section 458 requires audits to be conducted under International Standards on Auditing by independent firms with recognized global experience in auditing large financial institutions. This framework ensures the MIMA is subject to credible, high-quality financial oversight that protects institutional integrity and reinforces stakeholder confidence.

95. **The MIMA should target audit firms with proven experience in auditing central banks or monetary authorities.** Such expertise ensures the audit approach reflects the institution's unique mandate, operational priorities, and balance sheet–driven sustainability model. Selection should also weigh regional and contextual knowledge to ensure recommendations are practical and

sensitive to the MIMA's operating environment. Where direct central banking experience is lacking, appointing an international review partner of the selected firm with the requisite exposure can close the gap. Given the recommended adoption of International Financial Reporting Standards (IFRS—see also below) as the leading internationally recognized accounting standard, auditors must demonstrate competence in auditing IFRS-compliant statements.

96. **Clear internal guidance should govern the provision of audit and non-audit services by the same firm to safeguard independence.** In small economies with limited consulting service providers, seeking technical advice can be constrained. Risks can be mitigated by assigning separate partners or offices to different engagements, supported by documented assurances of internal safeguards against conflicts of interest. Reputable audit firms already maintain such policies that can be relied upon that balance the need for technical expertise with the imperative of maintaining objectivity.

97. **The MIMA should aim to consistently achieve an unqualified audit opinion, confirming that financial statements are free from material misstatement and compliant with applicable standards.** This outcome signals effective internal controls, statutory compliance, and sound financial management, strengthening institutional credibility. Receiving an unqualified opinion strengthens institutional credibility but also aligns the MIMA with international standards of transparency and accountability. A structured process for following up on all audit recommendations—integrated with Internal Audit tracking—will ensure timely resolution of any control issues raised in cases of qualified opinions. The AC will need to discuss any "Emphasis of Matter" disclosures, if issued, in otherwise unqualified opinions to ensure stakeholders understand their significance.

98. **The AC should meet with External Auditors at least twice per audit cycle to align expectations on scope, timing, and methodology to be followed.** Planning meetings should confirm that the audit scope is tailored to the MIMA's functions and risk exposures, with private sessions between the AC and auditors to address independence, scope limitations, or undue pressures. Audit planning should include sufficient lead time and stakeholder coordination to maximize audit quality and acceptance of recommendations. An annual written independence declaration from the auditors should detail all relationships, services, and potential conflicts. Timely agreement on audit schedules is essential to meet statutory deadlines under Section 453 for submission to Parliament and for public disclosure.

99. **The AC should conduct an annual performance assessment of the External Auditors to inform reappointment decisions (see Section 458(3) of the Act).** This review should evaluate independence, professional skepticism, industry expertise, adherence to the audit plan, and the quality of communication with both the AC and management. Incorporating feedback from senior management and reviewing audit quality Indicators ensures that the audit engagement delivers a thorough and objective examination of the MIMA's financial position.

100. **Legislative amendments should be considered to provide flexibility in external auditor tenure.** Section 458(2) mandatory five-year rotation may be impractical in small markets with few qualified providers. Allowing a one-year extension or rotating the lead partner and audit team instead of rotating the entire firm could maintain independence safeguards while ensuring continuity and cost-effectiveness.

E. Internal Audit

101. **Clearly delineate between the roles of internal audit, external audit, risk management, compliance and management is essential to avoid duplication and gaps.** Internal Audit

provides independent risk-based assurance on adequacy and effectiveness of governance, risk, and controls; External Audit opines on the fairness of financial statements and compliance with applicable standards and internal policies; Risk Management maintains and reports on management's view of the MIMA's risk exposures ensuring risks are clearly described, categorized, assigned to responsible owners to manage and mitigate; while Management designs and owns the operational processes including identifying, assessing, and mitigating risks. Effective practice requires clear role boundaries, documented ownership, and timely adoption of mitigation strategies to evolving circumstances, as reflected in the IIA's Three Lines Model. Box 3 elaborates further on the Three Lines Model promulgated by the IIA.

102. **The legislative provisions governing the Internal Audit function should be updated to reflect modern, risk-based audit practices in line with internationally recognized Global Internal Audit Standards (GIAS).** Importantly, Part IV, Section 414(g) empowers the Board to "appoint an … Internal Auditor on the recommendation of the Governor,". Section 414(p) however requires the Board to "approve the internal audit report prepared by the AC and monitor implementation of the internal auditor's recommendations." This should instead refer to the AC's report to the Board, not narrowly the 'internal audit report' specifically; and further, the AC should be delegated accountability to monitor implementation of recommendations. Section 455 provides for the appointment of the CIA, and Section 456 currently defines the CIA's duties. These duties include in 456(1)(e) "preparing and delivering" reports on financial statements, budgetary and accounting procedures, risk management, and efficiency alludes to a compliance-based methodology and overlaps with the accountability of management and external audit. Modern internal auditing, as defined by the Institute of Internal Auditors (IIA), provides independent, risk-based assurance on governance, risk management, and internal controls—reviewing, but not preparing, management's information. Updating these provisions will preserve independence, eliminate overlaps with management and external audit, and ensure the CIA focuses on high-risk areas that could impede the MIMA's achievement of its mandate, with quarterly reporting to strengthen oversight and responsiveness. Consultation with the IMF's Legal Department is recommended to ensure drafting consistency with current international norms.

Box 3. The IIA's Three Lines Model Elaborated

The IIA's updated Three Lines Model clarifies governance and accountability by defining distinct but complementary roles for operational management, risk and compliance oversight, and independent assurance.

First Line—Operational Management: The first line is accountable for owning and managing risk within day-to-day operations. This includes designing and executing processes, maintaining accurate transaction records, and embedding compliance requirements into workflows. First-line actors ensure that activities adhere to laws, regulations, and organizational policies, and that data generated is complete and accurate at the point of origin. Their accountability lies in producing reliable operational outputs and maintaining internal controls to prevent errors or irregularities.

Second Line—Risk Management and Compliance Oversight: The second line provides specialized oversight functions such as risk management, compliance, and quality assurance. It is accountable for developing frameworks, policies, and monitoring systems to ensure operational compliance, and for supporting the first line in interpreting and applying regulatory requirements. Risk management functions systematically log, monitor, and mitigate risks using tools such as integrated risk logs and governance instruments.

The second line's accountability is to ensure that risks are managed within agreed tolerances and that compliance mechanisms are functioning effectively. Monitoring by the second line is structured and periodic—often quarterly or annually—and focuses on output delivery and risk mitigation effectiveness rather than process execution. In the IIA's new Three Lines Model, the second line's role is primarily oversight and monitoring, not operational execution. This is a form of evidence-based, targeted verification rather than continuous re-execution of operational tasks.

Third Line—Internal Audit and Independent Assurance: The third line provides independent assurance to the governing body and senior management. It evaluates whether governance, risk management, and compliance processes are effective and aligned with organizational objectives. The third line does not manage compliance directly; instead, it assesses the adequacy of frameworks and the accuracy of monitoring outputs. Its accountability is to report objectively on the organization's control environment, identifying weaknesses and recommending improvements.

Accountability Linkages: Clear definition of roles, responsibilities, and reporting lines is essential to avoid duplication and gaps. The first line is accountable for accurate execution, the second for oversight and risk-informed monitoring, and the third for independent validation—together forming a coherent accountability framework that supports effective governance and results-based management.

103. **The MIMA should adopt a hybrid model, with the CIA providing in-house leadership and an outsourced provider delivering technical capacity.** Given the challenges of attracting and retaining sufficient qualified auditors in a small market, the MIMA should engage one senior internal auditor—appointed as the CIA—to manage an outsourced internal audit service provider. The provider must be independent of the External Auditor and selected through a competitive process with clear evaluation criteria, including technical expertise, relevant sector experience, ethical track record, and demonstrated compliance with international standards. This approach ensures adequate coverage of the MIMA's operations while maintaining quality and independence.

104. **Recruitment of a qualified CIA should be prioritized. The CIA should be appointed transparently, report administratively to the Governor and functionally to the AC.** Further resourcing of Internal Audit will be dependent on the sourcing model (see above). The CIA will prioritize workplans in alignment with the AC approved Internal Audit Charter tailored to the MIMA's mandate and risk profile. The Governor's administrative role should not affect audit scope, findings, staffing independence, or the transmission of reports to the AC, in line with the IIA Global Internal Audit Standards. The CIA will need to maintain educational requirements through ongoing training. Membership in the IIA and relevant regional chapters will ensure access to current methodologies and professional networks.

105. **Internal Audit should align with the IIA's GIAS.** Management holds primary accountability for compliance with laws, regulations, and internal policies, while Internal Audit provides independent assurance that these accountabilities are being met. Compliance should be validated through independent External Quality Assessments at least every five years. Until compliance is achieved, external auditors are unlikely to rely on internal audit work. Outsourcing to a compliant service provider can bridge capacity gaps, reduce duplication, and lower costs.

106. **Audit methodologies should be developed and documented to ensure consistency regardless of personnel changes.** The CIA should, potentially with the assistance of the outsourced service provider, prepare an Internal Audit Manual defining the Audit Universe, Risk Taxonomy, entity ranking methodology, findings rating system, and procedures for conducting audits and developing recommendations, reporting, and follow-up. Ownership of the manual rests with the CIA; while the AC may review it, formal approval by the AC should be avoided to prevent conflicts of interest. The AC's role is to approve the three-year risk-based Audit Plan, review progress, discuss critical findings, and annually assess the CIA's performance.

107. **The CIA should implement a structured, risk-based audit planning and execution cycle.** The three-year Audit Plan should prioritize high-risk areas aligned with the MIMA's strategic objectives. The CIA will oversee execution, validate findings for relevance and completeness, and coordinate with other assurance providers—particularly External Audit, risk management, and compliance units—to avoid duplication and optimize coverage. Annual performance reviews of the outsourced provider should assess quality, timeliness, independence, and value added.

108. **The CIA should provide the AC with clear, evidence-based opinions on the state of internal controls.** Reports should summarize key risks, critical findings, and the status of management's implementation of agreed recommendations, with an "aging" analysis of outstanding actions. Less critical issues should be summarized to maintain focus on priority matters. This enables the AC to assess whether prioritization of mitigating risks is consistent with the MIMA's stated risk appetite and tolerance.

109. **Risk appetite statements should be realistic and aligned with operational capacity to ensure credible risk management.** Failure to implement agreed audit recommendations effectively constitutes acceptance of the associated risk, which may contradict the MIMA's declared risk appetite and tolerance. For example, declaring "zero appetite" for a certain risk category while allowing related corrective recommendations to remain unimplemented undermines credibility and creates a false sense of security. Audit recommendations should reflect achievable levels of control aligned with risk appetite and be supported by timely corrective action.

F. Corporate Service Department

110. **The MIMA should expedite recruitment of the Executive Manager, Corporate Services Department (EM-CSD), ensuring the appointee holds a Certified Public Accountant (CPA) or equivalent qualification.** A draft Job Poster is included in Appendix 3. Senior leadership capacity must be complemented by dedicated staff to ensure effective execution. Further, the MIMA will need to quickly agree to the high-level structure and accountabilities to be covered by the Corporate Services Department. As each of the administrative units are established and staffed, it will be critical draft and approve policies and detailed operating procedures to ensure consistency of results and embed appropriate control and risk management mechanisms.

G. Accounting and Financial Management

111. **This section is divided into two sub-sections addressing accounting and external financial reporting versus internal financial management and budgeting.** Once hired, the EM-CSD should prioritize the recruitment of a Controller and a General Accountant to manage daily financial operations and the financial reporting process.

Accounting and External Financial Reporting

112. **The MIMA should adopt IFRS as its accounting framework to ensure global comparability and credibility**. Such adoption will require an amendment to the MIMA Act.[6] Part IV Section 414(o) (see also Section 449 and 452) requires adoption of accounting policies “in line with Generally Accepted Accounting Principle”—confirmed to refer to Generally Accepted Accounting Principles of the USA (US GAAP). This is not in alignment with prevailing practices of central banks and monetary authorities. Most central banks either comply fully with IFRS or, in cases where local legislation conflicts with IFRS, they look to IFRS for the remainder of their accounting policies and reporting requirements. No central bank strictly applies US GAAP, nor even the majority of the standards provided for in US GAAP. Adopting IFRS will provide the MIMA with international comparability and will enhance the MIMA’s reputation globally.

113. **An interim MOU with the MOF should be established to provide payroll, accounting, asset management, safekeeping, and other administrative services on a cost-recovery basis.** The MOU should specify the level of transactional details to be retained by the MOF to be transferred monthly to the MIMA for integration into its Management Information System (MIS) once implemented.

114. **The MIMA should procure a basic, reliable interim accounting software package to meet immediate needs, with the understanding it will be replaced (or outsourced) within 12–24 months.** Once the EM-CSD is appointed, procurement should begin for this off-the-shelf system, ideally with integrated accounts payable, payroll, asset ledgers and procurement. In parallel, planning should commence for a long-term, fully integrated MIS solution capable of linking automatable administrative processes with capability to be interfaced to other core operational environments. A decision will be needed as to whether the MIMA will maintain such a MIS or outsource this solution to a third party.

115. **The EM-CSD and Controller should develop an accounting manual detailing the chart of accounts, transaction recording procedures, documentation requirements, processing**

[6] Adoption of IFRS will require an amendment to MIMA’s Act. Until such amendment is approved, the MIMA must comply with sections 414, 449, and 452 in adoption of US GAAP.

limits, and reconciliation/reporting timelines. This will ensure consistency, support training, and provide a reference for audits. If the MIMA manages donor or restricted funds in an agency role, these must be tracked separately, with expenditures verified for eligibility and supported by complete documentation. The manual can provide input for the business requirements to be used for acquiring an MIS (see also Information Technology section below regarding technical requirements and maintenance arrangements). The manual will need to respect the reporting deadlines provided for in Section 453 of the Act.

116. **Robust internal controls should be implemented from the outset.** Controls should include segregation of duties, authorization limits, secure cash handling, and regular reconciliations. Control features should follow standardized processes that most MIS support. Financial reports—such as project progress reports, income statements, balance sheets, and budget-to-actual comparisons—should be prepared monthly and shared with management and the Board as operations begin. Most micro-enterprise software packages will have these reports already embedded and only require configuration. The future state MIS can include budgeting, procurement, cash management, bank reconciliations, payroll, asset management, project management, inventory and financial reporting and potentially most importantly, include embedded automated hard controls.[7]

117. **Segregation of duties must be enforced so no individual can authorize a transaction end-to-end.** While a comprehensive MIMA-wide Delegation of Authority will need to be defined in the fullness of time and will evolve as new functions are established and positions filled, an interim policy will be necessary. Box 4 provides an overview of how authorities should align decision making authority with risk exposures. Most critically, no one position (or person) should be able to initiate, approve, and execute a transaction, whether operational, financial, human resources, procurement or other.

118. **The MIMA should consult the IMF's "A Central Bank's Guide to International Financial Reporting Standards" as a template for the annual financial report.** Should the MIMA adopt IFRS as its financial accounting and reporting standard, it will need to quickly begin to draft the structure of the financial statements to be audited and published externally. The IMF guide is a comprehensive model that provides a template from which the MIMA can build its accounting policies and reporting frameworks.

[7] The MIMA's bank note management is not expected to be overly complex. Some MIS integrated inventory management modules may suffice to address currency / bank note management requirements.

Box 4. Aligning Authority with Risk Exposures

A central bank's Delegation of Authority, Risk Event Escalation process, Risk Appetite, and Reporting Framework should be aligned in a meaningful and mutually reinforcing way to motivate stronger risk management and operational efficiency.

Delegation of Authority as an Enabler: Delegation of authority, when structured around materiality, activity type, and transaction sensitivity, enables faster decision-making without compromising controls. In a central bank context, this means empowering staff at appropriate levels to act within defined limits, while ensuring that higher-risk or higher-value decisions are escalated. This mirrors practices where authorizing senior technical advisors to engage directly with senior counterparts improved effectiveness and reduced burdens on operational staff.

Risk Event Escalation enables Swift Response: A clear escalation process ensures that risks identified at operational levels are communicated promptly to decision-makers. Experience shows that risk registers, dashboards, and annual updates to risk frameworks improve visibility and accountability. In central banks, escalation thresholds can be tied directly to delegated authority limits—e.g., if a transaction or operational event exceeds delegated limits or falls outside defined risk appetite, it triggers immediate escalation.

Risk Appetite as Strategic Alignment: Risk appetite defines the boundaries within which the institution is willing to operate. Aligning the Delegation of Authority and escalation processes to risk appetite ensures that operational decisions are consistent with strategic risk tolerance, and that deviations are addressed promptly.

Reporting Framework enables Corrective Action: Internal reporting mechanisms should align with delegation of authority by mirroring the flow of authority downwards, with clear lines of responsibility for reporting upwards. To ensure alignment, organizations should establish clear reporting structures, provide the necessary context and resources for delegated tasks, and implement a system for regular feedback and performance monitoring. Reports should focus on information that enables decision making, avoiding inclusion of excessive data elements.

When these four elements are integrated:

- Delegation of Authority empowers timely action within safe boundaries.
- Escalation ensures rapid response to breaches or emerging risks.
- Risk Appetite provides the strategic compass.
- Reporting Framework provides the necessary feedback loop.

This alignment supports operational efficiency by reducing bottlenecks (through targeted delegation), while strengthening risk management by ensuring that authority is exercised within agreed tolerances and that exceptions are escalated.

In practice, for a central bank, this means embedding risk appetite parameters into delegation matrices, defining escalation triggers based on those parameters, and regularly reporting both in light of evolving risk profiles creates a coherent governance framework that motivates proactive risk management and efficient operations.

Financial Management and Budgeting

119. **Section 452 of the Act should be amended to exclude interest revenue and other policy related cash inflows from the budgeting process.** Requiring these to be established as performance measures in an approved budget may result in moral hazard from undertaking transactions that exceed the MMIA's risk tolerance or are in contravention with policy objectives. Interest revenue can be forecasted but not held as a target or guaranteed source of income.

Critically, the investment of foreign reserves should only be undertaken with priority of capital preservation first, liquidity second and earnings last.

120. **Financial management processes should be established from inception to ensure efficient, transparent, and accountable use of resources.** Financial management differs from compliance with accounting standards used for external financial reporting, focusing internally on planning, directing, monitoring, and controlling financial resources to align with strategic and operational objectives. It integrates budget preparation and execution, resource allocation, income and expenditure monitoring, cash flow management, and internal controls, with timely, accurate financial data linked to performance information to enable evidence-based decision making.

121. **Core financial functions should be operational before the MIMA commences functional operations.** Budgeting, procurement, cash management, bank reconciliations, payroll, asset management, and financial reporting should be in place early, with clear audit trails and regulatory compliance. Oversight must be balanced with operational efficiency to avoid delays in decision making.

122. **The initial annual budget should be anchored in a five-year plan based on a phased development plan of the MIMA.** The forecast should cover both financial and human capital requirements that can anchor the budget envelopes, asset acquisition, staffing plans, and recruitment strategies going forward. Without a forward-looking forecast, investments made now may be financially crippling in the future. This medium-term plan should test assumptions against resource constraints, funding models, and expected revenues over the planning horizon. The objective is to assess whether the approved funding appropriations can be aligned with expected resource requirements and projected inflows to ensure viability in the immediate to medium term.

123. **Budgets follow workplans, not the reverse.** Before the MIMA can establish a robust budgeting process, it needs to develop a work planning process. The work-planning process lays out what and how operations are to be achieved. In developing the budget, expenditures should be categorized to strengthen cash flow management and accountability:

- One time start up/project expenditures (e.g., systems procurement, office fit-up, legal services, advisory, initial training, etc.) should be segregated from recurring operational expenditures (e.g., salaries, utilities, consumables, maintenance, training, travel, etc.).
- Capitalizable expenditures should be segregated from non-capitalizable expenditures, in line with accounting policies.
- Operations provided in an agency role must also be clearly segregated, including costs if provided under a fees-for-service model.
- A budgetary reserve could be contemplated to address unforeseen expenditures, with a clear approval process to prevent misuse. A budgetary reserve of five percent of the budget would not be unreasonable in the first year.

124. **Critical strategic decisions will be required on which functions are to be retained in-house and which to outsource.** These decisions should be based on capacity and strategic importance, with strong oversight for outsourced services (see also section below on Human Capital). Decisions may require that core central bank functions remain in-house for security and continuity reasons, while non-mission critical specialized or non-core functions be outsourced. Outsourced functions still require strong oversight and internal technical expertise to manage service providers. Outsourcing itself does not typically reduce direct costs. The downstream significance of the in-versus-outsourcing decisions lays in access to competencies, resiliency, security and facility requirements.

125. **The EM-CSD will need to ensure close coordination MIMA-wide.** It will be necessary to coordinate information and expectations between financial management and other core operational functions and administrative processors—procurement, human resources (HR), internal audit, risk management, and IT—to produce coherent, decision-ready information for Executive Management and the Board. The five-year plan resource requirements should be tied to measurable outputs and milestones. Progress reports should provide concise, timely information, focusing on start-up progress, variances in scope, timing, and costs, and identifying risks with recommended actions. Transparency measures, such as publishing summary budgets, performance reports, and key policies will reinforce public trust.

H. Human Capital

126. **The MIMA will need to prioritize creation of a dedicated HR leadership role to drive the talent acquisition process.** The appointment of a Director, Human Capital will require a clear mandate to design and operationalize HR systems, policies, and structures in alignment with the organization's legal framework under Sections 413(h), 425, and 426. This leadership role will ensure that staffing decisions are consistent with institutional objectives, policies, and good practices are being adhered to. The Director should leverage existing recruitment partnerships in the Marshall Islands, the Philippines, regional central banks, and elsewhere as well as explore secondment opportunities with regional monetary authorities to fill specialized skill gaps quickly.

127. **The MIMA needs to develop a comprehensive human capital strategy that should guide immediate recruitment, retention, and motivation, ensuring the MIMA attracts and retains top talent in a competitive market.** This requires a competitive, transparent compensation framework with clear grading, differentiated pay for scarce expertise, and, where necessary, remuneration above local benchmarks for critical roles. The strategy should begin with an organizational design exercise defining structure, functions, staffing levels, and competency frameworks, supported by digital HR systems, policy manuals, and standardized performance tools. Transparent, merit-based recruitment, diversity and gender equality measures, and balanced staffing models will strengthen credibility, inclusivity, and institutional resilience.

128. **Agree an organizational design for the near to medium term during the startup phase and a long-term design to be achieved in the steady state.** Figure 1 above provides an updated proposal for the organization of the MIMA. Organizational design should be grounded in a workload-based staffing model rather than fixed ratios, enabling agility during establishment of the MIMA over the near-to-medium term as operations are being introduced. This approach allows for targeted allocation of resources to priority functions such as payment operations, banking, regulatory oversight, foreign reserves management, currency (bank note) management, and financial inclusion initiatives. Strategic staffing plans should integrate capacity-building measures, including targeted technical training, leadership development, and mentoring programs to build resilience against turnover and to strengthen institutional capacity over time.

129. **The MIMA should adopt a pragmatic, function-by-function sourcing strategy that balances cost, flexibility, and institutional capacity.** In the start-up phase, agility will be critical, with accountability for core, high-value functions—particularly those tied to policy, oversight, and institutional credibility—likely retained in-house to safeguard ownership and continuity. Where secure, redundant, and reputable external providers or strategic partnerships with other central banks are available, outsourcing can offer rapid access to specialized expertise and advanced systems without the risk of building them internally. For highly technical or niche services, established providers often have a competitive advantage, but reliance should be managed to

avoid long-term dependency and ensure knowledge transfer to strengthen internal capacity over time.

130. **Recruitment and onboarding processes must be streamlined to avoid delays that undermine operational readiness.** Early recruitment planning, proactive outreach, and well-defined terms of reference will help prevent staffing gaps. Complementary measures such as temporary specialist appointments, structured knowledge transfer, and secondments from partner institutions can maintain continuity during start-up phases. Over time, the HR function should institutionalize career development pathways, performance appraisal systems, and retention incentives, ensuring a stable and skilled workforce capable of delivering on the MIMA's mandate.

131. **The MIMA will need to agree on a Total Compensation and Benefits Plan for ensuring ability to attract staff and retain relativities across positions and between levels.** Retention strategies should combine competitive, market-aligned compensation with non-financial incentives such as career progression opportunities, recognition systems, and participatory management practices. Risks such as high turnover, unclear roles, and weak onboarding should be mitigated through robust induction programs, succession planning, and institutionalized knowledge management. By aligning HR planning with strategic priorities, available resources, and projected growth, the MIMA can establish a skilled, motivated, and resilient workforce from inception, ensuring it is equipped to meet its policy and regulatory objectives effectively.

I. Procurement and Facilities Management

132. **Establish a dedicated procurement and facilities management function to ensure the MIMA can operate efficiently, transparently, and in compliance with recognized international standards.** This function should be led by a qualified procurement specialist, ideally with or working toward a professional certification, to embed best practices from the outset. Given the MIMA's exemption from government procurement rules, it can adopt agile, fit-for-purpose procedures while maintaining safeguards against fraud, conflicts of interest, and collusion. All contracts should be subject to legal review, and procurement decisions must be documented to provide a clear audit trail and uphold accountability.

133. **Develop and formalize procurement policies and procedures that balance speed, value-for-money, and transparency.** These should include needs assessment, market research, competitive bidding where appropriate, evaluation criteria, and award protocols, with flexibility for direct contracting in low-value or low-risk scenarios. Framework agreements with pre-qualified vendors, a vendor-of-record system, and advance procurement planning will reduce delays and ensure quality. Digital procurement tools and supplier performance databases should be implemented to track delivery, manage risks, and inform future sourcing decisions.

134. **Integrate facilities, inventory, and asset management into the procurement role to optimize resources and maintain operational readiness.** This includes overseeing building maintenance, utilities, security, office equipment, and physical asset lifecycle management, supported by an Asset Management Manual and inventory control systems. Segregation of duties must be preserved, with procurement, contract management, and payment authorization handled by different individuals or units to reduce fraud risk. Given the MIMA's size, the role will likely focus more on vendor and contract management than on direct sourcing, making relationship management skills and market knowledge critical.

J. Information Technology (IT)

135. **Initiate a hiring process to identify and on-board a seasoned Director, Information Technology.** This position, reporting to the EM-CSD, will be accountable for the establishment and maintenance of the technological environments of the MIMA. In the immediate term, the incumbent will likely require independent and impartial technical advisors to assist in reviewing options to assess the most practical way forward. As a small monetary authority, it will not be possible, nor will it be cost effective, to establish and maintain all technical environments in-house. Critical decisions will be required as to the overall strategy—while not only are technological solutions rapidly evolving but so will the breadth and depth of the MIMA—disposable solutions that are quick and inexpensive to implement that can readily provide benefits can be replaced as functions mature. That said, security and resiliency must be prioritized.

136. **Establish a robust IT governance and oversight framework from the outset to ensure secure, efficient, and sustainable operations.** This framework should clearly define roles, responsibilities, and decision-making authority, codifying protocols for system use, data management, access control, and cybersecurity. Compliance-by-design should be embedded into all systems and processes, supported by continuous oversight mechanisms such as regular audits, real-time monitoring, and Artificial Intelligence (AI)-driven anomaly detection to identify and address irregularities before they escalate. Change management strategies should also address behavioral aspects of technology adoption, ensuring that staff understand and follow established protocols.

137. **Develop a comprehensive enterprise architecture to guide system design, integration, scalability, and security.** This architecture should address critical components: business architecture, data architecture, application architecture, technology architecture, along with security domains, ensuring that all IT investments align with the MIMA's mandate and operational priorities. The security domain must be embedded across all layers, with strict access controls, password policies, and logging of all system interactions. The architecture should promote interoperability through standardized Application Programming Interfaces (API), enabling systems to interface across environments without creating tightly integrated dependencies that hinder upgrades or introduce vulnerabilities from programming errors and contagions.

138. **Typical central bank business environments forming the application architecture include:**

- Payments and Banking
- RTGS
- Auction and Debt Management platforms
- Financial Supervision and Regulation
- Economic Research Analysis
- Currency (bank note) management
- Foreign Reserves Management
- External public facing applications and website
- Administration

The above applications form part of the application architecture. The IT team needs to assess how these applications fit into the data architecture, technology architecture, and security requirements. If several applications are provided by the same solutions provider on a common platform this can simplify the infrastructure and security requirements. That said, the need to isolate environments in case of cyber risks or contagions may dictate maintaining disparate environments. Also, for those applications that require external connectivity, security firewalls and access controls need to be extremely robust as hackers will use these channels to access the

MIMA's systems.

139. Determine the optimal balance between insourcing, outsourcing, and co-sourcing to meet operational needs and manage costs. Insourcing builds institutional capacity and retains institutional knowledge but requires higher fixed costs and sustained investment in staff development. Outsourcing offers flexibility and access to specialized expertise but can create dependency risks and complex contractual obligations. Co-sourcing—where core functions remain in-house while specialized or peak-load tasks are contracted out—can offer a balanced approach. Decisions should be based on cost-benefit analysis, intellectual property protection, service continuity, and long-term sustainability.

140. Major applications should be procured through a standard procurement process using Requests for Information, Proposal or Quotation. The most suitable for the MIMA will likely be the use of RFP—Requests for Quotation would be used where multiple vendors offer identical products and services and the only differentiating factors are price and delivery. RFPs allow vendors to propose best fit solutions to the MIMA's needs. Typical RFPs for technology solutions include well defined business requirements (what needs to be solved, not how), technological environment (specifications of the environment that the solution must operate in, availability, interconnectivity, etc.), and maintenance strategy (who, how and when are system upgrades, enhancements and bug fixes addressed). The last is often overlooked and sometimes the most critical.

141. Select an appropriate hosting and connectivity model to ensure secure, reliable integration with domestic and international financial systems. The choice between on-premises, off-premises, cloud, or software-as-a-service, to name a few models should be guided by security requirements, scalability, cost, and regulatory compliance. External connectivity must be secured through encrypted channels, firewall protections, and intrusion detection systems. Disaster recovery and BCPs should be developed and tested regularly, with defined recovery time and recovery point objectives to maintain resilience in the event of system failures or cyber incidents.

142. Define operational parameters and SLAs to ensure high availability and performance. Targets such as 24/7 availability, 99 percent uptime, and rapid recovery times should be formalized in SLAs with internal teams and external service providers. Application licensing, maintenance agreements, and upgrade schedules should be centrally managed to avoid service disruptions and ensure compliance with vendor requirements. The IT department should adopt a "configure, don't customize" approach, adapting business processes to out-of-the-box system capabilities to reduce complexity, cost, and upgrade risks.

143. Institutionalize structured project management and process documentation to ensure consistency, quality, and knowledge retention. Project management rigor should be applied to all IT initiatives, using project management tools to track budgets, timelines, and scope/performance. Systems and user documentation must be supplied by all infrastructure and applications suppliers. In addition to end user processes, documentation should include help-desk protocols, security procedures, and system maintenance guidelines, ensuring operational continuity despite staff/vendor turnover.

144. Build institutional capacity through targeted recruitment, training, and partnerships. The IT department should establish a core team of skilled professionals—including engineers, interoperability specialists, cybersecurity experts, and project managers—supported by continuous training and certification in standards such as International Organization for Standardization 27001 ((ISO 27001—international standard for managing information security), Information Technology Infrastructure Library framework (ITIL—coordinating organization wide business processes and value), The Open Group Architecture Framework (TOGAF—standardized approach for linking IT infrastructure and business strategy), and National Institute of Standards and Technology cybersecurity framework (NIST—an outcome-based approach to managing technological risk). Whichever security standard is adopted, it should be applied across the integrated payment systems, together with a dedicated operational resilience plan. Partnerships with universities, professional associations, and peer institutions can create talent pipelines through internships, apprenticeships, and secondments, while also enabling knowledge exchange and adoption of best practices.

145. **Integrate continuous monitoring, analytics, and feedback loops to enhance performance and adaptability.** AI-enabled monitoring tools can detect anomalies in real time, supporting proactive risk management. Performance dashboards should provide senior management with real-time insights into system health, usage patterns, and service delivery metrics. Feedback mechanisms from end-users should inform iterative improvements, ensuring that IT services remain responsive to evolving operational needs.

146. **Ensure that IT systems directly support the MIMA's core functions, administrative needs and strategic objectives.** This includes secure and efficient platforms for banking and payments, currency management, economic data analysis, supervision, foreign reserves management, and internal administration. Systems should be designed to integrate within functional environments while interfacing securely between them, maintaining data integrity and operational security.

147. **By implementing these measures in a phased, structured manner, the MIMA can establish an IT department that is secure, scalable, and aligned with international best practices.** This approach builds an IT capability that can support the MIMA's mandate, adapting to technological change, and sustaining stakeholder trust over the long term.

K. Governance and External Liaison

148. **Consider aligning the functions of Risk Management, Compliance, and Communications & International Relations under the Legal Counsel to strengthen independence, streamline oversight, and enhance direct access to executive decision-making.** The MIMA's organizational size limits the number of senior management positions, making it essential to group functions in a way that preserves autonomy while ensuring efficient workload distribution. Aligning these three functions under a to-be-recruited Legal Counsel provides a central, high-level point of coordination for activities that require impartiality, confidentiality, and adherence to regulatory and governance standards.

149. **This structure will reinforce accountability, safeguard against conflicts of interest, and ensure these functions operate with the independence expected under international best practices.** Legal departments in central banks and financial regulators often serve as natural hubs for compliance, risk oversight, and high-stakes external engagement, given their mandate to interpret laws, manage regulatory obligations, and protect institutional integrity. Under this model, Risk Management and Compliance can benefit from Legal's structured control frameworks, while Communications & International Relations gains a direct channel to the Governor and Board for sensitive policy messaging. This consolidation will improve transparency, reduce fragmentation, and position the MIMA to meet global governance expectations while maintaining operational efficiency.

150. **The following sections provide an overview of the next steps in establishing the three accountabilities.** Legal Counsel itself is not addressed here in as this is a standard role in

majority or organizations. Should the MIMA implement a strategic planning function, it could also be positioned within this function.

L. Risk Management

151. **Establish a Chief Risk Officer (CRO) position reporting administratively to Legal Counsel as head of a Governance & External Liaison, with functional line to the Governor with regular reporting and access to the AC.** An empowered CRO must be able to challenge operational decisions, define the institution's risk appetite, and escalate critical threats without interference. This structure safeguards objectivity enabling effective oversight of the risk framework and facilitates cross-departmental collaboration while avoiding conflicts of interest inherent in operationally owned risk functions.

152. **Develop and adopt a Board-approved RMF that incorporates a standardized risk taxonomy aligned with Internal Audit classifications.** A common taxonomy ensures consistent categorization of risks across all departments, enabling coherent enterprise-wide reporting. The RMF must be embedded into strategic planning, annual work plans, and project design so that risk management becomes a proactive, integrated process rather than a reactive compliance exercise. This alignment ensures that risk considerations inform decision-making at every stage of institutional planning and operations.

153. **Agree on the institution's risk appetite, tolerance, and ranking mechanisms at the Board. The procedural components of the RMF can be approved by the Governor.** Management owns the approach for identifying, assessing, and mitigating strategic, financial, operational, legal, and reputational risks. Clearly defined parameters provide measurable boundaries for decision-making, ensuring that operational units understand the acceptable level of risk in pursuit of strategic objectives while remaining compliant with regulatory and fiduciary obligations. Box 5 discusses the alignment between Risk Management practices and ensuring resilience in a central bank.

Box 5. Why Risk Management is Critical in a Central Bank

Effective risk management is a cornerstone of sound governance in a central bank. It enables the institution to anticipate, assess, and mitigate threats that could undermine monetary stability, financial integrity, and operational effectiveness. As with complex, public facing institutions, central banks operate in an environment shaped by financial market volatility, technological change, regulatory evolution, and political dynamics. A structured risk management framework minimizes the impact of potential threats, ensures continuity of critical functions, and safeguards institutional credibility.

Central banks face a wide spectrum of risks—strategic, financial, operational (process, information technology, human error), legal & compliance, and reputational—many of which are interconnected. Proactive and systematic risk management, including regular updates to risk registers and categorization by likelihood and impact, allows for prioritization and targeted mitigation. This is not a one-off exercise but an ongoing process that requires continuous monitoring, periodic reassessment, and timely escalation to senior decision-makers when high-level intervention is needed.

Embedding risk management into the central bank's governance framework strengthens decision-making by ensuring that risk intelligence informs policy, operations, and resource allocation. It also promotes transparency and accountability, as risk reporting to the Board and oversight committees enables informed debate and swift corrective action. When linked to social, environmental, and fiduciary safeguards, risk management frameworks can also address vulnerabilities such as corruption or compliance failures.

International experience shows that without robust risk management, institutions may overlook critical threats during design or implementation, leading to capacity gaps, operational disruptions, or reputational damage. Conversely, when risk management is well-resourced, embedded in institutional culture, and supported by clear governance structures, it becomes a strategic asset—enabling the central bank to adapt to emerging challenges, maintain stakeholder confidence, and fulfil its mandate effectively.

154. **Implement a central risk register as the operational backbone of the RMF, capturing the likelihood, impact, and mitigation status of potential risk events.** This living document should assign risk owners, outline mitigation strategies, and set review timelines. Regular updates through structured self-assessments ensure the register reflects the current operating environment. Accurate, timely data from the register enables senior management to prioritize resources and address unresolved risks effectively. The MIMA may decide to follow one of the leading standards being either ISO 31000 or Committee of Sponsoring Organizations of the Treadway Commission (COSO) methodologies.

155. **Foster a risk-aware culture by positioning the CRO as a facilitator, while operational units retain ownership of risks within their processes.** The risk office should provide tools, training, and guidance, focusing on the quality of risk discussions rather than excessive documentation. Avoiding over-templating encourages genuine engagement and prevents the process from becoming a box-ticking exercise.

156. **Integrate Business Continuity Management (BCM) and IT controls into the RMF to safeguard core infrastructure.** Develop and test BCPs, Crisis Management Plans (CMP) and DRPs to address operational disruptions, while maintaining CRO independence from their development. The MIMA should consider aligning its business continuity management framework with the principles of ISO 22301. Pair these with robust General Computing Controls (GCCs) and a Cybersecurity Strategy, including regular penetration testing, and ensure high-priority IT risks are reflected in the central risk register.

157. **Develop a Risk Event Escalation Protocol.** Deploy risk indicators and dashboards linked to defined thresholds that trigger escalation when breached and identify to whom such events must be communicated and by when. Real-time monitoring enables management and the Board to detect emerging threats early and take corrective action before they escalate into crises. This agility is essential in volatile domestic and global financial environments.

158. **Require the CRO to submit a formal Statement of Risk opinion to the AC.** The opinion should be supported by a risk dashboard tracking performance against Board-approved appetite and tolerance levels. This opinion should highlight “out-of-appetite” risks, assess mitigation adequacy, and provide evidence-based recommendations.

159. **Maintain accountability through bi-annual reporting to the AC.** The CRO’s report should detail critical risk trends, new or retired risks, and the effectiveness of mitigation measures. This regular oversight reinforces the segregation of duties between risk, compliance, and internal audit, ensuring a robust three-lines-of-defense model.

M. Compliance

160. **The MIMA should consider developing a compliance framework, assigning accountability to the Governance & External Liaison office.** Accountability should be assigned to a senior, qualified officer with a direct and unfiltered reporting line to the Governor and AC. This structural independence is essential to safeguard oversight integrity and protect against political or institutional pressures. The compliance function must operate under a clear, written policy that defines its preventive and corrective roles, enabling challenges to decisions, set priorities based on risk, and ensure alignment with the MIMA’s mandate and regulatory obligations.

161. **Developing a comprehensive Compliance Framework is a critical step in embedding transparency, accountability, and adherence to ethical and regulatory standards into the MIMA’s governance structure.** This framework can be grounded in the BIS definition of

compliance risk, encompassing the risk of legal or regulatory sanctions, financial loss, or reputational damage from non-compliance. The AC should approve the compliance policy, oversee its effectiveness, and review compliance risk management at least annually. Management remains accountable for establishing the function and ensuring compliance risk is effectively managed across all operations.

162. **Operationalizing the framework requires identifying the full universe of applicable laws, regulations, and standards, clarifying internal accountabilities, and conducting a baseline review of compliance versus non-compliance.** Corrective actions must be embedded into operational policies and procedures, with regular monitoring and reporting to the AC. The compliance function should design, communicate, and implement the framework, assess compliance risks, and monitor adherence, while maintaining a clear distinction from the legal function to avoid overlaps or gaps. Integration with other governance mechanisms—such as internal audit, risk management, and ethics oversight—will create a coherent system of checks and balances. Periodic internal audits of the compliance function will strengthen accountability and ensure continuous improvement.

163. **The MIMA will need to establish and enforce a comprehensive Code of Ethics and Conflict of Interest Policy as a first step to safeguarding institutional integrity.** These instruments must set clear behavioral standards, prohibit self-dealing, and require disclosure of financial interests and permissible investments. Annual declarations, regular ethics training, and a transparent process for identifying and resolving conflicts will align staff conduct with the MIMA's mandate and reduce opportunities for undue influence in regulatory, supervisory, and procurement decisions.

164. **A robust Whistleblower Protection Policy must be implemented to encourage the safe reporting of misconduct, fraud, or corruption without fear of retaliation.** This requires secure, confidential reporting channels—preferably managed independently—clear investigation procedures, and visible enforcement. Publicizing the MIMA's commitment to whistleblower protection will foster a culture of accountability and openness.

165. **Anti-corruption measures should be embedded across all operations, integrating transparency, accountability, and independent oversight.** This includes public asset declarations, transparent budgeting, regular audits, and coordination with national anti-corruption bodies. By institutionalizing these measures, the MIMA will create a resilient governance framework that deters misconduct and upholds public trust.

166. **Finally, fostering a culture of compliance and ethics requires regular staff training, integrity checks, and annual declarations aligned with a Financial Disclosure Policy.** By embedding compliance into daily operations and aligning with international best practices, the MIMA can strengthen public trust, reduce systemic risks, and enhance its resilience in meeting both domestic and international transparency and governance expectations.

N. Communications and External Liaison

167. **The MIMA will need to establish a comprehensive, integrated communications strategy early on to position it as a credible, transparent, and responsive institution.** Accountability for communications should be positioned in the Governance & External Liaison office to ensure access to the Governor, consider legislative and regulatory nuances, and provide consistent messaging. The communications strategy must ensure that it supports all major external-facing initiatives and promotes trust in the MIMA's internal operations and governance. The strategy must clearly define objectives, target audiences, key messages, communication channels, and

frequency. It should include a structured messaging approval process to maintain accuracy and coherence. Communications spokesperson roles need to be assigned to senior level positions, such as the Board Chair / Governor and supported by an alternate in times of absence—Board members should be kept abreast of all key messages. Spokespersons and heads of departments, as a minimum, should be provided with media training to ensure consistency and professionalism in public engagement.

168. **The MIMA will need to immediately prioritize transparency in legislative decisions, appointments, and institutional objectives.** The MIMA is lagging in informing key stakeholders and the general public of the end-state objectives and purpose for the establishment of the MIMA. The MIMA must begin to communicate the purpose, intended outcomes, and progress of its establishment to key stakeholders and the public. This includes timely disclosure of legislative changes, publication of research outputs, formal announcements of leadership appointments, and clear explanations of planned financial system enhancements such as payment systems, electronic transactions, and stability measures. Proactive, consistent communication will ensure stakeholders are informed, reduce uncertainty, and build trust in the institution's direction. Public access to accurate and timely information will also facilitate smoother adoption of new systems and processes. Transparency and accountability will strengthen its credibility, improve decision-making acceptance, and foster constructive engagement with both domestic and international partners.

169. **The MIMA will need to foster proactive partnerships and stakeholder engagement to strengthen policy coherence and legitimacy.** Engagement should go beyond statutory requirements, building early and sustained relationships with all audiences. Audiences requiring unique strategies can include financial sector actors, MOF, government agencies, state owned enterprises, business associations, advocacy groups, international donors, institutional investors and advisory organizations. Regular consultations, accessible reporting, and transparent decision-making processes will enhance trust and ensure that governance reflects the needs of the broader economy. Government officials, in particular, can become strong advocates for the MIMA's objectives if they are well-informed; conversely, lack of awareness can lead to misinterpretation or criticism. The Act provides a minimum reporting requirement to the MoF and Parliament—the MIMA should consider additional engagement, especially during the start-up phases.

170. **Implement a multichannel outreach approach to broaden reach, inclusivity, and impact.** This should combine traditional media, town halls, social media, digital platforms, and direct stakeholder engagement. A digital strategy must clearly distinguish between content ownership and technical administration to ensure accountability and sustainability. Communication should be tailored to segmented audiences—including retail depositors, institutional investors, government agencies, merchants, advocacy groups, and international partners—recognizing that each group requires distinct messaging and engagement styles. Setting up the MIMA website and populating it with key information about the MIMA is a good way to begin providing information to stakeholders. This allows a variety of stakeholders to be reached simultaneously. After the website is active, other more targeted channels of communication can be developed and explored.

171. **Integrate robust monitoring and feedback mechanisms to ensure communications are effective and adaptive.** Beyond tracking website traffic or media coverage, the MIMA should employ "understanding metrics" and behavioral indicators to assess whether communications are enabling informed decision-making. This includes structured feedback loops—such as surveys, consultations, and public comment periods—that allow stakeholders to see how their input influences decisions, thereby reinforcing transparency and accountability.

172. **Address sensitive stakeholder issues with careful planning and targeted messaging.** For example, the decoupling of the MOF's accounts from financial institutions will require deliberate, transparent communication to manage perceptions and maintain trust. Such sensitive matters should be handled through direct engagement with affected parties, supported by clear explanations of the rationale, benefits, and safeguards involved. The MIMA should be prepared for adverse reactions or unintended consequences.

173. **Prioritize communications preparedness for crisis scenarios to safeguard institutional reputation.** In time, the MIMA should develop pre-approved rapid response protocols, scenario planning exercises, and media handling procedures for systemic failures, market volatility, political disruptions, or intense media scrutiny. This readiness will ensure timely, accurate, and credible messaging during high-pressure situations, maintaining public and market confidence.

174. **Ensure adequate institutional capacity and resources to deliver the communications mandate effectively.** The MIMA should not underestimate the communications and change management effort during the initial start-up phase. The MIMA will need to appoint a dedicated communications specialist, allocating sufficient budget, and establishing clear roles, responsibilities, and timelines for communication activities. Drawing on best practices, the MIMA should institutionalize standard communications procedures, maintain predictable publishing schedules, stakeholder engagement agendas, and ensure that all communications are aligned with strategic objectives.

VIII. Recruitment and Capacity Building

175. **The MIMA must accelerate recruitment and capacity building to establish the MIMA's core functions and support roles during its start-up phase.** Rapid recruitment of senior-level staff with specialized expertise is essential for the MIMA to meet its obligations. Given the limited availability of such skills locally, the organization should target candidates from nearby Pacific islands and Southeast Asia, including the Philippines, which already has a strong working presence in the RMI. While central banking experience is preferable, it is not mandatory; candidates from the private sector, particularly banking and financial institutions, can bring valuable competencies. Recruitment should be supported by clear job descriptions, competitive salary ranges, and efficient hiring processes to avoid delays. Adequate funding must be allocated for targeted training, participation in relevant seminars and conferences, and short-term capacity-building exchanges with other central banks. This combination of recruitment and skills development will ensure that new staff are operational quickly and able to contribute effectively.

176. **Consideration should be given to engaging external technical experts to complement recruitment and accelerate institutional readiness.** External expertise—through retainers, direct contracts, or TA—should be aligned with senior staff appointments to ensure complementary skills and smooth integration. Such experts provide flexibility, impartial perspectives, and access to global good practices, while delivering niche technical skills unavailable locally. Their involvement supports timely delivery of complex outputs, rapid response to emerging priorities, and structured knowledge transfer to core staff, reducing strain on internal resources and strengthening credibility.

177. **The MIMA should maintain close engagement with the IMF to ensure continuity and depth of TA, contingent on measurable progress against the agreed roadmap, including senior staff appointments.** An agreed TA workplan could be established with clear milestones, responsibilities, and success indicators. Support should include targeted missions for priority operational and administrative areas, and a Board workshop to strengthen oversight capacity.

Subject to funding, placement of a long-term central banking expert to advise on strategy and core operations may be feasible. Progress should be monitored through structured periodic check-ins, supplemented by peripatetic expert visits. Coordination with government and partners will secure ownership and sustainability.

Appendix I. Progress on Implementation of 2023 IMF TA Mission Recommendations

	Key Recommendations	Proposed Timeframe*	Progress to date	Updated Timeframe
1	Set up a Task Force.	NT	The Cabinet approved the set-up of the MIMA Taskforce to manage the establishment process, which comprises 5 members and chaired by the Banking Commissioner, Sultan T. Korean. The Taskforce was officially dissolved and a new MIMA Board was appointed by the President and a certified Resolution by the Parliament.	**Completed** March 2024 February 2026
2	Prepare and publish the White Paper.	NT	The Taskforce prepared a White Paper disseminated to the Parliament, the Cabinet, and other government ministries and agencies. It was also shared with international development agencies.	It has been disseminated September 2024, but not yet published
3	Enact the MIMA Law.	NT	The Marshall Islands Monetary Authority Law was enacted by the Parliament/Nitijela.	Completed September 2024
4	Build up RMIMA's Capital.	MT	USD 20 Million secured as Statutory Capital for the establishment of the MIMA, pursuant to the Act. A USD1 Million secured, and available to be invested to start building the MIMA's capital reserves. Additional USD 300k, secured to support the initial operational costs of the MIMA. The MIMA will continue to receive interim budget support from the Government through Annual Appropriations to cover operational expenses in the next five years.	In progress 2025-30
5	Ensure the RMIMA has adequate premises.	MT	A USD 4 Million budget was proposed under the RMI's National Infrastructure and Investment Plan (NIIP) for the MIMA's building. Negotiation has been carried out with the Project Management Unit (PMU) under the Ministry of Works, Infrastructure and Utilities regarding a potential building as a temporary office space for the MIMA. Several options as the location of the new building including the premises of the MOF or a land plot of the previous embassy.	In Progress 2026-27
6	Define internal rules and procedures.	MT	The work has not yet been initiated as it took time to set up the MIMA Board.	Not completed To be initiated

			The process of drafting relevant policies, internal rules will be initiated in May 2026. The MIMA is reaching out to neighboring pacific central banks to assist in developing internal rules and procedure.	2026-27
7	Recruit and train staff.	MT	The recruitment of new staff to be initiated in May 2026, prioritizing the Corporate Services Executive Manager, as well as the Internal Auditor.	Not completed. To be initiated 2026
8	Acquire and implement central bank operating systems.	MT	The MIMA will begin the process of acquiring and implementing a central bank operating system having been advised by the IMF and another donor partners.	Not completed. To be initiated 2026-27
9	Introduce an ACH.	MT	The MIMA is in the process of evaluating the various components of the payment infrastructure and the IMF to be issued TA report would be instrumental in this process. Funds will need to be sought from donor partners such as the World Bank for acquisition of the system.	Not completed. To be imitated 2027
10	Explore the development and implementation of the RTGS system.	MT	See above	2026-27

*Near term (NT) = < 12 months; medium term (MT) = 12 to 24 months.

Appendix II(a). Roadmap—Operationalize the Banking Operations Department of the MIMA

Activities	2026			2027				2028				2029			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Recruitment															
Prepare the job description and recruit a Senior Manager to set up the BOD															
---- a manager to set up the POD															
---- a manager to set up the BTD															
----a manager to set up the FRMD															
---- a manager to set up the OVD															
Development of policy, procedures, manuals															
Undertake reach-out campaign on the establishment of the MIMA															
Define the functions, tasks and operational procedures of BOD															
Prepare a National Payment Strategy															
Develop a Payment System Law															
Prepare working procedures for POD															
Prepare working procedures for BTD															

Prepare working procedures for the fiscal agent function (issuance and settlement of government securities)															
Prepare working procedures for OVD															
Prepare manual for offsite examination - collecting payment data and other information from banks and other financial institutions															
Prepare manual for onsite examination															
Issue regulations on electronic payment, and payment service providers															
Infrastructure Development															
Prepare Request For Proposal (RFP) for central banking system (CBS)															
Introduce CBS															
Prepare RFP for the integrated payment system (IPS)															
Introduce IPS															
Activate the CSD/SSS function of the IPS															
Coordination and Consultation															
Set up a coordination mechanism with the MOF, including SLA or other arrangements, for the services provided by the MIMA															
Set up consultation mechanism with banks and other stakeholders to coordinate the payment system works															

Set up a National Payment Council															
Capacity Building															
Ongoing training and workshop on banking operations, payment clearing and settlement															
Short capacity building visits to other central banks in the region															

Appendix II(b). Roadmap—Establishing a Robust Governance Structure

Activities	2026			2027				2028				2029			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Board, Committees, Executive Management															
Establish Board Committees & appoint membership	■														
Adopt Terms of References / Charters for each committee	■														
Review and amend the Act as necessary	■	■													
Develop operational Board Governance Manual	■	■													
Develop meeting schedules for each Committee	■	■													
Approve functional and administrative Policies		■	■	■	■	■	■	■	■	■	■				
Receive mgt & external reports, discuss progress & assess resolution strategies.		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Internal Control Framework															
Identify key controls to be implemented / adhered to	■	■													
Define and agree a Delegation of Authority		■					■				■				■
Document functional and administrative processes; annual updates		■	■	■	■	■	■	■	■	■	■				■
External Audit															
Initiate procurement process to secure External Audit firm	■														
Secure External Auditor, agree contractual obligations	■														
Establish Planning Meeting timing and agenda		■				■				■				■	
Coordinate resources and information in support of audit		■	■			■	■			■	■			■	■

Conduct closing meeting to receive audit results															
Present findings to MoF and Parliament															
Publish Annual Report with financial statements & audit report															
Internal Audit															
Agree sourcing strategy															
Hire Chief Internal Auditor															
Contract IA outsourced / co-sourced Service Provider															
Develop structure for an Internal Audit Manual															
Agree key risk taxonomy (interdependent with Risk Management)															
Agree Audit Universe															
Develop and agree 3-year and annual Audit plan															
Conduct audits, document findings, agree corrective action, follow-up															
Report to Audit Committee on audit findings quarterly and opinion of the State of the Control Environment															
Corporate Service Department															
Agree organization structure and staffing levels, amend as demands change															
Hire Executive Manager-Corporate Services Department															
Accounting and Financial Management															
Agree adoption of IFRS and propose amendment to Act															
Agree MOU with the MOF for provision of interim financial and administrative services															
Procure interim accounting software package to meet immediate needs															
Develop an accounting manual including accounting policies															

Implement segregation of duties - initiation, approval, and execution of transactions															
Develop structure for external financial statements based on best practices															
Define scope of internal financial management processes															
Initiate annual work planning and budget process accompanied by a five-year plan															
Segregate resource requirements by expense vs asset, start-up versus recurring															
Establish a budgetary reserve for unforeseen circumstances / hurdles															
Assess resource capacity for insourced vs. outsourced services															
Human Resources															
Appoint Director, Human Capital															
Agree organizational design during the startup phase and steady state															
Develop Human Capital strategy to align with organizational design															
Agree sourcing strategies for core and non-core operations															
Develop competitive, market-aligned compensation and benefits plan															
Procurement and Facilities Management															
Recruit Manager, Procurement															
Establish Procurement Policy															
Implement segregation of duties -requisition process, contract approval, goods / services receipt verification															
Agree strategic vendor relationships, establish sourcing agreements															
Manage vendor relations, contracts, maintenance agreements, inventories															
Continually assess sourcing arrangement for results, price and delivery															

Information Technology															
Recruit and on-board Director, Information Technology															
Establish an IT governance and oversight framework															
Develop a MIMA-wide enterprise architecture															
Assess optimal balance between insourcing, outsourcing, and co-sourcing															
Select an appropriate hosting and connectivity model															
Define operational parameters and service-level agreements															
Implement infrastructure hardware/software (HW/SW), business applications, upgrades, fixes															
Institutionalize project management techniques, documentation requirements, approval stages															
Integrate monitoring, analytics, and feedback loops in IT systems															
Governance & External Liaison															
Agree structure and accountabilities															
Appoint Legal Counsel (employee or contractual arrangement)															
Appoint Corporate Secretary															
Risk Management															
Agree reporting relationship															
Hire Director, Risk Management (CRO)															
Develop structure for a Risk Management Framework															
Agree on risk appetite, tolerance, and ranking mechanisms															
Agree risk taxonomy (interdependent with Internal Audit)															
Develop a Risk Event Escalation Protocol															

Implement a central risk register															
Develop & test Business Continuity plans (BCP, DRP, CMP) with CRO oversight and business ownership															
Report to AC on risk exposures, state of riskiness, mitigations															
Compliance (internal)															
Assign accountability for Compliance to appropriate position															
Draft structure for a Compliance Framework															
Identify all laws and regulations to be complied with															
Implement annual attestation to Code of Ethics, Conflict of Interest, annual declaration of Financial Disclosure															
Implement a Whistleblower Protection Policy															
Draft and implement Anti-Corruption measures															
Report compliance irregularities to AC quarterly															
Communications and International Relations															
Prioritize disclosure in the public domain of legislative decisions, appointments, and institutional objectives.															
Assign accountability for Communications and hire a communications specialist															
Identify Spokesperson and alternate, including roles and responsibilities															
Establish a comprehensive communications strategy															
Identify stakeholder engagement approach for each audience															
Address sensitive stakeholder with targeted messaging															
Implement a multichannel outreach approach															
Monitor communication channels and feedback mechanisms															
Prepare messages for potential crisis scenarios, revisit annually															

Appendix III. Job Description: Executive Manager—Corporate Services Department

Job Description:

Executive Manager—Corporate Services Department

Marshall Islands Monetary Authority

Marshall Islands

Executive Manager – Corporate Services Department
Marshall Islands Monetary Authority (MIMA)
Location: Majuro, Republic of the Marshall Islands
Opportunity: Executive Level, Full-Time 3-Year Contract
Application Deadline: April 30, 2026.
Website: [Insert link]

Lead the Corporate Services Function of a newly established central bank – a rare opportunity to be strategic, globally positioned, and transformational

The Marshall Islands Monetary Authority (MIMA) is the newly established central bank of the Republic of the Marshall Islands. With a mandate to ensure financial stability, provide central banking services to the Government and banks, and support the Government's economic policies, MIMA will also manage the country's foreign reserves and provide agency services for certain trust funds and donor accounts.

MIMA will operate with a staff complement of approximately 50 positions across specialized central banking, policy, and operational functions. As part of its foundational phase, we are seeking an exceptional **Executive Manager – Corporate Services** to join the founding executive leadership team.

This is a rare opportunity to **design and operationalize the Corporate Services Department** while also playing a pivotal role in establishing other core MIMA functions. The role spans **Accounting, Human Resources, Information Technology, Procurement, and Facilities & Asset Management**, ensuring world-class governance, compliance, and performance.

Reporting directly to the Governor and working closely with the Board, you will bring **strategic vision, operational discipline, and inspirational leadership** to a multi-functional team, combining innovative approaches with rigorous controls and standards to safeguard MIMA's independence, credibility, and operational integrity.

Key Leadership Responsibilities

Strategic Financial Stewardship

- Serve as MIMA's principal financial officer, ensuring the integrity, accuracy, and timeliness of all financial statements in compliance with the Monetary Authority Act 2025, IFRS, and applicable standards.
- Oversee accounting for monetary policy operations, foreign reserves, and currency management.
- Lead the selection and implementation of accounting systems, driving digital transformation and automation.
- Provide strategic financial advice to the Governor and Board on solvency, capital adequacy, and profit distribution.

Human Capital Leadership

- Establish and lead MIMA's HR function, ensuring policies and practices meet the highest standards of governance, ethics, and compliance.
- Drive talent acquisition for specialized central banking roles, ensuring a transparent, merit-based process.
- Foster a culture of performance, accountability, and continuous learning, including leadership development and mentorship programmes.
- Implement workforce planning, succession strategies, and competitive total rewards to attract and retain top talent.

Information Technology Leadership

- Oversee the development and implementation of MIMA's IT strategy, ensuring robust, secure, and scalable systems to support central banking operations.
- Ensure IT governance, cybersecurity protocols, and data protection measures meet international best practices.
- Lead the selection and deployment of core banking systems, payment systems, ERP platforms, and digital tools.
- Supervise IT infrastructure, helpdesk services, and application implementation, ensuring business continuity and disaster recovery readiness.
- Drive digital innovation to enhance operational efficiency and service delivery.

Procurement & Contract Management

- Establish and oversee transparent, efficient, and compliant procurement systems aligned with public sector and central banking standards.
- Manage tendering, vendor selection, and contract negotiations to ensure value for money and quality service delivery.
- Develop procurement policies and procedures that mitigate risks and ensure accountability.
- Oversee procurement planning for goods, services, and consultancy support critical to MIMA's operations.
- Monitor supplier performance against agreed KPIs and contractual obligations.

Facilities & Asset Management

- Oversee the management, maintenance, and security of all MIMA facilities, ensuring they meet operational, safety, and regulatory standards.
- Develop and implement facilities management policies, including preventive maintenance schedules and emergency preparedness plans.
- Manage the acquisition, registration, tracking, and disposal of all physical assets, ensuring accurate asset registers and compliance with audit requirements.
- Ensure optimal utilization of office space, equipment, and resources to support staff productivity and operational efficiency.
- Oversee contracts for facilities-related services (e.g., security, cleaning, maintenance) to ensure quality and cost-effectiveness.

Organizational Development & Governance

- Develop and embed internal controls, compliance systems, and operational policies across corporate services functions.
- Ensure alignment of corporate services with MIMA's strategic objectives and central banking best practices.
- Build strong relationships with government ministries, international financial institutions, and external auditors.

Candidate Profile

Essential Qualifications

- **Certified Public Accountant (CPA)** or equivalent professional accounting designation (mandatory) with experience in the application of IFRS.
- Master's or Bachelor's degree in Accounting, Finance, or Business Administration (HR qualifications an asset).
- Minimum 10 years' progressive experience in accounting and financial management, including 5–7 years in senior leadership roles.
- Proven track record in the financial sector, preferably in central banking or regulatory institutions.
- Experience overseeing IT, HR, procurement, and facilities/asset management functions is highly desirable.

Core Competencies

- Strategic vision and intellectual leadership with a global perspective.
- Strong managerial and coordination skills, able to lead complex, multi-functional teams.
- Entrepreneurial mindset with the ability to innovate within a regulated environment.
- Exceptional stakeholder engagement, negotiation, and partnership-building skills.
- High resilience, integrity, and discretion in handling sensitive matters.
- Ability to deliver results under pressure and to the highest standards.

Why Join MIMA?

This is more than a job – it is a **nation-building role**. You will be part of a pioneering leadership team establishing the Republic of the Marshall Islands' central bank from the ground up. You will have the mandate to design systems, shape culture, and leave a lasting institutional legacy.

We offer:

- Competitive international remuneration package
- Housing and vehicle allowance
- Health insurance
- Performance-based bonuses
- Professional development opportunities

How to Apply

Submit your CV and cover letter outlining your suitability for the role to skorean@rmiobc.org, **Sultan T. Korean, Governor, Marshall Islands Monetary Authority, before April 30, 2026.**

MIMA is committed to diversity, inclusion, and gender equality – we encourage applications from qualified candidates worldwide.