

Progressive Agile Resilient

Druk Nguldrel Lamtoen-2030

**A Roadmap for a Progressive, Agile, and Resilient Central Bank
Enabling Bhutan's Economic Transformation**





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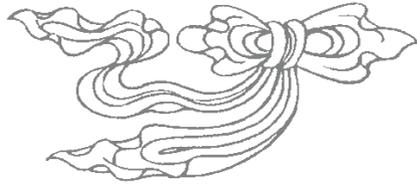
Version 1, August 2021





Dedication

To His Majesty The Druk Gyalpo
for the enduring and caring leadership
for the wellbeing and happiness
of the people of Bhutan



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It has been His Majesty The Druk Gyalpo's noble vision to ensure that the country's successful transition to parliamentary democracy is accompanied by a successful economic transformation based on the foundations of a "Just, Equal, and Harmonious Society."

Foreword

With the establishment of Democratic Constitutional Monarchy in 2008, it has been His Majesty The Druk Gyalpo's noble vision to ensure that the country's successful transition to parliamentary democracy is accompanied by a successful economic transformation based on the foundations of a "Just, Equal, and Harmonious Society." Reinforcing and reiterating this vision during the 112th National Day Royal Address in 2019, His Majesty commanded that an Economic Roadmap for the 21st Century be developed for Bhutan.

Accordingly, the Government has embarked on formulating the 21st Century Economic Roadmap, which is expected to serve as a blueprint to guide the pursuit of the country's aspiration of Gross National Happiness through a dynamic, prosperous, inclusive, sustainable, and resilient economy.

The Roadmap envisages a substantial injection of financial resources for Bhutan to become a high income country by 2030. The Royal Monetary Authority of Bhutan (RMA) is committed to contributing to the realisation of the goals of the 21st Century Economic Roadmap. To this end, the RMA has



prepared a 10-year (2021-2030) Strategic Plan titled '**Druk Nguldrel Lamtoen – 2030**'. In consonance with His Majesty's vision, Druk Nguldrel Lamtoen- 2030 sets out a roadmap for the RMA to navigate the changing financial landscape of the 21st century.

In the past five years, the RMA introduced several reforms with support from the financial service providers, including measures to promote financial inclusion, facilitate easier access to credit, and strengthening of the regulation and supervision of the financial system to mitigate and prevent risks. The timely adoption of innovative technologies has helped our financial service providers to deliver services to the general public efficiently and effectively, especially during lockdowns.

The global financial landscape is changing rapidly as a result of technology-driven dynamics. As central banks around the world adapt to the new normal in the financial sector, the RMA will continue to align its roles and functions so that we are progressive, agile and resilient in supporting the needs of 21st century Bhutan.

To harness the benefits of evolving technology, the RMA is considering the development of Central Bank Digital Currency (CBDC). CBDCs have immense potential to enhance financial inclusion and provide an alternative digital payment instrument, including for cross-border transfers, that is safe, efficient and cost effective while

ensuring the central bank's financial stability and monetary policy objectives. This initiative will complement our overall efforts in moving towards a digital economy. The RMA will collaborate with a credible partner to develop its CBDC. The RMA is also cognisant of the growing interest in digital assets as an alternative investment class and will work on developing a digital assets governance system that enables the sustainable diversification of foreign assets to include such emerging asset classes.

// // In consonance with His Majesty's vision, 'Druk Nguldrel Lamtoen - 2030' sets out a roadmap for the RMA to navigate the changing financial landscape in the 21st century."

We will continue to capitalise on the strength of collaboration that we have nurtured over the years with financial service providers, government agencies, and other stakeholders, in drawing synergies to strengthen the financial sector and support the economy. One major area of collaboration will be in the National Digital Identity project to build common digital systems and processes towards efficiency, transparency, and accountability to usher in digital transformation in the country. The RMA will leverage National Digital Identity as a key anchor to transform the financial sector through FinTech services, data analytics and research, and



strengthening of international payments gateways.

In charting our roadmap, we have also considered lessons learnt from the ongoing COVID-19 pandemic. Bhutan, like the rest of the countries in the world, has been facing enormous challenges posed because of the COVID-19 pandemic. However, under the wise leadership from the Golden Throne, Bhutan has been able to quickly respond to the crisis, safeguarding the lives and livelihoods of our people. The RMA and financial service providers would like to pay our deepest gratitude to His Majesty The Druk Gyalpo for the sacrifice, guidance, and leadership. His Majesty constantly reminds all of us to learn lessons from the hardships posed by the pandemic so that we are better prepared and emerge stronger out of it.

As a precautionary measure to successfully counter future calamities, it has become imperative that we start saving funds at all levels. It was through His Majesty's profound compassion and wisdom that the National Resilience Fund (NRF) was established in 2020 to provide Relief Kidu to people and businesses affected by COVID-19. The institution of the NRF as a permanent initiative to provide Relief Kidu in the future is an important and timely reminder for us, to prepare for a world where pandemics recur with increased frequency.

To further consolidate Bhutan's reputation as a global leader in

environmental conservation and sustainable development, the RMA and the financial sector will promote sustainable and green finance with particular emphasis on stimulating savings and deepening inclusive and equitable economic growth driven by technology and innovation.

The RMA has made notable achievements thus far with close guidance from its Board of Directors and the commendable professionalism of its dedicated staff. I would like to thank the Board of Directors and our staff for their support and hard work and look forward to receiving continued support in our journey into the next decade.

This document is Version 1 of the Druk Nguldrel Lamtoen – 2030 and it will be a living document. We will produce subsequent versions incorporating better forecasting and data-driven targets through the application of data analytics and quantitative tools.

The realisation of our strategic goals spelled out in Druk Nguldrel Lamtoen - 2030 will hinge on three critical elements of governance, planning, and execution. These elements, along with the continued support and collaboration of key partners, will keep the RMA and Bhutan's financial sector relevant and moving forward.


(Dasho Penjore)
GOVERNOR



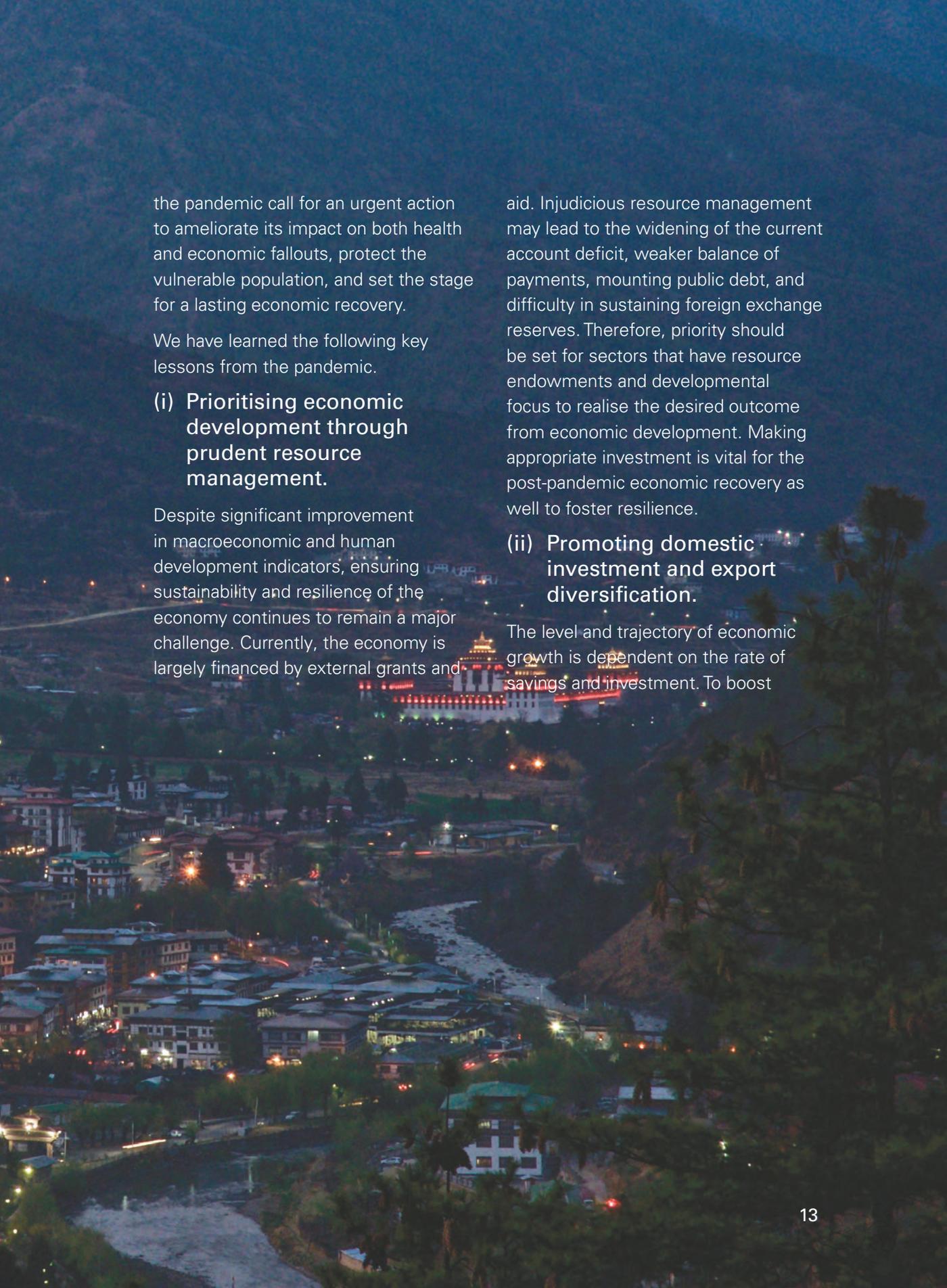
Introduction

The Royal Government's initiative to formulate the 21st Century Economic Roadmap emanated from His Majesty The Druk Gyalpo's vision for the country. The draft Roadmap envisions a new path towards a dynamic, prosperous, inclusive, and sustainable economy.

The RMA will rally the financial sector as a major enabler in achieving the goal of economic transformation. The RMA could play a catalytic role not only in supporting the financial sector in capital mobilisation but also in creating new opportunities for economic development. The RMA's main thrust will be in creating an enabling environment for the private sector to boost economic productivity and

generate employment opportunities, and in promoting green and inclusive growth. The RMA will do this in close collaboration with the Government and other stakeholders.

As a result of disruptions caused by the COVID-19 pandemic, the country saw a deep economic downturn despite unprecedented efforts from the Government to redress the situation with fiscal and monetary policy support. The economic damage caused by the pandemic is expected to leave lasting scars if the road to recovery is not robust enough. This must include productive investment, strengthening of human capital, and the creation of new and more resilient economic activities. In particular, the ravages of



the pandemic call for an urgent action to ameliorate its impact on both health and economic fallouts, protect the vulnerable population, and set the stage for a lasting economic recovery.

We have learned the following key lessons from the pandemic.

(i) Prioritising economic development through prudent resource management.

Despite significant improvement in macroeconomic and human development indicators, ensuring sustainability and resilience of the economy continues to remain a major challenge. Currently, the economy is largely financed by external grants and

aid. Injudicious resource management may lead to the widening of the current account deficit, weaker balance of payments, mounting public debt, and difficulty in sustaining foreign exchange reserves. Therefore, priority should be set for sectors that have resource endowments and developmental focus to realise the desired outcome from economic development. Making appropriate investment is vital for the post-pandemic economic recovery as well to foster resilience.

(ii) Promoting domestic investment and export diversification.

The level and trajectory of economic growth is dependent on the rate of savings and investment. To boost

the efficiency of the factors of production, appropriate choice and use of technology is important. Realising high productivity and efficiency gain in the use of capital and human resource through the use of modern technology will help boost capital formation and promote exports. The RMA remains committed to exploring options to support strategic sectors through provision of easy access to foreign exchange or by facilitating alternative means of financing to these sectors that have the potential to generate employment, domestic revenue, and foreign exchange earnings.

(iii) Behavioural change in promoting national savings to address future contingencies.

Natural catastrophes are mostly unpredictable and call for preparedness and mitigation strategies. Accumulating strategic resources and strengthening internal capabilities to deal with future contingencies require the creation of an adequate buffer. Promoting saving habit is important to build resilience among individuals and households.

(iv) Strengthening high-tech digitally-driven and evidence-based decision-making.

Promoting FinTech has been one of the cornerstones of the RMA's policy for development of the financial sector. Transiting to digital-based data management system and adoption of FinTech solutions are some new milestones the RMA has set for itself. This will include development of data warehouse and the use of big data, AI, and machine learning, thereby transitioning to digital-based central banking.

As an apex financial institution, the RMA remains committed to supporting the realisation of the goals of the 21st Century Economic Roadmap. In line with the aspirations of the draft Economic Roadmap, the RMA has formulated its 10-year Roadmap (2021-2030) – the **“Druk Nguldrel Lamtoen - 2030”**. The Roadmap will guide the RMA into the next decade. It covers:

- RMA's aspiration, mission, core qualities, and values as our guiding principles,
- A strategic framework based on Thrust Areas, Pillars, and Enablers, and,
- A roadmap outlining the short-term, medium-term, and long-term strategic priorities and actions.

The **“Druk Nguldrel Lamtoen - 2030”** will be a dynamic document. It will be reviewed periodically to ensure that it remains responsive to the changing environment.

PART I

OUR JOURNEY
THUS FAR



1988

RMA becomes Government Banker



1982

Creation of RMA



1992

RMA gets the role of licensure, regulator and supervisor



2010

RMA becomes a fully autonomous Central Bank



2017

The Druk Gyalpo confers DrukThuksey Medals to the Governor and the RMA



2016-2020

Major reforms and modernisation of the RMA as the Central Bank

MILESTONES OF RMA'S JOURNEY

In August 2021, the Royal Monetary Authority completes 39 years. The Authority has evolved over the years as the central bank of Bhutan. The key milestones are highlighted here.

Creation of RMA

1982

The RMA was established on 4th August 1982 with the enactment of the RMA Act 1982 by the 56th session of the National Assembly. The RMA commenced operation on 1st April 1983.

RMA becomes Government Banker

1988

The RMA assumed the role of Government banker, holding bulk of government deposits and providing finance.

RMA gets the role of Licensure, Regulator, and Supervisor

1992

With the enactment of the Financial Institution Act of Bhutan 1992, the RMA Act (1982) was amended to include licensure, regulation, and supervision of financial institutions of Bhutan.



RMA becomes fully autonomous Central Bank

2010

» The RMA was granted full autonomy and powers as a central bank with the enactment of Royal Monetary Authority Act of Bhutan 2010 by the first Parliament of Bhutan.

The Druk Gyalpo confers Druk Thuksey Medals to the Governor and the RMA

2017

» His Majesty The Druk Gyalpo conferred the prestigious Druk Thuksey medals to Governor Dasho Penjore and the RMA during the 110th National Day Celebration in Haa.

2016
—
2020

» Major reforms of the RMA and the financial sector were carried out in the past five years.



Highlights of Our Achievements

The past five years, 2016-2020, have been a period of reforms and modernisation of the RMA as the central bank. The RMA introduced several policy reforms and implemented new initiatives in the areas of monetary and reserve management policies, financial inclusion and access to credit, regulatory and supervisory frameworks, digital technology, and the RMA's structure, systems, and processes. Some key achievements are summarised below (for details, please see Annexure II).

1. Reinforcing **Stable and Inclusive Economic Growth**

1.1. Monetary Reforms

In August 2016, Minimum Lending Rate (MLR) was introduced to address the rigidities in loan pricing under the old Base Rate System resulting in a general reduction in lending rates and boost in credit growth.

A new market-based, flexible, and effective 'Monetary Policy Implementation Framework' was developed to address rigidities of the existing monetary policy tool. To inculcate savings habit among the people, a tax waiver on the interest earned from fixed deposits was approved by the Parliament. As a result, the number of fixed deposit accounts saw an impressive spike.

1.2. Prudent Foreign Exchange and Reserve Management

A Reserve Management Statement of Policy was formulated for efficient management of foreign reserves and to safeguard the exchange rate peg with India.

The RMA transferred annual surplus of Nu. 3 billion for FY 2018/19 and Nu. 2,001 million for FY 2019/20.

1.3. Promoting Financial Inclusion and Literacy

Financial inclusion and literacy are at the heart of our activities. A number of activities were carried out to reach out to youth and the underserved segments of the population. For example, we introduced Youth Ethics Banking and conducted a





financial literacy road show. Additionally, under His Majesty's command, Students Business Seedling Program was introduced to foster entrepreneurship among students.

1.4. Promoting Access to Finance for Entrepreneurship and CSI Development

In collaboration with financial service providers and government agencies, the RMA implemented the Priority Sector Lending (PSL) Scheme to support farmers, youth, and the CSIs.

The RMA organised the Bhutan Economic Forum for Innovative Transformation (BEFIT) in 2017 and 2019 in collaboration with the Royal Institute for Governance and Strategic Studies (RIGSS). To give fresh impetus to the CSI sector, the CSI Policy and the Foreign Direct Investment (FDI) Policy were revised in 2019.

Crowdfunding was introduced as an alternative source of financing for the Cottage and Small Industries (CSI) sector.

2. Enhancing Stability and Integrity for Financial Soundness

To strengthen regulatory environment for financial stability and soundness, the RMA adopted and revised a number of rules and regulations including Prudential Regulations 2017, Rules and Regulations for Microloan Institutions and Deposit Taking Microfinance Institutions 2016, Priority Sector Lending Guidelines 2018, Crowdfunding Rules and Regulations 2019, and Consumer Protection for Financial Services Rules and Regulations 2019, among others.

3. Advancing Innovation and Technology

3.1. Enhancing Safe, Secure, and Efficient Payment Systems

In collaboration with Ministry of Information and Communications (MoIC), financial institutions, and the G2C, the Bhutan Immediate Payment Service (BIPS) was launched to promote the use of digital payment systems as a means to provide better access to financial services.





To promote seamless cross-border digital payment system between Bhutan and India, the Bhutan Financial Switch (BFS) was integrated with the National Financial Switch (NFS) of India in 2019. The Phase I of the integration has enabled cross-border transactions for Indian tourists to use their RuPay branded cards at ATM and PoS terminals in Bhutan. In continuation to the RuPay Phase I, His Excellency Shri Narendra Modi, the Hon'ble Prime Minister of India, and His Excellency Dasho (Dr.) Lotay Tshering, the Hon'ble Prime Minister of Bhutan, jointly e-launched the Phase II RuPay card issuance by the Bhutan National Bank Limited (BNBL) in November 2020. In addition, the Bhutan QR code payment was also launched to allow interoperability of QR payments among member banks.

3.2. Fostering FinTech Ecosystem

In collaboration with the National Land Commission, a 'National Land Mortgage System' called e-Sakor was developed to mitigate risks associated with double mortgages and help financial institutions make informed decisions.

With technical assistance from the IFC, the Central Registry for Secured Transaction (CRST) system was enhanced to align to international best practices.

4. Fostering Organisational Excellence

Several internal reforms were introduced to transform RMA into a credible and knowledge-based public institution. This included restructuring of the organisation for operational efficiency and effectiveness based on the findings of Organisational Development Exercise and organisational climate surveys. Among others, we instituted Performance Management System and strengthened our Service Rules and Regulations to ensure parity, consistency, and uniformity in human resource actions based on the principles of fairness, equity, and justice. We also adopted Bhutanese Accounting Standards (BAS) in June 2019 for financial reporting.



RMA's Initiative during the COVID-19 Pandemic

RMA formulated and implemented Monetary Relief Measures in phases to provide short-term monetary relief to the sectors affected by the pandemic and also to support businesses and local production activities.

Initiatives under Phase I

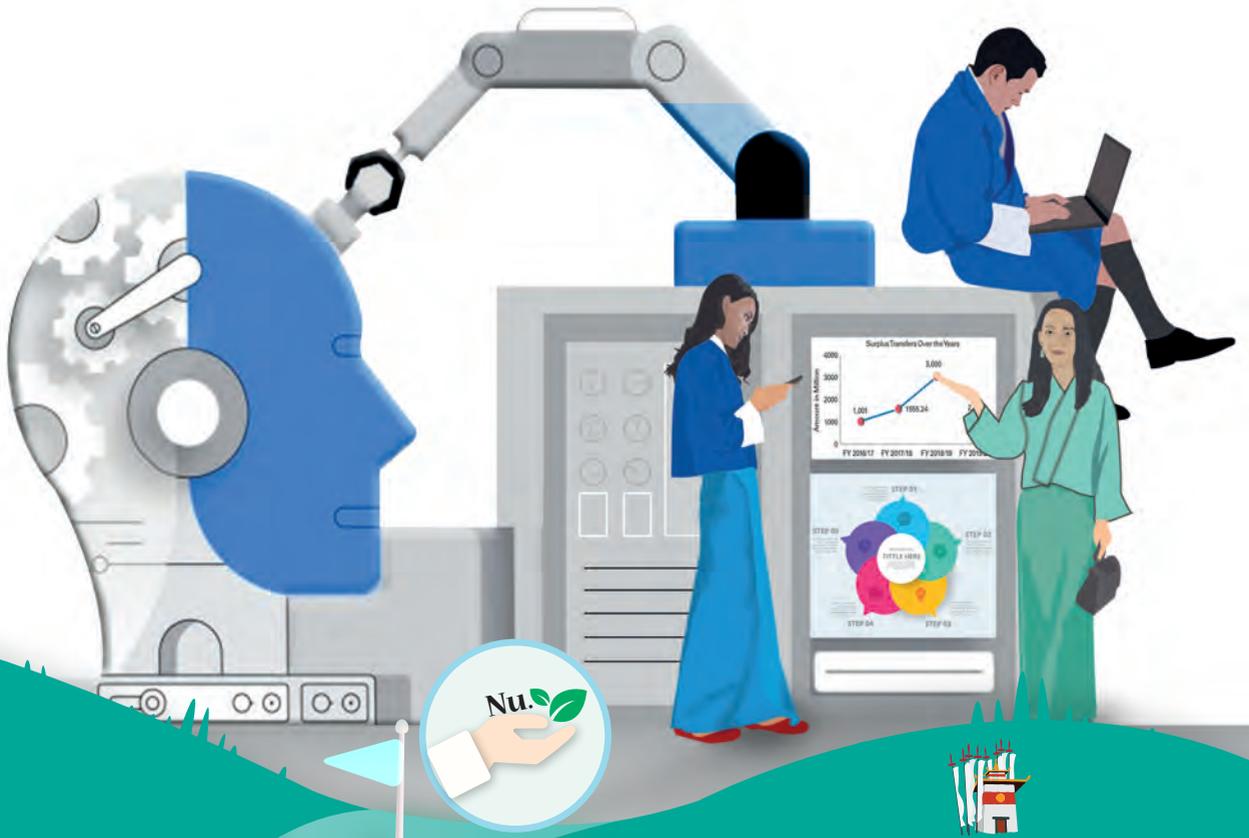
1. Provision of Liquidity and Reduction of Cash Reserve Ratio
2. Term-based working capital for wholesale distributors
3. Term-based Soft Working Capital Facility (TSWCF) for tourism-related businesses
4. Term-based Soft Working Capital Facility for industries
5. Deferment of loan repayment
6. Gestation period extension for projects under construction
7. Loans to Cottage and Small Industries

Initiatives under Phase II

1. Conversion of Term-based Working Capital Facility
2. Deferment of Loan Repayment
3. Short-term Loans to Micro-businesses and CSIs
4. Term Loans to Businesses (Bridging Loans)
5. Liquidity Adjustment Facility
6. Web-based Domestic Liquidity Management System

PART II

**OUR JOURNEY
AHEAD**



**A dynamic, prosperous,
inclusive, sustainable,
and resilient economy**



Stable and resilient
financial system



Digital transformation
of financial services

Leading edge
payments
infrastructure



Smart and
future-proof
talent



1. Environmental Context and Strategic Considerations

Opportunities and challenges

The political, social, business, technological, and natural environment in which the RMA operates will be of utmost importance in strategising its direction in the next decade. This section describes achievements in the areas of leadership, governance, development philosophy, and environmental conservation that the RMA could harness as opportunities to catalyse the nation's economic development. The section also highlights major global trends, and the opportunities and challenges that the RMA must take into consideration.

Good leadership, political stability, and effective governance

Good leadership, political stability, and effective governance have been the bedrock of peace and progress in Bhutan. The country has enjoyed unprecedented peace and stability under the dynamic and visionary leadership of the successive monarchs. Bhutan successfully transitioned to parliamentary democracy in 2008. The selfless leadership of His Majesty The Druk Gyalpo continues to provide guidance and hope to the people of Bhutan. Continuous reforms over the years have resulted in strong public institutions. The rule of law has been strengthened, public service delivery has improved, and institutional watchdogs have been established to check corruption. Thus, a peaceful and stable environment fostered by good leadership,

political stability, and effective governance will be Bhutan's core strength in the 21st century. The RMA will capitalise on this strength in charting out the path for development of the financial sector.

GNH as the beacon of Bhutan's development path

The development philosophy of Gross National Happiness (GNH) as propounded by His Majesty the Fourth Druk Gyalpo has served as the overarching goal of Bhutan's

“Good leadership, political stability, and effective governance have been the bedrock of peace and progress in Bhutan.”

development plans. Today, GNH has become even more relevant as the guiding light for Bhutan's economic and moral progress. The four pillars of GNH—good governance, sustainable and equitable socio-economic development, preservation and promotion of culture, and environmental conservation—encompass elements of happiness and human wellbeing. Social and communal values like the rule of law, strong families, rich culture and tradition, pristine environment, vibrant communities and peaceful coexistence have established favorable conditions for meaningful living in Bhutan. Trust and honesty are inherent characteristics of the Bhutanese people, and this is a critical



factor that outsiders can depend on when doing business, particularly in e-commerce and digital banking.

Further, Bhutan is seen as a global leader in environmental conservation and has been lauded for being a carbon negative country. This presents huge opportunities to the RMA and the financial sector to capitalise on the established brand of the country and venture into promotion of green and sustainable financing and investments aligned with the principles of GNH and Sustainable Development Goals.

Rapid technological changes in financial services

Globally, recent decades have seen an accelerating pace in the development and adoption of digital technologies in diverse fields transforming economies and improving peoples' lives. Technological innovations have revolutionised the global financial services industry. The new players in the digital world are reshaping the financial services landscape and the nature of money is changing with the emergence of digital assets and CBDCs.

“The RMA has established stronger partnership with government agencies and the private sector and has closely worked with them to promote entrepreneurship, CSI, rural livelihood enhancement, and productive youth employment.”

While the RMA and the Bhutanese financial sector have successfully ventured into digitalisation of financial services, the RMA must keep itself fully abreast with the latest technological changes and tap them to transform the functions of the RMA and the financial sector. It must particularly leverage the powerful emerging technologies such as blockchain, AI, cloud computing, robotics and Application Programming Interface (API), and other emerging digital innovations for regulatory and supervisory efficiency and enhanced financial services.

Cohesive relationship with financial institutions and stakeholders

Over the years, the RMA has nurtured cohesive relationship with the country's financial institutions, and the synergies have helped advance common goals and address issues collectively. Through collaborative efforts, the RMA and financial institutions have made significant strides in the development of digital financial services and enhancement of payments system and in promoting financial inclusion and literacy. This has been particularly evident while implementing the priority sector lending and coordinating response measures to the COVID-19 pandemic.

The RMA has established stronger partnership with government agencies and the private sector and has worked closely with them to promote entrepreneurship, CSI, rural livelihood enhancement, and productive youth employment.





The RMA has also developed close relationship with the central banks of the South Asian Association for Regional Cooperation (SAARC) member countries and other countries in the region to strengthen cooperation in financial system development, information sharing, and access to central banking technical expertise. In the area of technical assistance and learning, the RMA continues to strengthen its partnership with the International Monetary Fund (IMF), the World Bank, the Asian Development Bank (ADB), IFC, and other international agencies and bodies.

The RMA will capitalise on these relationships to further advance its works and functions.

Vulnerabilities to global pandemic and economic volatilities

The outbreak of the COVID-19 pandemic has inflicted tremendous shock to economies around the world and Bhutan has been no exception. Fortunately, Bhutan has been able to respond to the crisis effectively because of His Majesty The Druk Gyalpo's guidance. To mitigate the economic impact of the pandemic, broad-based, inclusive interventions were made through the Druk Gyalpo's Relief Kidu and the NRF. These interventions and safety nets not only provided economic security to the people, but also immediate Kidu to the needy and affected families. Complementing the national relief measures, the RMA also introduced several interventions to cushion the

impact by promoting smooth liquidity flow and creating confidence in the financial system.

// The RMA will remain vigilant to ensure financial system's preparedness and resilience during times of adverse and disruptive events."

Given the uncertainties surrounding the pandemic, it will be important to continue to safeguard the financial stability and confidence in the market by ensuring availability of adequate liquid funds to support the need of the depositors as well as for loan disbursements to productive investment.

The pandemic has brought to the fore that the world is now a true global village, and people are vulnerable to events beyond their geographical boundaries. Therefore, the need for preparedness for global pandemics and other international crisis has been clearly underscored by the ongoing COVID-19 pandemic. Hence, in the next decade, the RMA must remain vigilant to ensure the financial system's preparedness and resilience during times of adverse and disruptive events.

Regulatory challenges in a dynamic financial landscape

As the central bank, the RMA has the mandate to ensure the stability and integrity of the financial system. The issuance of rules and regulations, guidelines, and standards with robust



supervisory mechanism are key tools to ensuring the stability and integrity of the financial system. The Bhutanese financial market is evolving rapidly and new financial service providers are entering the market offering new services such as digital banking and digital currencies. This means the RMA must extend regulatory and supervisory frameworks to new services, products, and networks.

Moreover, new developments in the global market place will have implications on Bhutan's financial market. In the recent years, big tech companies in fintech have entered the financial market.

The RMA must position itself to harness the potentials of these new entrants as well as address the regulatory challenges posed by them. In particular, the RMA must

“ // The RMA must adopt appropriate legal principles and regulations to maintain the safety, reliability, and security of customers in the era of digitally delivered financial services.”

adopt appropriate legal principles and regulations to maintain the safety, reliability, and security of customers in the era of digitally delivered financial services.

Growing cyber security risks in the face of digitalisation and interconnected world

As the Bhutanese financial system

becomes more digitalised and interconnected with the rest of the world, cyber security will be a big concern. Cyberattacks are increasing in frequency and sophistication. Countering the risks of cyberattacks will require continuous investment in sound cyber security practices. To counter cyber security threats in Bhutan, the RMA must strengthen the resilience of cyber security through active supervision, surveillance, and adoption of cyber security practices and industry standards in the financial sector.

Internal organisational climate

The RMA has undertaken major internal reform initiatives to foster organisational excellence. This includes organisational restructuring, strengthening of human resources, and introduction of performance-based initiatives.

The leadership has created enabling environment for organisational change to strengthen its role as a central bank with highest standards of professionalism and integrity.

The infrastructure development and technology adoption have improved the workplace environment. Nonetheless, as the role of central banking evolves rapidly, the organisational structure, human capital, and the infrastructure will need to be upgraded to accommodate and tackle new changes and challenges. In particular, building smart human capital will be key to achieving the goals and priorities of this Strategic Plan.





Our Aspiration

A Progressive, Agile, and Resilient Central Bank
Enabling Bhutan's Economic Transformation

The financial sector is the backbone of the economy and the RMA is committed to provide the stewardship to Bhutanese financial institutions in supporting Bhutan's 21st Century aspiration of becoming a dynamic, prosperous, inclusive, sustainable, and resilient economy.

Towards this end, the RMA's aspiration is to be a Central Bank **PAR** Excellence, that is:

Progressive — fostering forward-thinking and growth-oriented mindset by building bright human capital, creating robust research and knowledge base, and adopting smart technology.

Agile — being able to adapt quickly to changes and uncertainties in the environment through advanced diagnostic capabilities and by resolving problems with creative solutions.

Resilient — being resilient during times of crisis by embracing robust early warning system and preparedness to buffer possible impacts and disruptions.

Mission

Reinforce an inclusive, sustainable, and dynamic economy

Maintain stability and resilience of the financial system

Advance innovation and technology in financial services

We will fulfill our mission by:

Being a steward of the financial sector in reinforcing the government's initiatives to create sustainable, inclusive, dynamic, and resilient economy.

Safeguarding the confidence in the financial sector and the economy by ensuring the stability and resilience of the financial system.

Embracing continuous advancement and adoption of innovation and technology to remain progressive, agile, and resilient in order to support the financial sector and the economy.

Core qualities

CREDIBILITY

A reliable and trustworthy national institution and partner in promoting Bhutan's economic progress

LEADERSHIP

Leader of change and innovation in the financial sector, taking bold steps to leverage opportunities and address challenges

KNOWLEDGE

Source of informed discourse and policy on the financial sector and economy

While working towards achieving its aspiration and mission, the RMA will operate with the highest standards, embracing and promoting three core qualities of 'Credibility,' 'Leadership,' and 'Knowledge' that will serve as the distinguishing identity of who we are as an institution and what we mean to our employees. We will nurture these qualities as our core strength in realising our mandates and in contributing towards the fulfilment of the nation's development goals.

Values



UPHOLDING THA-DAMTSHI (INTEGRITY)

We will mindfully shoulder our responsibilities with full dedication, integrity, and sincerity



BEING NYAMCHUNG (HUMILITY)

We will conduct ourselves with humility and treat everyone with respect and dignity. Our motivation to succeed will be driven by the need to improve conditions for others



EXHIBITING DREMBA (SENSIBILITY)

We will be alert and practical when discharging our duty, acknowledging and addressing challenges in an astute manner, perceptive to immediate exigencies and long-term sustainability

These core qualities will be underpinned by three intrinsic Bhutanese values of 'Upholding Tha-Damtshi (integrity)', 'Being Nyamchung (humility)', and 'Exhibiting Dremba (sensibility)' that will be associated and exemplified by all RMA employees. These values have been expounded time and again by His Majesty The Druk Gyalpo in various Royal Addresses and remain timeless and relevant for meaningfully and intelligently serving the Tsa-Wa-Sum.

The RMA's core qualities and values reflect our distinguishing identity and attributes that will be promoted and exemplified at both the individual employee and the institutional level.

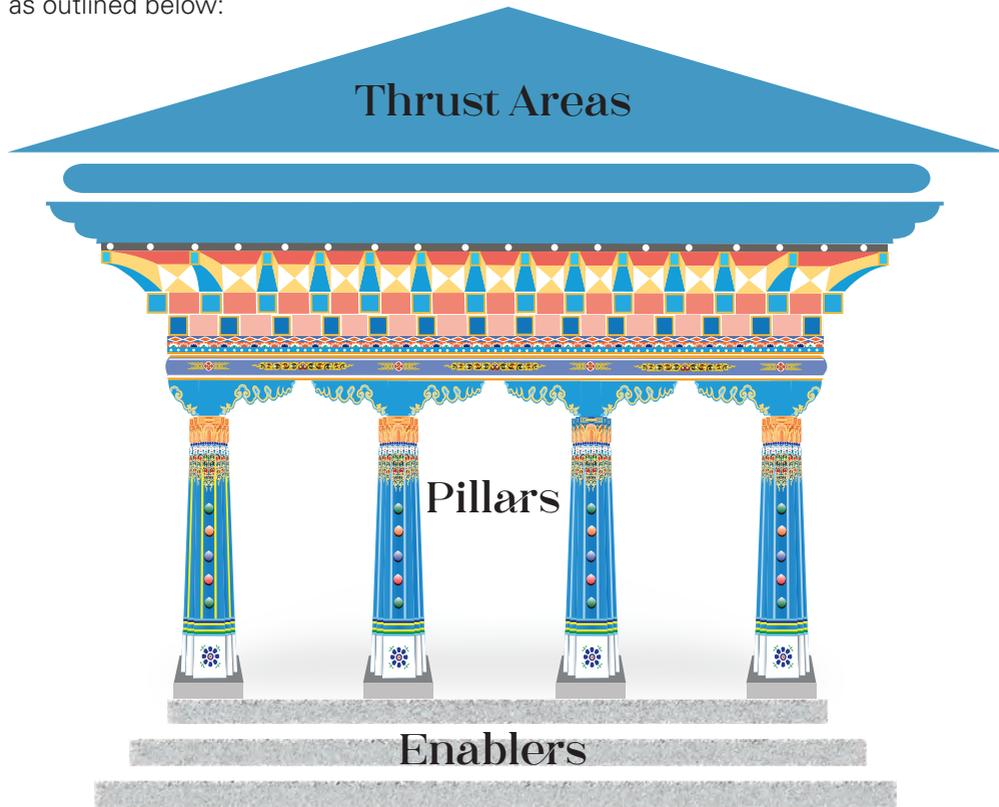




Strategic Framework

Thrust Areas, Pillars, and Enablers (TPE)

In order to achieve our aspiration and mission, we have adopted a TPE Framework as outlined below:



Thrust Areas: Thrust areas are the main thematic areas that represent national and macro-level goals and strategic policies. Thrust areas encapsulate the RMA's mandates and the strategic areas where the RMA expects to contribute to the achievement of the national vision and goals.

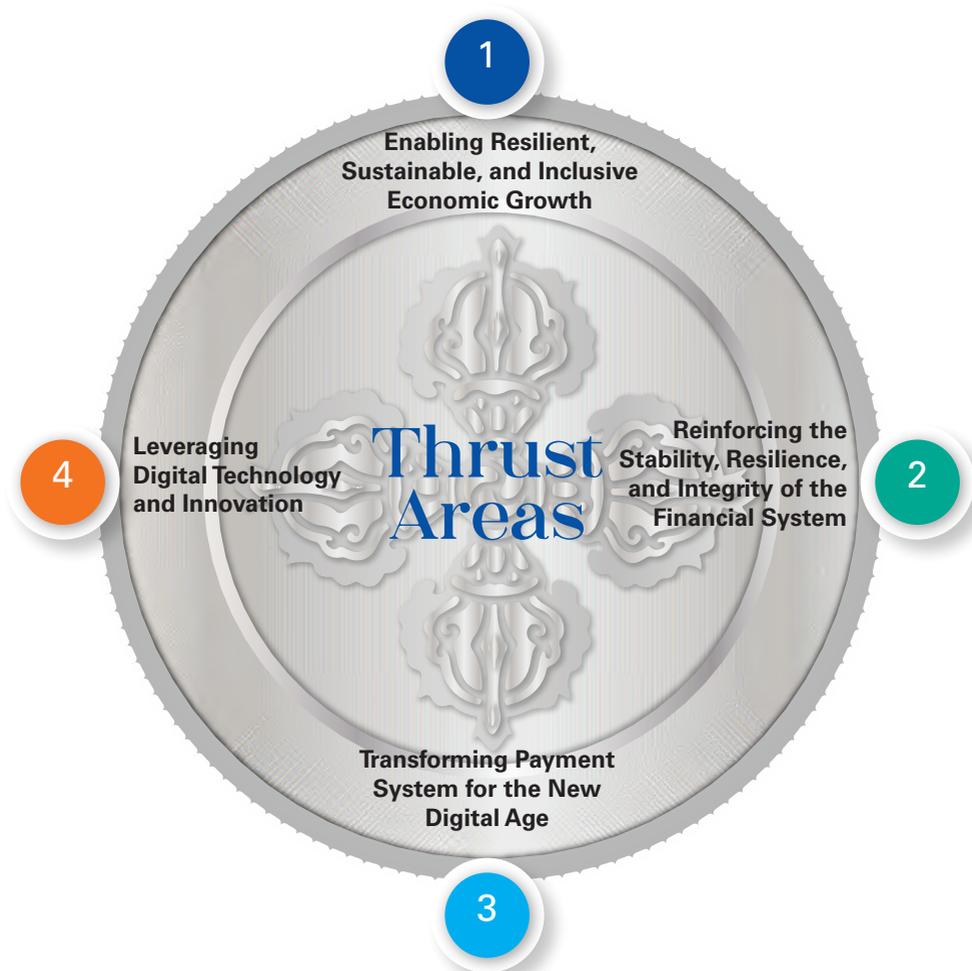
Pillars: Pillars are the supporting frame under each Thrust Area where the RMA will focus its strategic priorities and actions.

Enablers: Across all of the Thrust Areas and Pillars, there are enablers that will be critical in supporting the achievement of the Strategic Plan. The enablers include infrastructure, administrative and HR services, and ICT and legal services that are essential for smooth operation of the organisation.



Thrust Areas

Based on the TPE Framework, four Thrust Areas have been identified as the main focus areas of the Strategic Plan. Under each Thrust Area, supporting pillars are identified with strategic priorities and key actions.



The description of each Thrust Area with the supporting pillars, strategic priorities, and key actions are presented in the following sections.

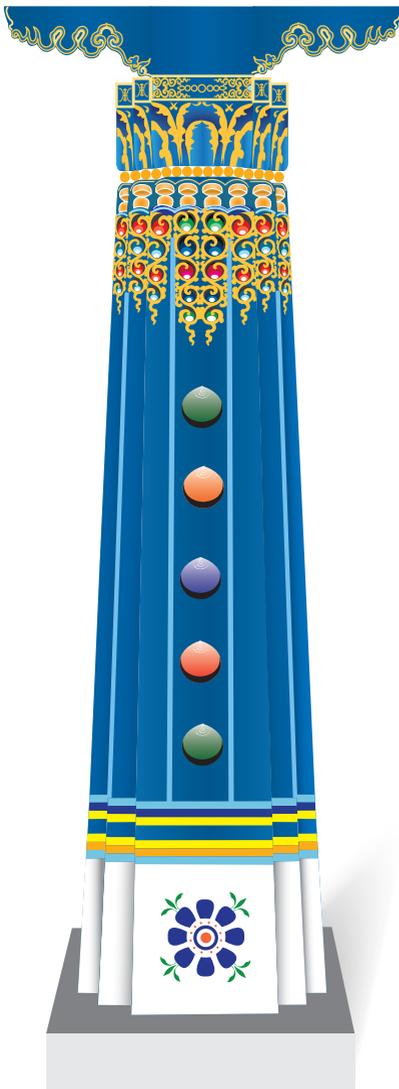




Thrust Area 1:

Enabling Resilient, Sustainable, and Inclusive Economic Growth

Under this thrust area, the RMA will initiate strategies to catalyse economic growth that is stable, resilient, green, and inclusive. The thrust area will be supported by strategic interventions under four pillars.



Enabling Resilient, Sustainable, and Inclusive Economic Growth

Pillar 1

Exploring new frontiers of macroeconomic research and monetary policy operations

Pillar 2

Pursuing prudent foreign exchange and reserve management

Pillar 3

Advancing green finance for sustainable and green economy

Pillar 4

Reinforcing financial inclusion and literacy





Pillar 1: Exploring New Frontiers of Macroeconomic Research and Monetary Policy Operations

To facilitate sustainable economic growth and ensure macroeconomic stability, the RMA will strengthen the effectiveness of monetary policy operations and its transmission mechanism. We will work towards improving the monetary policy operations and its framework, strengthening research and policy analysis, and bolstering economic data management practices for effective evidence-based policymaking purpose.

We want to achieve the following objectives under this pillar:

- i. Enhance diagnostic capacity to identify economic vulnerabilities and risks in the economy.
- ii. Adopt data and technology for research and evidence-based decision-making.
- iii. Position the RMA as a thought leader on monetary policy and national economic policy issues.

To achieve the objectives, we will pursue the following strategies:

Strategy 1.1

Adopt next generation monetary policy analysis tools and frameworks

To signal monetary policy stance to support and maintain price stability, the RMA will review and adopt the latest monetary policy instruments and frameworks. We will shift from implementation of Minimum Lending Rate (MLR) Policy to market-based monetary policy operation framework. Supported by real-time liquidity management system, the new framework will target the short-term interest rate (policy rate) to signal the RMA's monetary policy stance.





Further, to manage volatility and maintain a desirable level of liquidity in the banking system, an effective liquidity management and forecasting framework will be developed. Other macroeconomic analytical tools and frameworks will be strengthened for efficient policy analysis and decision-making.

“ We will build capacity to implement new monetary policy frameworks, and conduct research, data analysis, and macroeconomic modelling using advanced statistical tools.”

Strategy 1.2

Advance research and policy advocacy agenda

The RMA will promote research to support evidence-based macroeconomic policy-making, especially in the areas of monetary policy, financial sector, external sector and foreign currency management, and other policy issues of national significance. Partnerships with national and international research institutes and central banks will be sought to foster collaborative research and exchange of knowledge. Partnership with central banks in the SAARC region will be particularly important to exchange knowledge and keep abreast of

emerging financial and economic issues in the region.

In order to inform the national policy planning and decision-making process, we will share our research and economic policy analysis results in appropriate forums.

Strategy 1.3

Build research and data analytical capabilities

The RMA will endeavour to ensure that the research it undertakes and policy advice it provides are credible, professional, and unbiased. To this end, a team of technically competent and specialised professionals will be built to conduct quality research and analysis. We will build capacity to implement new monetary policy frameworks, and conduct research, data analysis, and macroeconomic modelling using advanced statistical tools.

Effective macroeconomic research and informed decision-making hinge on the availability of high-quality and up-to-date data. This is where the state-of-the-art Data Warehouse, an automated system currently being developed in the RMA, will play an important role. We will incorporate detailed granular data such as time-series data, cross-sectional data, and panel data in the Warehouse for economic and policy analysis.



Pillar 2: Pursuing prudent foreign exchange and reserve management

The Constitution of the Kingdom of Bhutan lays out the overarching framework on the level of external reserves that the country must maintain to meet a year's essential import.

The RMA Act of Bhutan 2010 vests the ownership and management of Bhutan's external reserves in the RMA. This means managing the country's external reserves in the broader macroeconomic interest of the nation to ensure overall monetary and financial stability. Therefore, the RMA will hold and manage the nation's external reserves appropriately to meet external obligations and ensure that it serves as a safeguard in case of an emergency. We will invest the reserves in safe and liquid foreign assets and strive to optimise returns so far as it does not compromise safety.

We will build robust exchange regime while continuing to pursue the policy of maintaining the value and confidence of Ngultrum by maintaining one-to-one parity between Ngultrum and the Indian Rupee.



We want to achieve the following objectives under this pillar:

- i. Ensure optimal return on reserve with safety and liquidity.
- ii. Build a robust and responsive foreign exchange regime.

To achieve the objectives, we will pursue the following strategies:

Strategy 2.1

Optimise portfolio return through efficient and effective management of foreign exchange reserves

The RMA will continue to maintain sound reserve management without compromising the objective of safety, liquidity, and return. A well-diversified portfolio will be established by exploring a broad array of existing and emerging asset classes including higher yielding





securities like bonds, gold, currency trading, and digital assets with due attention to liquidity and risks.

We will adopt technology solutions to streamline operations for effective and efficient reserve management. Among others, we will expand geographical coverage of markets, and extend dealing/trading hours to cover global financial markets in different time zones.

Strategy 2.2

Promote a conducive environment for foreign exchange operations

The RMA will improve and enhance policies, rules, regulations, and guidelines on foreign exchange

“ With the evolvement of digital assets and widespread global interest in this new asset, RMA will study the governance ecosystem of the digital assets and potential for diversification to keep pace with the rapidly growing digital world.”

transactions to create a conducive and compelling business environment and improve ease of doing business in the country. We will establish business relationships with strategic partners to develop an efficient foreign exchange market in the country. This will also mean seeking closer integration with regional financial markets.



Pillar 3: Advancing green finance for sustainable and green economy

To mobilise fund for the country's economic growth the RMA will work with financial service providers to enhance access to finance by exploring innovative channels of finance. One of the opportunities for mobilising fund is through the promotion of the green finance. Therefore, the RMA will collaborate with financial service providers to pioneer green finance to promote a sustainable and green economy. This will also be in keeping with Bhutan's commitment to environmental conservation.

We want to achieve the following objectives under this pillar:

- i. Create enabling regulatory environment to nurture financing in green economy.
- ii. Develop capital market and innovative financial instruments to promote investment in green projects and businesses.

To achieve the objectives, we will pursue the following strategies:

Strategy 3.1

Establish governance and coordination mechanism

An effective inter-agency collaboration across the entire financial system will be established to promote green finance. The participation of the private sector will be one of the





critical success factors of green finance.

Research and development will be promoted to enable policymaking that is supported by credible data, professional research findings, and recommendations. Monitoring and evaluation will be established to develop performance indicators and ensure the achievement of the green economy targets.

Strategy 3.2

Incorporate Environmental and Social Risk Management in financial service providers' lending decisions

It is important to integrate Environment and Social (E&S) Risk Management in financial service providers' lending decisions in order to promote green finance. The RMA will introduce policies, regulations or guidelines mandating all financial service providers to have E&S management system in place and requiring them to assess their E&S risk exposure in lending and investment decision-making. Climate risk assessment and disclosure frameworks as well as key performance indicators will be developed to track financial institutions' performance.

● Green Financial Instruments

Green bond

The green bond market is seen globally as having potential to close the green investment gap and help countries reach their sustainability targets. To develop the green bond market in Bhutan, the Ministry of Finance (MoF), the RMA, and the RSEBL will initiate development of green bond principles and guidelines supported by a set of criteria to identify and classify eligible green assets, accounting methods to quantify the environmental and climate benefits of green bonds, and guidance on reporting and disclosure.

Risk sharing instruments

The credit guarantee scheme is based on sharing of credit risk of a project between the guarantor and the lender. Guarantee schemes are often used for markets that are underserved by the financial sector because of real or perceived risks. Guarantee and refinance schemes will be explored to scale up finance for the green market.

Impact investments

The RMA will formulate rules and regulations and other frameworks for impact investment to create an enabling environment to attract investors from outside or from within the country to invest in green projects.



Strategy 3.3

Create green taxonomy

The existing classification of loans will be reviewed and new possibilities explored to create a green taxonomy framework. This will require identification of financial products and economic activities that can qualify as green investment. Financial service providers can introduce new products and services to expand their portfolios and realign existing products with the green taxonomy.

Strategy 3.4

Promote green capital market

To enhance avenues for mobilisation of capital for economic growth, the Bhutanese capital market will have to be strengthened and made more vibrant. Promoting green capital market will be one of the strategies to make the stock exchange more attractive and active. We will support the Royal Securities Exchange of Bhutan Limited (RSEBL) to promote green capital market and innovative green financial instruments.





Pillar 4: Reinforcing Financial Inclusion and Literacy

To promote inclusive economic development and empower people at the grassroots, the RMA in partnership with financial service providers and other relevant agencies has been carrying out several financial inclusion and literacy programmes since 2017. Concerted efforts have been made in taking financial services to the unbanked and underserved section of the population, particularly farmers and youths.

Several financial literacy programmes have been initiated including the integration of the Financial Literacy Curriculum, Youth Ethics Banking, Students' Business Seedling Program, Little CEO's Program, Financial Literacy Roadshow Program, and Global MoneyWeek Celebration.

The mission now is to further deepen financial inclusion and literacy with the 'leave no one behind' approach.



We want to achieve the following objectives under this pillar:

- i. Enhance access to formal and alternate finance for rural women, people with special needs, and youth.
- ii. Nurture a financially literate society with good money management practices and saving habits.
- iii. Enhance economic livelihood through impact investment and social entrepreneurship.

To achieve the objectives, we will pursue the following strategies:

Strategy 4.1

Create inclusive regulatory landscape

Creating an enabling environment for innovative and equitable financial inclusion is the key for any market-led financial products and services. We will review and improve existing regulations on crowdfunding, microfinance, and FinTech. Supportive regulatory frameworks will be initiated for new inclusive financial services and for innovative alternate source of financing models such



as inclusive green finance, P2P and B2B lending models, creative fund management, inclusive green finance, and small credit cooperative groups.

Strategy 4.2

Forge social entrepreneurship

We will collaborate with relevant partners to launch the Social Enterprise Bhutan (SEB) and KUENPhen financing. The goal of SEB and KUENPhen is to foster social entrepreneurship. These initiatives will support carefully selected social enterprises with the potential to accelerate inclusive and community-centered progress, livelihood enhancement as well as conservation and regeneration of Bhutan's valuable ecosystems.

Strategy 4.3

Promote technology-enabled inclusive financial products and services

The RMA will leverage digital technologies to develop inclusive financial products and services. We will explore possibilities to develop new digital products and channels such as hybrid tokenisation social crowdfunding platform, enhanced savings products, disabled-friendly financial products, weather index micro-insurance, psychometric scoring tools for lending, internet footprint, and business behavioural data.

Strategy 4.4

Enhance financial literacy

Without effective financial literacy, the objective of equitable financial inclusion agenda will be difficult to accomplish. To enhance financial capabilities of both the supply side financial service providers and consumers, a new shift will be adopted in the financial literacy strategy. We will harness technology and innovation to enhance financial literacy. We will initiate the development of digitally self-guided user manuals, one-stop AI-enabled information services, inbuilt value-added services on mobile apps with personal finance education, consumer protection information, and an e-budget expense tracker.

Modules on FinTech will be introduced in the curriculum of both formal and non-formal education as well as that of the vocational institutes. Possibilities will be explored to help build the professional capacity of the Financial Institutions Training Institute (FITI), Technical and Vocational Education and Training (TVET), and Royal University of Bhutan (RUB) in the areas of curriculum and other resources. The programmes offered by them will be equipped with modern learning infrastructure with incubation space and digitally-enabled learning packs. Additionally, development of measurement tools to gauge target specific literacy levels will be pursued for policymaking, monitoring, and evaluation.

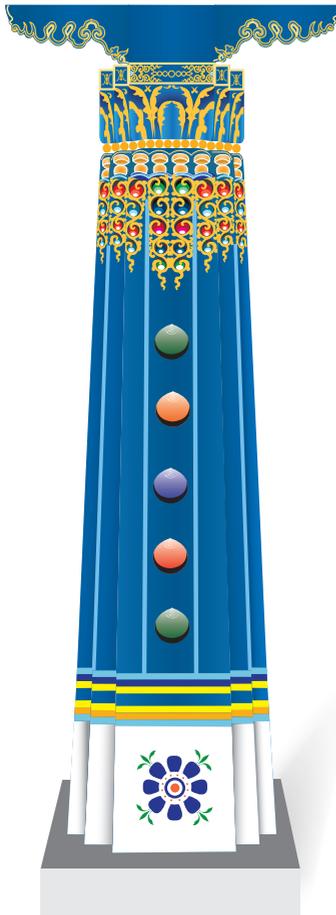




Thrust Area 2:

Reinforcing Stability, Resilience, and Integrity of the Financial System

The RMA has the mandate to ensure the stability and integrity of the country's financial system. The environment in which financial institutions operate is becoming increasingly complex because of technological disruptions and unpredictable events that often expose them to new risks. To adapt to and operate in such a complex and dynamic landscape, the RMA will reinforce the stability and resilience of the financial system. Under this thrust area, we will carry out the initiatives under five pillars.



Reinforcing Stability, Resilience, and Integrity of the Financial System

Pillar 1

Raising the corporate governance standards in the financial sector

Pillar 2

Adapting regulatory frameworks and supervisory tools

Pillar 3

Heightening preparedness for crisis management and resolution

Pillar 4

Fostering robust financial intelligence system

Pillar 5

Building a resilient and credible insurance sector





Pillar 1

Raising the Corporate Governance Standards in the Financial Sector

Sound corporate governance in the financial system is critical for the protection of stakeholders—depositors, policy holders, customers, and others. Integrity, transparency, and accountability are integral elements of good corporate governance. The RMA has made much progress in instituting good corporate governance in the Bhutanese financial sector, and going forward, the RMA will continue to raise the corporate governance standards in line with global standards and practices. The strategies to raise the corporate governance standards in the Bhutanese financial sector will be hinged on strengthening leadership, building effective regulatory frameworks, and supporting institutional capacity building.

We want to achieve the following objectives under this pillar:

- i. Institute high corporate governance standards in regulated entities.
- ii. Strengthen leadership capabilities in regulated entities.
- iii. Promote professionalism and integrity in regulated entities.

To achieve the objectives, the following strategies will be adopted:

Strategy 1.1

Strengthen leadership in the financial sector

The Bhutanese financial sector has been growing rapidly over the years. Moreover, the business environment in which the financial service providers operate is increasingly becoming complex,





particularly spurred by rapid changes in digital technologies. The leadership role of the CEOs and boards as the stewards of these entities is becoming more and more important in such a complex and uncertain environment. To this end, the RMA will build leadership talent pool with right competencies and aptitudes to lead the Bhutanese financial sector with greater agility and dynamism.

“ // The RMA will build leadership talent pool with right competencies and aptitudes to lead the Bhutanese financial sector with greater agility and dynamism.”

High priority will be placed in building credibility, integrity, and competency in the leadership of Bhutan’s financial sector. Measures will be put in place to incorporate these values in the selection and recruitment process of board directors and senior management.

Strategy 1.2

Support institutional capacity building

Sound and credible institutions create trust and confidence in the system. People working in the financial sector

will play a critical role in shaping cultures and behaviours of the institutions. Hence, institutional capacity building will be critical to produce a workforce with professionalism and integrity. To this end, the RMA will collaborate with the financial service providers and FITI in designing appropriate curriculum, certifications, and trainings for building professional and knowledge-based employees.

Strategy 1.3

Enhance governance frameworks and standards

To adapt to the changing corporate governance standards, the RMA will periodically review the corporate governance rules and regulations, guidelines, frameworks, and policies.

In particular, the RMA is taking the lead in adopting standards issued by Accounting and Auditing Standards Board of Bhutan (AASBB) in terms of transparency and reliability of information for business decision. The objective of adopting these standards is to provide a high quality, internationally recognised set of accounting standards that would bring transparency, accountability, and efficiency to the key stakeholders and the financial markets.



Pillar 2

Heightening Preparedness for Crisis Management and Resolution

The COVID-19 pandemic has inflicted tremendous shock to the economies around the world including Bhutan. Fortunately, with close guidance from His Majesty The Druk Gyalpo, Bhutan has been able to ameliorate the public pain of the pandemic. The pandemic has underscored the importance of preparedness for unforeseen calamities. Hence, in the next decade, the RMA will prioritise building a culture of preparedness and resilience for the financial system.



We want to achieve the following objectives under this pillar:

- i. Heighten preparedness to protect the financial system from adverse events.
- ii. Ensure effective resolution of systemic distress and failure in the financial system.

Strategy 2.1

Strengthen preparedness for crisis management

In the immediate term, we will continue to implement COVID-19 relief efforts such as monetary measures and stress testing of financial service providers. To heighten preparedness for future crisis, the RMA will develop a contingency plan taking into consideration all the possible





stress scenarios including pandemics, natural disasters, climate change and other extreme weather events as well as operational risks, especially those associated with technology such as cyber threats. We will concentrate our efforts in swiftly detecting potential threats to financial stability and accordingly respond by taking timely remedial measures. Regulated entities will be required to develop a Business Continuity Plan (BCP) as a key component of well-developed operational risk framework. The BCP will be subject to supervisory review and approval.

Strategy 2.2

Establish financial resolution framework

To support the resilience and stability of financial service providers in the event of institutional failure, we will develop appropriate legal framework and governance arrangements for effective resolution of systemic distress. In the near term, the RMA will pursue the strategy for resolving the Non-Performing Loans (NPL) as a priority and will develop a long-term strategy aimed at promoting responsible credit culture for achieving financial stability.



Pillar 3:

Adapting Regulatory Frameworks and Supervisory Tools

Under this pillar, the RMA will work towards maintaining a sound and well-regulated financial sector by enhancing the adaptive capacity of regulatory frameworks and supervisory tools and leveraging technological innovation and data-driven decision-making.

We want to achieve the following objectives under this pillar:

- i. Adapt regulatory frameworks and supervisory tools to evolving market conditions and global best practices.
- ii. Establish a robust risk assessment and management system.

To achieve the objectives, the following strategies will be adopted:

Strategy 3.1

Adapt regulatory frameworks to evolving market conditions and global best practices

The existing regulatory frameworks, standards, and guidelines will be reviewed and updated to align them with the changing market landscape both inside and outside the country.

As more and more new financial service providers such as digital banks and FinTech firms enter the market, it will be important to develop appropriate regulatory and supervisory frameworks





to address new risks associated with digital innovation.

However, these new regulations should not stifle innovation and development of FinTech. A regulatory sandbox will be adopted so that the FinTech innovation grows within the boundary of prudential safety.

Strategy 3.2

Institute sound risk management culture and forward-looking supervisory approach

Instituting sound risk management culture among regulated entities will be a key priority in improving financial soundness of individual financial institutions and the stability of the financial sector.

“ The RMA will leverage on technological innovation in transforming its regulatory and supervisory functions.”

The RMA will ensure that regulated entities undertake regular review of their risk management frameworks to ensure that they are fit for purpose. We will accelerate the adoption of risk-based supervision to enable early

identification of risks and take prompt corrective measures.

Strategy 3.3

Adopt innovative regulatory and supervisory compliance tools

To enable risk-based supervision, access to timely and relevant data on regulated entities will be critical. For this, we will use data from the proposed centralised Data Warehouse. We will take advantage of the big data facilitated by AI and machine learning to automate data reporting, analysis, and decision-making at greater speed and efficiency. This will help us spot excessive risk-taking by regulated entities and make timely interventions.

Financial regulators and supervisors in many countries are increasingly harnessing technology and innovation to improve efficiency in regulatory and supervisory functions. Similarly, the RMA will initiate the development and implementation of Regulatory Technology (RegTech) and Supervisory Technology (SupTech) solutions in partnership with regulated entities and technical solution providers. The move will automate and simplify the current practice of manual data reporting and analysis.



Pillar 4: Fostering Robust Financial Intelligence System

To maintain financial integrity, it is important to safeguard the financial system from current and evolving money laundering (ML) and terrorism financing (TF) activities. In the rapidly expanding digital and interconnected world, criminals are finding new avenues to launder money in different and creative ways. The RMA will work to discover, disrupt, and deter these threats to safeguard the financial system from abuse.

We want to achieve the following objectives under this pillar:

- i. Strengthen organisational structure and systems for effective financial intelligence functions.
- ii. Establish a robust and harmonised AML/CFT regulatory system.
- iii. Establish an effective system for information exchange and collaboration on ML and TF.
- iv. Promote professionalism and integrity in regulated entities.

To achieve the objectives, the following strategies will be adopted:

Strategy 4.1

Strengthening financial intelligence function

The Financial Intelligence Department (FID) at RMA acts as a national intelligence service provider related to money laundering and financing of terrorism.





To strengthen FID's capacity to detect, monitor, disrupt, and prevent ML and TF, we will improve organisational structure, systems, and processes. A greater focus will be on strengthening intelligence services by building a robust IT analytical system and the use of statistical and advanced analytics to identify relevant patterns and outliers in the reporting.

Strategy 4.2

Staying relevant to the emergent needs of AML/CFT regime

The legal framework of the AML/CFT is the backbone to combat money laundering and terrorism financing. Staying abreast of new standards and harmonising the AML/CFT rules and regulation is crucial in repressing ML and TF. Having a robust AML/CFT legislative framework in place is crucial to ensure compliance with technical assessment of FATF (Financial Action

Task Force) recommendations. A risk-based framework for reporting will be instituted to improve the assessment of ML and TF risks.

Strategy 4.3

Enhance cooperation with domestic and international counterparts

Money laundering and terrorism financing are global problems that require global efforts. For this reason, strengthening relations with domestic and international stakeholders is one of the roles of the FID. Such relations help the FID share information on identifying, investigating, and prosecuting financial crimes. Further, unraveling financial networks that support illicit and dangerous organisations and maintaining the integrity of the financial system requires coordinated effort by many domestic and foreign partners in governments and private industries.



Pillar 5: Building a Resilient and Credible Insurance Sector

The RMA has developed the National Insurance Strategy (NIS) with the objective to bring about transformations in the insurance sector. The NIS will be a value-based strategy that will contribute to the realisation of the goal of GNH and foster the aspirations of a 'Harmonious Society' through the creation of inclusive insurance that aims to protect both lives and livelihood.

We want to achieve the following objectives under this pillar:

- i. To build a vibrant, futuristic, and inclusive insurance sector that meets the needs of the present and future generation.
- ii. Enhance access to better and efficient insurance products and services in life and non-life insurance business.
- iii. Protect livelihood of the poor and underserved population from risks and uncertainties.

To achieve the objectives, the following strategies will be adopted:

Strategy 5.1

Revitalise insurance and reinsurance industry

Revitalisation of the insurance and reinsurance sector for the 21st century has never been more important. This can be done by





strengthening human resources through talent management, knowledge development, and skills enhancement of insurance professionals. Simultaneously, developing the regulatory and supervisory capacity is necessary to formulate rules, guidelines, directives, and regulations so that the sector becomes a major driver of economic resilience.

Strategy 5.2

Enhance accessibility and affordability of insurance products and services

To build safety nets to mitigate risks and uncertainties, we will work towards enhancing accessibility to appropriate and affordable insurance products and services that are in tandem with Bhutanese values.

“ // To secure the lives and livelihood of the Bhutanese population, the RMA will frame conducive regulatory framework and initiatives to enhance life insurance.”

Currently, the penetration of life insurance in Bhutan is low. To secure the lives and livelihood of the Bhutanese population, the RMA will frame conducive regulatory framework and initiatives to enhance life insurance. In particular, we will explore the feasibility of establishing a life insurance company.

Strategy 5.3

Promote microinsurance

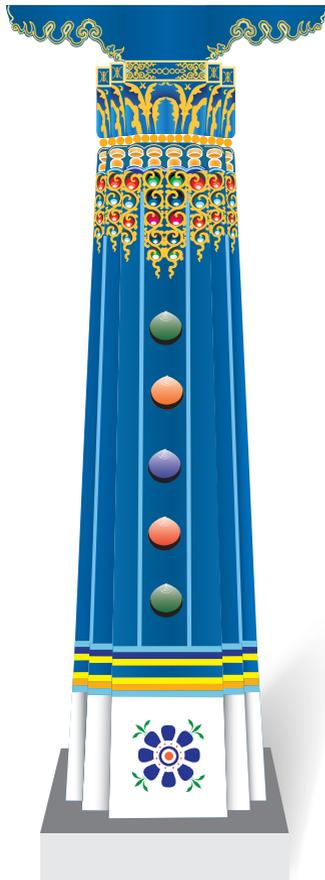
The development of microinsurance products and services can contribute significantly towards building resilience of the underserved population. Furthermore, the idea of green insurance will be promoted as an instrument to reduce risks in new areas of green investments, such as renewable energy projects or green bonds. The insurance companies will be encouraged to create new insurance products and services focused on climate-related risks. The prospect of promoting microinsurance and green insurance holds huge promise for the insurance sector in the long run.



Thrust Area 3

Transforming Payment System for the New Digital Age

The use of cash is still widely prevalent in Bhutan. However, consumers are increasingly moving towards the adoption of digital payments. The digital payment usage has increased exponentially from 28.99 million in 2019 to 76.79 million transactions in 2020. Thus, it is important to intensify the efforts to improve and innovate payment system to provide faster, streamlined, and efficient digital payment services. Under this thrust area, the RMA will implement strategic interventions under four pillars.



Transforming Payment System for the New Digital Age

Pillar 1

Building leading edge payments infrastructure

Pillar 2

Creating supportive regulatory environment for digital ecosystem

Pillar 3

Building effective oversight and sound risk management

Pillar 4

Maintaining public trust in currency notes and coins





Pillar 1

Building Leading Edge Payments Infrastructure

To intensify digital transformation in the financial sector, the RMA will focus on building leading edge payment infrastructure both for domestic and cross-border payments. We will develop digital infrastructure that is interoperable, resilient, secure, and scalable.



We want to achieve the following objectives under this pillar:

- i. Enhance interoperability, accessibility, and security of digital payment platforms.
- ii. Establish secure and efficient cross-border payments.

To achieve the objectives, the RMA will pursue the following strategies:

Strategy 1.1

Revamp the domestic digital payment platforms

We will improve the digital infrastructure with enhanced interoperability, accessibility, and security features. This will be done by overhauling and upgrading the existing payment gateways, and developing a range of new innovative digital facilities to move towards a cashless economy.

“ We will develop digital infrastructure that is interoperable, resilient, secure, and scalable.”

Activities will be initiated to increase access to and expand acceptability of digital financial services in the country.

Strategy 1.2

Enhance cross-border payment infrastructure

The acceptability of international transactions in Bhutan will be improved through adoption of various initiatives including harmonised measures to reduce risks and inefficiencies in cross-border payments. We will enhance integration to regional and international payment schemes and explore other alternative payment channels such as mobile and QR payments or other popular payment service providers.





Pillar 2

Creating Supportive Regulatory Environment for Digital Ecosystem

To expand and support the growth of digital payment ecosystem in Bhutan, creating an enabling environment is critical. In this regard, a dynamic and supportive regulatory environment will be the key strategy.

We want to achieve the following objectives under this pillar:

- i. Harmonised regulatory frameworks and digital payment standards.
- ii. Encourage innovations in digital financial services within prudential safety.
- iii. Create future-ready talent pool for the new digital financial ecosystem.

To achieve the objectives, the RMA will pursue the following strategies:

Strategy 2.1

Harmonise regulatory frameworks and standardise digital payments

Harmonising existing rules and regulations will be important to institute supportive regulatory environment. To this end, we



will introduce standardisation of digital payments (specific guidelines for QR, Mobile, and Internet banking) to set minimum standards for safety, security, and efficiency.

Strategy 2.2

Develop new regulatory framework and initiatives to support the emerging payment system

The payment system is evolving at a rapid pace with several new digital modes of payment emerging every year. We will develop new regulations and initiatives to ensure that the emerging digital payment innovations are supported within the boundary of prudential safety. We will ensure that the payment system and its infrastructure are safe, secure, and resilient. We will initiate the process to enact Payment System Act and establish Payment Infrastructure

Development Fund to augment digitisation of payment systems in the country.

Strategy 2.3

Nurture smart talent for new digital financial ecosystem

To complement the enabling regulatory framework, nurturing a skilled workforce to promote innovation and creativity in the new digital payment ecosystem will be crucial. We will facilitate the development of talent pool in every level of the payment ecosystem including banks and the RMA.

We will partner with the FITI to train existing and aspiring financial sector workforce in the emerging financial technologies. We will initiate Annual Payments Forum to provide platform for payment service providers, especially the banks, to update and share their recent as well as future digital payment system, products, and other initiatives.





Pillar 3:

Building Effective Oversight and Sound Risk Management

The initiatives to create interoperable and integrated payment systems in the country could expose the financial system to new risks. Therefore, building an effective oversight and sound risk management are essential to ensure security, stability, and reliability of payment ecosystem.

We want to achieve the following objectives under this pillar:

- i. Adopt sound risk management to safeguard the integrity and stability of the payment system.
- ii. Enhance regulatory and oversight capabilities to respond to changing technologies and risks.
- iii. Ensure safe, secure, and efficient payments data through stringent data governance and adoption of digital technologies and data analytics.

To achieve the objectives, the RMA will pursue the following strategies:

Strategy 3.1

Strengthen risk management and consumer protection

To ensure safety and stability of the payment services, risk management of payments system will be strengthened across all financial service providers. We will support service providers to bolster cyber-risk management both in terms of IT system protection and cooperation



among related entities including through exchange of data, as well as activity-based test of systems that can tackle and respond to cyber-risks and help with system recovery. Service providers will be encouraged to adopt international standards through issuance of policies and guidelines such as IT risk management and cyber-threat management. Adoption of an electronic customer identification and verification process would adequately address the risks faced by service providers. We will promote consumer protection by prescribing measures to service providers.

Strategy 3.2

Improve regulatory and oversight capabilities

The RMA will improve its regulatory and supervisory capabilities to be responsive to service models, risks, and changing technologies. We will adopt risk-based oversight framework for payment service providers to effectively manage risks. Technology-based supervisory technology (SupTech) will be adopted to enhance efficiency. National and regional cooperation will be intensified on the oversight of payment services among regulatory authorities within Bhutan and outside to exchange knowledge and experience and establish security standards,

consumer protection standards, and cross-border oversight standards for payment service providers.

Strategy 3.3

Improve data governance and management

Developing a comprehensive payment data architecture to support policymaking and supervisory works under appropriate and stringent data governance and data privacy practices

“ We will adopt risk-based oversight framework for payment service providers to effectively manage risks.”

will be a priority. The payment data will be integrated with the proposed centralised Data Warehouse. We will implement a pilot project on payment data integration with public and private entities using API technologies covering domestic payment data, cross-border payment data, tourism data, and the public sector payment data. Data Analytics tools will be developed for in-depth data analyses such as big-data analytics, data mining tools, and dashboard to monitor service providers' operations and their risk management procedure in the payment systems.





Pillar 4:

Maintaining Public Trust in Currency Notes and Coins

Notwithstanding the growing shift towards non-cash transactions supported by digital technology, the use of cash still remains high in Bhutan. Therefore, it is critical for the RMA to maintain public confidence in the currency by preserving its value and integrity and by making available adequate stocks to meet the public demand.



We want to achieve the following objectives under this pillar:

- i. Enhance security and quality of currency notes and coins.
- ii. Improve currency management system and customer care services in the currency exchange counters.

To achieve the objectives, the RMA will pursue the following strategies:

Strategy 4.1

Enhance the security and quality of banknotes and coins

Latest technology will be used to enhance the integrity and security of the banknotes. We will use technology to incorporate sophisticated security features in the design of the banknotes in order to curb counterfeit practices. Aesthetics, functions, cost, and sustainability will be considered while improving currency notes and coins. As national currency is an important symbol of Bhutan's identity and sovereignty, we will include national icons, history, monuments, and other significant national events in the design of the new banknotes and coins. We will outsource the printing and minting to trusted and technologically advanced international printing and minting firms to ensure the quality and security of banknotes and coins.

Strategy 4.2

Improve the efficiency of currency management and customer service

To ensure effective supply of adequate and clean banknotes and coins to the public, we will carry out initiatives such as automation and digitisation in the operational procedures to improve the currency management system. Customer service at currency exchange counters will be improved. Similarly, forecasting of the stock and demand for banknotes and coins will be improved to ensure adequate supply to the public at all times.



Thrust Area 4

Leveraging Digital Technology and Innovation

Technological disruptions and creative innovations are taking place at a rapid pace, revolutionising the global financial services industry. New digital payment platforms have emerged leading to new service providers entering the market, transforming the banking services into a highly accessible, convenient, fast, and contactless one. In the past five years, the RMA and financial service providers have adopted technology to improve the financial services in the country. In the next decade, we will leverage technology and innovation to transform the financial sector. We will particularly focus on deepening digitalisation of financial services by exploiting the power of the distributed ledger technology, AI, cloud computing, robotics and APIs, and other emerging digital innovations.

The RMA will play an active role in the national digital transformation goal under the Digital Drukylul Flagship Programme inspired by His Majesty The Druk Gyalpo. We will leverage technology and innovation through four pillars.



Leveraging Digital Technology and Innovation

Pillar 1

Creating a vibrant FinTech ecosystem

Pillar 2

Gearing up for Bhutan's CBDC

Pillar 3

Fostering cyber security resilience across the financial system

Pillar 4

Embracing Big Data technologies





Pillar 1:

Creating a Vibrant FinTech Ecosystem

At the heart of digital transformation of the financial industry are the FinTech startups. They are the drivers of financial innovation. Hence, fostering a conducive environment to encourage the development of FinTech innovations in Bhutan is important.



We want to achieve the following objectives under this pillar:

- i. Enhance existing digital financial services with better security and convenience.
- ii. Create vibrant ecosystem that stimulates e-commerce, digital banking, and other innovative digital financial services.
- iii. Leverage research and development on emerging technologies to explore innovative financial products and services.

To achieve the objectives, we will pursue the following strategies:

Strategy 1.1

Establish innovative technology rails for enhanced digital financial services

Digital financial services will be promoted leveraging on innovative technologies. The existing digital financial services will be enhanced in terms of access and quality. Digital financial services interoperability will be implemented to further boost the utility of digital services through the adoption of common QR code standards, common API protocols, and international payments message standards.

Strategy 1.2

Promote FinTech innovation accelerators scheme

We will introduce schemes to promote the growth of FinTech innovation in the country, and one of them will be to establish a FinTech Centre.

“The RMA will play an active role in the national digital transformation goal under the Digital Drukylul Flagship Programme inspired by His Majesty The Druk Gyalpo.”

The Centre will serve as a one-stop contact point for inquiries related to business involving FinTech in Bhutan





including supporting FinTech startups. It will also catalyse interaction among financial practices and innovative technologies, research, and study.

The RMA will put in place enabling regulatory framework and policy to support FinTech start-ups and IT firms. FinTech regulatory sandboxes will be introduced to test and learn various innovations such as digital credit, Centralised Know Your Customer (CKYC), cloud computing, and new digital payment instruments for inclusion.

“RMA will develop a balanced and forward-looking policy framework which will solidify Bhutan’s unique position as a key jurisdiction for DLT Blockchain and Digital Asset Innovation.”

FinTech Innovation Grant Scheme will be established to support innovative ideas and products. Through the scheme, we will identify relevant FinTech ideas and products meeting the objectives of the grant. The release of financial grant and project milestones will be guided by a comprehensive SOP developed through consultation with relevant agencies. Further, we will promote the development of cross-cutting services such as e-commerce and digital banking through collaboration with relevant bodies at the national, regional, and international levels.

Strategic 1.3

Promote research and development on emerging digital technologies

To stimulate FinTech innovations and developments aimed at introducing innovative products and services, there is a need for continuous research and development in emerging digital technologies. This will mean supporting research in the areas of AI, Blockchain, Distributed Ledgers, Big Data Mining, Machine Learning, Deep Learning, and Digital Ledger Technology (DLT), among others.

Strategy 1.4

Promote Bhutan as a key jurisdiction for DLT Blockchain and Digital Asset Innovation

The RMA will develop a Blockchain regulatory framework built around DLT. The balanced and forward-looking regulatory framework for Blockchain and Digital Assets will not only act as a regulatory bridge in facilitating the emergence of regulatory and supervisory best practices in the area of digital assets but also solidify Bhutan’s unique position as a key jurisdiction for DLT Blockchain and Digital Asset Innovation by leveraging on clean, green, and sustainable sources of energy.



Pillar 2

Gearing up for Central Bank Digital Currency

Many central banks are beginning to explore, test and implement Central Bank Digital Currencies (CBDCs). CBDC is a digital form of the fiat currency issued by the central bank. While central banks have different reasons for exploring CBDCs, a common driving force, that is also relevant for Bhutan, is the need to adapt to the overall digital transformation in the way we live, interact and transact with each other. Since cash is the only form of central bank money available to the general public, retail CBDCs provide a digital alternative to the public in the face of declining usage and acceptance of cash. It is timely that the RMA explore a digital alternative to its money, a Digital Ngultrum, that promotes efficiency and innovation within the overall context of the country's drive to harness technology for a 21st century Bhutan.



We want to achieve the following objectives under this pillar:

- i. Establish essential infrastructure, regulations and governance framework for a Digital Ngultrum.
- ii. Ensure that the Digital Ngultrum conforms to and passes all rigorous tests including cybersecurity.
- iii. Ensure that the Digital Ngultrum is ready for rollout as legal tender.

To achieve the objectives, we will pursue the following actions in four phases:

- i. Develop a CBDC strategy and potential implementation plan, including, but not limited to, integration of the CBDC with RMA's existing payments infrastructure and legal framework.
- ii. Develop use cases on how an RMA-issued Digital Ngultrum can be deployed.
- iii. Deploy the CBDC under a sandbox condition for priority use cases.
- iv. Build capacity through knowledge transfer and continuous learning.

The implementation of the pilot will guide the launch of the CBDC.





Pillar 3

Fostering Cyber Security Resilience Across the Financial System

As the Bhutanese financial system becomes more digitised and interconnected, the RMA and financial service providers will have to deal with threats related to cyber security. Around the world, cyber-attacks are increasing in frequency and sophistication. Bhutan too will face these risks which will require continuous investment in sound cyber security practices. In this regard, the RMA will strengthen the resilience of cyber security through active supervision and surveillance of the cyber security practices of financial service providers.



We want to achieve the following objectives under this pillar:

- i. Strengthen cybersecurity surveillance and response mechanism.
- ii. Enforce strict information and cybersecurity standards compliance.

To achieve the objectives, we will pursue the following strategies :

Strategy 3.1

Strengthen cybersecurity surveillance and response mechanism

The RMA will facilitate in developing and strengthening cybersecurity surveillance and response by embedding cybersecurity in risk management framework of



financial service providers. The incidence reporting mechanism will be strengthened to provide accurate, timely, and reliable reporting of cybersecurity incidents, channeled through respective Information Security focal points from each financial service provider.

Furthermore, we will implement Fraud Risk Management and Monitoring tools to monitor and assess cyber safeguards implemented by financial service providers.

Cybersecurity assessments of all critical systems and applications will also be conducted. We will strengthen collaboration and information sharing on cyber security through FiCRT.

Strategy 3.2

Strengthen enforcement of compliance to information and cyber security standards

Internationally accepted cyber security standards and certifications will be introduced for compliance by financial service providers. In particular, we will enforce compliance to the information security standards by requiring the banks to undergo ISO 27001 and PCI-DSS certifications. Cyber security compliance will be extended to non-banking entities as well.





Pillar 4

Embracing Big Data Technologies

Currently, the RMA collects more than 162 datasets and variables from different data sources for macroeconomic, monetary, and financial statistical analysis and reports. However, the existing manual practice of data collection, storage, and compilation often leads to poor data quality and analysis. Moreover, the absence of standardisation and harmonisation with the information system to process the available data has aggravated the situation.

Given the current limitations in data management, the RMA will leverage emerging technologies to transform data collection and processing. We will establish a state-of-the-art Data Warehouse, a centralised data services platform that will enable the RMA to collect, clean, transform, and store data from different sources. This is expected to reduce redundancy and uncoordinated information collection by different departments. We will adopt technologies to perform advanced analytics, such as data mining, predictive analytics, and big data analytics. These analytic tools will improve our institutional capability to inquire, analyse, and report findings to support policy decisions in a swift, accurate, and efficient manner.



We want to achieve the following objectives under this pillar:

- i. Operationalise centralised Data Warehouse with detailed granular data such as time-series, cross-sectional, and panel data.
- ii. Establish data governance for robust data security and privacy.
- iii. Equip technical staff with latest skills on data technologies and analytics for optimal utilisation of the Data Warehouse.

To achieve the objectives, we will pursue the following strategies:

Strategy 4.1

Technology and design

Apache Hadoop has been identified as the preferred technology to support volume, variety, and velocity of data. The next tasks will be to procure the Data Warehouse



and Online Analytical Processing servers, design ETL/ integration tools to extract data from various sources, transform them and load into the Data Warehouse system, and develop analytical and reporting tools for reporting, analytics, data visualisation, and advanced statistical analysis.

Strategy 4.2

Data privacy and security

A comprehensive data privacy and security policy will be drafted to provide guiding principles in collecting, disseminating or sharing of information with various classes of users without

violating the legal and contractual obligations for data confidentiality and privacy.

Strategy 4.3

Technical skills development

Given the huge scope of responsibilities in operationalising the Data Warehouse project, adequate human resources with appropriate technical skills and knowledge on data and emerging data analytics technologies will be required. Thus, the technical staff will be provided with the required skills to effectively operate the Data Warehouse.

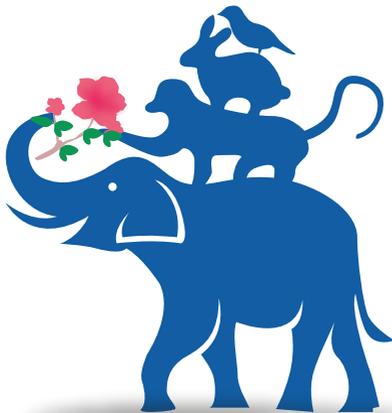




Enablers

To ensure successful implementation of activities outlined in the Strategic Plan, the RMA will draw upon key enablers to support the four Thrust Areas. The enablers will serve as the common denominators across all the Thrust Areas.

We have identified three key enablers:



Fostering organisational change for building RMA as the leading, credible, and knowledge-based institution



Optimising the application of ICT and technology for organisational efficiency



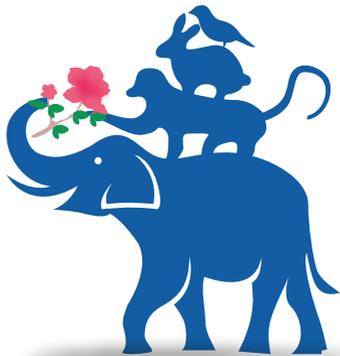
Strengthening legal advisory services





1. Fostering Organisational Change for Building RMA as the Leading, Credible, and Knowledge-based Institution

The RMA aspires to be a knowledge-based, credible, and leading public organisation contributing to the fulfilment of the nation's vision and development goals. To achieve this aspiration, we will revamp the ongoing organisational transformation initiatives. We will work towards creating a smart, knowledge-based human capital, revitalising the organisational structure, systems, and processes, and improving physical infrastructure and facilities for a conducive and safe workplace environment.



We want to achieve the following objectives under this enabler:

- i. Position RMA as a leading, credible, and knowledge-based public institution.
- ii. Align human capital and organisational structure, systems, and processes for a

- 21st century central bank.
- iii. Upgrade infrastructure and facilities to provide conducive work environment for employees' wellbeing, creativity, and productivity.

To achieve the objectives, we will pursue the following strategies:

Strategy 1.1

Develop smart human capital for 21st century financial sector

Today, the rapid changes in job structures are spurred by technological disruptions and new developments in the financial sector. This means skills and competencies are bound to change. Therefore, our HR strategies will be geared towards building a smart talent pool of future-ready workforce. We will develop and implement a Human Resource Development (HRD) plan with focus on:

- i) building a critical mass of talent in technical and specialised fields,
- ii) leadership development and succession planning, and





- iii) building fundamental skills (communications, analytical, and computer skills) for all employees to carry out their duties efficiently.

“ The RMA will spearhead the building of a next generation talent pool in the financial sector to respond to business requirements of the 21st century.”

The RMA will spearhead the building of a next generation talent pool in the financial sector to respond to business requirements of the 21st century. The talent pool will be created in partnership with the FITI. We will prioritise building talents in FinTech, data analytics, risk management, cyber security, asset management, chartered accountancy, and other advanced financial skills.

Strategy 1.2

Revitalise organisational systems and processes

We will ensure that the organisational structure, systems, and processes are continuously improved and remain dynamic to respond to the changing operating environment. The organisational structure will be reviewed and reorganised to make it relevant to the 21st century needs. This will be accompanied by revamped performance management system and internal systems and processes. We

will explore ICTs to reengineer business processes and digitise work processes. Furthermore, improvement of internal communication and coordination will be initiated. To establish sound internal governance and risk management, the internal audit function will be strengthened through the adoption of risk-based internal auditing and other latest systems and tools.

To improve the data quality and the accounting process, we will develop a robust accounting system which would accommodate the international accounting requirements and support the Domestic Monetary Policy Operations and other functions of the central bank.

Strategy 1.3

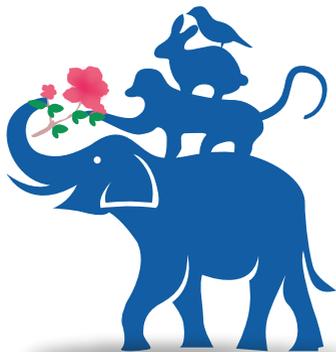
Upgrade infrastructure and facilities for optimum organisational efficiency

Modern, efficient, safe, and secure infrastructure that creates a positive work environment is critical for employee productivity. The RMA will improve the infrastructure and facilities to create a workplace environment that fosters collaboration, creativity, and productivity. We will promote green and eco-friendly environment by enhancing campus beautification, adopting energy efficient systems, practicing proper waste management, and automating the office system.



2. Optimising the Application of ICTs for Organisational Efficiency

Over the years, with notable progress made in the digitalisation of financial services, the RMA also made significant progress in the use of ICTs within the organisation by automating several internal systems and processes. Moving forward, ICTs will be adopted to further drive organisational transformation. To improve efficiency and productivity, emerging digital tools and technologies will be harnessed, thereby reducing operational cost and enabling collaboration and efficient decision-making.



We want to achieve the following objectives under this enabler:

- i. Automate internal processes and improve operational efficiency.
- ii. Establish robust and resilient ICT infrastructure with redundancy and improved availability.

To achieve the objectives, we will pursue the following strategies:

Strategy 2.1

Automate systems and processes to improve operational efficiency

We will promote organisation-wide automation of systems and processes, particularly focusing on digitisation of administration and personnel management systems, HR system, and performance management system.

To enhance operational efficiency, the Department of Banking and Department of Information and Technology will be automating the process of Government treasury bills auctioning by developing an in-house web-based Bhutan T-bills System.

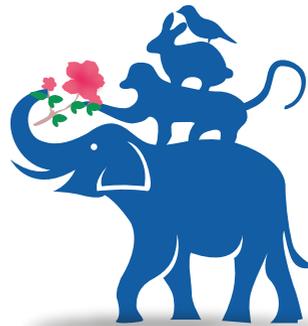
As part of the disaster preparedness contingency plan, we will explore the use of ICTs to facilitate secure, flexible, and contactless working model.

Strategy 2.2

Build robust and resilient ICT infrastructure

The existing ICT infrastructure will be strengthened to make it robust and resilient. The CRST hardware and software will be upgraded to enhance services .





3. Strengthening Legal Advisory Services

As a regulatory body, the RMA frames and enforces rules and regulations, policies, guidelines, and other regulatory frameworks to protect the stability of the financial system. With rapid changes in the digital financial landscape, it is crucial to adapt the regulatory frameworks to harness the potentials of digitisation while addressing the risks. The legal services will keep abreast of the regulatory requirements for emerging financial technologies such as CBDC and other digital currencies.

We want to achieve the following objectives under this enabler:

- i. Provide sound legal advice to the management and departments.
- ii. Reduce legal hindrances and risks by addressing anomalies, ambiguities, and lacunae in laws and by-laws.
- iii. Improve consumer grievances redressal and protection.

To achieve the objectives, we will pursue the following strategic priorities and actions:

Strategy 3.1

Upgrade and strengthen legal services

The scope of responsibilities of legal services division is expanding with the increasing regulatory requirements



and accompanying complexities. We will therefore review and reformulate the terms of reference of the legal services and explore to upgrade the legal division to a full-fledged department.

Strategy 3.2

Advance effective legal support for the digital financial era

The legal services division will provide effective support and advice to the management and other departments on various aspects of RMA's functions and operations, particularly on reviewing, vetting, and plugging lacunae in relevant laws and by-laws to prevent legal hindrances and risks.

The RMA will work proactively towards developing smart regulatory frameworks to harness the benefits of

emerging digital- and technology-based financial innovations while addressing the risks associated with them.

It will keep abreast of the new developments in central banking regulations, especially on regulations related to financial digital technologies, cross-border payments, cybersecurity, CBDC and other digital currencies, and assist relevant departments in drafting necessary regulations.

/// The RMA will work proactively towards developing smart regulatory frameworks to harness the benefits of emerging digital innovations while addressing the risks associated with them."





Annexure-I

Implementation Timeline

Thrust Area 1:

Enabling Resilient, Sustainable, and Inclusive Economic Growth

Pillar 1: Exploring new frontiers of macroeconomic research and monetary policy operations		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Adopt next generation monetary and economic analysis tools and frameworks		
Implement FPP & macroeconomic modeling.	Initiate market-based monetary operations.	Initiate application of macroeconomic meta-data indicators, interactive web-based data, and interactive data app.
	Initiate real-time liquidity assessment.	Initiate macroeconomic nowcasting and forecasting using big data and machine learning.
Advance research and policy advocacy agenda		
Initiate research collaborations with other research institutes and think tanks.	Initiate working paper series.	Publish research journal on monetary and economic themes (Bhutan Journal of Economics and Finance).
Build research and data analytical capabilities.	Build research and data analytical capabilities.	Build research and data analytical capabilities.
Build capacity to implement new monetary policy frameworks, and conduct research, data analysis, and macroeconomic modelling using advanced statistical tools.	Build capacity to implement new monetary policy frameworks, and conduct research, data analysis, and macroeconomic modelling using advanced statistical tools.	Build capacity to implement new monetary policy frameworks, and conduct research, data analysis, and macroeconomic modelling using advanced statistical tools.



Pillar 2: Pursuing prudent foreign exchange and reserve management		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Optimise portfolio return through efficient and effective management of foreign exchange reserves		
Diversify portfolio into: <ul style="list-style-type: none"> • Different markets and instruments. • Active trading in gold/currency. • Digital assets by exploring its governance ecosystem and potential for diversification. 	Diversify portfolio into: <ul style="list-style-type: none"> • Different markets, instruments, and digital assets. • Active trading in gold/currency. 	Diversify portfolio into: <ul style="list-style-type: none"> • Different markets, instruments, and digital assets. • Active trading in gold/currency.
Develop and implement a quantitative method of strategic asset allocation to minimise risk and optimise return.		
Procure and implement treasury management system to support investment, risk management, and foreign exchange transactions for reporting/monitoring, etc.		
Develop professional capacity and specialised skills to manage risks associated with reserve management.		
Promote a conducive environment for foreign exchange operations		
Strengthen foreign exchange regulatory frameworks.	Simplify and automate service delivery for ease of doing business.	Create a conducive and compelling business environment to invest and have progressive business relationships with banks and stakeholders.
	Review procedure of foreign exchange transactions to improve the process and for effective monitoring.	
Conduct feasibility study: <ol style="list-style-type: none"> 1. To create an exchange rate band to provide level playing field for all commercial banks while leaving control with RMA. 2. On derivative instruments for hedging exchange risk on payment and receivables. 	Undertake continuous research to enhance knowledge and analytical capacity in the area of foreign exchange management and related disciplines.	Undertake continuous research to enhance knowledge and analytical capacity in the area of foreign exchange management and related disciplines.





Improve data quality of the foreign exchange transactions (inflows and outflows) to facilitate macroeconomic decision-making.	Improve data quality of the foreign exchange transactions (inflows and outflows) to facilitate macroeconomic decision-making.	Improve data quality of the foreign exchange transactions (inflows and outflows) to facilitate macroeconomic decision-making.
Review operational modalities of money changers to enhance their viability and usefulness.		<ol style="list-style-type: none"> 1. Closer integration with regional financial markets with an objective of developing an effective and efficient foreign exchange market in the country. 2. Develop and enforce compliances to regulate foreign exchange market.
Review the existing system of exchange rate for AMCs.		Introduce exchange rates to be determined by the market for the AMCs.
Review incentives on remittances to encourage inflows.		

Pillar 3: Advancing green finance for a sustainable and green economy

Strategies and key actions

Pioneering Green Finance

2021-2023

2024 – 2026

2027 – 2030

Establish governance and coordination mechanism

Establish Sustainable Finance Committee.

Develop capacity of stakeholders in green finance.

Establish research and monitoring to support achievement of country's green economy targets.

Incorporate Environmental and Social Risk Management in financial service providers' lending decisions

Develop supportive regulatory policies.

Develop enforcement and climate risk assessment tools and disclosure requirements.

Create Green Taxonomy.

Promote green capital market

Develop a blueprint for establishment of Green Exchange.

Formulate rules and regulations for listing of green products and services.

List at least 5 securities of international companies.





Set up a dedicated team to work on sustainability initiative and establishment of Green Exchange.	Develop an appropriate technology (trading, clearing, settlement, and depository system) for the exchange.	Undertake tokenisation of green securities and issue first international security.
Carry out a diagnostic study and review the strategic management of RSEBL.	Organise international road shows (International Financial Centers) to bring in investors and issuers.	Launch Green Indices to track the performance of green companies and possible development of tracking funds such as Green Exchange Trade Fund.
	Launch Security Token Offering of listed domestic companies.	List Green Infrastructure Investment Trust to promote investment in efficient and eco-friendly infrastructure.
	Explore carbon trading options and schemes through a market mechanism.	
	List at least 3 green securities of domestic companies (2 equities and 1 debt) and 1 sovereign green bond.	
	Formulate and implement a minimum Environmental, Social, and Governance standard for the companies listed on RSEBL.	
	Reform ownership and governance of RSEBL.	





Pillar 4: Reinforcing financial inclusion and literacy		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Create enabling inclusive regulatory landscape		
Initiate development of policies and regulations for creative ventures and financial market players.	Review and improve existing regulations to enhance financial inclusion.	Establish supportive regulatory framework for new inclusive finance services.
Forge special entrepreneurship		
Establish and enable a grant facility and alternate platforms for social enterprises.		
Develop a regulatory framework for 'Impact Investment Funds'.	Partner with key government agencies to support community inclusion by social enterprises.	
Establish a Social Enterprise Secretariat (SES) to coordinate support for SEBs.		
Promote technology-enabled inclusive financial products and services		
Explore development of hybrid tokenisation social crowdfunding platform, enhanced savings products, and disabled-friendly financial products.	Conduct study to introduce weather index microinsurance (premiums deducted from prepaid mobile services for failed crops or other risks associated claims).	Conduct study to introduce psychometric scoring tools for lending, internet footprint, and business behavioural data.
Enhance financial literacy		
Promote technology for pioneering financial literacy in relevant tertiary institutes.	Equip institutes with enabling digital infrastructure and other resources.	Develop effective measurement tools for reporting, monitoring, and evaluation of financial literacy programmes.



Thrust Area 2:

Reinforcing Stability, Resilience, and Integrity of the Financial System

Pillar 1: Raising the corporate governance standards in the financial sector		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Strengthen leadership in the financial sector		
Develop and institute rigorous system for selection and appointment of board of directors and senior management.	Introduce certification of directors for appointment in the board of regulated entities.	
Institute effective performance evaluation system of Board of Directors and CEOs.	Organise leadership and professional development programmes for the senior management and board of directors.	
Support institutional capacity building		
	Collaborate with regulated entities and FITI to institute certification courses to build professional and ethical workforce for the financial system of the future.	Institute periodic customer satisfaction surveys and organisational climate surveys in regulated entities.
Enhance governance frameworks and standards		
Review and revise corporate governance regulations, frameworks, and systems.	Implement high quality disclosure requirements by regulated entities.	Adoption of standards which are internationally accepted standards issued by AASBB.
Adopt BFRS 1: a. Restate the financial statements of June 2020. b. Enhance disclosure notes of the 1st time adoption of BFRS.	Publish audited financial statements which are BAS compliant.	Full compliance to standards of BAS.





Adopt BFRS 7: a. Enhance disclosure of Financial Instruments.	Enhance disclosure notes with the objective to promote transparency and reliability.	Enhance disclosure notes with the objective to promote transparency and reliability.
Implementation plan for new accounting standards.	Implementation plan for new accounting standards.	Implementation plan for new accounting standards.
Develop policy documents to align with BAS.	Review, amend, and develop policy documents to align with BAS.	Review, amend, and develop policy documents to align with BAS.

Pillar 2: Adapting regulatory frameworks and supervisory tools

Strategies and key actions

2021-2023	2024 – 2026	2027 – 2030
Adapt regulatory frameworks with evolving market conditions and global best practices		
Formulate Risk-based Supervision Manual and Offsite Manual.	Develop new frameworks and regulations for non-bank financial service providers.	Institute robust and up-to-date regulatory frameworks to safeguard the stability of the financial system.
Formulation of National Insurance Strategy.	Strengthen the effectiveness of financial infrastructure (credit information, securities exchange, valuation, and central registry).	Strengthen risk-based supervision for speedy risk-identification and timely remedial actions in regulated entities.
Revise the existing regulatory frameworks including FSA 2011, Prudential Regulations 2017, Rules & Regulations for Digital Bank, and other related regulations.	Strengthen micro- and macroprudential standards.	Modernise financial infrastructure to support Bhutan’s financial system of the future.
Formulate Green Taxonomy Framework and Concept Note on Green Exchange.		



Adopt innovative regulatory and supervisory compliance tools

Develop FinTech Innovation Hub.	Conduct needs assessment (needs and priorities of regulated entities and other stakeholders).	Have automated data collection and analysis for effective compliance monitoring and supervision enabled by RegTech and SupTech.
Develop data governance framework to ensure that data reported by the reporting entities are accurate, appropriate, complete, and timely.	Develop a RegTech and SupTech strategy in collaboration with regulated entities and other stakeholders.	Have capabilities to undertake large-scale data analytics and decision-making using AI and machine learning through Data Warehouse system.
Build capacity on data analytics of offsite and onsite data to promote risk data aggregation and risk reporting (enabled with the operationalisation of Data Warehouse).	Develop RegTech and SupTech solutions /prototypes (engage local innovation hub or collaborate with foreign technical solutions provider).	Improve efficiency of regulated entities for regulatory reporting requirements.
Collaborate with other central banks and agencies for exchange of experience and technology.	Test the prototype.	





Pillar 3: Heightening preparedness for crisis management and resolution		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Strengthening strategy for early warning and prompt corrective actions to enhance preparedness and minimise potential adverse effects		
Formulate Monetary Measures Phase III and provide implementation and assessment status of Monetary Measures Phases I and II (interest payment support, deferment, rebate, working capital, etc.).	Prepare contingency plan to establish processes to identify problems early on and to engage with financial institutions to correct problems before they threaten the stability of financial institutions.	Enhance preparedness to ensure resilience and stability of the financial system.
Institute Financial Sector Data Analysis for overall loan portfolio, housing, hotels, and new loans.	Coordinate with regulated entities to set up BCP as part of their risk management framework.	
Conduct Stress Test for all financial institutions.		
Establish financial resolution framework		
Develop and implement NPL resolution strategy.	Develop appropriate legal framework and governance arrangements for effective resolutions.	Have adequate legal powers, policies, and processes in place to deal with the stability concerns of financial institutions.



Pillar 4: Fostering robust financial intelligence system		
Strategies and Key Actions		
2021-2023	2024 – 2026	2027 – 2030
Strengthening financial intelligence function		
Develop and implement Bhutan Financial Intelligence Analysis System.	Continue to professionalise intelligence practitioners through analyst exchange programmes domestically and regionally.	Deliver people and corporate system strategy.
Implement SOP to organise analysis of financial information.	Carry out sectoral risk assessment.	Develop trends and typologies.
Staying relevant to emergent needs of AML/CFT regime		
	Develop and implement strategy for sharing/mobilisation of resources.	Implement risk-based approach for regulated entities without designated supervisor.
Strengthening AML/CFT legislative framework		
Revise guidelines for insurance, capital markets, and money service business.	Revise AML/CFT rules and regulations. Deliver upgraded regulatory system.	Deliver upgraded regulatory system.
Make it easier for businesses to comply with AML/CFT obligations, including through the creation of new forms.	Deploy advance range of targeted supervision and enforcement activities to better deter non-compliance of reporting entities.	Deploy adverse range of targeted supervision and enforcement activities to better deter non-compliance of reporting entities.
Building capacity to stay relevant to emergent needs of AML/CFT regime		
Assess skills gap and recruit additional staff.	Continue to refine data collection and analytic capabilities.	Incorporate external data sets to enrich analysis and understanding of complex, high level national security and organised crime financing structures, in addition to identification and assessment of non-compliance.
Continuous training and certification courses (CAMS, CFE)		
Build capacity on intelligence analysis and financial investigation techniques.	Help develop new insights by improving the quality and value of data, including new datasets and sources.	Pursue and conduct research on anomalies in our environment and data, and experiment with diverse and dynamic variants of known risks and trends to discover new and emerging threats.





Enhance cooperation and coordination with domestic and international counterparts

Extend bilateral and multilateral intelligence engagement and information sharing to support transactional disruption outcomes.	Extend bilateral and multilateral intelligence engagement and information sharing to support transactional disruption outcomes.	Extend bilateral and multilateral intelligence engagement and information sharing to support transactional disruption outcomes.
Continue to extend efforts of the financial intelligence consultative group to address priorities of terrorism financing and high-risk financial crimes including money laundering.	Continue to extend efforts of the financial intelligence consultative group to address priorities of terrorism financing and high-risk financial crimes including money laundering.	Continue to extend efforts of the financial intelligence consultative group to address priorities of terrorism financing and high-risk financial crimes including money laundering.

Pillar 5: - Building resilient and credible insurance sector

Strategies and Key Actions

2021-2023	2024 – 2026	2027 – 2030
Revitalise insurance and reinsurance industry		
Segregate funds of different business lines of insurance companies and develop insurance reporting standards.	Review and strengthen existing insurance regulations and oversights.	Develop national reinsurance capacity and collaborate with international agencies and regulators.
Explore the Bancassurance feasibility.	Build insurance and reinsurance database.	Explore and create insurance investment avenues.
Enhance accessibility and affordability to better insurance products and services		
Review the actuarial pricing of insurance products.	Create employment opportunities in insurance field.	
Review reinsurance business practices.	Create user-friendly insurance policies and wording.	



Promote microinsurance		
Explore and develop green insurance products to help build a green economy.	Enhance regulatory and supervisory capacity.	Explore and create insurance investment avenues in context of green finance.
Develop innovative microinsurance products as well as review all microinsurance products.	Enhance institutional collaboration and synergies.	
Carry out financial literacy (insurance awareness and education) and insurance educational curriculum.		





Thrust Area 3:

Transforming Payment System for the New Digital Age

Pillar 1: Building leading edge payment infrastructure		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Revamp domestic payment platforms		
Develop Straight Through Settlement to RMA's ICBS system.	Overhaul current payments gateway to provide efficient digital platform.	Overhaul current payments gateway to provide efficient digital platform.
Conduct nationwide e-payment expansion campaign.	Develop automated dispute management system.	Develop Unified Payments with unlimited online capacity.
Introduce fair pricing structure of all digital financial services.	Develop Offline Digital Payment Solutions—Tap Card, USSD Secure Payments as alternative payment channel.	
	Expand GIFT payment system for all sectors.	
Strengthen cross-border payment infrastructure		
Develop strategy to modernise payment facilities for tourists.	Develop strategy to modernise payment facilities for tourists.	
	Enhance Large Value Fund Transfer (LVFT) system by reengineering RTGS system in GIFT.	
Strengthen International Payment Gateway.	Promote regional and international mobile payments by adopting open banking APIs for acceptance of international mobile payment applications and wallets.	



Pillar 2: Creating supportive regulatory environment for digital ecosystem		
2021-2023	2024 – 2026	2027 – 2030
Harmonise regulatory frameworks and standardise digital payments		
Introduce standardisation of digital payments (specific guidelines for QR, Mobile, and Internet banking) to set minimum standards for safety, security, and efficiency.	Review standardisation of digital payments (specific guidelines for QR, Mobile, and Internet banking) to set minimum standards for safety, security, and efficiency.	Review standardisation of digital payments (specific guidelines for QR, Mobile, and Internet banking) to set minimum standards for safety, security, and efficiency.
Develop new regulatory framework and initiatives to support emerging payment system		
Develop Digital Currency and Digital Bank Regulations to embrace paradigm shift in the banking services due to fast emerging technologies.	Develop Digital Currency and Digital Bank Regulations to embrace paradigm shift in the banking services due to fast emerging technologies.	Initiate the process to enact Payment System Act.
Develop Business Continuity and Disaster Recovery Plan for payment system and infrastructure.		Establish Payment Infrastructure Development Fund to augment digitisation of payment systems in the country.
		Adapt ISO 20022 to support one global messaging standard for multiple payment instruments.
		Adapt ISO 20022 to support one global messaging standard for multiple payment instruments.





Pillar 3: Building effective oversight and sound risk management		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Strengthen risk management and consumer protection		
Advocate among service providers to adopt international standards such as IT risk management and cyber-threat management.	Advocate among service providers to adopt international standards such as IT risk management and cyber-threat management.	Advocate among service providers to adopt international standards such as IT risk management and cyber-threat management.
Strengthen consumer protection by prescribing consumer protection measures to service providers.		
Improve regulatory and oversight capabilities		
	Initiate a detailed study for mechanised operational efficiency.	Adopt technology-based supervisory technology.
		Foster national and regional cooperation on the oversight of payment services among regulatory authorities.
Improve data governance and management		
Develop data residency/ localisation policy for payment services for easy access to data as well for safety and security measures.	Use data analytics to analyse information from electronic payments to facilitate the development of innovative products and services.	Use data analytics to analyse information from electronic payments to facilitate the development of innovative products and services.



Pillar 4: Maintaining public trust in currency notes and coins		
Strategies and key actions		
2021-2023	2024 – 2026	2027 – 2030
Fostering confidence in banknotes and coins issued		
Develop an effective system for forecasting of banknotes and coins.	Print banknotes as per the forecast.	Incorporate advanced security features.
Review currency management policies, guidelines, and manuals from time to time (review operational manual).	Design new banknotes and coins from time to time.	Keep up-to-date with technological advancement to curb counterfeit banknotes.
Conduct public advocacy on the security features of banknotes, clean note policy, and the claims.	Formulate and revise currency management guidelines, manuals, and policies.	
	Develop a mobile app to curb counterfeit banknotes.	
	Establish currency museum.	
Automation and digitisation of currency management		
Initiate a detailed study for the mechanised operational efficiency of currency management.	Implement: i) Automated access to the vaults and NPS. ii) Automated lifting of cash (Loading and unloading).	
Implement organised handling of foreign currencies and its remittances.	Enhance digital platform (online) for INR and Ngultrum exchanges.	
Carry out currency surveillance and audit compliance.	Enable digitisation of currency chest updates.	
	Introduce effective data management.	





Thrust Area 4:

Leveraging Digital Technologies and Innovation

Pillar 1: Creating a vibrant FinTech ecosystem		
Strategic priorities and key Actions		
2021-2023	2024 – 2026	2027 – 2030
Establish innovative technology rails for enhanced digital financial services		
Enhance existing digital financial services with common QR code standards, common API protocols, and international payments message standards.	Issuance of RuPay cards by all member banks.	
Develop National Payments Scheme—BhutanCard.	QR code payment enhancement.	
Conduct feasibility study on linking new payment infrastructure and adoption of a harmonised international messaging format and API protocol.	Interconnect with Thai FS.	
Study and implement CKYC.	Interconnect BHIM.	
Integrate CKYC with National Digital Identity system.	Interconnect with UPI.	
Issuance of RuPay cards by member banks.	EMV transition.	
Promote FinTech innovation accelerators scheme		
Establish FinTech Centre.	Develop FinTech website.	Initiate FinTech startup events and sandbox cohorts.
Establish and operate FinTech Innovation Grant scheme.	Introduce FinTech Innovation Accelerators Scheme.	Enhance FinTech innovation hub by setting up APIs and infrastructure.
Test and learn various FinTech innovations, such as digital credit, e-KYC, cloud computing, new digital payment instruments within the regulatory sandbox.	Establish FinTech innovation hub.	
Promote research and development on emerging technologies		
Conduct research and development in the areas of data mining, data-driven decisions, AI, Machine Learning, and Deep Learning.	Conduct research on RegTech and SupTech technologies and application.	
Conduct research on emerging digital currencies.		



Pillar 2: Gearing up for Central Bank Digital Currency		
Strategies and key actions		
2021-2023	2024 – 2026	2027 – 2030
Development of CBDC – Digital Ngultrum		
Phase 1: Carry out needs assessment.	Phase 4: Pilot implementation.	
Phase 2: Carry out CBDC design and scoping.		
Phase 3: Carry out technical design and proof of concept.		

Pillar 3: Fostering cyber security resilience across the financial system		
Strategies and Key Actions		
2021-2023	2024 – 2026	2027 – 2030
Strengthen cybersecurity surveillance and response mechanism		
Streamline cyber-incident reporting.	Implement Fraud Risk Management and Monitoring tools.	
Perform cybersecurity assessments (VA, PT) of all critical systems and applications of RMA.		
Incorporate cybersecurity in risk management framework of financial service providers.	Incorporate cybersecurity in risk management framework of financial service providers.	Incorporate cybersecurity in risk management framework of financial service providers.
Improve collaboration and information sharing on cyber security through FiCRT.	Improve collaboration and information sharing on cyber security through FiCRT.	Improve collaboration and information sharing on cyber security through FiCRT.
Monitor and assess cyber safeguards implemented by financial service providers.	Monitor and assess cyber safeguards implemented by financial service providers.	Monitor and assess cyber safeguards implemented by financial service providers.





Strengthen enforcement of compliance to information and cyber security standards		
	Ensure ISO and PCI certification compliance for member banks.	
	Extend cyber compliance for non-banks.	
Enforce compliance to information security standards by undergoing ISO 27001 and PCI-DSS certifications.	Enforce compliance to information security standards by undergoing ISO 27001 and PCI-DSS certifications.	Enforce compliance to information security standards by undergoing ISO 27001 and PCI-DSS certifications.

Pillar 4: Embracing big data technologies		
Strategic priorities and key actions		
2021-2023	2024 – 2026	2027 – 2030
Technology and design		
Design ETL/integration tools.	Develop standardised data definition and harmonisation.	
Develop Analytical and Reporting Tools.	Procure Data Warehouse and Online Analytical Processing Servers.	
Data privacy and security		
Develop data privacy and security policy.	Define and adopt proper data governance framework.	
Roll out of the Data Warehouse		

Enablers

Enabler 1:

Fostering organisational change for building RMA as the leading, credible, and knowledge-based institution

Enabler 1: Fostering organisational change for building RMA as the leading, credible, and knowledge-based institution		
2021-2023	2024 – 2026	2027 – 2030
Develop human capital for a credible, knowledge-based, and leading public institution		
Conduct training needs assessment and develop competency framework.	Develop recruitment and selection tools for selecting the best and brightest people.	
Develop HRD Master Plan for developing specialised expertise and smart talent.		
Develop leadership and succession plan.	Conduct study to introduce competency-based testing and certification for promotions.	
Conduct regular programmes on RMA's core qualities, values, integrity, and ethics and other Bhutanese values to the employees.	Conduct regular programmes on RMA's core qualities, values, integrity, and ethics and other Bhutanese values to the employees.	Conduct regular programmes on RMA's core qualities, values, integrity, and ethics and other Bhutanese values to the employees.
Introduce employee wellbeing and self-care programme.		
Partner with FITI and financial service providers to build talent pool in the financial sector.	Partner with FITI and financial service providers to build talent pool in the financial sector.	Partner with FITI and financial service providers to build talent pool in the financial sector.
Revitalise organisational structure, systems, and processes		
Conduct OD exercise and restructure the organisational structure.	Improve internal control system and risk management.	





Strengthen performance management system.		
Conduct periodic organisational climate surveys to improve the organisation.	Conduct periodic organisational climate surveys to improve the organisation.	Conduct periodic organisational climate surveys to improve the organisation.
Develop contingency plan including remote working procedures and related adaptive internal procedures.	Update contingency plan.	Update contingency plan.
Continuous improvement of internal control systems and risk management.	Continuous improvement of internal control systems and risk management.	Continuous improvement of internal control systems and risk management.
Upgrade infrastructure and facilities for optimum organisational efficiency		
Adopt energy saving devices and equip the conference hall and meeting rooms with state-of-the-art technology.		
Establish library and virtual learning facilities.		Construct Mongar Regional Office building.
Establish recreational facilities and canteen with improved ambience.	Enhance office security and surveillance system and standards.	
Refurbish and remodel the existing office space into a modern one.	Construct Phuentsholing Regional Office building.	
Introduce green and eco-friendly office campus environment.		

Enabler 2:

Optimising the application of ICT for organisational efficiency

Enabler 2: Optimising the application of ICT for organisational efficiency		
Strategies and Key Actions		
2021-2023	2024 – 2026	2027 – 2030
Automate systems and processes to improve operational efficiency		
Process automation		
Conduct technical requirement analysis and assessment.	Stabilisation of the system.	Automate internal processes (paperless).
Upgradation/ implementation of the Central Banking System.		Improve efficiency and turn-around-time.
		Ensure compliance to BAS.
		Improve reporting and monitoring.
Automation of Treasury Bills Auction: <ol style="list-style-type: none"> 1. Develop web-based Government Treasury Bill system. 2. Provide user Interface to Ministry of Finance. 	Enhance the Bhutan Treasury Bill system to accommodate RMA Treasury Bill auction.	Integrate Bhutan Treasury Bill system with the new accounting system of RMA.
Build robust and resilient ICT infrastructure		
Upgrade CRST hardware and network.	Set up DR for Critical Systems- (ICBS, BFS, CTS, GIFT, MFI).	Set up robust and resilient infrastructure with redundancy and improved availability.
Set up Disaster Recovery for BFS.	Enhance the ICT Infrastructure of existing payment and non-payment system.	
Enhance ICT Infrastructure of existing payment and non-payment system.	Set up interconnectivity with regional offices.	
Revamp RMA network.	Revamp RMA network.	





Annexure-II

Highlights of our achievements (2016-2020)

The key achievements of the past five years (2016-2020) are summarised under four thematic areas.

1. Reinforcing Stable and Inclusive Economic Growth

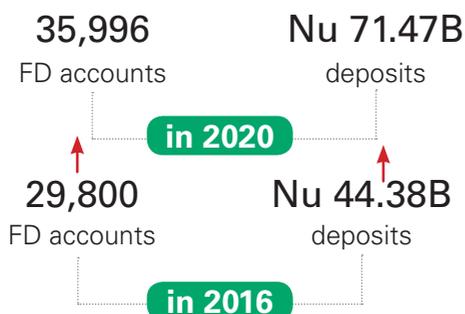
1.1. Monetary Reforms

a. Minimum Lending Rate

- In August 2016, Minimum Lending Rate was introduced to address the rigidities in loan pricing under the old Base Rate System.
- The introduction of MLR helped in the reduction of interest rates for various loans and spurred growth in the credit sector and the economy.
- Sectoral loans outstanding of the financial institutions amounted to Nu. 146.4 billion in FY 2019/2020 compared to the loan outstanding of Nu. 129.59 billion in FY 2018/2019.

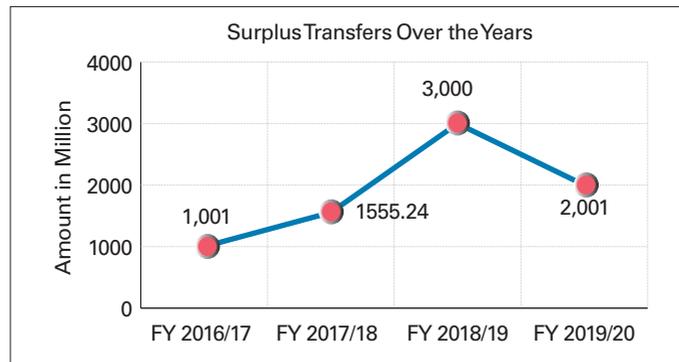
b. Monetary Policy Framework

- Developed a new market-based, flexible, and effective 'Monetary Policy Implementation Framework'.
- The new framework addresses rigidities of erstwhile monetary policy tool which lacked flexibility due to daily changes in liquidity in the banking sector.



c. Waiver on interest earned from fixed deposits (FD)

- RMA proposed for a tax waiver on the interest earned from fixed deposits to inculcate savings habit among the citizens.
- The Parliament endorsed the proposal on 28 November 2016.



1.2. Prudent Foreign Exchange and Reserve Management

a. Reserve Management Policy

- On 1 January 2018, Reserve Management Policy was formulated for efficient management of the foreign reserves and to safeguard the exchange rate peg with India.

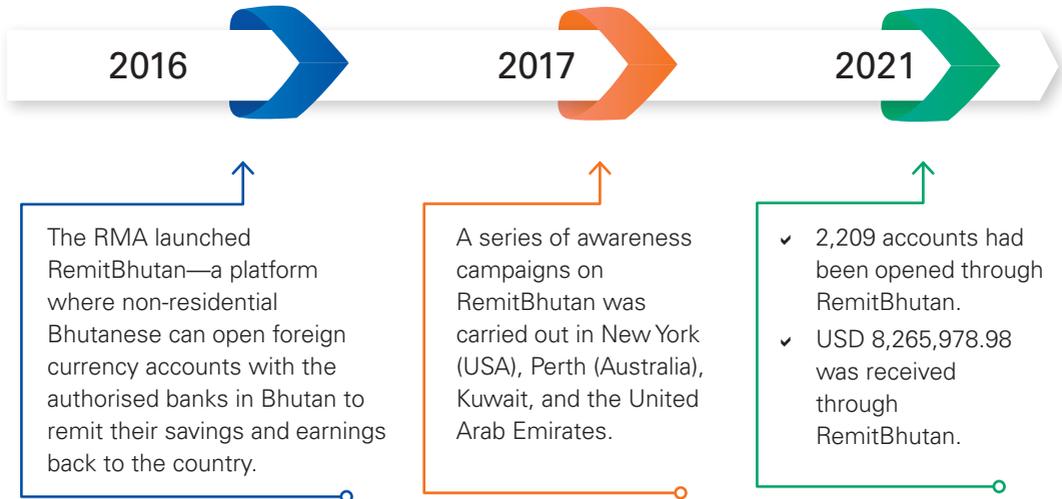
b. RMA's annual transfer of surplus to the Government

- Transferred Nu. 1,001 million for FY 2016/17.
- Transferred Nu. 1,555.24 million for FY 2017/18.
- Transferred Nu. 3 billion for FY 2018/19.
- Transferred Nu. 2,001 million for FY 2019/20.





c. Launched RemitBhutan to facilitate remittances for non-resident Bhutanese



d. Improved customer service for foreign exchange services

- Exchange counters were opened at Paro International Airport and immigration office in Phuentsholing.
- The RMA collaborated with Tourism Council of Bhutan to facilitate Authorised Money Changers (AMCs) services at hotels.
- Google maps were created for locating AMCs and ATM services in Bhutan.

1.3. Promoting Financial Inclusion and Literacy

a. Financial Literacy for Youth

To promote financial literacy among youth, the RMA introduced several initiatives:

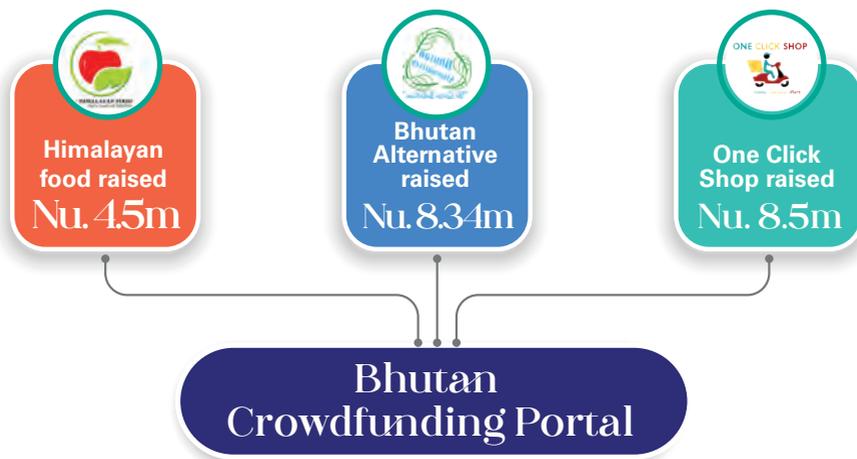
- Global Money Week is being observed as an annual event since 2016.
- A financial literacy road show was conducted in 2017 for more than 16,464 participants across the 20 dzongkhags.
- Youth Ethics Banking was introduced in 16 schools across 14 dzongkhags.



- Under His Majesty's command, the RMA introduced Students' Business Seedling Program (SBS) on 1 March 2018 to foster entrepreneurship among students.

b. Crowdfunding

The RMA introduced crowdfunding as an alternative source of financing for the CSI sector. Bhutan's first Crowdfunding portal, a web-based platform, was launched on 17 July 2019.





1.4. Promoting Access to Finance for Entrepreneurship and CSI Development

a. Priority Sector Lending

In collaboration with financial service providers and government agencies, the RMA implemented the Priority Sector Lending (PSL) Scheme in 2018 to support farmers, youth, and CSIs through enhanced access to finance.

490 PSL

applications approved by FIs

Nu. 466.39

million sanctioned by FIs

b. Jabchor

- Jabchor, a platform for entrepreneurs to enter into a partnership with angel investors, was launched.
- In two successful seasons 10 young entrepreneurs showcased their business ideas to potential investors.

Season 1

- **Housing.bt**
Fund Raised: Nu. 2 Million
Investor: Yarkey Pvt. Group Ltd.
20% equity ownership
- **Cheychey Sanitary Pads**
Fund Raised: Nu. 3.5 Million
Investor: Rigzar Construction
49% equity ownership
- **Green Path**
Fund Raised: Nu. 1 Million
Investor: CSI Fund
- **Eco-waste Solution**
Fund Raised: Nu. 3 Million
Investor: PHPA
- **Freelance Bhutan**
Fund Raised: Nu. 0.6 Million
Investor: Loden Foundation

Season 2

- **Sadone design**
Fund Raised: Nu. 2 Million
Investor: Mr. Kuenzang Dechen
40% equity ownership
- **Himalayan Food**
Fund Raised: Nu. 7 Million
Investor: Mr. Kuenzang Dechen
25% equity ownership
- **Kingdom Essence**
Fund Raised: Nu. 2.25 Million
Investor: Ms. Tashi, Ms. Thinley Choden, Mr. Wangdi Jamyang, Mr. Rabsel, and Mr. Penjor
20% equity ownership



c. Bhutan Economic Forum for innovative Transformation (BEFIT)

BEFIT 2017: International Financial Inclusion Summit

- The RMA in collaboration with RIGSS and in partnership with the IFC organised the first BEFIT 2017 from 24 to 26 May 2017.
- BEFIT is a national forum for discussing innovative solutions and developing new expertise to address both national and regional economic challenges.
- BEFIT 2017 focused on the theme of “Equitable Growth Through Financial Inclusion”. A major outcome of the conference was the drafting and implementation of Bhutan’s National Financial Inclusion Strategy 2018-2023 and the National Financial Literacy Strategy 2018-2023.

BEFIT 2019: Catalysing Cottage and Small-Scale Industries to Drive Bhutan’s Economic Diversification

- The second BEFIT summit was organised from 16 to 18 July 2019 under the theme of driving “Bhutan’s Economic Diversification by Catalysing Cottage and Small-Scale Industries”. The summit involved discussions on strengthening Bhutan’s CSI sector through policy reforms.

Some major activities included:

- Launch of bhutanmade.com, a government-initiated platform for selling products made in Bhutan to international buyers.
- The national CSI expo—a networking platform that brought together 52 entrepreneurs, potential investors, and markets and technology partners.
- Launch of two important policy reforms—the revised CSI Policy 2019 and the revised FDI Policy 2019—as part of initiatives to support the CSI sector.

d. Launch of Commemorative Banknotes and Coins

- A new Nu. 1,000 denomination banknote was circulated to celebrate the birth anniversary of His Royal Highness The Gyalsey Jigme Namgyel Wangchuck.
- A new Nu. 100 denomination banknote was launched to commemorate the first birth anniversary of His Royal Highness The Gyalsey Jigme Namgyel Wangchuck.
- To mark the 112th National Day in 2019, new commemorative coins on the theme of ‘Thuenpa Puen Zhi’ or ‘Four Harmonious Friends’ were circulated. The Puen Zhi symbolises cooperation and friendship.
- New generation Nu. 5 and Nu. 10 denomination coins were launched to celebrate the 40th birth anniversary of His Majesty The Druk Gyalpo.





2. Enhancing **Stability and Integrity** for Financial Sector

2.1. Strengthening Regulatory Environment for Financial Stability and Soundness

To strengthen regulatory environment for financial stability and soundness, the RMA adopted and revised a number of rules and regulations:

1. Prudential Regulations 2017
2. Agent Banking Rules and Regulations 2016
3. E-Money Issuer Rules and Regulations 2017
4. Rules and Regulations for Microloan Institutions and Deposit Taking Microfinance Institutions 2016
5. Inward Remittance Rules and Regulations 2016
6. Priority Sector Lending Guidelines 2018
7. Fund Management Rules and Regulations 2019
8. Payment & Settlement Systems Rules and Regulations 2018
9. Revised Rules and Regulations on Credit Information Bureau
10. Crowdfunding Rules and Regulations 2019
11. Corporate Governance Rules and Regulations 2020 revised
12. Penalty Rules and Regulations 2019
13. Consumer Protection for Financial Services Rules and Regulations 2019



3. Advancing Innovation and Technology

3.1. Enhancing Safe, Secure, and Efficient Payment Systems

a. Bhutan Immediate Payment Service

- The RMA in collaboration with MoIC, FIs, and the G2C launched the Bhutan Immediate Payment Service on 27 January 2017 in an effort to promote the use of digital payment systems as a means to provide better access to financial services. The BIPS facilitates real-time fund transfer among banks through delivery channels such as Internet Banking, Mobile Applications, and ATMs.

b. Global Interchange for Financial Transactions

- On 22 July 2019, Finance Minister Lyonpo Namgay Tshering launched the integration of e-PEMS and Global Interchange for Financial Transactions (GIFT) payment system to promote digitalisation of government payments.
- Besides promoting digital payment in the country, it also aims to provide efficient interbank fund transfer and replace Electronic Funds Transfer and Clearing System that consists of National Electronic Clearing System (NECS debit and credit) and National Electronic Fund Transfer.

c. Bhutan Financial Switch and National Financial Switch of India integration

- To promote seamless cross-border digital payment system between Bhutan and India, the Bhutan Financial Switch was integrated with the National Financial Switch of India on 17 August 2019. The Phase I of the integration has enabled cross-border transactions for Indian tourists using their RuPay branded cards at ATMs and PoS terminals in Bhutan.
- In continuation to the RuPay Phase I, His Excellency Shri Narendra Modi, the Hon'ble Prime Minister of India, and His Excellency Dasho (Dr.) Lotay Tshering, the Hon'ble Prime Minister of Bhutan, jointly e-launched the RuPay card issuance by the BNBL on 20 November 2020. The RuPay card scheme, being more affordable than other international card schemes, is a cross-border payment initiative between the two countries and is aimed at promoting the use of low-cost digital payment solutions and advance digital financial inclusion.





d. Internet based Point of Sales at fuel stations

- Launched by His Excellency the Minister of Economic Affairs Lok Nath Sharma on 15 June 2017, the RMA in collaboration with the commercial banks, Department of Trade, Ministry of Economic Affairs, initiated the installation of PoS at fuel stations with the objective of promoting digital payments as a reliable and convenient source of payment. Enabled by the Bhutan Financial Switch, the scheme allows customers to make payments using their debit or ATM cards.

e. Bhutan Quick Response Code

- The RMA launched the Bhutan QR code payment on 17 July 2020 to allow for interoperability of QR payments among member banks as an initiative towards smart digital banking. The facility enables a user to make immediate payment by scanning any member banks' QR code template at merchant locations without the need of a PoS terminal.

3.2. Fostering FinTech Ecosystem

a. Development of the National Land Mortgage System for immovable property

- The RMA in collaboration with the National Land Commission developed a 'National Land Mortgage System' which is expected to mitigate risks associated with double mortgages and help financial institutions make informed decisions.
- All land mortgages with financial institutions in the country are registered in the system. The system will also allow the clients to utilise their land optimally to avail credit facilities without the need of double mortgaging.
- The system was launched on 6 November 2020.

b. The Central Registry for Secured Transaction system enhancement

- With technical assistance from IFC, CRST was enhanced to align to international best practices. They include:
 - a. Debtor category,
 - b. Dashboard,
 - c. Quota holder,
 - d. Public interface, and
 - e. Online Payment of Fees.



4. Fostering Organisational Excellence

The RMA introduced several internal reforms to transform RMA into a credible and knowledge-based public institution. Some key internal organisational reforms include:

a. Restructuring organisation for operational efficiency and effectiveness

- In 2016, the RMA conducted the Organisational Development Exercise to review the existing structure and systems. Based on the OD report, the organisational structure was refined and improved.
- To assess the work environment, organisational culture, and employee satisfaction level, the RMA introduced periodic organisational climate surveys. Until now two organisational climate surveys were conducted, in April 2017 and May 2019. The findings and recommendations from the surveys have been used for improving the work environment and facilities of the organisation.

b. Instituting Performance Management System (PMS) And Performance-Based Incentive Scheme

- The RMA adopted and implemented the Performance Management System in January 2017 to encourage a performance-oriented culture in the organisation.
- The PMS consists of annual performance target settings at three levels— between the board and the management, between management and the department, and between supervisors and individual officers.
- Similarly, a three-tiered evaluation system was adopted to evaluate the achievement of the targets where the board level targets are reviewed at the Executive Committee (EC) and the Board Audit Committee (BAC) level before final review by the Board. As part of rigorous performance evaluation, Internal Audit conducts review of the performance ratings and verification of deliverables before submission to EC and the BAC for review.





c. Service Rules and Regulations 2017

- The Service Rules and Regulations 2017 was issued to ensure parity, consistency, and uniformity in human resource actions in the RMA based on the principles of fairness, equity, and justice. The SRR 2017 was recently amended.

d. Adoption of Bhutanese Accounting Standards (BAS)

- The RMA successfully adopted BAS (2014 version of IFRS) on June 30 2019 for its financial reporting. The RMA converted from local GAAP accounting rules to BAS in the financial year 2018-19 and generated one of the highest surpluses amounting to Nu. 3.42 billion for the FY 2018-19.
- Workshops on familiarisation of transition to BAS with the all stakeholders, both internal and external, were conducted in June 2019.
- Developed Accounting Policy for the first time in line with the BAS and relevant laws in 2018.
- Developed Policy Position document for each line item in the BAS compliant financial statements to use it as a reference document for future.

In order to standardise the process for banking and accounting function of the RMA, an Operation Manual was developed in 2020.

e. Regional Offices established in Phuentsholing and Mongar

- To extend the central bank services to the eastern and southern region in the country, the RMA established regional offices in Phuentsholing and Mongar.
- The regional offices provide services such as exchange of fresh and re-issuable Ngultrum notes, exchange of Ngultrum to INR, exchange of mutilated/soiled/burnt notes, and opportunity to purchase special commemorative notes and coins.

f. RMA Social Club

- The RMA social club was formed on 25 March 2016 with the aim of carrying out duties beyond professional responsibilities. Besides rendering voluntary services for the community, the social club also supports in providing welfare to the RMA staff during times of need.

Progressive Agile Resilient

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