FORWARD

The Manual of Guidelines, Instructions and Reporting Forms is a loose leaf for filing documents pertaining to Financial Supervision, with emphasis on regulatory reporting.

The Guidelines and Instructions apply to all licensed financial institutions operating in The Gambia. Notwithstanding the definition of Banking Institution in Section 2 of the Banking Act 2009, for the purpose of this Manual of Guidelines and Instructions, the term *"banking institutions"* refers of banks only. There will be changes in these regulatory documents from time to time, and in the content of the Manual.

The Financial Supervision Department (FSD) is responsible for processing any changes affecting the Manual, and accordingly, will provide licensed banking institutions with updates and new material as applicable.

The Manual is intended to assist bank managements in establishing information systems sufficient to ensure timely and accurate regulatory reporting.

Managers/officers responsible for filing regulatory returns for the banks are accordingly encouraged to call FSD officers in the event they have enquiries relating to related supervisory matters.

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GUIDELINE 1

REGULATORY REPORTING REQUIREMENTS

PURPOSE

Guideline 1 spells out the responsibilities of Senior Management of commercial banks regarding the regulatory reporting requirements (RRR). The RRR is intended to, inter alia, cause banks to file complete, accurate, and timely returns. It prescribes penalties in the event of default, under the powers vested in the Central Bank (Section 71 of the Banking Act 2009).

BACKGROUND

1 Guidelines are issued for interpreting, defining or explaining provisions of the BA 2009.

2 Instructions explain regulatory reporting requirements, and in particular the content and format of the reporting. The Central Bank uses financial data and other information in the returns to monitor the conditions and operating performance of banks and for analyzing industry trends.

3 Regulatory reporting requirements were broadened in 1993 to monitor compliance with the prudential banking and accounting standards and to ensure effective off-site surveillance.

4 The effectiveness of off-site analysis depends on the quality and timeliness of the information.

5 The reporting requirements and the associated submission deadlines are detailed in the attached matrix.

6 The Bank reserves the right to use discretionary powers as and when it deems fit in the administration of this guideline.

CERTIFICATION

7 The Chief Executive Officer (CEO) or his representative shall certify the accuracy of all returns by signing the Financial Supervision Department (FSD) Certification Form.

8 A regulatory return which is not signed and certified shall automatically be rejected and returned to the bank.

9 A return submission register shall be maintained at the FSD of the Central Bank. The date and time of submission will be recorded on the Certification Form and certified by an officer in the FSD and the agent of the bank.

FINES

10 Statutory Provision

Section 71 (3) of BA 2009 confers on the Central Bank the power to prescribe penalties for breaches of the Guidelines, Instructions and Other Regulations.

11 Applicability of fines

Fines shall be levied for violation of the regulatory requirements including incomplete and late submission of returns and non-compliance with other provisions of this guideline. The bank shall be notified of fines imposed in writing.

12 Late and Inaccurate submission of returns

Requirement: Banks are required to file regulatory returns as per the attached calendar on Table 1. It is the responsibility of bank management to ensure the accuracy, completeness and timeliness of the returns.

Penalty: A penalty of D1,000.00 per annex shall be imposed for late and inaccurate submission of returns for the duration of the violation, or as may be determined from time to time by the Bank.

Persistent failure to comply with this requirement will be interpreted as evidence of incompetence or lapses in internal controls and the following sanctions shall apply:

- Conduct an immediate inspection of the bank to verify returns and assess the reporting process.
- Assess the competence of the staff responsible and make appropriate recommendations.
- Invite the Board of Directors / Management to discuss the issue.

13 Provisioning

Requirement: Banks must comply with the provisioning requirements (Instructions 6) and ensure no deficiencies occur. The value of the collateral will have no bearing in the determination of the deficiency.

Penalty: Failure to comply with the requirement shall result in a fine of 5% on the amount of deficiency, or as may be prescribed from time to time.

14 Publication of Annual Accounts

Requirement: Banks shall not publish their Annual Audited Accounts or convene Annual General Meetings (AGM) without the consent of the Central Bank.

Penalty: Where an AGM is convened or the audited accounts published prior to CBG approval those responsible may be removed from office and or prevented from holding any position of authority in the banking industry. Sanctions shall not apply if CBG fails to respond to request for publication within 3 weeks from the date of receipt of the written request.

15 Single Large exposure limits

Requirement: No bank shall extend credit in violation of the single obligor limit (single large exposure limit) without the consent of the Central Bank.

Penalty: **V**iolation of this requirement shall attract a penalty charge of 0.2% of the amount of the exposure.

16 Submission of Management Letters

Requirement: Banks are required to submit to the Central Bank management letters duly signed by the external auditors on or before April 30 following the auditing of the accounts of the preceding year ending December 31st.

Penalty: Failure to comply with this requirement results in a fine of D1,000.00 per day for the duration of the offence, or as the Central Bank may determine from time to time.

17 Disclosure of Penalty Charges

Requirement: Banks are required to disclose in their annual audited statements aggregate penalty charges in both the current and preceding year.

Penalty: The Central Bank shall withhold permission to publish the accounts until such time that the requirement is observed.

18 Disclosure of Financial Ratios

Requirement: Banks are required to disclose in their Annual Audited Statements, key financial ratios in the current and preceding year, pursuant to the powers vested to the Central Bank under Section 71 of the BA 2009.

Penalty: Failure to observe this requirement shall cause the Central Bank to reject the audited financial statements.

19 External Audit Validation of returns

Requirement: Banks are required to submit to CBG statutory returns validated by the external auditors on a half yearly basis (end - June and end-December of each year). These statutory returns are detailed on Table 1.

Penalty: Failure to comply with this requirement shall result in a fine of D1,000.00 per day for the duration of the offence, or as the Central Bank may determine from time to time.

FIT AND PROPER PERSON TEST

20 Requirement: Directors and senior officials of banks are required to undergo "fit and proper" persons test before taking office and periodically thereafter. For the purpose of this guideline, "periodic" means every two years commencing January 2008. Documents to be submitted shall include a certificate of character and in the case of a new director or senior officer, a reference letter from the most recent employer.

Penalty: Failure to comply with this requirement shall result in the imposition of the following sanctions:

- **i.** Directors shall not participate in Board meetings until such time that clearance from CBG is obtained.
- **ii.** Senior staff will be barred from carrying out important functions in the bank, including granting of new facilities.
- **iii.** Violation of this requirement will be disclosed in Annual Audited Accounts.

REQUIRED RESERVE DEFICIENCY

21 Requirement: Banks are required to observe the Reserve Requirement. Reserves comprise cash holdings plus deposits held with the Central Bank. The proportion of deposit liability to be held as reserve requirement is as stipulated in Instructions 5 of the Manual of Guidelines and Instructions.

Penalty: Notwithstanding the monetary penalties (policy rate plus 5.0%), persistent violators will be excluded from participation in the Treasury bills market for a period of 3 months.

FOREIGN CURRENCY DEPOSITS (FCDs)

22 Requirement: Banks are required to seek permission from the Central Bank to operate foreign currency deposits (FCDs) (Guideline 7 and Instructions 15). Banks found operating FCDs without prior CBG authorization shall be penalized:

Penalty:

(i) Immediate closure of FCD accounts;
(ii) Imposition of a penalty of 1% on the total foreign currency deposit;
(iii) Banned from operating FCD and to apply for authorization only after 6 months.

LITIGATION BY OR AGAINST THE BANK

23 Requirement: Banks are required to report to the Central Bank all court cases in which they are a party, either as a plaintiff or defendant. The magnitude of the legal risk should be disclosed.

Penalty: Failure to comply with this requirement shall result in the imposition of appropriate sanctions as may be determined by the Bank on a case by case basis.

CASES OF FRAUD

24. Requirement: Banks must inform the Central Bank immediately of any fraud committed, either by its staff or other parties, against the assets of the bank or its interest in whatever form.

Penalty: Failure to comply with this requirement shall result in the imposition of appropriate sanctions as may be determined by the Bank on a case by case basis. The sanctions shall be proportionate to the magnitude of the fraud committed.

25 General Remarks

All fines per this Guideline shall be debited against the bank's account with the Central Bank and the bank will be notified accordingly. Fines shall be imposed until such time that the violation is redressed to the satisfaction of the Central Bank. Enquiries pertaining to fines should be directed to the Director, Financial Supervision Department.

GUIDELINE 2

DEFINITION OF CAPITAL FOR PURPOSES OF MEASURING CAPITAL ADEQUACY

PURPOSE

The Banking Act 2009, Section 18, authorities the Central Bank of The Gambia to set minimum capital standards for the banking institutions it supervises. BA 2009, Section 19 requires banking institutions to maintain a Reserve Account as prescribed by the Bank, which shall remain unimpaired other than through transfers with the Bank's approval to (i) increase capital or (ii), prevent impairment of capital. The capital adequacy guidelines define the components of capital for purposes of measuring capital adequacy, consistent with BA 2009 Section 18 and 19.

CAPITAL ADEQUACY

1 The principal function of capital is to serve as a backstop for absorbing unexpected losses. Capital provides protection to depositors and creditors and in the absence of deposit insurance, ultimately the Government. The perception of capital adequacy consequently influences public confidence in a financial institution, and adherence to effective capital adequacy policies is essential for maintaining public confidence in the system.

PROPERTIES OF CAPITAL

2 The three salient properties used for defining the capital base of a financial institution for purposes of measuring capital adequacy are -

- its permanence;
- its being free of mandatory fixed charges; and
- its subordinated legal position to the rights of depositors and other creditors of the financial institution

3 The components of capital can be measured for their potential to absorb unexpected losses according to these properties. Some components are fully available to absorb unexpected losses, whereas others are available with limitations. The former represents Primary or Tier 1 capital. The latter due limitations of cash servicing requirements, prospective maturities, uncertain values or general lack of transparency are eligible for inclusion in supplementary or Tier 2 capital. Any amounts reserved for probable or potential losses or have near term maturities, however, do not qualify as capital.

CAPITAL COMPONENTS

4 Common shareholders' equity is defined to include paid-up capital, share premium on common shares and fully disclosed reserves, comprising of the statutory reserve and undivided profits, readily qualify as possessing the three criteria for inclusion in a financial institution's primary capital.

5 Branches of foreign-owned financial institutions registered in The Gambia under the Companies Act are permitted to be capitalized with unimpaired assigned capital. In order to ensure assigned capital ranks equally with paid-in capital, its availability to absorb losses in The Gambia must be certain. Foreign branches are accordingly required to invest assigned capital in Treasury Bills held in a blocked account with the Central Bank.

6 Other reserves accounted for as capital take two forms, reserves set aside from after tax profits to meet unidentified losses and reserves arising from revaluation of assets. Reserves for unidentified losses are eligible for inclusion in secondary capital. However, if earmarked to absorb losses on specific assets *(e.g., allowance for credit losses)* or other potential but unquantifiable losses *(e.g., law suits and similar contingencies)*, such reserves are automatically excluded from capital.

7 Revaluation reserves arise when fixed assets, normally own premises, are from time to time revalued to reflect their estimated current value as contrasted with historic costs. Nevertheless, the amount of such reserves available to meet unexpected losses and thereby eligible for inclusion in supplementary capital needs to be discounted, to reflect realistic values in the event of forced sale and taxes payable.

8 Preferred shares are legally considered as equity, and failure to meet dividend payments per se does not constitute grounds for bankruptcy. In addition, a preferred shareholder's claim on assets in the event of liquidation is subordinated to depositors, senior debt issues and other creditors. Nevertheless, most preferred shares fall short on one and often two of the capital properties required. Cumulative dividends and stated maturities are the most frequently cited examples. Only a limited number of leading international banks have succeeded to date in issuing non-cumulative, perpetual preferred shares that qualify as primary capital; all other forms of preferred shares with standard investor inducements are accordingly relegated to supplementary capital.

9 Term subordinated debt or debentures generally possess only one of the three capital properties, namely their subordinated legal position. The main exception is debt instruments with restrictive covenants that would automatically exclude them from capital. Included in this category are debt instruments where failure to meet stated financial targets can mandate accelerated redemption.

As a result, debt instruments eligible for inclusion in supplementary capital must -

(i) be free of any restrictive covenants that could potentially interfere with the issuer's ability to conduct normal banking operations; and

(ii) have an original term maturity exceeding five years.

GENERAL LIMITATIONS

10 Primary or Tier 1 capital comprises of common shareholders equity and disclosed reserves fully available to meet unidentified losses. Supplementary or Tier 2 capital unidentified losses. Supplementary or Tier 2 capital incorporates components available to absorb losses but on a more limited basis. Managements of financial institutions are accordingly expected to ensure that primary capital remains predominant and at a prudent level on a consolidated basis.

11 The requirement for a branch of a foreign-owned financial institution to invest assigned capital in Treasury Bills blocked account with the Central Bank is effective from the date these capital adequacy guidelines are implemented. Accordingly, the timeframe for established or new branches of foreign financial institutions to meet this requirement is set by the Central Bank in consultation with each institution affected.

12 General limitations relating to the components of supplementary capital for purposes of measuring capital adequacy are -

(a) The aggregate amount of supplementary capital may not exceed 50% of a financial institution's primary capital.

(b) The revaluation reserve is discounted by 50% to reflect the possibility of depressed values in the event of forced sale for meeting unexpected losses.

(c) The minimum original maturity of preferred shares or debt instruments must exceed 5 years, and must be free of any redemption option or retraction obligation that could take effect in the first 5 years.

(d) Preferred shares or debt instruments with a remaining life of 5 years or less are subject to straight-line amortization over the final 5 years, whereby only 50% of the issued amount would qualify for inclusion in supplementary capital in periods when there are less than 5 years to maturity, 60% when within 4 years, 40% within 3 years, 20% within 2 years and down to zero in the final year prior to maturity.

MINIMUM CAPITAL RATIO

13 The Bank for International Settlements (BIS) paper *"International Convergence of Capital Measurement and Capital Standards"* released in July, 1988 is intended to secure convergence of capital standards for major international banks. The risk exposures of these banks are more pervasive and complex than those applicable for banks operating in The Gambia.

14 The Central Bank intend that the minimum capital adequacy standards for banks in The Gambia can be readily related to the standards set by the BIS for international banks, albeit on a more conservative basis than applies for international banks. This is achieved by ensuring that the elements of capital fully reflect the criteria in the BIS paper, placing greater emphasis on primary capital and by applying a full risk weighting for all assets and off-balance sheet exposures. The minimum capital ratio for banks will accordingly be expressed as a capital to asset ratio or capital gearing ratio, derived as follows -

$$\textbf{CAPITAL RATIO} = \frac{\textbf{PRIMARY + SUPPLEMENTARY CAPITAL COMPONENTS}}{\textbf{ASSETS + OFF-BALANCE SHEET EXPOSURES}}$$

(Expressed as a percentage)

$$\textbf{GEARING RATIO} = \frac{\textbf{ASSETS + OFF-BALANCE SHEET EXPOSURES}}{\textbf{PRIMARY + SUPPLEMENTARY CAPITAL COMPONENTS}}$$

(Expressed as a MULTIPLE)

15 For purposes of the above ratios, the reference to *"off-balance sheet exposures"* is to the contra account reported on the balance sheet as *"acceptances, endorsements and guarantees"*.

16 In order to preserve continuity with the prior capital regime applicable in The Gambia and to be consistent with prevailing standards for liquid assets and cash reserves, the minimum capital adequacy ratio immediately following implementation of the Financial Institutions Act 1992 will necessarily be more stringent than the BIS Model.

17 Based on these considerations, the minimum capital adequacy ratio for banks operating in The Gambia is now set at 10% from8.0% calculated according to the formula in paragraph 14. The corresponding gearing ratio is 10times. In future, the minimum capital adequacy ratio may be raised or lowered in accordance with prevailing supervisory initiatives.

18 A decision to adopt the BIS credit risk weighting system for assets and off-balance sheet exposures in the denominator of the capital adequacy ratio, partially or in full, will be kept under continuing review. Further to these guidelines therefore, a system will be implemented for closely monitoring the trend and quality of assets and off-balance sheet exposures on a bank-by-bank basis for purposes of setting appropriate capital adequacy and related supervisory standards in a longer-term framework.

Appendix

CAPITAL GUIDELINES

The definition of capital for inclusion in a banking institution's capital base and the relevant paragraphs are summarized below -

Primary (Tier 1) Capital Components

a)	Paid-up Capital	-	Common shares	(para 4)
b)	Share Premium	-	Common shares	(para 4)
c)	Assigned Capital	-	Blocked	(para 5)
d)	Statutory Reserve	-	Per Guideline 3	(para 4)
e)	Undivided Profits	-	Retained earnings	(para 4)

Supplementary (Tier 2) Capital Components

a)	Undisclosed Reserves	- Premises Revaluation Reserve	(para 7)
b)	Preferred Shares	- None issued to-date	(para 4)
c)	Share Premium	- On preferred shares	(para 8)
d)	Subordinated Term Debt	- None issued to-date	(para 9)

The sum of Tier 1 and Tier 2 components is eligible for inclusion in the capital base, subject to the following Tier 2 limits -

(i) The total of Tier 2 capital may not exceed 50% of Tier 1 capital (para 11(a))

(ii) The premises revaluation reserve is subject to a discount of 50% (para 11(b))

(iii) Preferred shares and subordinated term debt issues are subject to straight - line amortization in the final 5 years prior to maturity. This permits 100% of such instruments to be included in supplementary capital if the maturity is 5 years or more, 80% between years 5 and 4, 60% between 4 and 3 years, 40% between years 3 and 2, 20% between years 2 and 1, down to zero in the final fully year (para 15).

GUIDELINE 3

STATUTORY RESERVE REQUIREMENTS

PURPOSE

The BA 2009 Section 19(1) requires banking institutions to maintain a reserve account, herein referred to as the statutory reserve. Section 19(1) requires that the reserve shall neither be reduced nor impaired; and Section 19(3) authorizes the Central Bank to specify the form of the reserve and any other matter necessary to give effect to Section 19.

BACKGROUND

1 The statutory reserve ranks as primary capital for purposes of measuring capital adequacy since it cannot be impaired or reduced, except with approval of the Central Bank for purposes of increasing or preventing impairment of paid-up or assigned capital.

MINIMUM STANDARDS

2 Per BA 2009 19(1), any transfer to the statutory reserve is to be allocated from net profits of each year after due provision for taxes, and before declaring dividends or transferring any profits to head offices or elsewhere.

3 When its statutory reserve is less than the amount represented by paid-up capital at the financial year-end, a bank is required to transfer a minimum of 25% of its net profits after taxes each year to the reserve until the deficiency has been eliminated. Thereafter, a minimum annual transfer of 15% is required.

4 A financial institution that has a statutory reserve balance in excess of its paid-up capital is required to obtain Central Bank's approval in writing, before transferring any such excess amount to paid-up or assigned capital.

GUIDELINE 4

LIQUID ASSETS STANDARDS

PURPOSE

1 Regulated banking institutions in The Gambia are at all times required to maintain a fixed proportion of liquid assets against their aggregate of liabilities to the public in The Gambia. The Central Bank of The Gambia determines the appropriate ratio in compliance with the BA 2009.

2 The Central Bank has the option of establishing different ratios for different types of banking institutions, so long as the ratio is consistent for each banking institution within a given class per Section 20(1).

BACKGROUND

1 A banking institution is expected to maintain a sufficiently liquid balance sheet so it can honour all commitments and meet maturing liabilities as they fall due, in particular in periods of any temporary disruption in its operations.

LIQUID ASSET RATIO

2 The Central Bank sets a minimum liquid asset ratio in compliance with the Banking Act (2009) Section 20(1), which substantiates the obligation of banking institutions for maintaining liquidity. The liquid asset ratio accordingly requires banking institutions to hold an appropriate stock of readily encashable assets that can be sold or otherwise disposed without incurring undue capital losses.

3 Regulated banking institutions are required to maintain a minimum liquid asset ratio of 30%. Failure to attain the prescribed ratio on a day-to-day basis exposes the institution concerned to fines based the deficiency in liquid assets *(see paragraphs 7 and 8).*

4 The minimum Liquid asset ratio is expressed as a percentage, using the following equation:

NUMERATOR	-	**ELIGIBLE LIQUID ASSETS**
DENOMINATOR	-	**LIABILITIES IN THE GAMBIA**

The ensuing notes identify and explain the components of the numerator *(see paragraphs 3 to 6)* and denominator *(see paragraphs 7 and 8)*, whereas detailed information and report forms are provided in Instructions 4 "Statement of Liquid Assets".

5 The Central Bank is authorized to raise or lower the prescribed liquid asset ratio as circumstances require. Per BA 2009 Section 20(2) decreases shall take effect immediately; but increases can only take effect after reasonable notice and can only be raised by 5% of the denominator in any single month.

ELIGIBLE LIQUID ASSETS

6 Liquid assets *(numerator)* for purposes of deriving the liquid asset ratio must be *"free of any charge or lien"* and comprise of six freely transferable asset types listed under BA 2009 Section 20(8) (a) to (f), which encompass all or part of the following balance sheet accounts: notes/coins, Central Bank current account, balances held with other banks, treasury bills and similar government paper and negotiable instruments eligible for rediscount by the Central Bank.

7 Balances held with other banking institutions are included in eligible liquid assets net of any overdrafts, and in the case of the Central Bank current account net of any temporary advance to forestall the insolvency of the borrower under the Central Bank Act, Section 35. Further, balances held with foreign banks are only eligible for inclusion in liquid assets, if the account is held in a currency and monetary area designated by the Central Bank per paragraph 8.

8 The Banking Act 2009 authorizes the Central Bank to prescribe eligibility for inclusion in liquid assets: (i) per Section 20(8) (a) foreign currency notes and coins; and (ii) per Section 20(8) (f) for balances held with foreign banks. The criterion applied by the Central Bank to-date has been based on currency considerations. Eligible foreign currencies are those actively traded in foreign exchange markets and widely used in The Gambia for international settlement purposes. Balances held in foreign bank accounts in currency-approved countries likewise qualify as eligible liquid assets. Until notified otherwise, by amendment to the instructions, such approved countries are The Euro zone, Norway, Saudi Arabia, Senegal, Japan, United Kingdom and United States of America.

LIABILITIES IN THE GAMBIA

9 Liabilities to the public in The Gambia *(denominator)* for purposes of deriving the liquid asset ratio include deposits of any person, association or partnership, company or financial institution, and governments or government agencies.

10 Such liabilities also include short-term borrowings from the public, other than overdrafts and/or temporary Central Bank advances previously identified as being deducted for purposes of deriving eligible net credit balances *(see paragraph 7)*.

PENALTIES

11 A fine of not less than D500 is provided in the BA 2009 Section 20(5) in the event of violations of the liquid assets ratio by a banking institution

12 The most frequently imposed fine for liquid asset deficiencies is under the BA 2009 Section 20(7) a charge up to 5 percentage points over the highest rate set by the Central Bank pursuant to the Central Bank Act 2003 Section 35, payable on the amount of a liquid asset deficiency for each day the deficiency continues.

GUIDELINE 5

CLASSIFICATION AND ACCOUNTING STANDARDS FOR NON-PERFORMING CREDITS

PURPOSE

Guideline 5 sets uniform accounting standards for classification, provisioning and income recognition on non-performing credits. The classifications and associated accounting rules are based on objective time-bound criteria for prompt recognition of unsatisfactory performance of individual credits. This paper does not address overall portfolio credit quality and reserve adequacy per se, which are separate but related features for supervisory review during on-site examinations and by means of off-site analysis.

BACKGROUND

A realistic valuation of assets and prudent recognition of income and expense are critical factors for evaluating the financial condition and operating performance of financial institutions. Objective classification standards are accordingly required for recognition of non-performing credits on a timely basis. Similarly, uniform accounting standards are needed for timely provisioning and prudent income recognition on credits classified in non-performing status.

RELEVANT DEFINITIONS

1 Specific loss provision, sometimes referred to as *"specific provisions"* or *"specifics"*, are established on a credit-by-credit basis, generally on credits:

(i) Past due on interest and/or principal payments; or

(ii) Where there is evidence of well-defined credit weaknesses causing doubt as to ultimate payment of interest and/or principal according to the contractual terms of the credit.

A specific provision is thereby recorded in the accounts based on managements' estimate of the prospective ultimate loss on any such credit. The specific provision amount is subsequently updated and revised as needed in process of future credit reviews.

2 Write-offs are usually recorded when standard collection procedures that reasonably can be expected to result in repayment of the debt have failed such that management has decided that the assets concerned are uncollectible and should be removed from the books. Write-offs are also required when restructuring of a non-accrual debt will result in a loss. In this case, a write-off is usually required prior to formalizing the restructured credit *(paragraph 18).*

3 (a) Loans and advances contractually past due 30 days on principal or interest, which are not in doubt as to payment, are referred to as non-current loans. If such loans become past due 90 days, they are automatically classified as non-accrual *(paragraph 9 and 10)*.

(b) In the case of overdrafts, deposits to the account should be adequate to cover interest due for 30days, otherwise classified as non-current.

NON-PERFORMANCE CREDITS

4 For purposes of this paper, non-performing credits refer to all direct and indirect extensions of credit including, but not limited to, loans and overdrafts, contingent accounts and miscellaneous other exposures where the credits have been classified as either.

(i) Non-accrual *(paragraph 9 and 10); or*
(ii) Restructured *(paragraph 17)*

5 The value attributed to security, collateral or third party guarantees is not recognize for purposes or postponing classifications, as a result of legal and other delays that can arise and/or due to uncertainty concerning future market values under a forced liquidation program. Consequently, realized recoveries on credits previously provisioned against, or where write-offs have been taken, represent the primary means by which security backing non-performing credits is recognized in the accounts.

6 Accruals and capitalization of interest on non-performing credits is not permitted for financial reporting purposes. In the case of non-accrual credits subsequent interest payments are applied to reduce principal and interest arrears; and on restructured credits, interest income is recognized on a cash basis, namely on receipt of cash payments from the borrower.

7 The appropriate level of specific loss provisions on individuals' credits is determined by management on the basis of the internal credit review process, which is periodically subject to review by Central Bank examiners and audit by external accountants. In this regard, a banking institution is permitted to establish provisions for non-accrual consumer loans based on its existing internal practices, provided it can demonstrate a valid actuarial formula for accurately predicting loss experience. Credits typically in this category are installment loans, residential mortgages and other consumer credits in amounts up to D25,000.

8 The ensuing classification/provisioning rules and related income accounting standards accordingly apply for all non-performance credits, with the express exception made in paragraph 7 for small consumer loans of a financial institution which has a history of specializing in such business.

NON-ACCRUAL CREDIT DEFINITION AND PROVISIONING PROCEDURES

9 Non-accrual credits are defined as loans and advances on which interest is not being accrued due to the existence of reasonable doubt as to the ultimate collectability of principal or interest. Credits where interest is contractually past due 90 days are automatically to be accounted for on a non-accrual basis.

10 Current account overdrafts and other credits that lack pre-established repayment programs are subject to similar standards, namely by being classified as non-accruals credits when interest is past-due 90 days, including dormant account, where outstanding exceed the customer's borrowing limit for 90 days or if the borrowing line has expired for 90 days.

11 Where a credit has been designated non-accrual, a specific loss provision is required in recognition of the deterioration in financial performance by the debtor. The amount of the specific loss provision should be sufficient to cover the estimated ultimate loss of principal on the credit, based on managements' assessment of the financial condition of the debtor, and near-term prospects for realizing on any security held or their party guarantees[1]

12 There are three reclassification routes that a non-accrual credit can take. It can:

(i) Be returned to performing status if all payments are brought to a fully current basis so long as management remains of the view that there is no reasonable doubt as to the ultimate collectability of interest and principal according to the existing terms of the credit agreement;

(ii) Be classified in restructured status, where the terms of the credit have been modified to accommodate the weakened financial condition of the borrower *(see paragraph 17)*; or

(iii) Be written off as a loss. If on the basis of predominant facts, conditions and values, management decides that the debtor's

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[1] **Note: Where credits are well secured with readily marketable securities or similar collateral, the bank's estimate of ultimate loss may initially be a negligible amount or no loss, in which case the initial specific provision can be a token amount. In such cases, however, avoiding a subsequent escalation in the provision will normally require prompt disposition of security. In other words, the credit can (i) return to performing status by meeting paragraph 12(i) conditions *(reverse initial specific)* or, (ii) if the credit lingers in non-accrual, the provisioning requirement becomes more server.**

prospects for meeting future contractual payments remain highly improbable, the bank should declare the credit a loss. Uncollectible debts should be written-off as soon as possible and, notwithstanding any delays protracting the collection process, must be recognized in the accounts within 2 years of the credit being placed in non-accrual status.

13 In the event that collection endeavours on credits previously written off are successful, the amount of the recovery proceeds is added to the allowance for credit losses.

NON-ACCRUAL INCOME RECOGNITION

14 Accrued and uncollected interest is to be reversed against interest income in the quarter in which a credit is classified as non-accrual. A corresponding reversal of recorded but unpaid interest for the year-to-date period is likewise required, and where applicable may be extended to prior year(s) reversals.

15 Where interest has been capitalized to the account by adding uncollected interest to the principal, as typically occurs for current account overdrafts, corresponding interest reversal rules apply. Accordingly, any accrued and uncollected interest on a non-accrual overdraft that cannot immediately be covered by the debtor making deposits to the account is to be reversed against current interest income.

16 Payments received subsequent to a credit being classified in non-accrual status are to be applied in the accounts in the following sequence:

(i) When a write-off has been recorded credit principal *(loan loss recovery)* up to the amount of the write-off.

(ii) When a specific loss provision remains on the books, credit principal *(specific reversal)* up the amount of the specific provision.

(iii) When the pre-existing loss *(write-offs plus specific provisions)* attributable to the non-accruals credit has been fully extinguished, credit income on the cash basis until the indebtedness is returned to performing status.

RESTRUCTURED CREDIT DEFINITION AND PROVISIONING PROCEDURES

17 Restructured credits are defined as loans and other advances, where due to the weakened financial condition of the debtor, the bank has refinanced, rescheduled or otherwise modified the terms of the customer's debt. Concessions associated with restructured credits are:

(i) Reduced interest rates to below market rates to meet the borrower's debt service abilities;
(ii) Extension of the borrower's repayment schedule because of inability to meet payments under the existing terms; and/or

(iii) A reduction in principal payable from the amount indicated in the original debt agreement.

18 Restructured credits will previously have been classified as non-accrual credits/overdrafts, based on the premise that the concessionary terms made by the bank in the restructuring process are intended and can reasonably be expected to be met by the debtor. As a pre-condition for reclassifying from non-accrual to restructured status, therefore, interest arrears must be brought current from payments by the customer, or from payments by third party guarantors or from disposition of collateral; and any remaining specific provision attributable to the credit must be written off. Accordingly, if the specific provision is only partially covered by such payments, a partial *(residual)* write-off will be required before the credit can be restructured.

19 A restructured credit may return to performing status when it has fully met the debt service requirements of the restructured credit agreement on a timely basis for a period of one year, so long as management determines that there is no reasonable doubt as to the ultimate collectability of principal and interest according to the prevailing terms of the credit agreement.

20 When interest payments on a restructured credit become contractually past due 90 days, it will automatically revert to non-accrual status. Subsequent to a restructured credit being reclassified to non-accrual status, it must remain there until it is eligible for reclassification to performing status or is written-off. It thereby becomes subject to the provisioning/write-off rules prescribed for non-accrual credits, except that the timeframe for ultimate write-off *(paragraph 12(iii))* can be extended if the account is brought current and is performing according to its restructured terms within 2 years of its re-classification to non-accrual status.

RESTRUCTURED INCOME RECOGNITION

21 The lower level of specific provisions on restructured credits attests to managements' expectation that the debtor can meet the contractual

terms of the revised debt serving requirements. For this reason, interest payments on restructured credits are recorded in the account as follows –

(i) In the first year, credit income on a cash basis. This precludes accrual of interest in discreet accounting periods in the event of late payments, and is to ensure restructured credits are kept under close management.

(ii) When the debt servicing requirements on a restructured credit have been honoured on a timely basis for a year or longer, the credit may revert to performing status with interest accrued to income. If management prefers, however, the credit can remain in restructured status with recognition of interest payments continuing on a cash basis.

(iii) Where interest payments are contractually past due 90 days, the credit is automatically reclassified to non-accrual status with attendant income recognition rules *(paragraphs 14 and 16)*.

22 Front-end fees on restructured credits are to be credited to income to the extent that they offset identifiable front-end costs associated with renegotiating the terms of the credit. Front-end fees in whole or in part, are otherwise amortized to income over the remaining term of the restructured indebtedness.

GUIDELINE 6

LENDING AND CREDIT CONCENTRATION LIMITS

PURPOSE

The Banking Act (2009) Section 23(1) provides for a single customer credit limit at 25% of a bank's unimpaired capital plus statutory reserve account. A bank considering accommodating a customer in an amount exceeding such limit requires prior Central Bank approval, unless the transaction meets conditions specified in the ensuing Section 23(1) subsections.

Guideline 6 is to convey prudential constraints to limit the exposure of a bank to a single customer and connected interests, and to prevent undue concentration of credit risks. Exposures to Government are exempted from such limits, which are explained in paragraph 11.

BACKGROUND

1. Bank managements are expected to have written policies imposing prudential credit limits for control of their exposures to single borrowers, related groups and geographical or economic sectors.

2. Exposure limits on credit are generally expressed as a ratio of a bank's core capital. The ratios accordingly measure the extent to which the capital base is able to absorb losses arising from such credit exposures.

DEFINITIONS

3. Credit risk is the exposure of a bank to a customer or group of related customers in the event of failure to repay such credit. Counter-party *(settlement)* risk is a distinct aspect often associated with inter-bank transactions or thorough payment systems, where failure of the counter-party to settle on time can affect both liquidity and solvency of the bank concerned.

4. "Credit Exposure" and lending limit purposes is defined to include:

   (i) **Direct Credit Facilities**

   Loans/advances, investment securities plus *"Contra Account"* acceptance, endorsements and guarantees, and where applicable inter-bank balances, ***plus***

   (ii) **Off-Balance Sheet**

   Documentary letters of credit, Undisbursed funds on overdrafts, other firm commitments and related credit exposures not on the balance sheet.

   The single large credit exposure limit *(paragraph 9)* is expressed as a percentage of the amount derived by adding total *"direct credit facilities"* plus 20% of off-balance sheet exposures.

5. A single customer and connected interests refers to a group of persons, companies or legal entities connected through management, ownership, family relations or control. Exposure to any association or group of companies or persons is classified as a single risk, because financial problems of one member can be readily transmitted to other members of the group.

6. In determining whether there are connections for purposes of establishing the existence of a single risk, linkages include inter-locking companies *(ownership of 20% or more)*, businesses linked by common management and borrowers by guarantees, cross guarantees or sharing the same collateral.

7. A concentration of exposure refers to total direct, indirect or contingent exposure to a single borrower, a group of affiliated borrowers or where repayment is dependent on a common factor, for instance over-exposure to real estate markets.

EXPOSURE LIMITS

8. For purposes of these Guidelines, a *"single large credit"* risk refers to the sum total exposure to a single customer and connected interest per paragraph 5, where the exposure exceeds 15% of a bank's primary capital as defined for capital adequacy purposes *(Guideline 2)*.

9. The statutory single large credit limit is 25% of primary capital as conveyed in the BA 2009, Section 23(1)(a). In recognition of prudential banking practices, the statutory single large credit limit applies to unsecured credits.

10. No bank shall directly or indirectly grant or permit to be outstanding unsecured advances to its officers or members of staff an aggregate amount exceeding three months salaries.

11. No bank shall directly or indirectly grant or permit to be outstanding unsecured credit of an aggregate amount exceeding D20,000 to

    (i) Any of its directors and associated persons whether or not the advances are obtained by them jointly or severally or
    (ii) any person including companies in which, the bank or any of its directors has an interest as a director, manager, agent member or otherwise

12. The statutory single large credit limit is reinforced by an aggregate large credit limit to prevent undue concentration of exposure to large borrowers. Banks operating in The Gambia are expected to ensure that the aggregate of single large credits *(paragraph 8)* does not exceed 50% of their total credit exposures *(paragraph 4)*. For purposes of

deriving total exposure, exempted loans and advances *(paragraph 11)* are excluded.

13. Loans and advances to or instruments guaranteed by the Government are exempted from the statutory single large credit limit I *(Paragraph 9)* and the aggregate large credit limit (*Paragraph 10)*. There are no other automatic exemptions from these limits. New credits that are clearly in the national interest may from time-to-time be exempted, contingent on prior Central Bank's approval.

14. Economic sector and geographical concentration exposures will routinely be reviewed in course of on-site examinations. Each bank is expected to have clear policies and procedures for measurement, control and approval of such risks.

Guideline 7

PRUDENTIAL GUIDELINES ON FOREIGN CURRENCY DEPOSITS AND RELATED TRANSACTIONS

PURPOSE

The Central Bank of The Gambia, empowered under Section 71 of the Banking Act (BA) 2009 hereby prescribes Prudential Guidelines on Foreign Currency Deposits (FCDs) and related transactions. This Guideline hereafter referred to as the Guideline on FCDs is for the monitoring and regulation of authorized financial institutions engaged in foreign currency business. It is designed to capture the level of exposure of institutions in this area at varying frequencies i.e. daily, weekly, monthly and annually.

INTERPRETATION

In this regulation, unless the context otherwise requires, **"Authorized financial Institutions"** refers to banks or other dealers authorised by the Central Bank to take FCDs. This authority shall be granted by the Central Bank upon meeting the criteria set in the Guidelines.

"Bank" means the Central Bank of The Gambia.

"bank" means any financial institution whose operations include the acceptance of deposits transferable by cheque or other means of third party transfer.

"Banking business" as defined in Section 2 of the Banking Act 2009.

"Corresponding bank" means a foreign bank, which has a correspondent relationship with a bank or financial institution in The Gambia and holds deposits or performs services for and on behalf of the bank in The Gambia.

"Dealer Authority" means authority granted by the Central Bank to accept foreign currency deposits and related foreign currency transactions.

"Banking Institution" as defined in Section 2 of the BA 2009.

"Foreign Currency" includes any currency issued by a government other than the government of The Gambia or a document intended to enable the person to whom it is issued to obtain any currency other than the currency of The Gambia.

"Foreign Currency Account" means an account maintained in foreign currency.

"Foreign Currency Assets" refers to all assets denominated in foreign currency.

"Foreign currency liabilities" refers to all liabilities denominated in foreign currency.

"High rated institutions" refers to institutions rated by international rating agencies within the categories AAA to AA-.

"Inter-bank foreign exchange market" means the market in which spot, forward, futures or such other foreign exchange trading mechanism operate.

"International rating agencies" means internationally recognized rating firms.

"License" means banking license issued under Section 3 of the BA 2009.

"Low rated institutions" refers to institutions rated by international rating agencies within the categories A+ and below.

"Off-balance sheet items" refers to obligations that are contingent upon the bank.

"Regulation" means the regulation made by the Central Bank of The Gambia under section 68 of the BA 2009.

"Risk weighted capital" as defined in Instruction 7 of our Manual of Instructions and Guidelines.

"Short-term" refers to a period within one year.

"Under-capitalized bank" refers to a bank, which holds risk weighted capital ratio below the prescribed ratio in Instructions 7.

STATEMENT OF POLICY

Objectives

1. The major objective of this prudential regulation is to minimize exchange risk by preventing booking of foreign currency positions or accumulating exposures that cannot readily be hedged by week's end, thus exposing the bank to foreign exchange risks and potential for losses.

2. To allow authorised banks to play an active role in the development of foreign exchange instruments in a stable and developed foreign exchange market.

3. To facilitate foreign exchange based lending by banks while at the same time minimize credit and liquidity risk inherent in foreign currency lending.

4. To provide a basis and framework for a market determined exchange rate.

5. To ensure that banks have put in place adequate foreign exchange risk management systems, appropriate operational guidelines and internal controls intended to identify and control foreign exchange risks.

6. To minimize risks arising from concentration of foreign exchange placements and/or deposits.

<u>Rationale</u>

1 Experience has shown that banks and financial institutions are exposed to substantial foreign exchange risks especially by running open positions. Consequently, the limitation of foreign exchange exposures is perceived as a necessary and significant component of banks' or financial institutions' internal controls and overall foreign exchange risk management system.

2 Authorised banks are vulnerable to liquidity and credit risks inherent in excessive lending in foreign exchange hence the need to regulate banks' lending in foreign currency.

3 Authorised banks are vulnerable to concentration risks inherent in excessive placements of foreign exchange with their correspondent banks.

4 The placement of foreign exchange with foreign financial institutions or correspondent banks requires a higher capital cushion in the case of low rated institutions.

CRITERIA FOR TAKING FOREIGN CURRENCY DEPOSITS

(a) Prescribed Required Capital Adequacy Ratio must be met
(b) A strategy and policy for this business
(c) Organization for the business
(d) Accounting system
(e) A process of risk identification
(f) Methods of risk measurement, monitoring and control
(g) Setting of limits to risk exposure
(h) Reports on positions versus limits, compliance with internal and legal requirements, profit and loss etc
(i) Internal audit function
(j) IT function
(k) Human resources
(l) All policies, limits, authorizations etc must be documented and reviewed and approved by the board of directors

CRITERIA FOR COMPUTING FOREIGN EXCHANGE EXPOSURE LIMITS

Determining weekly Foreign Exchange Exposure Limits

1. The computation of weekly foreign exchange exposure limits will be based on a capital ratio necessary to absorb risks inherent in foreign exchange business. The ratio will be 25% of the bank's adjusted capital. The computation will include the following items:

   - Weekly total assets denominated in foreign currency less total liabilities denominated in foreign currency.
   - Weekly total undelivered spot contracts to buy and/or sell foreign currency.
   - Weekly total uncovered forward contracts to buy and/or to sell foreign currency.

CRITERIA FOR LENDING IN FOREIGN CURRENCY

Lending In Foreign Currency

1. Banks are authorised to lend in foreign currency against foreign currency deposits held by them.
2. When lending from the foreign exchange deposit base the following conditions shall apply:-

   - Lending in foreign currency will be on a short-term basis.
   - Lending in foreign currency shall not exceed 82% of the bank's total foreign currency deposits at all times. i.e. the remaining 18% shall be reserve requirement, of which 80% shall be kept with the Central Bank in local currency and 20% with the bank in Foreign Currency. In the event of default, such reserves shall be subject to the same sanctions as in local currency. (See Instructions 5).
   - Lending to a single borrower shall be limited to 25% of the adjusted capital of the bank and must be in accordance with prudential guidelines on concentration of credit and other exposure limits. Insider credits shall be limited to 5% of the bank's adjusted capital.
   - An authorised bank shall not extend new foreign exchange loans or conduct any new foreign exchange business if it is under capitalized.

FOREIGN EXCHANGE RISK MANAGEMENT SYSTEMS

MANAGING FOREIGN EXCHANGE RISKS

Foreign Exchange Policy

Every authorised bank must put in place a written foreign exchange policy that is duly considered and approved by its board of directors. The policy should reflect the tolerance of the board and senior management for the various risks arising from foreign exchange activities. It should include a formal ratification of internal prudential limits governing foreign exchange operations.

The limits must be clearly defined and communicated to the Foreign Exchange Department of the Central Bank and must be periodically reviewed and updated to properly match the bank's risk profile and the quality of its risk management systems including staff skills. They should include the following:

Currency Position Limits

Authorised financial institutions must maintain a set of specific internal limits on the risk exposure to the various currencies they are trading in. The overnight open position limit of each currency should not exceed 15% of the bank's adjusted capital.

Overnight Position Limits

The overall overnight net open position for authorized banks should not exceed 25% of adjusted capital.

Counter-party / Country Limits

Authorised banks must establish internal controls and counter party risk limits especially for counter parties in countries whose currencies lack convertibility or where possibility exist for the development of a shortage of foreign exchange.

Risk Management Systems and Internal Controls

Authorised banks are required to put in place adequate risk management systems and other appropriate internal control mechanisms and procedures to identify, measure, monitor and control foreign exchange exposure both on and off-balance sheet. Additionally, a well-documented and detailed set of operational guidelines and procedures must be put in place by all authorised banks to guide dealers in their foreign exchange operations.

CRITERIA FOR PLACEMENTS OF FOREIGN CURRENCY DEPOSITS

1. Authorised banks may place or deposit at any time foreign exchange balances with a parent or related group bank or main correspondent bank which has a minimum long term rating, by internationally recognized rating agencies of AAA to AA-. These placements and/or deposits will be subject to a risk weighting of 20%. Any balance and/or deposit that are placed with a parent or related group bank or main correspondent bank that is rated A+ and below will attract a risk weight of 40%.

2. Deposits placed with non-rated institutions will be subject to a risk weight of 100%. Such placements will be subject to a concentration limit of 25% of the bank's adjusted capital.

3. Authorised financial institutions shall provide the Central Bank with details of new accounts opened with correspondent banks or new relationship with financial institutions abroad.

REMEDIAL MEASURES, ADMINISTRATIVE SANCTIONS AND PENALTIES

Administrative Sanctions and Penalties on over exposure

1. The Central Bank may impose on an authorised bank whose net /open position in foreign currency exceeds the limit prescribed in Guideline 7, a civil penalty of 0.01% percent of the excess net open position per day on which the contravention continues.

2. The Central Bank may impose on an authorised bank that fails to submit the returns prescribed as per this regulation in a timely and accurate manner, a civil penalty as prescribed under Guideline 1 of this manual.

Manner of Correcting Foreign Exchange Positions

Authorized banks not in compliance with exposure limits will be given one working week within which to correct their positions before the penalties are applied. Such banks are expected to immediately explain to the Central bank reasons that led to their failure to observe the prescribed limits.

Remedial Measures

1. When the Central Bank determines through an inspection that a bank is not in compliance with this regulation, it may impose any of its enforcement powers.

2. In addition to the remedial measures given above, the Central Bank may impose any or all of the administrative sanctions with regards to an authorized bank that is not in compliance with this regulation. Such administrative sanctions may include but not limited to:

   (i) Suspension from participation in the inter-bank foreign exchange operations.

   (ii) Suspension from accepting foreign exchange deposits.

   (iii) Suspension of the privilege to issue letters of credit.

   (iv) Suspension of authority to grant credit facilities in foreign exchange.

   (v) Revocation of the authority to operate as an authorized dealer.

Suspension of Foreign Exchange Business by an Authorised bank undergoing criminal investigation

The Central Bank may suspend any authorised bank from conducting foreign exchange business if the bank is under any criminal investigation concerning its dealings in foreign exchange.

MATRIX OF REGULATORY RETURNS BY TOPIC

REFERENCE NO.	INSTRUCTIONS AND ANNEXES	FREQUENCY
1	Consolidated Statement of Assets Liabilities	
	Annex A: Consolidated Statement of Assets and Liabilities	Monthly
1B- Addendum to Instruction 1	**Annex B:** a) Off-Balance Sheet Exposures b)Other Assets c) Other Liabilities	Monthly
2	Consolidated Profit and Loss Statement	
	Annex A: Consolidated Interim Profit And Loss Statement	Quarterly
	Annex B: Consolidated Annual Profit And Loss Statement	Annually
3	Changes in Reserve Account and Allowance for Credit Losses	
	Annex C: Interim Changes in Reserve Accounts & Allowance for Credit Losses	Quarterly
4	Statement of Liquid Assets	
	Annex A: Statement of Liquid Assets	2 Weeks
	Annex B: Supplementary Liquid Assets Information	2 Weeks
5	Statement of Required Reserves	
	Annex A: Prospective Required Reserves	2 Weeks
	Annex B: Prior Period Cash Reserves	2 Weeks
6	Non-Performing Credit Returns*	
	Annex A: Return of Specific Loss Provision and Loss Experience	Quarterly
	Annex B: Return of Non-Accrual Credits Outstanding	Quarterly
	Annex C: Return of Memoranda Account Interest Adjustments for Non-Accrual Credits	Quarterly
6 *(cont')*	**Annex D:** Return of Restructured	Quarterly

	Credits Outstanding	
	Annex E: Reclassification to Performing Status and Write-offs	Quarterly
7	Capital Adequacy Returns*	
	Annex A: Components of Capital	Quarterly
	Annex B: Assets of Off-Balance Sheet Exposure *(Denominator)* And Capital Ratios	Quarterly
8	Return of Insider Credits*	
	Annex Z: Return of Insider Credits	Quarterly
9	Loan Returns	
	Annex A: Commercial & Personal Lending	Monthly
	Annex B: Weekly Loans Outstanding	Weekly
	Annex C: Monthly Loans Outstanding	Monthly
	Annex D: Number and value of Loans Accounts	Quarterly
	Annex E: Security Fledged on Loans	Quarterly
	Annex F: Lending Rates on Disbursements & Outstanding	Quarterly
10	Deposit Returns	
	Annex A: Deposit Ownership & Turnover Rate	Quarterly
	Annex B: Deposits by Size of Accounts	Quarterly
	Annex C: Deposits by Rate of Interest	Quarterly
11	Structure of Bank Rates	
	Annex Z: Structure of Lending and Deposit Rates	Weekly
12	Return of Unclaimed Funds as at December 31	
	Annex A: Summary Return of Unclaimed Funds	Annually
	Annex B: Return of Unclaimed Funds, Supplementary Information	Annually
13	Return on Fees and Charges	Quarterly
15	Foreign Exchange Returns	
	Annex A:	
	Annex B:	
	Annex C:	
16	Interest Rate Sensitivity (Static Gap Analysis)	Quarterly

INSTRUCTIONS 1

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

PURPOSE

The Consolidated Balance Sheet is the principal return which directly or indirectly governs the content of all other financial reports submitted by supervised banking institutions to the Central Bank. Information in the balance sheet is used by the Central Bank for analytical and publication purposes.

STATUTORY

The Banking Act 2009, Section 24(1)(a) requires supervised banking institutions to send to the Central Bank a month-end statement of assets and liabilities in such form as the Bank may prescribe. The attached instructions provide detail of the information and the format for submitting month-end balance sheets.

FREQUENCY/SUBMISSION DATE

Monthly – within 15 days after the last business day of each month per BA 2009, Section 24(1)(a).

RECEIPIENT

Central Bank of The Gambia, attention: Director, Financial Supervision Department.

SIGNING AUTHORITY

The completed return must be signed by the Chief Executive of the institution concerned or in his absence the officer deputizing, certifying the accuracy of the information submitted.

INSTRUCTIONS FOR CONSOLIDATED STATEMENTOF ASSETS AND LIABILITIES

The Instruction is made up of Annex (A) and an addendum (1B) with supplementary information on Off-Balance sheet exposures.

DEFINITIONS

Related definitions are –

GOVERNMENT SECTOR

Includes Government of The Gambia and all other Government entities in The Gambia. The Central Bank Act 2005 Section 45(1) requires the Central Bank to be depositor for the Government, which explain why Annex A excludes reference to Government deposits held by banks *(liabilities 3, 4, and 5)*.

OTHER GOVERNMENT ENTITIES

Includes local area councils and parastatals.

PARASTATALS

Are public entities owned and/or controlled partly or wholly by government, including institutions like GGC, Social Security and Housing Finance Corporation, NAWEC, GPTC , etc.

PRIVATE SECTOR

Includes corporations, partnerships, sole proprietorships and individuals, but excludes banks which are reported elsewhere in the balance sheet. The private sector split is on a resident and non-resident basis.

RESIDENT

Includes private sector business organizations and individuals, which are normally resident in The Gambia and/or conduct business from The Gambia. This includes subsidiaries, branches and similar operating units of foreign owned and/or controlled entities conducting business in The Gambia.

NON-RESIDENT

Includes parties not covered by the definition of resident, namely foreign domicile individuals and companies that conduct business with the reporting banks.
The ensuring instructions are intended to achieve conformity in the reporting of balance sheet accounts, which on the liability side emphasize capital, reserve and deposit components and on the asset side the investment and

loan portfolios. Foreign currency assets and liabilities are to be translated into Dalasis at closing foreign currency rates applicable at the reporting date.

Annex A- CAPITAL AND LIABILITY SIDE

I (a) CAPITAL

The Banking Act 2009 Section 18 requires supervised financial institutions to maintain unimpaired capital, either paid-up or in the case of branch operations assigned capital according to standards to be prescribed by the Central Bank *(see Guideline2 – Definition of Capital for Purposes of Measuring Capital Adequacy)*. For balance sheet reporting purposes the following distinctions are to be made:

(i) **Paid-up Ordinary Shares**

Include common shares, issued and fully paid, or

(ii) **Paid-up Preferred Shares**

Include preferred shares, issued and fully paid

(iii) **Share Premium**

Include accumulated premiums on shares issues in excess of par value, if any; and deduct payments of premiums on redemption of shares, if any.

(iv) **Assigned Capital**

Include assigned capital that is the equivalent of common equity allocated on a permanent basis for support of a foreign bank's branch operations in The Gambia.

I (b) RESERVES[2]

The BA 2009 Section 19 requires financial institutions to maintain a reserve, referred to as a statutory reserve, which shall remain unimpaired other than through transfers to capital with Central Bank approval *(see Guideline 3 – Statutory Reserve Requirements)*.

[2] **Additional background information on "Reserve" is provided in Instructions 3 "Interim Charges in Reserve Accounts"**

Including the statutory reserve, the Return of Assets and Liabilities provides for reporting three distinct reserve accounts:

(i) **Statutory Reserve**

The balance to be reported is derived by adding any transfer from net income for the reporting period to the balance carried forward, minus any Central bank approved transfers to paid-up/assigned capital in the reporting period.

(ii) **Undivided Profit**

The balance to be reported is derived by adding profits *(deducting losses)* transferred from net income for the reporting period to undivided profits retained from the prior period, and deducting cash dividends paid, bonus share issues as applicable and any transfers to other reserves made in the reporting period.

(iii) **Other Reserves:** These may be –

(a) **Special Reserve** set aside from tax paid profits *(transfers from undivided profits)* to meet potential but unquantifiable losses. Applicable reserves might include those earmarked for losses resulting from negligence or dishonesty of directors/officers/employees *(Banking Act 2009, Section 65)* for losses arising from pending lawsuits and defaults on obligations for which the bank is contingently liable.

(b) **Asset Revaluation Reserves** – banks in The Gambia have periodically revalued premises to more closely reflect current value over historic costs in their accounts.

The balance in other reserves is unlikely to change between reporting periods, other than to reflect losses attributable to due legal process, revised reserve adequacy decisions or following a formal appraisal updating premises values.

2. LONG-TERM BORROWINGS

(i) **From Group**

Includes long-term loans extended by the Owner *(branch operation)* or parent *(subsidiary operation)* to supervised institutions controlled by foreign interest. For this purpose, long-term loans refer to loans with an original term to maturity of 5 years or more.

(ii) **Other Long-term Borrowings**

Include subordinated debt instruments with an original term to maturity of 5 years or more, if any, and any other long term borrowings *(specify)*.

3 **BALANCES DUE TO OTHER BANKS**

(i) **Banks Locally**[3]

Include non-interest and interest bearing deposits by other supervised banking institutions in The Gambia.

(ii) **Group Branches**

Include deposit balances by head office and/or group branches situated in or outside The Gambia.

(iii) **Banks Abroad**

Include non-interest bearing and interest bearing deposits by banks outside The Gambia.

4 **DEMAND DEPOSIT**

Include deposit payable on demand, according to the following Government and private sector categories:

(i) Local Area Council
(ii) Parastatals
(iii) Private Sector, Residents
(iv) Private Sector, Non-Resident

Overdrafts in these accounts are to be reported under the corresponding Asset 6 Loans and Advances categories, namely, Asset 6(b) for Government Sector and 6(c) for Private Sector.

5 **SAVINGS DEPOSITS**

Include interest bearing passbook and similar savings accounts payable after notice where the bank has the right to require written notice before an intended withdrawal. Indicate balances outstanding per the liability for reporting format.

[3] **Overdrafts in balances by local banks *(Assets 6(a)(i)* or by head office, branches or banks abroad *(assets 6(a)(ii)* are to be included under Asset 6(a) *"Loans and Advances"* of the reporting bank**

6 TIME DEPOSITS

Include bearer and registered interest bearing deposits maturing on a fixed date and *(usual)* subject to an early withdrawal penalty. Indicate balances outstanding per the liability for reporting format.

7 OTHER BORROWINGS

Under normal circumstances only short term borrowings will be reported for Liability 7 as contrasted with capital support type borrowings under Liability 2. Owing to the limitation of having an original term to maturity of 5 years or more for Liability 2 borrowings, Liability 7 can include borrowings with maturities of up to 5 years. In the foreseeable future however, maturities are not expected to exceed 1 year as per the following –

(i) **Central Bank**

Include overnight and similar temporary advances.

(ii) **Other Banks Locally**

Include short-term borrowings from banks in The Gambia, if any, and overdrafts in the reporting bank's balance with local banks previously reported under Asset 2(b).

(iii) **Group Branches**

Include short-term borrowings from head office or group branches and overdrafts in the reporting bank's balances with such entities previously reported under Asset 3(a).

(iv) **Other Banks Abroad**

Include short-term borrowings from foreign banks, if any, and overdrafts in the reporting bank's balance with foreign banks previously report under Asset 3(b).

8 ACCEPTANCE, ENDORSEMENTS AND GUARANTEES *(PER COTNRA)*

Include the total amount of acceptance under letters of credit, and the total of all outstanding guarantees and endorsements entered into by the bank. The addendum of Instructions 1 requires separate reporting of the above components in Liability 8 plus firm commitments to extend credit and other off-balance sheet exposures.

9 OTHER LIABILITIES

Include accrued interest and other expenses payable, estimated taxes payable, dividends disclosed and payable and sundry other liabilities not addressed in the proceeding liability categories. These shall not be more than 5% of total liabilities for the reporting period.

ANNEX A- ASSET SIDE

1 **CASH-IN-HAND**

(i) **Gambian Notes and Coins:** Include Gambian notes and coins on hand and in transit *(see notes)*.

(ii) **CFA Francs**: CFA notes and cash holdings are to be reported separately.

(iii) **Other Currency**: Corresponding holdings in other foreign currency are to be reported as an aggregate amount[4].

2 **BALANCES DUE FROM BANKS**

(i) **Central bank**

Include completed deposit transactions with Central of The Gambia. Balance must agree with the deposit balance shown on the books of the Central Bank at the reporting date. Settlements due, to or from the Central Bank are to be included under *"Cheques and Other Items in Transit" (Asset 3)*.

(ii) **Other Local Banks**

Include non-interest bearing demand deposits and interest bearing deposits with other banks in The Gambia[5].

3 **CHEQUE AND OTHER ITEMS IN TRANSIT, NET**

Report the net balance of cheques and other items in course of settlement or in transit, including inter-group and inter-bank transfers, certified/travellers' cheques issued and similar transactions entailing funds in transit.

In the normal course of events, net *"items in transit"* will be a net debit balance. In the event of there being a net credit balance, report the negative balance under this asset side account.

4 **INVESTMENT ACCOUNT SECURITIES**

Securities held for investment account are to be reported to distinguish between debt instruments of Government Sector, and shares and debt instruments of Private Sector organizations as follows –

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[4] **Notes and coins in transit are those in transit between any units of the reporting bank or units of the bank and the Central Bank of The Gambia. Units of the bank refer to any branches, offices or agencies of the reporting bank.**

[5] **Overdrafts in the Reporting Bank's balances with head office, group branches *(Liability 7, (iii))* or with other banks abroad *(Liability 7, (iv))* are to be included under Liability 7 other Borrowings.**

A (i) **Treasury Bills**

Include Treasury Bills at amortized value. The carrying value should record the cost plus the amortized discount at the end of each amortization period. Carrying value should accordingly equal the face value at maturity. Treasury Bills sold prior to maturity should be recorded at amortized book value. Include Central Bank Bills and similar short-term *(90 days)* obligations backed by the Government.

(ii) **Other Government Securities**

Include other Central Government debt held for investment at amortized value. Government debt in this category will be longer-term instruments than the maturities applicable for Treasury and Central Bank Bills, and when marketable may be acquired at a premium over par value. Carrying value should record the cost plus the amortized discount or less the amortized premium at the end of each amortization period, such that the carrying value would equal the par value at the maturity date. Sales of Government debt securities prior to maturity should be recorded at amortized book value.

(iii) **Local Area Council Securities**

(iv) **Parastatals Debt Securities**

Accounting and reporting instructions correspond to that for Government debt indicated under (ii) above.

B **PRIVATE SECTOR**

(i) **Shares**

Include common and preferred shares at cost. In the event that a permanent impairment in the value of individual equity holdings becomes evident, the carrying value of such share holdings should be adjusted to reflect the anticipated loss.

(ii) **Debt Instruments**

Include investments in debt instruments of Private Sector organizations at amortized value. Carrying value is to be reported on the basis given under Asset 4(A)(ii).

5 BILLS PURCHASED AND DISCOUNTED

Include promissory notes, bills of exchange and other similar instruments purchased at amortized value. The carrying value should be reported to record the cost of such instruments plus the amortized discount at the end of each amortization period. Carrying value should equal face value at maturity.

6 LOANS AND ADVANCES

Loans and advances are to be reported gross under the ensuing headings.

A TO BANKS:

(i) **To other Banks in The Gambia:** Include day, call short loans to banks, and overdrafts *(see Liability 3 note)* in deposit accounts by other banks.

(ii) **To other Banks Abroad**: Same criteria apply as in *"Other Banks Abroad" (Liability 7)*.

B TO GOVERNMENT SECTOR:

(i) **Government**: Include loans and advances to the Government of The Gambia.

(ii) **Local Area Councils:** Include loans, mortgages, overdrafts and other advances to local area councils.

(iii) **Parastatals**: Include loans, mortgages, overdrafts and other advances to parastatals.

C TO PRIVATE SECTOR:

(i) **Residents**: Include commercial loans, mortgages, overdrafts and other advances to individuals, partnerships and companies.

(ii) **Non-Residents:** Same criteria apply for reporting *"non-resident*" deposits.

D ALLOWANCE FOR CREDIT LOSSES:

The Allowance for Credit Losses is reflected in the balance sheet as a deduction from the aggregate of gross Loans and Advances.

The balance in the Allowance for Credit Losses as at the balance sheet reporting date is derived as follows –

(a) Opening balance at the prior reporting date **less**

(b) Net New Specific Provisions[6] established in the intervening period, comprising of new specific provisions less reversals of specific, **less**

(c) Net write-offs[7] taken in the intervening period, comprising of write-offs less recoveries *(where recoveries exceed write-offs, the resulting net recoveries would be added)*, ***plus***

(d) The provision for loan losses charged against income in the intervening period.

7 FIXED ASSETS

Include all fixed assets at historic cost, except where a formal revaluation of premises has been implemented and in which case any enhancement in carrying value over cost should be indicated under Other Reserves, premises revaluation. Fixed assets are to be reported net of depreciation as follows –

A (i) **Premises** – owned buildings/leasehold improvements at historic cost or due formal revaluation at *"market"* value cost, subject to depreciation.

(ii) **Furniture and Equipment** – historic cost and subject to depreciation.

(iii) **Other Fixed Assets** – include land and leasehold improvements to be written off during the term of the lease, if any.

B **Accumulated Depreciation** – includes depreciation for the year-to-date plus the reserve for depreciation at the beginning of the year, adjusted for fixed asset deposals or write-offs.

8 ACCEPTANCES, ENDORSEMENT AND GUARANTEES *(PER CONTRA)*

See Liability 8.

9 Pre-incorporation expenses

This applies to start-up banking institutions only and comprises of pre-opening expenses subject to amortization in the initial years of operations.

10 Interest in Suspense

Includes accrued interest receivable previously reported under other assets.

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[6] Specific Provisions are established on a loan-by-loan basis, generally on loans past due on interest and/or principal payments, where the provision reflects managements' estimate of the future loss on such loans(s)

[7] Write-offs are usually recorded when standard collection processes *(liquidating collateral, , instituting legal proceedings etc)* that can reasonably be expected to result in repayment of the debt have failed and management has concluded that it is no longer prudent to defer write-offs. Recoveries on assets previously written off as uncollectible or considered to be of minimum value are netted against write-offs, it, as and when such recoveries occur in subsequent accounting periods.

9 OTHER ASSETS

Include dividends receivable (if applicable), prepaid expenses not charged to operating expenses, office supplies and stationary, and sundry other assets not addressed in the proceeding asset categories and must not be more than 5% of total assets for the reporting period.

ADDENDUM TO INSTRUCTIONS 1

CONSOLIDATED STATEMENT OF ASETS AND LIABILITIES
ANNEX B – OFF-BALANCE SHEET EXPOSURES

Reference to *"Off-balance Sheet Exposures"* is contingent liabilities reported under *"Acceptance", Endorsements and Guarantees" (Liability 8)* plus firm commitments to extend credit.

Licensed financial institutions are to submit a breakdown of these contingent liabilities according to Annex B. It is to be attached to Annex A *"Consolidated Statement of Assets and Liabilities"* and submitted monthly.

Outstandings are to be reported according to the following six component items –

1 **Documentary letters of credit *(L/Cs)***: Short-term, self liquidating trade – related contingent liabilities arising from the movement of goods, namely documentary credit collateralized by the underlying shipments.

2 **Other L/Cs and endorsements, other transactions**: Related contingencies like performance bounds, bid bonds and standby letters of credit attributable to particular transactions.

3 **Guarantees and Acceptances**: Instruments which substitute loans, such as general guarantees of indebtedness, banks acceptance guarantees and standby letters of credit serving as financial guarantees for loans[8].

4 **Undisbursed funds on overdrafts**: Include unused lines on current account overdrafts extended by the reporting institution.

5 **Other firm commitments to extend credit**: Other formal standby facilities with an original maturity up to one year, which can be unconditionally cancelled at any time.

6 **Other off-balance sheet exposures**: The reporting institution is to specify any other contingent liability arising as its business evolves that potentially represents an off-balance sheet exposure.

[8] **The subtotal for the above components should equal the amount reported in the *Contra Account"* (Asset 8 and Liability 8) on the balance sheet. Acceptance, endorsements and guarantees are to be reported separately at the foot of the table**

Annex B

Financial Institution:...........................
Off-Balance Sheet Exposures

As at ....(day).........(month)...........(year)

(IN DALASIS THOUSANDS)

	CURRENT YEAR	PRIOR YEAR
Documentary Letters of Credit *(L/Cs)*		
Other L/Cs and Endorsements,		
Guarantees and Acceptances		
	-----------------------	----------------
SUB-TOTAL (PER CONTRA ACCOUNT)		
Undisbursed Funds on Overdrafts		
Other **firm** commitment		
Other *(specify)*:		
……………………………………….		
……………………………………….		
……………………………………….		
	-----------------------	----------------
TOTAL OFF-BALANCE SHEET EXPOSURE		
	============	========
<u>CONTRA ACCOUNT BREAKDOWN</u>		
Acceptances		
Endorsements		
Guarantees		
	----------------------	----------------
TOTAL (ASSET 8/LIABILITY8)		
	============	========

INSTRUCTION 2

CONSOLIDATED PROFIT AND LOSS STATEMENT

PURPOSE

The consolidated profit and loss statement provides income and expense information on a calendar quarter basis, which is used by the Central Bank for analytical purposes. Banking institutions are required to follow generally accepted accounting principles for reporting their operating results.

STATUROTY

The BA 2009, Section 24(1)(b) requires supervised banking institutions to provide the Central Bank with a profit and loss statement for the quarters ending in March, June, September and December, in such form as the Bank may prescribe.

The attached instructions indicate the detail of the information required for preparing such quarterly profit/*(loss)* reports, to be submitted according to the format given in Annex A.

More detailed reports in the format given in Annex B will be required of all supervised banking institutions for the twelve months ending December 31 each year.

FREQUENCY/SUBMISSION DATE

Within 21 days after the last business day of each quarter per BA 2009, Section 24(1)(b).

RECEIPIENT

Central Bank of The Gambia, Attention: Director, Financial Supervision Department. Submit in duplicate or as advised otherwise.

SIGNING AUTHROITY

The complete returns are to be signed by the Chief Executive of the institution concerned or in his absence, the officer deputizing, certifying the accuracy of the information submitted.

Supplementary income and expense components are to be reported annually for the twelve months ending December 31 as shown in Annex B. Annex A and B both require the reporting of the corresponding information for the equivalent period(s) of the prior year, which during the first year after implementing these instructions can be on a *"best efforts"* basis.

The ensuing instructions are to achieve conformity in accounting for income and expense components.

1 **INCOME FROM SECURITIES**

Interest income on securities with fixed maturities in the investment account is to be reported on an accrual basis in accordance with generally accepted accounting principles.

(a) **Treasury Bills**

Include income on Treasury Bills and any related Government issued paper at discounts from face value. Income on these securities reflects accretion of the discount at the end of the period, such that carrying value equals face value at maturity.

(b) **Other Government Sector Securities**

Include income on other Central Government securities and on all securities of Government entities. In the unlikely event such securities were acquired at a premium, income would reflect amortization of the premium over the term to maturity; if required at a discount, accretion of the discount would be included with accrued interest at the end of each reporting period.

(c) **Private Sector Debt Securities**

In the event such securities become available, the accounting treatment is as indicated for Government Sector securities.

(d) **Common and Preferred Share Dividend**

Dividend income is accounted for n an accrual basis when declared.

(e) **Other Income from Securities**

Report other securities income, if any.[9]

[9] **Gains and losses on securities – no allowance has been made for reflecting gains or losses on investment account securities or gains or loses on trading account securities, as a secondary market for securities does not exist. Where active markets to develop, standard accounting conventions would apply, namely:**

(i) Realized Gains/(Losses) on debt and equity securities sold from investment account are reflected in income as at the transaction settlement date

2 **INTEREST ON LOANS AND ADVANCES**

The format for the annual profit and loss report requires a separation of interest income from lending *(loans and advances)* and interest income on overdrafts.

Accrue interest earned on the following loans and overdrafts that remain classified as fully – performing:–

(a) to banks
(b) to Government sector
(c) to private sector

Not all loan fees are included as income on loans and advances.[10]

Non-Performing Loans, Income Treatment

A non-accrual loan or overdraft is an advance where interest or principal payments are in arrears by 90 days. In addition to suspending recognition of interest income and reversing uncollected interest previously accrued to income, when an advance is classified in non-accrual status consideration is automatically given to establishing a specific loss provision to reflect the increased potential for losses[11].

3 **INTEREST FROM DEPOSITS WITH BANKS**

Include accrued interest earned on the same basis as for performing loans and advances, sub-divided between –

(a) Group operating balances

(b) Balances held with other banks – these will generally be correspondent bank balances

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(ii) In the event of permanent impairment in the value of securities in the investment account, the estimated loss is written off against the carrying value and charged to income
(iii) Profit/(Losses) from trading account securities are recorded when realized, to be reported separately from investment account income

[10] **Front-end loan origination or participation fees are included on the following basis:**
(i) Origination – represents reimbursement of expenses relating to originating the loan, which to the extent they offset costs incurred can be directly credited to loan income
(ii) Participation – reflects an adjustment of the loan yield to be amortized over the remaining term to maturity of the loan.
Fees for guaranteeing credit accommodation for a specified period, stand-by and commitment fees are reported under *"other income"* **per Item 9(b)**

[11] **Guideline 5 *"Classification and Accounting Standards for Non-Performing Credits"* provides the necessary definitions and accounting standards. Instructions 6 *"Non-Performing Credit Returns"* highlights reporting requirements for non-accrual and restructured credits**

Any such bank accounts past due 30 days are automatically to be classified in non-accrual status, with the same account procedures as noted for non-accrual loans and advances.

4 **INTEREST ON BILLS PURCHASED AND DISCOUNTED**

Include income on the same basis as for treasury bills, namely to reflect the accretion of the discount for the applicable accounting period, such that the carry value will equal face value at maturity.

5 **INTEREST EXPENSE ON BALANCE DUE OTHER BANKS**

Include interest paid or payable on –

(a) Deposit balances by group operatives
(b) Deposit balances by correspondent banks

6 **INTEREST EXPENSES ON DEPOSITS**

Include interest paid or payable on the following deposit categories –

(a) Demand deposits
(b) Saving deposits
(c) Time deposits

7 **INTEREST EXPENSES ON BORROWINGS**

Include interest paid or payable on any borrowing sources applicable, for which allowances has been made in the balance sheet instructions namely –

(a) **Long-term borrowings**

These could take the form of a long-term group loan or fixed term debt instruments.

(b) **Short-term borrowings**

There are three possible sources recognized in the balance sheet instructions, namely: overnight and temporary advances made by the Central Bank; direct borrowing from the group or overdrafts in the reporting institution's deposit account with the group; and corresponding borrowings or overdrafts with other banks.

8 **PROVISION FOR CREDIT LOSSES**

The provision for credit losses charged as an expense is credited to the *"Allowance for Credit Losses"*. Amounts charged against income in interim periods are frequently estimated based on projected losses for the year on loans and advances, deposits with banks, letters of credit, guarantees and similar contingencies.

The estimated loss provision charged to income should be revised annually, as a minimum, when the reporting institution undertakes a review of its credit to determine the adequacy of its reserve. Most institutions adhere to a more demanding loan review regime with a quarterly updating of reserve adequacy, in which case the interim charge to income will more directly reflect actual loss experience.

9 **OTHER INCOME**

Banking services generating non-interest income are not as directly tied with balance sheet accounts as the items previously covered by these instructions. The classification of fees, commissions and similar revenue sources from customer services accordingly require being more precise in accordance with the description below –

(a) **Service charges on deposits**

Include ledger fees on deposit transactions and similar charges, safekeeping charges, safekeeping charges, safety deposit box rentals and per item levies on cheques.

(b) **Loan fee income**

Include fee for guaranteeing credit accommodation for a stated period. Such fees include stand-by loan fees and loan commitment fees and should be taken into *"other income"* rateably over the commitment period *(see Item 1, on loan origination and participation fees)*.

(c) **Acceptance, guarantee and letters of credit fees**

Include fees attributable to short-term, self liquidating trade related contingent liabilities arising from the movement of goods *(document credits)* transaction related contingencies *(performance bonds, transaction related standby letters of credit)*, instruments substituting for loans *(general guarantee of indebtedness, bank acceptance guarantees, stand-by letters of credit guarantees on loans)* and any other fees for arranging formal stand-by facilities or credit lines.

(d) **<u>Other commission and fee income</u>**

Include commissions/fees attributable to services other than the above or foreign exchange dealing, if any.

(e) **<u>Commission brokerage on foreign exchange dealings</u>**

Include travellers' cheque commissions, and any other direct commissions levied for foreign exchange services.

(f) **<u>Fee and other charges on foreign exchange transactions</u>**

Includes revenues derived on the spread between foreign exchange ***"Bid"*** and ***"Offered"*** rates and any charges *(other than commissions)* attributable to foreign exchange transactions.

(g) **<u>Unrealized foreign currency translation gains/(losses)</u>**

Includes unrealized ***"Gains"*** or ***"Losses"*** on translation of foreign currency balance sheet exposures.

(h) **<u>Other non-interest income</u>**

Include any similar income not previously identified in the instructions, and specify. An item that could apply form time to time is profits *(or losses)* on disposal of premises or other fixed assets[12].

10 **SALARIES AND OTHER COMPENSATION BENEFITS**

The breakdown of direct staff expenses distinguishes between salaries, pension and other staff benefits, as follows –

(a) **<u>Full employee salaries</u>**

Include salaries paid or payable in the accounting period, based on agreed annual salary with all full time staff, including executives and permanent staff assigned to departments even if they are on training abroad or on terminal leave prior to retirement. Support staff including messengers, chauffeurs, bank employee guards and janitors working five days a week, receiving an annual salary and eligible for pension are also to be included.

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[12] **Gains/*(losses)* on disposition of assets held in *"Loan realization Account"* or *"Other Real Estate Owned"* acquired through foreclosure proceedings are excluded, since proceeds represent recoveries on previous write-offs charged to the allowance for credit losses**

(b) **Part-time and maintenance staff remuneration**

Include part-time staff remuneration, where they are employed for a one-off project or in peak periods where they are providing temporary back-up support for periods less than a year. Also include amounts paid to external building maintenance staff and temporary personnel agencies as applicable.

(c) **Expatriate/Seconded Staff Cost**

Include salaries, allowances and other benefits/bonus paid to expatriate and or seconded staff

(d) Pension and retirement allowances

Include contributions to pension funds, and ensure that any special contributions are amortized over a period of years considered reasonable in relation to the nature of the contributions. Also include retirement allowances paid other than from the pension fund, and like allowances to dependents of former employees.

(d) Bonuses and other staff benefits

Include interim and/or year-end bonuses for full time employees, together with contributions paid for/medial and other insurance benefits. Also include employee costs subsidized by the reporting institution for residence, car ownership, professional memberships, staff lunch room and the like. Exclude staff training costs, which are to be reported separately as general expense *(see item 12(e))*.

11 PREMISES AND EQUIPMENT EXPENSES, INCLUDING DEPRECIATTON

Expenses in this category generally relate to items included in the balance sheet under fixed assets –

(a) **Rental of real estate**

Include any rental applicable to bank premises, net of any amounts received for sub-renting space to third parties.

(b) **Provision for depreciation of premises**

Include depreciation of owned premises and amortization of leasehold improvements.

(c) **Office equipment and furnishings**

Include rental and direct cost for computers, computer peripheral equipment terminals, regular office equipment and related software and service bureau costs; include rental of furniture and fixtures. Also include such purchased items to be expended.

(d) **Provision for depreciation of equipment and furnishing**

Include depreciation cost on owned equipment and furnishings, for the above items, vehicles, generators and any other tangible fixed asset that are owned.

(e) **Utility expenses**

Include electric utility expenses, water, vehicles and generator fuel and any other standard utility expenses.

(f) **Other property expenses**

Include any other property expenses not previously covered, and specify. An item that would qualify is insurance expenses on property and other fixed assets.

12 OTHER GENERAL EXPENSES

These are expenses generally relating to communications, promotions, and advertising, training, professional fees and miscellaneous other expenses.

(a) **Advertising expenses**

Include costs attributable to advertising, sales promotion and business development. In this regard, sale promotion refers to costs of receptions, giveaway items and any publication for public relations purposes. A business development expense applies to authorized expenses reimbursed to employees for hosting customers, and for related business development activities.

(b) **Printing and stationary**

Include costs of printing publications of the reporting institution such as staff magazines and annual reports. Also include all regular stationary expenses.

(c) **<u>Communications expenses</u>**

Include telephone, telegram, and cable and express forwarding charges. Also include postage and distribution costs applicable for regular mail and for advertising material.

(d) **<u>Travel expense</u>**

Include travel expenses incurred by employees in the normal course of business, other than travel relating to training.

(e) **<u>Staff training</u>**

Include registration and course fees for enrolling employees in study programmes and seminars of short duration. Also include reimbursed travel expenses, per diem costs and other direct expenses associated with staff training, but exclude regular salaries *(see item 10(a))*.

(f) **<u>Directors' fees and other emoluments</u>**

Include aggregate fees and expenses paid to Directors for attending meetings of the reporting institution, and any other emoluments paid to Directors.

(g) **<u>Auditors' fees</u>**

Include all fees paid to external accounting firm for annual audit and any other professional accounting services provided.

(h) **<u>Legal Fees</u>**

Include all legal fees relating to the business of the reporting institutions except such fees attributable to loan recovery and collection endeavours, which are to be reflected in loan loss experience.

(i) **<u>Insurance premiums</u>**

BA 2009 Section 65 requires a financial institution to either –

(i) maintain a reserve satisfaction to the Central Bank, or

(ii) to insure itself in an amount and with an insurance company satisfactory to the Bank to cover any losses resulting from negligence or dishonesty of directors or employees. Include under this heading any premium costs for policies covering large fraud losses, generally referred to as *"Bankers' Blanket Bond"* policies, or other insurance premiums to cover recurring smaller losses such as those identified under item 12(j).

(j) **Shortages and Losses**

Include the net of losses after any recoveries for insurance that are absorbed by the reporting institution due defalcations, thefts, forgeries, tellers' shortages, cash overages or branch errors. Exclude losses where the loss pertains to funds advanced to customers in the form of loans or overdraft, to be reported as loan loss experience *(see item 8)*.

(k) **Other non-interest expense**

Include general expenses not reported elsewhere for instance charitable donations, Bankers' Association fee, amortization of preliminary pre-opening expenses and similar costs.

13 PROVISION FOR INCOME TAXES

Prior to the year-end audit interim taxes payable require being estimated based on prevailing corporate tax rates namely at 50% of profits before tax *(Item G)* or 3% of turnover whichever is the greater. The latter calculation is based on the sum of interest income *(Item A)* plus other income *(Item 9)*, and accordingly would arise in cases of sub-optimal profits or when reporting a loss.

14 EXTRAORDINARY ITEMS/SPECIFY

The accounting definition of extraordinary items pertains for income, charges or profits and losses deriving from material events or transactions failing outside the ordinary activities of the reporting institution. Exceptional items arising from ordinary business like profit or losses on terminated activities should also be separately identified under Item 14 if regarded as material and/or abnormal.

INTRUCTIONS 3

RESERVE ACCOUNTS AND ALLOWANCE FOR CREDIT LOSSES

PURPOSE

This return is an extension to the profit and loss statement, in particular by providing periodic updating of changes in the undivided profits account and the allowance for credit losses. Information pertaining to these accounts and other reserve categories described in the instructions is obtained by the Central Bank for analytical and compliance monitoring purposes.

STATUTORY

The Banking Act Section 24(2) authorizes the Central Bank to obtain financial reports that it from time to time may require. The instructions set out the scope and detail of the information required by the Central Bank regarding the reserve accounts to be submitted with the profit and loss statement.

FREQUENCY/SUBMISSION DATE

Calendar quarter – within 21 days after the last business day of each interim quarter.

RECIPIENT

Director, Financial Supervision Department. Submitted in duplicate or as advised.

SIGNING AUTHORITY

The completed return is to be signed by the Chief Executive of the institution concerned or in his absence the officer deputizing, certifying the accuracy of the information being submitted.

INTERIM CHANGES IN RESERVE ACCOUNTS AND ALLOWANCE FOR CREDIT LOSSES

The format in Annex C provides for accumulation of changes in the component reserve accounts for March, June, September and December quarters.

Annex C and its reference numbers can consequently be read as an extension to the instructions for interim or annual profit and loss statement *(Instruction 2)*.

Interim entries in the initial nine months of any financial year affecting the statutory reserve, other tax paid reserve(s) or the asset revaluation account are expected to be infrequent. In Annex C, changes in undivided profits and the allowance for credit losses will accordingly predominate.

16 STATUTORY RESERVE

5 The BA 2009 Section 19(3) authorities the Central Bank to prescribe the amount to be transferred to the statutory reserve *(before declaring dividends or making transfers to Head Office, per Section 19(1))* and to establish standards as to the form of the reserve. In line with this provision, Guideline 3 states that when the balance with the statutory reserve is less than the amount represented by paid-up capital at the financial year-end, a bank is required to transfer a minimum of 25% of its net profits after taxes each year to the reserve until the deficiency has been eliminated. Thereafter, a minimum annual transfer of 15% is required.

In most cases the entries affecting the statutory reserve balance will occur at year-end.

(a) **Balance Carried Forward**

Prior year-end balance which should represent the current year beginning balance.

(b) **Current Year Transfer from Net Income**

Transfers into the reserve have priority over all other disposition of net income and may be for the following purposes:

- Amount necessary to be in compliance with Guideline 3
- Amount designated in a plan approved by Central Bank for elimination of a reserve deficiency carried forward;

- ➲ Amount in excess of statutory transfer requirement, at managements' discretion; or

(c) **<u>Current Year Transfer to Paid-up/Assigned Capital</u>**

Deduct amount transferred with Central Bank approval to increase capital per BA 2009 Section 19(2), as needed to prevent impairment of capital or for transferring excess amount in the reserve. In the latter instance, if related to a Bonus Share issue see Item 16(d).

(d) **<u>End of Period Balance</u>**

This is the derived year-end balance. In practice, it cannot be less than the opening balance, without prior Central Bank approval to transfer an amount to increase capital.

17 UNDIVIDED PROFITS

Undivided profits represents accumulated after tax profits/*(losses)* less dividends paid, payments to head office and transfers to capital and tax-paid reserves. Undivided profits combined with capital and the statutory reserve represents the core of a company's investment in its business.

The requirement to report interim profits/*(losses)* will necessitate quarterly entries in the undivided profits account:

(a) **<u>Balance carried forward</u>**

The balance will be carried forward from the prior quarter-end, or in the case of year-to-date results the prior year-end.

(b) **<u>Transfer From Net Income (Loss)</u>**

Add balance of net income available after transfer to statutory reserve, if any. In a loss period, the full loss is transferred to undivided profits.

(c) **<u>Cash Dividends Paid</u>**

Deduct (i) aggregate amount of cash dividends paid in the current period or (i) any corresponding amounts paid to head office by branches owned by foreign banks.

(d) **<u>Bonus Share Issues *(shares dividends)*</u>**

Deduct the full Bonus Share Issue (i) in the case of no par value shares with the offsetting credit to paid-up capital or (ii) in the case of par value shares with offsetting credits to paid-up capital based on par value and to share premium account to reflect premium received[13].

(e) **<u>Transfers (to) from Other Reserve</u>**

Any reserves established by transfers from undivided profits are referred to as tax-paid reserve *(see above)*. In the event of a <u>net</u> increase in tax-paid reserve requirements in the reporting period, there will be a corresponding deduction from undivided profits. The reverse would apply for a net transfer being added to the balance in undivided profits

18 **OTHER RESERVES – TAX PAID**

There are special purpose reserves established out of tax-paid profits *(undivided profits)* to meet identifiable but unquantifiable potential losses. An example is the special reserve for making good losses arising from the negligence/dishonesty of directors, officers or employees covered by BA Section 65. The accompanying Annex requires the reporting company to identify the purposes and amount in each special reserve.

Entries to these reserve accounts are usually recorded annually, frequently in conjunction with the year-end external audit. Entries that can be anticipated are explained below –

(a) **<u>Balance carried forward</u>**

Prior period end balance brought forward

(b) **<u>Transfer (to) from undivided profits</u>**

Add amount*(s)* transferred from undivided profit in the reporting period. In the event the reserve is no longer required or is considered excessive, deduct the amount*(s)* being transferred back to undivided profits.

(c) **<u>Incurred loses or write-offs</u>**

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[13] **Two qualifying comments relative to 16(d) instructions are: First, Bonus Share Issues have been utilized in the past to transfer excess statutory reserve amount to paid-up capital; hence the foregoing entries can also apply for statutory reserve'. Second, the share premium account ranks equally with paid-up capital for capital adequacy purposes.**

Deduct amount*(s)* from the balance to reflect losses in the reporting period attributable to the contingencies for which the reserve was established.

19 OTHER RESERVE – ASSET VALUATION

In the past, banks in The Gambia have been permitted to revalue their own premises to reflect current market values as contrasted with historic costs. The result has been the creation of an asset revaluation reserve, comprising of the cumulative difference of market value over cost as at the last valuation date.

The Annex to these instructions requires submission of an appraisal report by an independent and qualified appraiser for any future revaluation. Entries to the asset revaluation reserve are accordingly expected to be infrequent:

(a) **Balance carried forward**

This will tend to be stable from one accounting period to the next.

(b) **Revaluation adjustment**

Per the introductory comments any addition to the reserve is required to be authenticated by reference to a formal appraisal report by an independent, qualified appraiser.

(c) **Other *(specify)***

Disposition of premises previously revalued will result in a full deduction from the reserve based on the revalued amount. Gains *(losses)* on such sales, however, are reflected in income *(see Instructions 2, Profit and Loss Statement, item 9(h))*.

20 ALLOWANCES FOR CREDIT LOSSES

The Allowance for Credit Losses is for absorbing credit related losses on loans and advances, losses on deposits with banks and losses on acceptances, endorsement and guarantees. In a conservatively managed financial institution the balance in the reserve should readily exceed known and anticipated credit losses, thus compensating from inherent but unforeseen losses on assets currently classified as being full performing.

The allowance for credit losses is accumulated by means of loan loss provisions charged against pre-tax profit, as a legitimate cost of doing business. Depending on the frequency of credit reviews, therefore, the activity in the reserve can be significant on a quarter-by-quarter basis:

(a) **Balance carried forward**

Varies according to the period being reported.

(b) **Provision for credit losses**

Add the loss provision charged as an operating expense in the reporting period *(see Instructions 2, Item 8)*. Over periods of a year or more, the provision should approximate loss experience, defined as net new specifics plus net write-offs and other losses charged to the reserve. The provision is the only means of topping up the reserve, and accordingly an appropriate charge to income is needed for the reserve to be sufficient to absorb known and anticipated losses.

(c) **Net new specific provisions**

Deduct net new specific provisions for the reporting period, which comprises of the aggregate of new and increased specific provisions less reversal. Specific provisions are set up on a credit-by-credit basis, and in aggregate represent management's estimate of future losses on all classified credit exposures. At each credit review additional credits are likely to be adversely classified, generally on account of their being past due on interest or principal payments. Also, previously established specific provisions may be reversed, due to either –

(i) the improved financial circumstances of the debtor and improved financial circumstances of the debtor and commensurate reduction in estimated future losses; or

(ii) when the decision is taken to write the loan off.[14]

(d) **Net new specific provision**

Deduct net write-offs for the reporting period, which comprise of write-offs less recoveries.

[14] **Gross amounts for specific provisions and write-offs *(recoveries)* are reported in Annex A of Instructions 6, Non-performing credit returns.**

A write-off is generally recorded when standard collection procedures *(realize in security, commence legal proceedings or institute other definitive collection measures)* that can reasonably be expected to result in repayment of the debt have failed; as a result, management has decided that the assets concerned are uncollectible and should be removed from the books.

Recoveries arise where payments are received on credits that have previously been written-off, for instance from proceeds realized from the disposition of collateral backing the loan.

On occasions, the aggregate amount of recoveries exceeds the aggregate of write-offs in a given period, in which case the reporting institution would record *"a net recovery"* amount, added to the reserve.[15]

(e) **Other losses *(specify)***

The Annex provides for the deduction of *"other"* losses charged to the reserve, as distinct from losses on loans advances and similar credits. This allows for reporting of loses on credit substitute instruments such as acceptances, endorsements or guarantees.

-----/-----

[15] **Same as above**

INTERIM CHANCES IN RESERVE ACCOUNT AND IN ALLOWANCE FOR CREDIT LOSSES FOR THE YEAR ENDING:..........................200....

ANNEX C

REF	IN DALASIS THOUSANDS	CURRENT YEAR INTERIM REPORTS 3 MONTHS ENDING: *(M=month, D=day, YR=YEAR)*				CURRENT/PRIOR PERIOD ENDING	
		----/---- (m) (d)	---/---- (m) (d)	----/----- (m) (d)	----/--- (m) (d)	-----/----- (m) (d)	-----/----- (m) (d)
XVI	STATUTORY RESERVE						
(a)	Balance carried forward						
(b)	Transfer from net income						
(c)	Transfer to paid-up/assigned capital						
16	END OF PERIOD BALANCE						
XVII	UNDIVIDED PROFIT						
(a)	Balance carried forward						
(b)	Transfer from net income *(loss)*						
(c)	Cash dividends paid						
(d)	Bonus share/share dividend issue						
(e)	Transfer (to) from other reserves						
17	END OF PERIOD BALANCE						
XVIII	OTHER RESERVES – TAX PAID:[16]						
(a)	Balance carried forward						
(b)	Transfer from (to) undivided profit						
(c)	Incurred losses or write-offs						
18	END OF PERIOD BALANCE						
XIV	OTHER RESERVES – ASSET REVALUATION:						
(a)	Balance carried forward						
(b)	Revaluation adjustment[17]						
(c)	Others, specify						
19	END OF PERIOD BALANCE						
XX	ALLOWNCE FOR CREDIT LOSSES:						
(a)	Balances carried forward						
(b)	Provision for credit losses						
(c)	Net new specific provisions						
(d)	Net write-offs *(recoveries)*						
(e)	Other losses *(specify)*[18]						
20	END OF PERIOD BALANCE						

[16] **Where there is more than one tax-paid reserve indicate closing balance amount for each**

[17] **Submit appraiser's report substantiating any revaluation adjustment in the current 3 months period**

[18] **List credit substitute instruments and related amount(s) of any such losses**

INSTRUCTIONS 4

STATEMENT OF LIQUID ASSETS

PURPOSE

Monitoring liquid assets on a frequent basis is a prudential supervisory measure relating to the absence of deposit insurance in The Gambia. The reports submitted by financial institutions are used by the Central Bank for the analysis of changes in liquid assets and compliance with the standards set in the BA 2009 Section 20.

STATUTORY

The BA 2009 Section 20(1) requires supervised banking institutions to maintain sufficient liquid assets to meet the standards prescribed by the Central Bank, measured as a ratio expressing eligible liquid assets as a percent of liabilities to the public in The Gambia. The attached instructions, supported by Guideline 4 *"Liquid Asset Standards"*, provide the basis for calculating the liquid asset ratio.

Per BA 2009 Section 20(2), decreases in the liquid asset ratio take effect immediately, but increase take effect after reasonable notice and can only be raised by 5% in any month. The prevailing liquid asset ratio for banks of 30% was set in 1980, having been increased 5% in February and a further 5% in March of that year.

FREQUENCY/SUBMISSION DATE

The Statement of liquid assets *(Asset A)* and supplementary information *(Annex B)* are to be submitted bi-monthly, as at the 15th and last day of each month. They must reach the Central Bank within 5 days of such reporting dates. In the event there has been one or more daily deficiencies in liquid asset holdings during the two week period covered by the bi-monthly report, the reporting institution is required to submit details on the face of Annex A.

RECIPIENT

Central Bank of The Gambia – Director, Financial Supervision Department. Submit in duplicate or as advised otherwise.

SIGNING AUTHORITY

The completed return is to be signed by the Chief Executive of the reporting institution or in his absence the officer deputizing, certifying as to the accuracy of the information being submitted.

STATEMENT OF LIQUID ASSETS

The accompanying reporting forms are an integral part of these instructions. Supplementary information *(Annex B)* for foreign currency cash and net foreign bank credit balances is recorded separately. References to the monthly statement of assets and liabilities and definitions needed to accurately complete this return are provided in the ensuing instructions.

LIABILITIES TO THE PUBLOIC IN THE GAMBIA

The denominator for calculating the liquid assets ratio comprise of two liability components:

I (A) Deposits of any person, association or partnership, companies, central Government and other government entities in The Gambia. This is total deposit as reported in the balance sheet, comprising of demand deposits *(liabilities 4)*, savings *(liabilities 5)* and time deposits *(liabilities 6)*. Also include "Balance due to other banks *(liabilities3)*, which are demand and time deposit liabilities reported separately in the balance sheet.

(B) Borrowings refers to short-term loans and advances *(balance sheet part of liability 7)* if any, other than any overdrafts netted against CBG current account *(see item II(b))* or balances with other banks *(see item II(c))*.

II **Stock of Liquid Assets**

The numerator for calculating the liquid asset ratio comprises of five asset categories, as listed in the BA, Section 20(8):

(A) (i) Gambian notes and coins *(balance sheet, asset 1(i))*.

(ii) Foreign currency notes are restricted to twelve currencies for purposes of calculating the liquid asset ratio.

Until notified otherwise by an amendment to these instructions foreign currencies eligible for inclusion in liquid assets under the are the Franc *(France),* Euro*,* Sterling *(UK),* Dollar *(US)*, Franc *(Switzerland)*, Kroner *(Denmark)*, Kroner *(Norway)* and CFA *(Senegal).* Each such foreign currency amount is to be reported as supplementary information on Annex B. the supplementary information also requires the reporting institution to identify foreign currencies held that do not qualify for inclusion in liquid assets such that the total foreign currency should equal the corresponding balance sheet amount *(asset 1(ii) plus 1(iii)*.

(B) Central Bank Current Account *(balance sheet asset 2(i))*. Deduct temporary advances by the Central Bank if any *(balance sheet, liability 7(i))*.

(C) (i) Net credit balances with other finance institutions in The Gambia. These are credit balances of the reporting bank held as correspondent or working balances with other local financial institutions *(balance sheet, asset 2(ii))*; less overdrafts in the reporting bank's accounts with any local financial institutions *(any such overdrafts would be a component reported on the balance sheet, under liability 7(ii)).*

(ii) Net credit balances with foreign banks are expected to be more prominent than local banking relationships, as a result of the involvement of Gambian banks in international trade financing. The principles for reporting net credit balances with foreign banks are the same as noted under C(i) above:

- Balances with banks in eligible monetary areas *(balance sheet, assets 2(iii) and 2(iv), if in approved countries)*
- Less overdrafts of the reporting bank with any foreign bank *(balance sheet part of liability 7 (iii) and 7(iv).*

Until notified otherwise the approved countries in eligible monetary areas for purposes of BA Section 20(8) refers to the countries noted as having eligible currencies *(see II(A)(ii) above)*.

Reporting institutions are required to provide supplementary information on *"net credit balances with foreign bank"* per the Annex B reporting form. It requires listing each bank in currency approved countries with which the reporting bank has outstanding balances, and hence provides for an aggregate net credit balance subtotal. Deducted from this subtotal are overdrafts with all foreign banks even those in countries that are not approved for inclusion in liquid assets. The result is that net credit balances with foreign banks for liquid asset reporting purposes, is the credit balance held with banks in approved countries less all overdrafts with foreign banks regardless of their country of origin.

D (i) **Treasury Bills** – include treasury bills, Central Bank bills and similar short-term *(90 days)* obligations guaranteed by the Government. *(Balance Sheet Asset 4(A)(i))*.

(ii) **Other Government issued or guaranteed securities maturing within 180 days** – include any such tranche of securities reported under asset 4(A)(ii) that will be redeemed by the Government within 180 days.

E Eligible negotiable instruments include bills of exchange, promissory notes and other negotiable instruments maturing within 124 days from the date of their acquisition, and otherwise qualifying for discount/rediscount by the Central Bank, per the Central Bank of The Gambia Act, Section 34(i).

REPORTING INSTITUTION:..

Annex A **STATEMENT OF LIQUID ASSETS AS AT:.................................**

(AMOUNTS IN D THOUSAND)

I	**LIABILITIES TO THE PUBLIC IN THE GAMBIA**				
	A	Deposits			....
	B	Borrowings			....
				TOTAL	
					=====
II	**STOCK OF LIQUID ASSETS**				
	A	Notes and Coins:			
		i Gambian Notes and Coins	....		
		ii Foreign Currency Notes[19]	....		....
	B	Net Central Bank Current Account			....
	C	Net Credit Balances:			
		i With financial institutions in The Gambia	....		
		ii With foreign banks	....		....
	D	Government Issued or Guaranteed Securities			
		i Treasury bills	....		
		ii Other Government securities	....		....
	E	Eligible Negotiable Instructions			....
				TOTAL	
					=====
III	**LIQUID ASSETS RATIO**				=====

IV **DEFICIENCY REPORT** ***(TWO WEEKS ENDED-----/------/----***
DAY MTH YR

	PRESCRIBED		LIQUID ASSETS	
NOTE(S)	LIABILITIES	LIQUID ASSETS	HELD	DEFICIENCY
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....

Signature:....................................
Name:...
Title:...
Date:..

[19] **Specify components under "supplementary information" on Annex B**

REPORTING BANK:...

ANNEX B: SUPPLEMENTARY LIQUID ASSETS IFORMATION
AS AT............/....................../.......................
DAY MONTH YEAR

FOREIGN CURRENCY NOTES:

		FOREIGN AMOUNT	CONVERSION DATE	(D'000) D EQUIVALENT
Approved currencies	Deutschmark	--------------	---------------------	----------------------
	French Franc	--------------	---------------------	----------------------
	Dutch guilder	--------------	---------------------	----------------------
	UK Sterling	--------------	---------------------	----------------------
	US Dollar	--------------	---------------------	----------------------
	Japan Yen	--------------	---------------------	----------------------
	Swiss Franc	--------------	---------------------	----------------------
	Swedish Kroner	--------------	---------------------	----------------------
	Danish Kroner	--------------	---------------------	----------------------
	Norwegian kroner	--------------	---------------------	----------------------
	Saudi Riyal	--------------	---------------------	----------------------
	Euro	________	____________	____________
	CFA Francs	--------------	---------------------	----------------------
OTHER SPECIFY:		**TOTAL *(INSTRUCTIONS II(A)(ii)***		
	---------------------	--------------	---------------------	----------------------
	---------------------	--------------	---------------------	----------------------
	---------------------	--------------	---------------------	----------------------
	---------------------	--------------	---------------------	----------------------
		TOTAL *(ASSETS I, ii + iii)*		===========

NET FOREIGN BANK CREDIT BALANCES:

		(DAKASUS UB THOUSAND)		
BANK A	LOCATION[20]	GROSS BALANCE	OVERDRAFT	NET CREDIT BALANCE
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
	SUBTOTAL APPROVED COUNTRIES	....	....	....
	LESS – AGGREGATE OVERDRAFTS IN ON APPROVED CONTRIES			
		TOTAL *(INSTRUCTIONSII (C)(ii)*		________________ ================

[20] **Indicate city/country where account is held**

INSTRUCTIONS 5

STATEMENT OF REQUIRED RESERVES

Required reserves comprise of cash holdings plus Central Bank current accounts. The definition of required reserves is provided in the CBG Act 2005, Section 63, which also authorizes the bank to prescribe:

1 The minimum level of such reserves a financial institution is required to maintain in relation to its average deposits as reported, expressed as a ratio; and

2 The proportion of the reserves to be held by financial institutions in their current account with the Central Bank.

The minimum reserve requirements currently in effect for banks are 12% of total average deposits. The proportion of the total requirement reserves to be held in the Central Bank current account has remained unchanged, namely at 80%.

The Central Bank is required to notify each licensed financial institution in writing at its principal place of business in The Gambia of any changes in such reserve requirements. Further, in the case of increases in reserve ratios, the effective date is conditional on providing reasonable notice.

Failure to attain the required reserves standard set by the Central Bank exposes financial institutions to a penalty charge under the Central Bank Act (2005) Section 63 (6). The penalty charge is based on an annual rate of 5% above the highest rate fixed by the Central Bank at the time, applied to the amount of the average deficiency. For this purpose, the average deficiency is ***the greater*** of the shortfall in the required average Central Bank current account balance ***or*** the average total reserve deficiency.

FREQUENCY

The return of required reserves is to be submitted weekly and is in two parts (Annex A and B).

SIGNING AUTHORITY

Per Section 63 of CBG Act 2005, the completed return is to be signed by two responsible officers of the financial institution.

ANNEX A – PROSPECTIVE REQUIRED RESERVES

This statement is used to calculate –

(i) required reserve for the ensuing week; and

(ii) the amount which should be held in the Central Bank current account.

Part A is to derive the daily average balance in the prior reporting period for total deposits. Average balances are calculated by dividing the sum of the daily closing balances by the number of days in the reporting period. The number of days in the reporting period can range between 6 and 8 days depending on the month, with Saturday balances applied over Sundays.

Part B indicates the prevailing required reserve ratio for both categories of deposit which are applied to the corresponding daily average balances carried forward from Part A. The sum of the two reserve amounts equals total reserve requirements for the week reporting period.

Part C uses the total required reserve derived in Part B, and calculates the minimum Central Bank current account that the reporting bank must plan on maintaining over the next week period. The reference to cash holdings in part C refers to Gambian notes and week *(Balances Sheet Asset 1(i),* not foreign currencies.

ANNEX B – PRIOR PERIOD CASH RESERVES

Reference to ***"cash reserves"*** is to emphasize that the focus in Annex B is on the cash reserves position attained by a bank, as contrasted with ***"required reserves"*** being targeted level. Annex B is accordingly to report the amount of cash reserves by component over the week period.

Part D records reserve components daily for the immediately preceding week period, namely CBG current account plus cash holdings in Dalasis equals cash reserves. The average deficiency for this period is the shortfall in required reserves *(see Part E)*. The average of CBG current account and the total cash reserves are computed 4 times monthly.

Part E records the minimum required reserve balances for the reporting period, as calculated in Annex A of the previous reporting period. When an average deficiency is indicated, the amount entered in the final row of Part D is the greater of ***either*** the average Central Bank current account deficiency ***or*** the average total required reserve deficiency.

REPORTING BANK……………..

ANNEX A **PROSPECTIVE REQUIRED RESERVES**

Closing deposit balances for prior period commencing…./……../……….
and ending………/……../……….
(day) (month) (year)

DATE Month/Day	Total Deposits (D'000)
………………………..	………………………..
………………………..	………………………..
………………………..	………………………..
………………………..	………………………..
………………………..	………………………..
………………………..	………………………..
………………………..	………………………..
………………………..	………………………..
SUM OF CLOSING BALANCES	
DAILY AVERAGE	……………

B	Required reserves for next reporting period:		
	Prescribed ratio	16%	
	Required Reserve	D………..	
C	Prescribed Distribution of required reserves:		
		%	(D'000)
	Minimum CBG current account balance	80	………….
	Residual Cash holdings	20	………….
	TOTAL REQUIRED RESERVES	100	

I certified that the above statement is correct with the books of this bank, and that the amounts shown above are the minimum reserves to be maintained in one week commencing…………(day)……….(month)…………(year)

Signed:………………
Name:………………..
Title:………………….
Date:…………………

ANNEX B

REPORTING BANK:……………………

PRIOR PERIOD CASH RESERVES

D Distributing of cash reserves in Dalasis '000 for period commencing……../……./…..
and ending ………../………/……../
(day) (month) (year)

DATE MONTH	DAY	CBG CURRENT ACCOUNT (D'000)	DALASI CASH HOLDINGS (D'000)	TOTAL CASH RESERVES (D'000)
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
……………………..	……………………..	……………………..	……………………..	……………………..
TOTAL				
Daily average		……………….	……………….	……………………..
				……………………..
Average (deficiency) / surplus				……………………..

E Minimum daily required reserves carried forward from Annex A of previous reporting period (D'000):

- CENTRAL BANK CURRENT ACCOUNT ……………………..
- RESIDUAL CASH HOLDINGS ……………………..
- TOTAL REQUIRED RESERVES ……………………..

I certify that the above statement is correct and in accordance with the books of this bank.

Signed:………………………….
Name:……………………………
Title:……………………………..
Date:…………………………….

INSTRUCTIONS 6

NON-PERFORMING CREDIT RETURNS

PURPOSE

The five non-performing credit returns are based on the definitions and related accounting principles provided in Guideline 5 "Classification and Accounting Standards for Non-Performing Credits". These instructions outline non-performing credit reporting for off-site analysis purposes, and for determining the scope of on-site credit reviews.

STATUTORY

The BA 2009 Section 24 authorizes the Central Bank to obtain financial reports it requires to fulfill its supervisory functions. The non-performing credit returns provide essential information for the analysis of credit quality. They are:

- **ANNEX A Specific loss provisions/loss experience -** Aggregate trends for credit losses and reserve (allowance for credit losses) balance.

- **ANNEX B Non-accrual credits outstanding -** By customer principal exposure and provisioning.

- **ANNEX C Memoranda account interest adjustments - By** customer changes in interest arrears on non-accrual credits.

- **ANNEX D Restructured credits outstanding -** By customer principal exposure and income recognition.

- **ANNEX E Reclassifications to performing status & write-offs -** By customer trend of credits reclassified to performing status or written off in the current (3 months) reporting period.

FREQUENCY/SUBMISSION DATE

This information is reported on a quarterly basis and should to be submitted within 21days after the end of the quarter.

RECIPIENT

Director, Financial Supervision Department.

Submit in duplicate or as advised otherwise.

NON-PERFORMING CREDIT RETURNS

ANNEX A RETURN OF SPECIFIC LOSS PROVISIONS AND LOSS EXPERIENCE

ANNEX B RETURN OF NON-ACCRUAL CREDIT OUTSTANDING

ANNEX C RETURN OF MEMORANDA ACCOUNT INTEREST ADJUSTMENTS FOR NON-ACCRUAL CREDITS

ANNEX D RETURN OF RESTRUCTURED CREDIT OUTSTANDING

ANNEX E RETURN OF RECLASSIFICATIONS TO PERFORMING STATUS & WRITE-OFFS

INTRODUCTORY NOTES ON ASSESSING RESERVE ADEQUACY

There are three main features for an effective asset classification and provisioning system which can be used for assessing reserve adequacy:

1 An **established accounting basis** for recognition of non-performing credits and conservative accounting policies for recognition of income on such credits.

2 A well defined credit **classification system** based on collectability considerations, where applicable including the protection afforded by security (collateral) or third party guarantees.

3 **An objective provisioning process** for setting minimum levels of loss provisions based on the credit classification system.

The ensuing notes are divided into three sections. The first underlines the importance of Guideline 5, which sets out the accounting rules for non-performing assets. The second and third sections are to provide bank managements with guidance as to supervisory classification and provisioning targets, which will routinely be reviewed in course of on-site examinations.

ACCOUNTING POLICIES

Definitions and accounting policies pertaining to Non-performing loans and other credits are provided in Guideline 5 (Classification and Accounting Standards for non-performing credits) including rules governing the recognition of income and provisioning for losses. Two types of non-performing credits are defined:

Non-Accrual ***(Paragraphs 9 & 10)***

Interest is not being accrued to income due doubt as to ultimate collectability of principal and interest. Credits 90 days in arrears are automatically non-accrual; accordingly, a specific provision is required.

Restructured (Paragraph 17)

Bank has modified terms of customer's debt and taken its losses, such that management believes borrower can honour the terms of the restructured agreement: hence, specific provisions no longer apply.... If the debt subsequently becomes 90 days in arrears, however, it automatically reverts to non-accrual and a new specific provision is established.

Information required in Annex A through E of these Instructions will strengthen monitoring of asset quality, by bank managements and the supervisors. The remainder of these notes explains the supervisory approach for assessing reserve adequacy.

CLASSIFICATION SYSTEM

Asset classifications are used by supervisors to foster timely provisioning and adequate loss reserves. Collectability considerations like the borrower's current paying capacity and readily accessible value attributed to collateral influence the severity of classifications, and hence the level of provision's considered adequate. These aspects feature prominently in the ensuing definitions used by the Central Bank for supervisory purposes:

"**Substandard**"

A substandard credit is inadequately protected by the current paying capacity and/or sound worth of the obligor. Assets so classified have a well-defined weakness or potential weaknesses that jeopardize liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Substandard assets may also include assets which carry more than a normal degree of risk due to the absence of current and satisfactory financial information or inadequate collateral documentation.

"**Doubtful**"

Doubtful credits exhibit all the weaknesses inherent in assets classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and collateral values highly questionable and improbable. The possibility of loss is high, but because of certain important and specific pending factors (ie liquidation process, capital injection, additional collateral) which may strengthen the credit, its classification as an estimated loss is being deferred until a more exact status can be determined.

"Loss"

Assets classified as loss are considered as uncollectible or of such little value their continuance as bankable assets is no longer warranted. This does not mean that the asset has no recovery value, but rather that it is no longer prudent or desirable to defer write-offs pending the outcome of foreclosure and collection proceedings.

The above asset classification system would apply for all non-accrual loans, due management's continuing doubts as to ultimate collectability of interest and/or principal. Restructured credits, are not included since, by definition, the customer is expected to meet the restructured terms.

PROVISIONING & RESERVE ADEQUACY

An in-dept assessment of a financial institution's reserve adequacy and provisioning policies is conducted during periodic on-site examinations. In this regard, the asset classification process provides an objective framework for determining an adequate level for the allowance for credit losses (reserve).

The Central Bank accordingly seeks to foster conservative reserve adequacy standards for banks operating in The Gambia, based on the following provision benchmarks applicable for credits that have been classified:

Substandard

Non-accrual credits in arrears more than 3 months and up to 6 months on interest or principal payments, except for any such credits already classified as "Doubtful" or "Loss" based on the foregoing asset classification definitions. The provision applied by the bank on such credits is 20% of the balance outstanding, which includes interest arrears added to principal.

Doubtful

Non-accrual credits that have been in arrears more than 6 months and less than 1 year are classified doubtful, except for those already classified "loss". The provision is 50% on the outstanding balance.

Loss

Non-accrual credits in arrears over 1 year are classified as loss and provisioned 100%; if over 2 years in arrears, they should be written-off and removed from the books.

In this regard prompt write-offs is recommended on all loss credits, which should result in a more pronounced subsequent stream of recoveries.

In order to determine reserve adequacy, the bank will in addition apply the following on credits that have **<u>not</u>** been classified:

<u>Renegotiated</u>

Previously classified credits that have been renegotiated (restructured) by modifying the repayment terms. Since the customer is expected to continue servicing the debt under the newly agreed terms, the credit requires a lesser provision than was the case under the classified status. The provision applied by the bank on such credit is 5% of the balance outstanding.

<u>Performing</u>

Credit facilities whose performance status is current. Banks must recognize the risk inherent in all credit, irrespective of their current status. A general provision of 1% is therefore applied by the bank on all other credits that are current, or do not belong to any of the following: Substandard, Doubtful, Loss or renegotiated status.

Consequently, where the amount in a bank's reserve is less than the level indicated based on the supervisory credit review, the examiner will determine the causes and significance of the shortfall.

A bank is required to increase the provision for credit losses charged against income over an agreed timeframe to remedy a shortfall in the reserve. The provision for credit losses is the regular charge against earnings, and credit to the reserve balance on a quarterly basis. (See Annex A, Section III). The timeframe for eliminating a reserve deficiency would thus be discussed with management and imposed in context of the examination.

ANNEX A

RETURN OF SPECIFIC LOSS AND PROVISIONS AND LOSS EXPERIENCE

Annex A provides for reporting aggregate specific loss provision, loss experience and changes in the allowance for credit losses on a quarterly basis. The financial information in Annex A is to be submitted as at the end of each calendar quarter to indicate current 3 months and year-to-date as follows:

I SPECIFIC PROVISIONS

The *beginning and ending balance* represent aggregate amounts of specific provisions established by management on non-performing credits. New specific provisions indicate the gross increase in specifics for the reporting period. New specifics in any period are needed for –

- Newly classified non-accrual credits
- Restructured credits returning to non-accrual status
- Additional provision on credits already classified as non-accrual, where previously established specifics appear inadequate

Specific provision reversals "due improved status" will generally be reversal attributable to reductions in expected losses on credits remaining in non-accrual status.

Specific provision reversals "due amounts written-off" will reflect management's decision to –

(i) Write-off non-accrual credits, in which case previously established specifics get reversed and written-off as a component of loss experience *(see Section II)*.

(ii) Realize losses on credits being reclassified to restructured from non-accrued status in the reporting period *(same process, see Section II)*.

The end of period balance of specific provisions is derived by adding gross new specific provisions to the opening balance for the reporting period and deducting specific provision reversed in the period. The difference in the opening and closing balance is "net new specific provision" for the period, carried to "loss experience" *(see Section II)*.

II LOSS EXPERIENCE

The loss experience is the amount charged to the Allowance for Credit Losses *(see Section III)* derived as follows –

- **Net new specifics** – Net change in specific provisions outstanding for the period *(carried forward from Section I)*

- **Plus: Direct write-offs** – Write-offs in the reporting period where specific provisions proved inadequate or had not previously been established.

- **Less: Recoveries** - These are gross amounts recovered in the reporting period, usually on credits written-off in prior periods.

In some reporting periods, the amount recovered will exceed the aggregate amount of write-offs; hence, a _net recovery_ is reported and credited to the Allowance for Credit Losses.

III ALLOWANCE FOR CREDIT LOSSES *(RESERVE)*

The balance in this reserve account will usually exceed the balance of specific provisions derived in Section I with the excess amount attributable to general provisions for inherent but unforeseen losses on performing credits.

The provision for credit losses is an operating expense charged against earnings, and hence will vary over time according to the need for increasing the allowance fro credit losses *(reserve)* balance. As indicated in Annex A, the balance in the reserve will be reduced when a bank records a loss experience in any reporting period *(see Section II)*. Also, growth in the credit portfolio will increase the need for reserves, if for no other reason than to ensure that the balance is adequate to absorb anticipated but undetected loss exposures. As a result, the provision for credit losses charged against earnings would over time tend to exceed loss experience per se.

Estimating the provision for credit losses is important for setting the operating budget each year, in which case adjustments in the provision expense are often needed in the final quarter, contingent on the accuracy of the amounts budgeted. Alternatively, some banks conduct frequent credit review in the course of a year and revise projected annual loss experience and portfolio growth on a regular basis, in which case the provision for credit losses would be less predictable as between quarterly reporting periods.

ANNEX B

RETURN OF NON-ACCRUAL CREDITS OUTSTANDING

Annex B is an inventory of large non-accrual loans and advances as at each calendar quarter-end. It also registers specific provisions and asset classification standards applicable to each credit listed.

Customer listings are required for Annex B, as indicated by the sub-totals. List all such non-accrual credits where the reporting bank's exposures to the customer are 5% or more the reporting institution's capital.

The sub-totals in Annex B reflect the classification and provisioning standards used for supervisory purposes, as explained in the introductory note to Instructions 6.

ASSET CLASSIFICATIONS

The last three columns of Annex B provide for reporting the _classification severity_ for each non-accrual credit listed.

Unless/until notified otherwise, such classifications should reflect the reporting institution's internal standards. Where the reporting institution's classifications differ from the supervisory definitions *(sub-standard, doubtful or loss)* in the introductory note *(page 2)* for these instructions, change the classification heading as necessary and provide explanatory note*(s)*.

NON-ACCRUAL CREDITS

The customer listings *(over 5% of capital)* are grouped according to time bands identifying the period expired since the non-accrual classification was initially recorded in the books.

The first sub-total in Annex B is *"newly classified"* exposures. These are credits so classified in the current 3 months reporting period, which will usually be transferred from performing status. However, credits reverting from _restructured status_ will periodically feature in the sub-total and per Annex B note 2 are to be identified.

*Entries on the "other to balance"* lines are balancing amounts attribution to non-accrual credit sub-totals. Aggregate non-accrual credits outstanding and related information is reported at the foot of Annex A on the line for *"totals"*.

The Annex B column headings identify the reporting institution's inventory of _*non-Accrual Credits*_ as follows –

- **Customer's Name** – The Dalasi amount of the customer reporting threshold is to be entered in Note 1 of Annex B.

  In the case of a restructured credit returning to non-accrual status, indicate by means of an asterisk next to the customer's name *(see note 2)*.

- **Principal Outstanding** – This is the amount of non-accrual principal outstanding by customer grouped to derive the indicated sub-totals (4) and in totals.

SPECIFIC PROVISIONS

The next two columns record the amount of *Specific Provisions* outstanding on each non-accrual credit listed in Annex B, and any net change *(additions or reversals)* for the 3 months reporting period.

Total specifics should correspond with Annex A.

ANNEX C

RETURN OF MEMORANDA ACCOUNT INTEREST ADJUSTMENTS FOR NON-ACCRUAL CREDITS

Annex C identifies interest adjustments that apply for credits placed in non-accrual status and is to be submitted on a calendar quarter basis. The customer listings are identical with Annex B.

MEMORANDA ACCOUNT

Entries affecting the Memoranda Account are needed for surveillance of non-accrual credits, because

(i) The accrual and capitalization of interest is not recognized in accounting for non-performing credits *(Guideline 5, paragraph 6)*. Instead, unpaid interest on non-accrual credits is recorded in a Memoranda Account;

(ii) Any payments made subsequent to a credit being classified as non-accrual are initially applied to eliminate any write-off that has been recorded by a credit to loan loss experience *(recoveries),* and/or in the case where a specific provision applies, credit principal *(specific reversal)* up to the amount of the specific provision *(Guideline 2 paragraph 16)*; and

(iii) When the pre-existing write-offs and specific provisions have been fully extinguished, credit income on a cash basis until the indebtedness meets the fully current criterion for returning to performance status *(Guideline 2 Paragraph 12(i))*.

The first 4 columns of Annex C derive the balance in the Memoranda Account. Thus, the closing balance is obtained as follows –

(i) **Opening balance** - Accumulated unpaid interest arrears brought forward from the prior reporting period on all non-accrual credits outstanding at the last quarter-end.

<u>PLUS</u>

(ii) **Interest reversals** – When a credit is initially classified as non-accrual *(in annex C – current 3 months reporting period)*, previously accrued but uncollected interest is reversed out of income *(Guideline 5, paragraph 14)*. Reversals will apply for newly classified non-accrual credits coming from performing status *(Guideline 5, paragraph 9)*. There should not be interest reversals on credits reclassified to non-accrual from restructured status, as interest on such credits is recognized when ```received, ie, on a cash basis *(Guideline 5, paragraph 21)*.

PLUS

(iii) **Interest arrears for current 3 months** – This is the amount contractually past due for the 3 month reporting period on all non-accrual credits.

EQUALS

(iv) **Closing balance** – For newly classified non-accrual accounts, the closing balance will be the sum of reversals *(Column (ii) plus Column (iii))*. For all other non-accrual accounts, the closing balance will comprise of arrears *(Column (iii))* for the current 3 month reporting period plus the opening balance carried forward *(Column (i))*.

SUBSEQUENT PAYMENT

"Subsequent Payments" are payments received after a credit has been classified to non-accrual status, and usually reflect funds coming from the customer or from disposition of security or on the customer's behalf by third parties.

Subsequent payments are first applied to reinstate principal and can only be credited to income on a cash basis when all prior (i) write-offs and (ii) specific provisions have been extinguished, as explained in the introductory notes pertaining to memoranda account entries.

Subsequent payments in Annex C are unlikely to apply for newly classified non-accrual credits. Rather, any subsequent payments in Annex C tend to be associated with aging non-accrual credit, and will usually be applied to reinstate principal.

ANNEX D

RETURN OF RESTRUCTURED CREDITS OUTSTANDING

Annex D provides exposure and income recognition information on all restructured credits outstanding. It accordingly represents an inventory of restructured credits, similar to non-accrual credits in Annex B. The reporting threshold and frequency are the same as for Annex B.

WRITE-OFFS

Eligibility for upgrading a non-accrual credit to restructured status is contingent on *"subsequent payments"* bringing interest areas current and hence writing off any remaining specific provisions *(Guidelines 5 paragraph 18).* Write-offs are thus likely to occur on most credits transferred to restructured status in the current 3 month reporting period, and are to be reported in the first column of Annex D. The *"newly restructured"* principal *(next column)* is the amount restructured net of write-offs as applicable.

INCOME RECOGNITION

So long as a credit remains in restructured status interest income is recognized on a *"cash basis"*, thus being included in income when paid *(Guideline 5, paragraph 21(i))*. The columns for monitoring income recognition in Annex D are –

- **Principal Outstanding** – Includes the balance of each account above the reporting threshold that is outstanding at the reporting date. Balance transferred in the current 3 months reporting period is net of write-offs recorded in the first column.

- **Interest *(3 months)* –** Amount of interest payments received and included in income on a cash basis for the 3 months reporting period.

- **Percent rate *(annualized)*** – Actual yield on each restructured credit in the current reporting period *(3 months)*. The yield is to be calculated by dividing cash payments received *(annually)* by the average principal outstanding for the 3 months reporting period.

SECURITY VALUE

Indicate estimated value of collateral held as security or amount committed by third party guarantor. Where there is no such security or guarantee, indicate *"none"*.

Under *"Description"* briefly describe the type of security held *(ie, residence, office building, marketable securities, etc)* and/or the name of the guarantor, as applicable.

The sub-totals in Annex D highlight performance characteristics as follows –

(i) **Newly restructured** – Include credits restructured in current 3 months reporting period.

(ii) **Meeting restructured terms** – These will mainly be restructured in credits over the previous 9 month period, since those meeting their contractual obligations for 1 year are eligible for transfer to performing status *(Guideline 5, paragraph 19)*.

(iii) **Not meeting terms** – These will usually be restructured credits in arrears on interest for a short period, since they return to non-accrual if 3 months in arrears *(Guideline 5, paragraph 20).*

(iv) **Other *(to balance)*** – Enter amounts to obtain subtotals under applicable columns to reconcile with total restructured credit information.

ANNEX E

RETURN OF RECLASSIFICATIONS TO PERFORMING STUTUS AND WRITE-OFFS

Annex E completes the picture for reduction in non-performing credits. It records reductions in –

(i) Non-Accrual Credits due transfer to performing status; or
(ii) Write-offs; and
(iii) Likewise, for Restructured Credits

The only other reductions that can occur for Non-Accrual credits is due being reclassified to Restructured *(see Annex D)*. In the case of Restructured Credits, poor performance result in their being relegated back to Non-Accrual status *(see Annex B).*

The Annex E reporting form is simple, in essence requiring account listing above the reporting threshold of credits transferred to performing status or written-off in the 3 month reporting period. It is to be filed with the other non-performing credit returns on a calendar quarter basis.

Eligibility for transfer to performing status is –

(i) **From Non-Accrual** – being current on principal and interest and where management is confident the credit will be honoured in full *(per guideline 5, paragraph 12(i))*.

(ii) **From Restructured** – have met debt service requirements on timely basis for one year and where management is confident the restructured debt terms will be honoured in full *(per Guideline 5, paragraph 19))*.

The *"Other to balance"* entries applicable for sub-totals in Annex E is to record *aggregate transfers less than the reporting threshold* from (i) Non-Accrual and (ii) Restructured.

Amounts entered as Write-Offs in Annex E are –

(i) **From Non-Accrual** – if Management decides the likelihood of collection is improbable, the debt should be written-off. Uncollectible debts should be promptly recognized, and must be written-off within 2 years of being classified non-accrual *(Guideline 5, paragraph 12(iii))*. Partial write-offs may be registered by Management within the 2 year period, but the more normal practice is to increase specific provisions prior to the write-off decision being taken.

(ii) **From Restructured** – Likely to be very rare, since restructured credits are automatically relegated back to non-accrual status if interest becomes 90 days past due *(see Annex B).* Management's own standards, however, can be more exacting.

INSTRUCTIONS 7

CAPITAL ADEQUACY RETURNS

PURPOSE

Guideline 2 *"Definition of Capital for Purposes of Measuring Capital Adequacy"* defines the components of capital to be used for measuring capital adequacy, and how the minimum capital adequacy ratio is measured for supervisory purposes. Instructions 7 explain reporting requirements for supervisory monitoring of the capital ratio set for banks operating in The Gambia.

STATUTORY

The BA 2009 section 18 requires the Central Bank to set minimum capital adequacy standards for banking institutions operating in The Gambia. As defined in Guideline 2 and amplified by these instructions, the minimum capital ratio is ***10%***, which is to be attained and remained in effect until notified otherwise.The capital adequacy ratio is calculated on the following basis –

NUMERATOR: Primary Capital plus Supplementary Capital in aggregate *(Annex A)*

DENOMINATOR: Assets plus *"Contra Account"* in aggregate *(Annex B)*

FREQUENCY/SUBMISSION DATE

Calendar quarter – within 21days of each quarter end.

RECIPIENT

Director, Financial Supervision Department.

SIGNING AUTHORITY

The completed return is to be signed by the Chief Executive of the institution concerned or in his absence, the officer deputizing, certifying the accuracy of the information being submitted.

INTRODUCTORY NOTE ON INTERNATIONAL AND DOMESTIC BANK CAPITAL RATIOS

The capital definitions in Guideline 2 are consistent with the standards conveyed in the Bank for International Settlements *(BIS)* paper *"International Convergence of Capital Measurement and Capital Standards"* published in July 1988. However, for banks operating in The Gambia, full capital backing for asset and other contingent risk exposures in the denominator is required.

The *"risk-based"* capital ratio per the BIS formula has been adopted by leading International banks and their supervisors, and has had the intended effect of equalizing capital requirements for diversified banks with cross-border operations.

The contrast, financial institutions confined to regional markets generally have more pronounced asset concentration risks.[21]

[21] **There are three types of domestic concentration risks (i) Geographic concentrations for financial institutions that derive a significant portion of their business from a non-diversified market;(ii) Credit concentrations where large credit exposures have a common susceptibility to external economic factors and (iii) Business concentrations when a significant portion of revenues come from a limited number of products or serves**

Annex A

The reporting requirements for this annex are as provided in Guideline 2.

ANNEX B

ASSETS/OFF-BALANCE SHEET EXPOSURE *(CAPITAL RATIO DENOMINATORS)* AND CAPITAL RATIOS

Annex B is to derive capital ratios consistent with Guideline 2, as well as risk-based capital ratios comparable with international banks.

Annex B lists assets and off-balance sheet components of the denominators for the capital ratios. That also provides weighting criteria for each component for deriving risk weighted capital ratios.

Information in Annex B is to be submitted with Annex A at the end of each calendar quarter.

CAPITAL ADEQUACY RATIO FOR SUPERVISORY PURPOSES

The object of Annex B is to derive the *"Capital Adequacy Ratio"* and, compare against prior submission, to monitor changes in capital and risk exposures causing fluctuations in the ratio between reporting periods. The ratio, expressed as a percentage, is calculated as follows –

Primary *(Tier 1)* Capital PLUS Adjusted Supplementary Capital *(per Annex A)*

DIVIEDED BY

Assets Net of Allowance for Credit Losses PLUS "Contra Account" Contingencies *(see Note 4 overleaf)*

The current minimum target for this ratio per Guideline 2 paragraph 17 is 8%.

The *"Primary Capital Ratio"* is calculated on the same basis, but excludes Supplementary Capital from the numerator. This and the ratio of *"Tier 1 Capital to Adjusted Capital"* are also used to monitor capital adequacy trends for supervisory purposes.

RISK WEIGHTED CAPITAL RATIOS

Two risk weighted capital ratios are highlighted in Annex B, one similar to the ***Capital Adequacy Ratio*** and the other to the ***Primary Capital Ratio***. These are being monitored for informational purposes as explained in Guideline 2 paragraph 18.

In common with the "***Primary Capital Ratio"*** previously described, the ***"Risk weighted Tier 1 Capital Ratio"*** excludes Supplementary Capital. The companion ration ***"Risk Weighted Adjusted Capital Ratio"*** is expressed as a percentage as follows –

Adjusted Capital *(per Annex A)*

DIVIDED BY

Risk Weighted Assets PLUS risk weighted Off-Balance Sheet Exposures
(per Annex B)

The risk weighting percentage applied to asset and off-balance sheet components indicated on Annex B are in close accordance with those bases on risk weighted assets.

OTHER EXPLANATORY NOTES FOR COMPLEMENTING ANNEX B

1. **Assets** – The asset reference are to the assert section of Instruction 1, whereby *"risk weighted assets"* amounts can be obtained from the quarter-end balance sheet. The component groupings however, derive from the weighting criteria. As a result, the references tend not to be precise ie, Government Securities *(Asset 4(a)(i) and (ii)*) at zero weight and other securities *(Other Asset 4)* at standard 100% weight.

2. **Risk Weights** – Per the foregoing text, the risk weightings in Annex B are applicable for the risk based ratios *(see notes 3 and 4)*.

3. **Off-balance Sheet Denominator Components** – All the off-balance sheet component balances are to be recorded in the *"risk weighted assets"* column, per the definitions and amounts reported in the quarter-end Addendum to Instructions 1.

4. **"Contra Account" Amount** – A separate line is provided in Annex B for the aggregate *"risk Weighted assets"* contra account balance. This is the amount representing off-balance sheet exposure *(reference Guideline 2 paragraph 15)* to be added to *"risk weighted assets"* to obtain the denominator of the basic supervisory capital ratio. The Addendum to Instructions 1 reconciles *"contra account"* components within the total of Off—Balance Sheet exposures.

5. **Ratios** – All ratios are to be calculated to one decimal place, based on *"as at"* data. Average capital ratios are calculated separately for supervisory monitoring purposes.

ANNEX B

REPORTING INSTITUTION:……………………………..

ASSETS AND OFF-BALANCE SHEET EXPOSURE *(CAPITAL RATIO DENOMINATORS) IN DALASIS THOUSANDA AND CAPITAL RATIOS*

AS AT ……….(DAY)………..(MONTH)……………(YEAR)…………

Asset Reference	**Denominator Components**	**As Reported**	**Risk %**	**Weighted Balance**
1 + 2	Cash & items in transit		0	
2(i)	Central Bank Current Account		0	
Other 2	Balances due from other banks		40	
4A9i) +(ii)	Government of The Gambia Investments		0	
Other 4	Other investments		100	
6B(i)	Govt. of The Gambia Loans/Advances		0	
Part 6	Overdrafts		100	
Other 6+5	Other loans & bills discounted		100	
7 + 9	Fix other assets		100	
	SUBTOTAL – ASSETS [22]	======	%	=======
	Documentary letters of credit		75	
	Other letters of credit		75	
	Guarantees and acceptances		75	
	Undisbursed funds on overdrafts		40	
	Other firm commitments		75	
	SUBTOTAL – OFF-BALANCE SHEET		%	
	of which – COTRA ACCOUNT[23]	__________		
	TOTAL*(S)* – RISK EXPOSURE	======	%	=======
	PRIMARY *(TIER 1)* CAPITAL RATIOS			RATIOS
	Tier 1, % Adjusted Capital			-----------%
	PRIMARY CAPITAL RATIO			________%
	Risk Weighted Tier 1 Capital Ratio			________%
	ADJUSTED *(TIER 1 PLUS ADJUSTED TIER 2)* CAPITAL RATIOS*:*			
	Capital Adequacy			-----------%
	Risk Weighted Adjusted Capital Ratio			-----------%

[22] **Assets are net of the Allowance for Credit Losses & exclude *"Contra Account"* items**

[23] **Include *"As at"* Contra Account Balance *(Guideline 2, paragraph15)***

INSTRUCTIONS 8

RETURN OF INSIDER CREDITS

PURPOSE

Banks must have internal policies for restricting the amount of insider lending, and to ensure the terms and conditions are not more favourable than for outside customers. The application of clear insider policies and regular top management scrutiny reduces the scope for insider abuses and excesses.

Insiders typically include major shareholders, directors, members of management and their related interests. These instructions explain the minimum requirement expected for internal monitoring of financial transactions for such insiders and related interests.

STATUTORY

Limits on unsecured loans to a director and to a staff member are noted in BA 2009 Section 23(1)(c). For purposes of defining related interests, BA 2009 Section 2(2) applies. Conflict of interest disclosure and related standards for directors are covered by BA 2009 Section 35.

FREQUENCY/SUBMISSION DATES

Calendar Quarter – within 21 days of each quarter-end.

RECIPIENT

Director, Financial Supervision Department.

RETURN OF INSIDER CREDITS

INTRODUCTORY NOTE –
MANAGEMENT RESPONSIBILITY AND STATUTORY REFERENCES

A key responsibility of senior Management in a bank commencing operations is to establish a system to prevent non-arms length lending and for policing insider credits. Banks are accordingly expected to have clear policies for control, approval and reporting of insider credits, to ensure the amount is being appropriately restricted and the terms and conditions are in accordance with those available for any other borrower.

Limits on unsecured loans to directors, officers and related persons are given in Guideline 6 (*paragraph 10 and 11)*

> Such statutory limitations require being amplified and strengthened for self-imposed insider credit restrictions to be effective, in particular regarding the definition of *"Insiders and their interests".*

Insiders and related interests routinely include –

1. **Major Shareholders** – shareholders that control 5% or more of the reporting institution's voting shares;

2. **Directors** – all members of the Board;

3. **Executives and officers** – any members of management; and

4. Their related interests

Section 2(3) of the BA 2009 provides a reference point for setting parameters defining *"related interests"(associations)* of major shareholders, directors or members of management of the bank. For illustrative purposes, insider lending thus applies where a director or officer of the bank has any of the following *"associations"* with the recipient of credit:

Recipient	-	**Director or Officer**
Company	-	Acts as Director or Officer Exercises direct or indirect control
Partnership	-	Participates as a partner
Family	-	Being a parent, child, brother or sister, or corresponding members of spouses family

Any Person	-	Where director or officer acts in any capacity *(defined Section 2-1)* listed in the BA Section 23(1)(c)(ii) for any *"Person"* as a director, manager, agent member or otherwise.

The return of insider credits is to ensure that a bank's self-imposed systems for controlling insider lending are consistent with the standards implied above, and ensure insider credits are being completely and regularly reviewed by top management.

Written internal policies governing insider credits are assessed in course of on-site examinations, along with the related credit granting procedures, the volume and trend of such credits, performance, adequacy of security and the existence, if any, or preferential terms.

ANNEX Z – RETURN OF INSIDER CREDITS

Annex z identifies the type of information required for supervisory monitoring purposes, and is to be submitted at the close of each calendar quarter.

The total amount of insider credit according to the bank's internal records is to be reported in Annex Z. In the case of staff below management level therefore, insider credits should be included in Annex Z on the following basis –

Secured – Secured employee lending schemes *(like housing loan programmes)* available to staff on a bank – wide basis should be recorded in total ie, reference *(title)* for each such scheme and aggregate amount*(s)* outstanding.

Any such secured loan, when it is 90 days or more in arrears, *(non-accrual)*, should be reported separately in Annex z.

Unsecured – Report all loans to non-management staff in aggregate, except for any loans in breach of the Guideline 6 (paragraph 10 and 11) and/or non-accrual loans. Unsecured staff loans that fall short in either respect should be reported individually in Annex Z.

The information in Annex Z should be accessible from the internal monitoring systems established by banks for controlling insider transactions and exposures.

THE ENSUING INSTRUCTIONS EXPLAIN
EACH COLUMN HEADING FOR ANNEX Z

(i) **Insider Names** – the insider will be a major shareholder, director or officer of the reporting institution, as previously explained. The name of such insider must be recorded when related interests have credit outstanding from the reporting institution. Related interest names are to be indicated immediately following the bank insider. *(See note)*.

(ii) **Related Interest** – the basis for determining the presence of insider linkages has been set in the FIA as per the introductory note. Where there is credit outstanding or committed, insider linkages are to be listed under the related interest column. *(See note)*.

(iii) **Type of Facility** – this column is to describe any insider credit outstanding. Loans, overdrafts and commitments to make an advance will normally be the case. However, where the insider's interest involves companies, contingent liabilities like acceptances, guarantees and endorsements, documentary credits and performances bonds may be applicable. *(See note).*

(iv) **Amount Outstanding** – derive sub-totals for each insider and related interests, based on the aggregate amount outstanding by customer. "Year- ago outstanding refer to the corresponding balances 12 months prior to the reporting date, if applicable.[24]

Bank Insider Name	**Related Interests**	**Facility**	**Amount**
Mr A D Director	-	-	-
Corporation A	CEO of Corp. A	Overdraft	500
Corporation B	50% owed by Corporation A	Term loan	2,000
Partnership C	Partner of Partnership C	Performing Bond	1,000
Corporation D	10% owner of voting shares	Discounted Bills	3,000

			ST. 7,000
Mr A F Vice President	-	Mortgage	500
Corporation E	Director of Corporation A	Acceptance	1,000
Corporation F	Father is CEO, Corporation F	Term Loan	2,000
Mr Extended Fam	Father-in-law	Mortgage	500
Mrs V P Director	Sister	Guarantee	100

			ST. 7,000

[24] **The ensuing illustration indicates the importance of clearly explained linkages of bank insiders and their "related interests" and reflects the type of information to be reported.**

(v) **Security Taken** – the type of security is self-explanatory, ie, residence, commercial property, motor vehicle etc. Estimated market value of collateral must be realistic, based on the most recent information available to the bank.

(vi) **Terms of Credit** – Indicate the percentage charge per annum on each credit outstanding, or if a floating rate the spread basis. Enter the final payment date under *"maturity".*

(vii) **Performance** – any insider credits listed in Annex A that are in arrears require a note to that effect in the final column. Indicate the number of days in arrears and any provision or write-off recorded by the bank.

INSTRUCTIONS 9

STATEMENT OF LOAN RETURNS

PURPOSE

The loan returns have historically been used for economic analysis and publication purposes. These instructions clarify content so the data can be used for supervisory purposes.

The Commercial and Personal Lending Activity *(Annex A)* is new. It provides a useful loan breakdown, as well as a basis for reconciling the remaining loan returns with loans and advances reported in the month-end balance sheet.

STATUTORY

The BA 2009, Section 24(2) authorizes the Central Bank to obtain information it requires in pursuit of its responsibilities under the Act. Instructions 9 outline the report requirements for loans and advances as follows:

Annex A	Commercial & Personal Lending
Annex C	Monthly Loans Outstanding by Major Economic Activities
Annex D	Number and Value of Loan accounts
Annex E	Security Pledged on Loans
Annex F	Lending Rates On Disbursements and outstanding

FREQUENCY/SUBMISSION DATES

Monthly - (ii) Monthly Loans Outstanding *(Annex C).*

(iii) Commercial & Personal Lending *(Annex A)*. Both returns must be submitted 15 days after month-end.

Quarterly - (iv) Number & Value of Loan Account *(Annex D).*

(v) Security pleaded on Loans *(Annex E)*.

(vi) Lending Rates on Disbursements/Outstandings *(Annex F).*

All 3 returns must be submitted 21 days following the quarter-end.

RECIPIENT

Central Bank of The Gambia, attention: Director, Financial Supervision Department. Submit in duplicate or as advised.

ANNEX A

COMMERCIAL & PERSONAL LENDING ACTIVITY

There are five loan returns. Annex A supplements information in the balance sheet on loans and advances. The remainder relates to loans and advances *"by Major Economic Activities"* .

In common with the Consolidated Statement of Assets and Liabilities *(Instructions 1),* Annex A is filed monthly. The breakdown of loans as between the banks *(Asset 6A)*, Government sector *(Asset 6B)* and private sector *(Asset 6C)* also derives from the balance sheet.

Annex A requires the reporting of gross and net loans and advances, with the Private Sector component being split between commercial and personal. It also requires Overdrafts and Mortgages be reported as free standing components.

Annex A includes disbursement/repayment *(cash flow)* information for the same categories on a monthly basis. Monthly disbursements recorded in Annex A are carried forward to Annex C, Monthly Loans outstanding by Major Economic Activity.

LOAN DEFINITIONS

Annex A distinguishes between *"commercial"* and *"Personal"* loans, whereas the emphasis in subsequent returns is on standard is on standard industrial classifications. In Annex A, the loan breakdown is –

Commercial Loans[25] – Loans and advances to corporation and other commercial enterprises where the proceeds are used for business purposes. This includes loans to *"individuals and partnerships"* where one or several individuals operating as a group use the proceeds for business purposes.

Personal Loans – Loans and advances to individuals for financing the purchase of consumer goods and services, or for purposes other than business applications.

Mortgages[26] – Conventional mortgages are intermediate to long term financing extended to individuals for purpose of acquiring residential property, including *"legal"* and *"equitable"* mortgages.

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[25] **In Annex C, individuals and partnership loans are reported under building/construction, transportation and distributive trade.**

[26] Interim construction financing is to be reported under commercial lending for *"building and construction"* purposes.

Overdrafts are reported as a separate and distinct component of the loan portfolio in Annex A, split between commercial and personal as per the definitions above.

LOAN BALANCE

The main column titles in Annex A are explained below in terms of their relationship with the month-end balance sheet *(Instructions 1)* as follows –

<u>Gross Principal</u> – Gross loans and advances are as reported in the balance sheet.

<u>Net Principal</u> – This is net of specific provisions. The footnote in Annex A is to explain any divergence from the corresponding net loans and advances *(Asset 6)* reported in the balance sheet.

<u>Specific Provisions</u> – In Annex A specific provisions are deducted from gross principal to derive net loans and advances. In the balance sheet[27], the reserve *(allowance for credit losses)* is deducted. Consequently, net principal in Annex A will equal Asset 6 in the balance sheet when total specific provisions equal the reserve balance.

LENDING ACTIVITY

Three columns in Annex A provide for reporting lending activity per se, as follows –

<u>Disbursements</u> – The reporting institution is required to record gross disbursements, namely new and increased loans and overdrafts for the month according to the categories identified in Annex A. Disbursements reported should reconcile in total with Annex C.

<u>Repayments</u> – Principal repayments on loans and advances are not recorded elsewhere in the regulatory returns, and so must come from the reporting bank's internal information system.

<u>Other, Plus/Minus</u> – Large changes in the month-end balance of loans and advances will usually be attributable to disbursements/repayments during the month. The *"other"* column is to record any other source*(s)* of increase/decrease in gross loans, for instance relating to interest payments, write-offs or other such items.

[27] **The balance in the reserve would exceed specific provisions outstanding when the reserve includes general provisions. Specific provisions are reconciled against the balance in the reserve on a quarterly basis, per Instructions 6 under Annex a.**

ANNEX B

WEEKLY LOANS OUTSTANDING BY MAJOR ECONOMIC ACTIVITY

The weekly loan return used since 1971 has been streamlined. It requires weekly reporting of loans and advances outstanding to major industries according to standard industrial classifications *(SIC)*.

ANNEX C

MONTHLY LOANS OUTSTANDING BY MAJOR ACTIVITY

Annex C is an expanded month-end version of the Annex B weekly return which is now phased out. The annex requires reporting of loans to eight identified major industries according to standard industry classifications (SIC). Banks generally base their internal systems on national SIC standards. Alternatively, international SIC codes can be used, as per: ***"The International Standard Industrial Classification of all Economic Activities***" published by the United Nations.

The ensuing loan categories are reported on a *"gross"* basis, meaning before deducting specific provisions or otherwise allocating the reserve *(allowance for credit losses). Annex C requires information regarding "purpose of Loan) which differs according to industry.* The total of loans and advance outstanding at month-end in Annex C would accordingly equal the corresponding *"gross principal"* in Annex A.

Loan Category

The eight major industries are described below, along with *"other commercial"* and *"personal"* loans:

1 **Agriculture:** Refers to the cultivation of plants and the rearing of animals. This sector includes advances extended activities such as horticulture, animal rearing, poultry, floriculture and other forms of agricultural related activity.

2

3 **Fishing: R**efers to all forms of activity related to harvesting of sea and water based life. In The Gambia, this main refers to fish, oysters and prawns.

4 **Manufacturing:** Refers to any activity that involves processing of raw materials or other inputs for purposes of producing intermediate or final goods/products.

5 **Building/Construction:** Refers to all forms of commercial real estate development, including residential property developments for resale to the public and building apartments, stores, warehouses, etc.[28]

6 **Transportation:** Refers to advance for the purchases of any form of transportation. Sea and air travel is classified under this sector.

7 **Tourism:** Refers to all activities directly related to tourism industry, including hotels, restaurants and miscellaneous other tourist related enterprises.

8 **Distributive Trade**: Refers to credit extended for importation and exportation of goods, including re-export trade and related financing associated with letters of credit.

9 **Financial Institutions:** Refers to inter-bank loans and advances and credit extended to other financial intermediaries *(Asset 6A in the balance sheet)*, and reported separately in Annex A.

10 **Other *(Commercial)***: Include all other private sector commercial loans.

11 **Other Loans & Advances**: Include personal loans/overdrafts and conventional mortgages as defined in Annex A plus any *"government sector loans and advances"* (Annex 6B).[29]

PURPOSE OF CREDIT

Annex C requires information regarding the *"purpose of the loan"* which differs according to the industry as follows –

Lending to Building /Construction, Transportation and Distributive Trade – require identifying if the loan is commercial in the sense of being:

(i) a standard commercial loan to a corporation; or

(ii) a loan to individuals/partners engaged individually or as a group in a business enterprise *(see Annex A loan definitions)*.

<u>Lending to Tourism or Manufacturing</u> – require identification of financing for:

(i) **<u>Premises</u>**: refers to funds applied for construction of a property in furtherance of the industry activity identified.

(ii) **<u>Capital equipment</u>**: finance for acquisition of equipment having a life span over 1 year for use or to facilitate production or similar services, eg generators, tractors, motor vehicles etc.

(iii) **<u>Working capital</u>**: finance applied for operations and maintenance processes.

<u>Loans to Agriculture</u> – requires being categorized according to three applications:

(i) **<u>Production</u>** – refers to the cultivation of primary products, which includes the growing of crops and the rearing of animals.

(ii) **<u>Processing</u>** – refers to the conversion of primary products into secondary or intermediate products.

(iii) **<u>Marketing</u>** – loans extended solely for the purpose of buying and selling of the primary and secondary produce.

GROSS OUTSTANDINGS

Amounts reported in the first column of Annex C are gross loans and advances including overdrafts, according to the industry breakdown and purpose of such loans.

DISBURSEMENTS

Gross disbursements are reported monthly in Annex A, including increases in overdraft usage. Total disbursements for the month should be the same in both, but Annex C requires the breakdown according to the purpose of such advances.

NON-ACCRUAL CREDITS AND SPECIFIC PROVISIONS

The amount of non-accrual loans and specific provisions outstanding at calendar quarter ends are reported under Instructions 6 on Annex B. In this regard, any significant changes in non-accruals or specifics recorded in Annex C will usually result from periodic internal credit reviews.

ANNEX D NUMBER & VALUE OF LOAN ACCOUNTS BY SECTOR

ANNEX E SECURITY PLEDGED ON LOANS BY SECTOR

Annex D and Annex E carry forward the industry breakdown explained in the Instructions for Annex C on a quarterly basis

NUMBER & VALUE OF ACCOUNTS

Annex D requires –

a) the number of loan/advance accounts; and

b) corresponding aggregate amount outstanding in each of five account size bands starting with loans/advances up to D25,000 and ending with accounts over D1,000,000.

The information is straightforward, and so requires no elaborate instructions. Total loans and advances are to be reported on a gross basis, and so will equal the amounts by industry reported in Annex C at quarter-ends.
22.

VALUE OF SECURITY

Annex E is to report the value of security held by a bank relative to gross loans outstanding. It provides for separate reporting in Part 1 of fully secured and Part 2 partially secured loans and advances. Accordingly, total loans and advances obtained by adding gross balances in Annex E would be less than the corresponding total reported in Annex D, since unsecured loans/advances are not included in the former.

Annex E requires identifying security or collateral by type and estimated value. Obtaining useful information in Annex E hinges on the demarcation as between fully secured, partially secured and unsecured loans, as follows –

Fully secured *(Part 1)* – only include loans/advances where the estimated value of collateral is equal to/or exceeds the loan principal at risk. Where the value of security exceeds the principal include only the face value of the loan. Accordingly, the estimated security value in Annex E, part 1 should equal the loan principal at risk.

Partially secured *(Part 2)* – where the estimated value of the security held by the bank is less than the loan principal at risk, it is partially secured. For purposes of Annex E. Part 2, this would apply whether the estimated security value were 90% of the loan exposure or 5%.

Unsecured – originally taken security now considered worthless or where security was never required/obtained would account for the residual portfolio of loans/advances. These unsecured credits are not reported in Annex E, but can be derived by subtracting secured plus partially-secured in Annex E from total loans for each industry group in Annex D.

TYPE OF SECURITY

Security or collateral is specific property that a borrower pledges as security for the repayment of a loan. The borrower agrees that the lender will have the right to sell such property for the purpose of liquidating the debt if the borrower fails to repay at maturity or otherwise defaults under the items of the loan agreement.

Most of the columns in Annex E are to differentiate between the various forms of collateral, guarantees or other security backing loans as follows:

Merchandise – reference is to inventories of agricultural products and miscellaneous imported products, whereby bill of sale or other form of hypothecation inventories are pledged as security.

Financial instruments – reference is to marketable securities or asset securitization pledged as backing for a loan. Hypothecation of assets owned by the borrower I the form of debentures in favour of the lender is a means of asset securitization used in The Gambia.

Real estate – includes all advances secured by real estate, including mortgages.

Guarantees – only high quality guarantees such as those of a government or by other banks are regarded as valid forms of backing on loans for purposes of Annex E.

The aggregate amounts reported in the above Annex E columns – by security type and by industry are in *Part 1* the face amount of loans 100% or more secured, and in *Part 2* the value of the security where the loan is partially secured.

ANNEX F

LENDING RATES ON DISBURSEMENTS AND OUTSTANDINGS

The format for the lending rate return remains essentially unchanged. It is filed on a calendar quarter basis and, in addition to reflecting outstanding loans according to rate bands, now includes comparable data for disbursements during the quarter.

LENDING RATES

Annex F is a ladder with 1% step, used for measuring the range of interest rates applicable to fixed rate loans –

(a) disbursed in the current quarter; and
(b) outstanding at quarter-end

In the case of floating rate loans, the reporting institution is requested to briefly indicate the basis in Note 1 of Annex F, for instance *"prime plus 2%"*. Overdraft volume and rates should be separately identified under Note 1.

OUTSTANDING LOANS AND ADVANCES

The number of accounts and aggregate loans/advances *(gross)* outstanding must agree with Annex D.

The end of period data has historically been provided in this return, whereas the information on disbursement is new.

CURRENT QUARTER DISBURSEMENTS

Gross disbursements by month are reported in Annex A and C. The total of disbursements, including overdrafts, should accordingly be readily reconciled. The number of accounts represented by disbursements in the quarter will need to be obtained from internal financial control systems.

INSTRUCTIONS 10

DEPOSIT RETURNS

PURPOSE

The deposit returns have historically been used for monitoring Demand, Savings and Time Deposits, which are Liability 4, 5 and 6 respectively in the balance sheet *(Instructions 1)*. *"Balances due other banks"* per Liability 3 are excluded for purposes of completing the deposit returns.

It is submitted on a calendar quarter basis and used for off-site surveillance and economic analysis.

STATUTORY

The BA 2009, Section 24(2) authorizes the Central Bank to obtain information it requires in pursuit of its responsibilities under the Act. Instructions 10 outline the reporting requirements for deposits.

FREQUENCY/SUBMISSION DATES

Calendar Quarter	-	Deposit Ownership and Turnover Rate *(Annex A)*
	-	Deposits by Size of Account *(Annex B)*
	-	Deposits by Rates of Interest *(Annex C)*

All 3 returns must be submitted 21 days following the quarter-ends.

RECE IPIENT

Central Bank of The Gambia, attention: Director, Financial Supervision Department. Submit in duplicate or as advised.

ANNEX A

DEPOSIT OWNERSHIP AND MONTHLY TURNOVER RATE

DEPOSIT OWNERSHIP

Part 1 of Annex A requires the bank to report the number of accounts and aggregate deposit balance for –

(a) Government entities
(b) Business; and
(c) Personal

This information is required for each category of deposits.

TURNOVER RATES

The turnover rate for each category of deposit in Part 2 of Annex A is calculated as follow: Divide *"debits"* or encashment of deposits by the average balance in each deposit category.

Annex A requires two turnover rate calculations:

Monthly	-	Divide debits for the final month of the quarter being reported by average deposits for the same month.
Annual	-	Divide total debits for the 12 months through the final month being reported by the training 12 month average deposits.

Turnover rates are expressed in multiples, carried to one decimal place. A rate of 3.0 X's thus reveals turnover of three times the balance outstanding in a given period; 0.5 X's would be a 50% turnover rate.

ANNEX B DEPOSITS BY SIZE OF ACCOUNT

ANNEX C DEPOSITS BY RATES OF INTEREST

The *"Totals"* for Demand, Savings and four categories of Time deposits record the total number of accounts and amounts; they will be the same on annex B and C. Likewise, the *"Totals"* for the three categories of deposit will reconcile with Annex A.

Annex B is to monitor deposit concentrations by type and size of deposit. Six size tranches are used, with the top bank being D1 million and over. In all categories of deposit, the bank must report the number of accounts and aggregate balances applicable.

Annex C is to monitor interest rates applicable for the same deposit categories as Annex B. Rates are month-end and can vary within each category of deposit. In the case of time deposits, for instance, rates paid for deposits originated in earlier periods may be above or below current levies. In this regard, the rate on 3 months-time deposits has in recent year been set at 3% below the Bank rate, as prescribed by the Central Bank under Section 37(1)(a) of the Central Bank Act 2005.

The deposit size *(Annex B)* and interest rate *(Annex C)* bands are subject to being changed to ensure they remain relevant.

INSTRUCTIONS 11

STRUCTURE OF BANK RATES

PURPOSE

The purpose of this return is to monitor interest rates in relation to market rates. This information is used to assess the impact of monetary policy initiatives and for analyzing profit margins of banks.

STATUTORY

The BA 2009 Section 24(2) authorized the Central Bank to obtain information it requires in pursuit of its responsibilities under the Act. Instructions 10 outline the reporting requirements for lending and deposit rates.

FREQUENCY/SUBMISSION DATES

Monthly, detailing rates applicable in each of the 4 or 5 weeks of the month reported.

RECIPIENT

Central Bank of The Gambia, attention: Director, Financial Supervision Department. Submitted in duplicate or as advised.

STATEMENT OF BANK RATES

The return reports weekly bank administered rates and represent market rates applicable at the close of business each week, not rates on an existing portfolio of loans.

Annex Z captures recent market rates for new advances and deposits. It is filed up to 5 times each month *(depending on the number of weeks in the month);* and thus can accumulate end of week rates *(Friday close)* on a month-by- month basis.

LENDING RATES

The prime rate, commercial and personal lending rates are to be reported as at the close each Friday *(or last business day of the week)*, according to the Annex Z format.

Allowance is made in Annex Z for recording commercial and personal loan rates on a fully secured and an unsecured basis. Also, overdraft rates are to be reported separately.

Lending rates for selected industries are included in Annex Z, so lending preferences can be monitored in relation to prime rate changes.

DEPOSIT RATES

The deposit rates reported in Annex Z are likely to correspond closely with the quarterly rates under Instructions 10, Annex C. Annex Z, however, will record any rate changes on a weekly basis.

Interest is not common on Demand Deposits. If interest is being paid, then footnote the basis for such payments, and conditions applicable. Likewise, if the reporting institution is offering time deposits with maturities other than those in Annex Z, indicate the rates and/or amend the form.

INSTRUCTIONS 12

STATEMENT OF UNCLAIMED FUNDS

PURPOSE

An important objective of the Central Bank as a regulator is the enhancement of transparency in the financial system in addition to the protection of depositors and creditors. The provision of a statement of unclaimed funds will assist to keep track of such funds and will facilitate the settlement to claimants. It will also be a deterrent for any fraud or misappropriation by the banks' staff familiar with the dormancy of such funds.

STATUTORY

The BA 2009 Section 66 requires all banking institutions holdings funds presumed abandoned to report to the Central Bank the amount and nature of such funds in such form and at such time as the Bank may prescribe.

DEFINITION

Unclaimed funds comprise of demand, savings or matured time deposits, together with any interest or dividend thereon, excluding any charges that may lawfully be withheld, unless the owner has, within ten years –

i) increased or decreased the amount of the deposit or presented the passbook or other similar evidence of the deposit for the crediting of interest;

ii) corresponded in writing with the financial institution concerning the deposit; or

iii) otherwise indicated an interest in the deposit as evidenced by a memorandum on file with the financial institution.

Unclaimed funds also include funds paid towards the purchase of shares or interest in a financial institution or any deposit made therewith and any interest or dividend thereon, excluding any charges that may lawfully be withheld, unless the owner has within ten years –

i) increased or decreased the amount of the deposit or present the passbook or other similar evidence of the deposit or shareholding for crediting of interest or dividend;

ii) corresponded in writing with the financial institution concerning the deposit, shareholding or any other claim; or

iii) otherwise indicated an interest in the deposit or shareholding as evidenced by a memorandum on file with the financial institution.

Also included in the unclaimed funds are funds or other personal properties tangible or intangible, removed from the safe deposit box or any other safekeeping facility on which the lease or rental period has expired due to non-payment of rental charges or other reason, or any surplus amounts arising from the sale thereof pursuant to law, that have been unclaimed by the owner for more than ten years from the date on which the lease or rental period expired.

Notwithstanding the provisions of Section 60 of the Banking Act (BA) 2009, funds are presumed abandoned if there are no "movements" in the account. For the purpose of Instructions 12, "movements" refer to any of the following transactions initiated by the customer:

- lodgment of funds into the account
- withdrawal of funds from the account under genuine instructions of the account holder or his/her representative

In the same vein, the following activities are not recognized as "movements" in the account:

- crediting of account with interest income not initiated by the customer
- debiting of account with interest charges, ledger fees or other form of expenditure not initiated by the customer
- movements effected electronically, either due to change over to a new IT system or switch to a new software.

FREQUENCY/SUBMISSION DATE

The statement of unclaimed funds is to be submitted annually within 21 days after the end of each year.

RECEIPIENT

Central Bank of The Gambia: Financial Supervision Department.

SIGNING AUTHORITY

The completed statement is to be signed by the Chief Executive of the reporting institution or in his absence, the officer deputizing, certifying as to the accuracy of the information being submitted.

CONTENTS

Instructions 12 is divided into two Annexes:

Annex A- Report of Unclaimed Funds Adjustments

Annex B- Report of List of Unclaimed Funds

ANNEX A

REPORT OF UNCLAIMED FUNDS ADJUSTMENTS

The reporting of unclaimed funds in Annex B of Instructions 12 is subject to errors if there is no mechanism for monitoring the changes from one period to the other. The data requested in Annex A is designed to eliminate the possibility of errors, and to establish a link between data for the past and subsequent periods as explained in the following sub-heads:

Opening Balance / Balance Brought forward

The opening balance of this Annex shall be the closing balance of the previous reporting period.

Newly classified Accounts

Accounts that have been presumed abandoned during the reporting period, as per the criteria under Section 66 of the BA 2009, are listed separately in the first part of Annex B. The total of these accounts is reported as "Newly Classified" in this part of Annex A. The amount of newly classified accounts is added to the opening balance to determine changes in the overall unclaimed funds during the period.

Payments

This refers to accounts that have graduated from the unclaimed funds status, having been transferred/paid to Government account through the Central Bank, pursuant to the provisions of Section 66 of the BA 2009.

Other movements

Report in this part any other entries in the accounts which do not qualify for inclusion in any of the above. For example, correction of account balances which were previously under or over stated or other changes as may be appropriate. The "other movements" may be added/deducted to/from the amount of unclaimed funds, if the balance is positive/negative respectively.

Closing balance

The closing balance, also referred to as the balance carried forward is determined from adjustments of the above, and is the opening balance of the following reporting period. The balance must reconcile to the total unclaimed funds reported in Annex B.

ANNEX A

REPORT OF UNCLAIMED FUNDS ADJUSTMENTS

REPORTING INSTITUTION ....
YEAR ENDED ....

OPENING BALANCE/BALANCE BROUGHT FORWARD	**..................**
Add: Newly classified accounts	....
Less: Payments	....
+ / - Other movements (see notes above)	....
CLOSING BALANCE	

ANNEX B

REPORT OF LIST OF UNCLAIMED FUNDS

EXPLANATORY NOTES

Annex B is a list of all the unclaimed funds, which is sub-divided into two parts; newly classified and previously classified. Report in this Annex B the list of each item, such as the list of newly classified unclaimed funds, list of payments, list of previously classified unclaimed funds etc. The sub-total of each list must be computed for use in the completion of Annex A (Report of Unclaimed Funds Adjustments). Each list must contain customer account details, as well as the date of last movement.

NEWLY CLASSIFIED

The top part of this Annex is a list of the newly classified unclaimed funds on an individual basis.

Newly classified unclaimed funds are recorded under the balance carried forward, as they cannot have an opening balance nor paid to government account. Other movements involving newly classified unclaimed funds are recorded in the appropriate column, where all names must be listed.

PREVIOUSLY CLASSIFIED

The bottom part of Annex B is a list of unclaimed funds classified during the past years but which either moved out or remains in that category during the reporting period.

Previously classified accounts must have a balance brought forward, while changes during the reporting period are recorded either under the payments column[30] , or under the "other movements" column (*See below*). In each case, the accounts must be listed in Annex B.

REPORTING OF BALANCES

Columns 5, 6, 7 and 8 of Annex B are used for reporting the Balance Brought Forward, Payments, Other Movements and Balance Carried Forward respectively:-

BALANCE BROUGHT FORWARD

[30] **Where they remain in the unclaimed funds status**

The balance brought forward shall be the closing balance of the previous reporting period for individual accounts.

PAYMENTS

The payments column refers to the list of funds transferred/paid to Government account out of those previously classified. Such payments are made through the Central Bank in accordance with Section 66 of BA 2009. Report under this column any amounts paid, while indicating the list of names concerned.

OTHER MOVEMENTS

This refers to the list of all other changes in the classified status of unclaimed funds, other than payments/transfers to government account. It includes declassification of accounts back to active status, correction of errors and any other changes as may be necessary.[31]

BALANCE CARRIED FORWARD

The balance carried forward is made up of the opening balance, plus the newly classified, less payments +/- other movements to arrive at the total unclaimed funds. This must reconcile with the closing balance in Annex A.

DATE OF LAST INCREASE/DECREASE

The last column of Annex B records the date of last "movement" in the account, where the term "movement" is as defined in this Instruction. Movements include transactions initiated by customers, but exclude the crediting of interest or deduction of ledger fees as executed unilaterally by the bank.

[31] **Please provide footnotes justifying such movements where necessary.**

INSTRUCTIONS 13

RETURN OF FEES AND CHARGES LEVIED BY BANKS

PURPOSE

The stability of any Financial System rests on the confidence the stakeholders have in it. As a result, the Central Bank has the obligation not only to build confidence in the system but to maintain it. The publication of the fees and charges levied by commercial banks by way of public information will improve upon the transparency in the system and will enhance confidence and competition in the industry.

STATUTORY

The BA 2009 under Section 24(2) empowers the Central Bank to request for any information that it deems necessary. The information shall be submitted to the Central Bank of The Gambia and a copy exhibited in the public part of each of the places of business in The Gambia.

FREQUENCY/SUBMISSION DATE

Quarterly *(March 31, June 30 September 30 and December 31)* – within 15 days after the last business day of each quarter.

RECEIPIENT

Central Bank of The Gambia, attention: Director, Financial Supervision Department – submitted in duplicate or as advised otherwise.

SIGNING AUTHORITY

The Chief Executive of the institution concerned must sign the completed return, or in his absence, the offer deputizing, certifying the accuracy of the information submitted.

It is the duty of banks to disclose to the general public, the fees and charges that are levied on all forms of services. Such fees and charges are numerous, considering the diverse nature of banking. In light of this, Instructions 13 seeks to highlight the key areas of banking business in this country, not withstanding the importance of other areas in which charges are levied.

Certain types of fees and charges have been selected from these areas, which banks are required to report to the Central Bank, as well as display a copy in a public place within the bank's places of business. Such information is to be reported on a quarterly basis as per Annex A of this Instruction. As in other parts of the Manual of Guidelines and Instructions, Annex A shall be subjected to constant review, and where necessary, amendments shall be made. The Central Bank shall communicate such amendments to all the banks, as and when appropriate.

Annex A

RETURN OF FEES AND CHARGES

DEFINITION OF TERMS

1 **Current Accounts**

Debit Interest

Interest income earned by the bank as a result of lending to the customer. All accounts in debit positions attract such interest. Such interest is charged on overdrafts, unauthorized overdrawn balances, loans, etc.

Ledger Fees

Charges levied by banks on their customers for transaction cost associated with the maintenance of a current account.

Charge for Cheques Dishonoured

Charges levered by paying banks on customers for drawing cheques on such banks, in favour of third parties without adequate funds in the account.

Certified Cheques

These are bankers' cheques drawn on behalf of customers for the settlement of transactions.

2 **Loan Accounts**

Arrangement Fees

Fees payable by the customer to the bank, in compensation for the man-hours and other resources spent during the initial negotiation of a loan facility.

3 **Fixed Deposit Accounts**

Minimum Balance Charge

The charge levied by a bank on customers not complying with the minimum balance requirement for fixed deposit account holders.

Penalty on withdrawal

Regulations governing the operation of fixed deposit accounts required a fixed period of maturity. Any violations of this requirements through withdrawal before the maturity date, is punishable by a financial charge, as may be specified by the bank.

4 Savings Account

Commission on Account Closed

Commission payable by customers for closing their accounts. In some cases, this may be a charge for closing an account within 3 – 12 months of opening. This amount is deductible automatically from the customer's credit balance prior to the closure of the account.

Minimum Balance Charge

The charge levied by a bank on customers not complying with the minimum balance requirement for savings deposit account holders.

5 Clean Payments and Cheques Purchased Outward Remittances

Handling Charge

Bank charges for effecting the remittance of funds out of the country on behalf of its client. Handling charges may include cost of initiating the transfer, and processing it up to the end. Handling charges must be published for all forms of remittances.

Handling Charge *(if applicable)*

In addition to the handling charge, clients may be required to pay for the telex/communication cost during the remittance of funds.

Foreign Cheques Purchased

Handling Charge

Charges for initiating the transaction of buying a foreign cheque from a customer, the processing of such cheque *(eg sending it to the issuing bank for collection)*, up to the payment of the value of such cheque to the customer in local.

6 Postage

The cost of posting details of a transaction to a correspondent bank or a third party.

7 Documentary Credits

Establishment Fee

Charge payable by the customer for entering into negotiation with the bank regarding the terms and conditions of a Letter of Credit *(L/C)*. Establishment fee may also be payable on expiry of the LC, which is subject to renewal by the bank.

Amendment Fee

Fee paid for seeking alterations to the terms and conditions governing the operation of an L/C facility with the bank.

Amendment Fee *(Discrepancy Advice)*

Fee payable to the bank either for making alterations to the terms of the L/C on request, or in correction of a discrepancy in the terms and conditions of the L/C.

8 Cheques sent for special Presentation

Fee is payable for the collection of funds, by a bank, on behalf of its customer within specially agreed conditions to be fulfilled by the bank.

9 Guarantees

Like L/C, banks may give an undertaking to effect payment on behalf of the customer if he/she fails to execute his/her part of a contract. The bank in effect enters into a bond and is liable upon default by the customer. Various types of commissions may be payable to the bank for granting such facility, as well as commission for re-bonding plus charges on outstanding bonds and guarantees.

10 Travellers Cheques

Commission is payable to the bank for issuing travellers cheques to its customers which may be sent back for collection from the bank at a later date.

Annex A

FINANCIAL INSTITUTION:....................................

<u>RETURN OF SELECTED FEES AND CHARGES BY BANKS</u>
FOR THE QUARTER ENDED...............(Day).........(Month)............(Year)

DETAILS	RATE/AMOUNT
CURRENT ACCOUNTS ▸ Debit Interest ▸ Ledger Fees ▸ Charge for Cheques Dishonored ▸ Certified Cheques	
SAVINGS ACCOUNTS ▸ Commission on Account closed ▸ Minimum balance charge	
FIXED DEPOSIT ACCOUNTS ▸ Minimum Balance Charge ▸ Penalty on withdrawal before mandatory notice	
LOAN ACCOUNTS ▸ Debit interest ▸ Arrangement fees	
INWARD / OUTWARD COLLECTIONS ▸ Commission	
OUTWARD REMITTANCES / DRAFTS ▸ Handling and Telex Charges ▸ Postage and handling charges	
STANDING ORDERS ▸ Payments to beneficiaries	
TRAVELLERS CHEQUES ▸ Commission	

DETAILS	RATE/AMOUNT
OUTWARD / INWARD LETTERS OF CREDIT ▶ Establishment Fee ▶ Amendment Fee ▶ Negotiation Commission	
GUARANTEES ▶ Commission ▶ Charges on outstanding bonds and guarantees	

INSTRUCTION 15

FOREIGN CURRENCY RETURNS

The Central Bank of The Gambia (CBG) under Section 71 of the Banking Act (BA) 2009 is empowered to prescribe Guidelines and Instructions for the monitoring of banking institutions. Guideline 7- "Prudential Guidelines on Foreign Currency Deposits and Related Transactions" explains the purpose of the ensuing foeriegn currency transaction returns.

The revised Instructions 15 is now streamlined into three annexes as follows:

ANNEX C: **MONTHLY RETURN OF FOREIGN CURRENCY DEPOSITS**

ANNEX D: **WEEKLY RETURN ON CURRENCY DISTRIBUTIONS OF FOREIGN EXCHANGE POSITION**

ANNEX E: **QUARTERLY RETURN ON FOREIGN CURRENCY POSITION**

Annexes A and B of the instruction is now dropped since the information so provided can be obtained from the other annexes.

Frequency/Submission date

Annex C and D are to be submitted on a monthly basis within 15 days after the end of each month

Annex E must be submitted within 21 days after each quarter end

Recepient

Director, Financial Supervision Department

Annex C: Monthly Return of Foreign Currency Deposits

This return will show FCDs by class and in total. It will enable differentiating FCDs from Local Currency Deposits (LCDs) in total deposits reported in the monthly balance sheet. The report will be in four main parts:

- Demand Deposits
- Savings Deposits
- Time Deposits
- Total Deposits

It will provide better understanding and an in-depth analysis of total deposits in the balance sheet. It will also enable the Economic Research Department to arrive at a new monetary aggregate, which will consist of FCDs among other things. The return will be submitted as an annex to the monthly balance sheet.

ANNEX D: WEEKLY RETURN ON CURRENCY DISTRIBUTIONS OF FOREIGN EXCHANGE POSITION

Every authorised financial institution shall submit to the Central Bank a monthly return, a copy of which is attached as **Annex D** not later than one week after end of month in reference. The report is intended to determine the level of foreign exchange exposure according to currency distributions.

This return is a detailed statement of foreign assets and liabilities by currency. The currencies listed in this return are the approved currencies under Instructions 4 (Statement of Liquid Assets). The "Other" category is to cater for the grouping of all other foreign currencies not listed above. As per Page 8 of Guideline 7, individual currency positions are subject to a limit of 15% of the bank's adjusted capital.

ANNEX E: QUARTERLY RETURN ON FOREIGN CURRENCY POSITION

Every authorised financial institution shall submit to the Central Bank a quarterly report, a copy of which is attached as **Annex E** by one month following the quarter under reference. The report is intended to capture the flows of foreign exchange and determine foreign exchange holding of banks.

The return is in three main parts. The first part details the overall purchases of foreign currency made during the month as well as the deposits collected from customers. It captures the entire inflow of foreign currency from all sources, including foreign direct investment.

The second part deals with the outflow of foreign currency from the bank i.e. sales of foreign currency to the Central Bank, other domestic banks, exchange bureaux and the rest of the public. It also captures the withdrawal of foreign currency by customers from FCD accounts.

The opening balance is added together with the purchases/deposits, which is then netted off against the sales/withdrawals to arrive at the closing balance. This gives the overall foreign currency position of the bank as at the reporting date.

The last part of the return is a list of account balances as at the reporting date. This must reconcile with the closing balance at the end of the second part.[32]

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[32] <u>*NOTE*</u>

In addition to the above periodic returns, the Central Bank may carry out on-site inspection of foreign exchange businesses of authorised financial institutions to monitor compliance with these guidelines.