

- **Rules and Guidelines: Volumes- 1, 2, 5 and 6.**

PART A

PRELIMINARIES

SECTION 01 - SCOPE

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CENTRAL BANK OF THE GAMBIA

RURAL FINANCIAL OPERATIONS

Rules and guidelines on policies and procedures

Volume One: Macro-policies

Part A. Preliminaries

01 Scope

- (1) These rules and guidelines are pursuant to the provisions of the Financial Institutions act (FIA) 1992. Availability of adequate and efficient financial services to the rural community is an indispensable requirement in the economic development of The Gambia and accordingly financial institutions shall endeavor to extend financial services in different forms directly or otherwise to the sector. These policy rules and guidelines are intended to enhance the development of viable and stable rural financial institutions and thereby strengthen their effectiveness and the quality of the financial services required to meet this development objective. They are not, in any way, meant to replace the provisions of FIA (1992) but to provide interpretation to and articulation of government macroeconomic policies with regard to rural financial services. Should any of the provisions be in conflict with any of those of the FIA (1992) or macroeconomic policies that of the latter two shall prevail.

02 Interpretations

- (1) Unless otherwise specified or the context requires, the terms used in these macro-policy rules and guidelines;
 - (a) "Bank" means the Central Bank of The Gambia;
 - (b) "Financial service" means savings and credit business or "banking business as provided in subsection 2 (1) of FIA 1992;
 - (c) "Credit institution" means the definitions stated in subsection 2 (1) 3 (4) of FIA 1992 and which may be owned and self-managed by a rural community or person.
 - (d) "Person" means any company of association or body of persons, whether or not incorporated.
 - (e) "Deposit" means the definition stated in subsection 2 (1) of FIA, 1992;
 - (f) "Rural financial institution" means the definition stated in subsection 2 (1) of the FIA,
 - (g) "Rural financial intermediary" means financial institution whose sole business objective is the provision of rural financial services;
 - (h) "Licensed or registered financial institution/intermediary" means financial institution/intermediary registered or licensed by the Central Bank under the provision of FIA, 1992;
 - (i) "Prescribe" means the definition stated in subsection 2 (1) of the FIA, 1992;
 - (j) "Minister" means the Minister responsible for the administration of the Financial Institution Act 1992.

PART B POLICIES

SECTION 03

PRUDENTIAL RULES

PART B POLICIES

03 – PRUDENTIAL RULES

- (1) Rural Financial system and markets are opened to non-bank financial intermediaries. Viability, sustainability and affordability of the financial services they provide shall constitute the major operational requirements.
- (2) Rural financial operations by way of receiving deposits and/or extending credit, at all levels, are to be undertaken only by registered or licensed financial institutions.
- (3) The market principle shall apply in all cases in the business of resource mobilization and distribution.
- (4) Savings mobilization is an obligation of all financial institutions. (In this context promotional activities by apex or fiduciary institutions will serve the course of “obligation”).
- (5) No person shall use credit or a supply driven approach as the sole entry point to the rural financial markets.
- (6) Full range of financial services must be offered in terms of credit cover to include agricultural and other rural income generating activities to the rural population, especially the poor and disadvantaged groups and in doing so, fungible usage of funds shall be observed.
- (7) The viability and profitability of any activity to be funded should be established before credit is extended for it.
- (8) The grassroots community would be integrated into the financial system through their direct participation in the planning, organization, ownership, management and control at the grassroots level; and that women and other vulnerable groups shall have equal opportunities in the affairs of such micro-financial institutions.
- (9) Provision of appropriate and adequate training opportunities shall remain an indispensable and continued requirement of all rural financial institutions and this will serve as a condition for the grant of authority to undertake rural financial operations.

- (10) Rural financial institutions shall maintain high operational standards measured in terms and on the merits of efficiency, competence, effectiveness, adaptability, autonomy, transparency and accountability. The Bank will accordingly ensure the compliance with the basic standards requirements
- (11) Substitutes to collateral securities should be sought for group or small-scale or micro-enterprise loans extended on short term basis.
- (12) Donor credit services or facilities should be accessed mostly through or in cooperation with proven financial intermediaries and, as much as possible, may be restricted to medium and long term loan or investment requirements and never provided to the borrowing public under direct donor intervention.
- (13) It shall be the duty of all non-bank financial institutions to protect the borrowing public from the lack of awareness about the true intentions of their financial services. In this case the objectives, purposes, eligibility criteria and true costs of the financial services, especially credit, shall be fully disclosed so as to prevent cases of uninformed usage of financial services to the detriment of the patronizing public.

PART C GUIDELINES

SECTION 04

MACRO-POLICY GUIDELINES

PART C - GUIDELINES

04 - MACRO-POLICIES

- (1) Form of institutions

The financial system allows the establishment of different types of non-bank financial intermediaries with different comparative advantages. These will provide some financial services, observe and use market discipline in their operations. The Bank has accordingly established the institutional and functional frameworks for different

categories of non-bank rural financial institutions. Until otherwise directed by the Bank, the classification and categorization of rural financial institutions will remain as follows:

Class – Non-bank financial institutions (NBFIs)

- Category A: (i) Fiduciary institutions
- (ii) Apex institutions
- Category B: (i) Rural Financial Bureaus (RUF Bureaus)
- (ii) Community Financial Bureaus (Cofal Bureaus)
- Category C1 Micro-Savings and Credit Bureaus (MISAC Bureaus)
- Category C2 Savings and Credit Associatiions (SACA Bureaus)

The extent of progress in the financial system and institutional hierarchy will not be restricted. There will be opportunity for a lower institution to advance and convert from its category to a higher one provided the institution to be upgraded satisfies fully the eligibility and registration or licensing requirements for the higher institution prescribed by the Bank.

(2) Authorized institutions

Rural financial operations by way of receiving deposits and extending credit and thereby doing banking business or providing financial service will be undertaken by registered or licensed financial institutions only in accordance with the provisions of FIA (1992). The Bank shall accordingly prescribe prudential regulations and guidelines for each category of institutions in order to enhance the attainment of operational efficiency and institutional stability. The Bank will also institute appropriate measures to enforce compliance with all such prudential rules and regulations by all institutions.

(3) Integration of rural community in the financial system

In order to provide affordable and sustainable services to a wide segment of the rural population and establish easy accessibility to such services, the grassroots community may participate in rural financial intermediation at the micro-level. The participation embraces the planning, organization, ownership, management and control of financial intermediation at the village level. Such grassroots financial intermediaries shall be known and referred to as micro-financial institutions. Vulnerable referred to as micro-financial institutions. Vulnerable groups will have equal say and opportunities in the affairs of these institutions. Assistance from donors and voluntary organization may facilitate the development of these institutions in the acquisition of the appropriate

functional capacities, the provision of development logistics and as much as possible part of their medium and long term loan capital needs, In general, the “group concept” that relies on cohesion, trust and peer pressure may be observed in the administrative and management procedures of micro-financial institutions without sacrificing individual initiatives.

(4) Range of financial services

Rural financial institutions may provide access to a range of financial services which they are authorized by the Bank to engage in. They should generally desist from the practice of specialization in credit activities or sectoral targeting. In this context, they may provide credit cover to the entire rural sector including agriculture and other off-farm income generating activities and to increasing number as well as a wider segment of the rural population. Accordingly special considerations would be extended to vulnerable groups. However, the operations of non-bank financial institutions shall not include the acceptance of deposits transferable by cheques.

(5) Saving mobilization

- (a) Savings mobilization is a mandatory component of any type or package of rural financial services provided by a financial institution. This provision constitutes a condition for registering or licensing any non-bank financial institution by the Bank. In all cases, savings must be voluntary and remunerative to the depositor. Accordingly non-bank financial institutions will determine their savings and deposits interest rates with professional competence and in accordance with the market mechanism that will be incentive to the depositor, affordable to the institution and competitive in general. They will also maintain adequate capital base and a positive savings/credit ratio. In this regard, every category of institutions will be guided by specific “reserve ratio” prescribed by the Bank and will accordingly comply with all instructions issued by the Bank on it.
- (b) Generally, rural savings will be used or applied in rural lending for productive and viable economic investments in rural areas and in favour of the rural community. However, considering the seasonal pattern of rural financial incomes, the possibility of excess liquidity or supply overtaking demand or the lack of profitable investment opportunities in the locality, resources from the rural sector under such circumstances may be siphoned to support urban sector investments provided such financial transactions will not be detrimental to the local or other rural investments provided such financial transactions will not be detrimental to the local or other rural investment opportunities or legitimate demand.
- (c) In order to retain a larger proportion of mobilized rural resources in rural areas, micro-financial institutions may constitute themselves into legal confederations or associations so as to provide and share common financial services and thereby reallocate funds from intermediaries with surpluses to deficit ones. Apex bodies of such confederations or associations are to ensure the establishment of effective

coordination between their members and also with other similar or line apex bodies and banks. In all cases the linkage should promote efficiency, reduce costs and lead to wider coverage of rural financial services. Such apex bodies will also be held accountable to the Bank in the performance of their duties and in accordance with the requirements prescribed by the bank.

- (d) In order to encourage and enhance financial markets integration non-bank financial institutions and formal financial institutions may forge close links in their financial services. In this regard, banks should endeavour to provide banking services to NBFIs and wholesale credit facilities to proven and viable ones in accordance with the policy and operational guidelines laid down by the Bank especially on wholesale lending. In the same spirit the institutions may seek the cooperation or the assistance of banks in the acquisition of skills and competence.
- (e) The promotion of savings mobilization by fiduciary and apex institutions satisfies the provisions of subsection 03 (4) of these rules and guidelines.

(6) Credit is not permitted as sole entry point

Under no circumstance should any person or financial institution use supply approach or credit as the sole entry point into the rural financial system. However, in recognition that rural mobilized funds may be inadequate in meeting actual and genuine demand, at the discretion of the Bank, credit may be permitted to precede savings in order to generate sufficient surplus and provide the incentive to the community to save.

- (a) Financial institutions will pursue and be guided by their internal policies in credit operations which should be generally consistent with the provisions of these rules and guidelines. Each institution will also set clear eligibility criteria for its credit activities specific to its circumstances. In general, the policies should:
 - (i) promote administrative and management efficiency;
 - (ii) allow the application of simple, prudent, flexible and pragmatic procedures;
 - (iii) permit the use of borrower discretion in need assessment;
 - (iv) increase borrowers easy accessibility to credit;
 - (v) observe the competitive and comparative advantages of the credit markets guided by profitability as ultimate motive;
 - (vi) improve the credit market and avoid over specialization;
 - (vii) observe the opportunity costs and fungible uses of funds;
 - (viii) minimize risk factors;
 - (ix) direct credit to meet legitimate demands only.

(8) Duty of skill and care

- (a) Every financial institution must conduct its operations with skill and care in such a way and manner that an average institution will act under the same circumstance. In this regard, the financial services should reflect the actual needs of the people to be served and must be conducted at the lowest affordable costs to both the institution and the customer. It is also required that a proper accounting and auditing as well as efficient and flexible management standards be observed in all financial services. In addition, financial institutions should ensure that the investment opportunities they engage in are environmentally, economically, financially and technically sound and feasible.
- (b) In all cases, a financial institution has to satisfy itself beyond reasonable doubt that the relevant support services are available in the right quality and quantity to render its services effectively especially with regard to production credit. Where such services are absent or poor and as a result may jeopardise the chances of success of the intended rural financial service (eg. Inaccessibility or a lack of extension service or skills development programmes) the financial institution needs to ensure that there is suitable improvement in the support service before it commences to provide its financial service. In this connection, financial institutions are obliged to coordinate with appropriate service organizations (both governmental and non-governmental) to obtain the support services relevant to their respective and intended financial services.

(9) Application of market interest rate in credit

Unless otherwise directed by the Bank, interest charged on any type of credit extended by financial institutions will be market determined as a policy. The rate must not be exploitative but remunerative, mutually fair and affordable to both the lender and the borrower. The Bank reserves the right to intervene for mutual fairness in cases where, in the sole judgement of the Bank, exploitation is established. In all circumstances, interest repayment should be in cash. It is expected that operating cost of any institution will be met exclusively from its interest income and other transactional earnings.

(10) Duty to maintain basic performance standards.

- (a) Proper procedures and accurate records.

It is required of a financial institution to provide its services with efficiency. In doing so it must develop proper management information system based on accurate record keeping, data and reporting procedures and pursue sound, simple and pragmatic operational procedures. Its accounts should be subject to auditing at regular intervals of probably not less than twice a year. A balance sheet and profit and loss account will be prepared at the end of each transaction year.

- (b) Training as indispensable requirement

Rural financial institution should always develop and maintain the operational capacity commensurate with its type and level of services. The provision of adequate and appropriate training to staff is the most reliable means of achieving this goal. Sub-standard performance or institutional inefficiency will provide the cause for the Bank to revoke the registration certificate or licence of any institution. A basic capacity standard in terms of the skills of staff will be a requirement for registration or licensing non-bank financial institutions.

(11) Type of securities

In small operator credit for short term purpose (particularly the type based on group lending concept) the security for the loan should generally be measured in terms of the efficiency of the lender's credit system; the soundness of borrower sensitisation and awareness created by the lender about the objectives, procedures and the benefits of the credit; an acceptable degree of borrower understanding of his obligation under the credit as well as his or her undertaking to act with integrity so as to honour his or her obligations under the credit. Tangible or collateral securities are hardly affordable by this type of borrowers. Furthermore, the small sizes of the loans in general may not warrant the resort to such rigid demand. Consequently substitutes to tangible or collateral securities must be sought.

(12) Liberalisation of inputs and outputs marketing

Unless a satisfactory marketing arrangement mutually acceptable to the borrower and the lender is established as a condition of a loan, the borrower is entitled to operate in the open market for the distribution and sale of his or her outputs, inputs, products and inventories acquired under a loan. Financial institutions are to desist from the practice of imposing price controls or marketing restrictions on borrowers even in the event where credit is linked to marketing.

(13) Subsidy for institution building but not production credit

Whereas direct subsidies to interest charges, input and other production costs are not permitted, the government donors, voluntary or charitable organizations may provide subsidies to support any aspect of institutional development of non-bank financial institutions.

(14) Mode of delivering donor credit services or facilities

Unless permitted by a special agreement between the government and a donor, credit services and facilities provided by donors are to be accessed largely through proven financial intermediaries. Under no circumstance should such assistance be provided to the borrowing public through direct donor intervention. Such loan

capital assistance may address medium and long term investment requirements for rural development or as seed capital for emerging micro-financial institutions and must be extended on cost recovery basis except this conditionality is waived by the Minister.

(15) Duty to protect the patronizing public

It is the duty of all categories of financial institutions engaged in rural finance to protect the borrowing public from the lack of awareness about the true intentions of their financial services especially credit. In this case, the objectives, purposes, eligibility criteria and the true cost of the services must be fully disclosed to the general public in order to prevent cases of uninformed uses of the services to the detriment of users and the national economy. It is extremely important that in the case of micro-financial institutions, there will be intensive awareness creation to the extent that the target community will eventually be a party to the final decisions on the ownership, organization, management and the administration of the ultimate financial intermediary.

(16) Action against unsound NBFIs

The non-compliance with any of these prudential rules and any or a number of prescribed rules and regulations thereof applicable to its category of non-bank financial institution will, in the sole judgement of the Bank, render the institution concerned unsound. Under such circumstances, the Bank reserves the right to apply remedial measures against the unsound institution in accordance with subsection 22 (1) of FIA 1992.

CENTRAL BANK OF THE GAMBIA
MICROFINANCE OPERATIONS

Rules and Guidelines on Policies and Procedures

VOLUME TWO: Savings and Credit Associations.

PART A: PRELIMINARIES

SCOPE

These rules and guidelines cover the operations of Savings and Credit Associations herein referred to as SACAs in matters of policies, organization, management and administration during a start-up period in rural financial operations. They are pursuant to Volume one of rules and guidelines on macro-policies on rural finance issued by the Bank. In the event of a conflict of any provision herein with that of the macro-policies, the latter shall prevail.

INTERPRETATION

- 1 Unless otherwise specified or the context require, the terms used in these rules and guidelines:
 - (a) **“Micro-financial institution”** means the definition for “credit institution” or “financial institution” stated in the Financial Institutions Act (FIA) 1992 and which is owned and self-managed by a rural or grassroots community or a cooperative or a person under a registration or a licence issued by the Bank.
 - (b) **“Savings and Credit association” (SACA)** means thrift or a savings and credit organization that is promoted, owned, managed and controlled by a rural or grassroots community, or a cooperative or rural person under provisional registration by the Bank.
 - (c) **“Micro-Savings and Credit Institution” (MISACI)** means an upgraded SACA registered by the Bank.
 - (d) **“Start-up period”** means the developmental stage prescribed by the Bank during which a SACA grows and up-grades to MISACI.
 - (e) **“Cooperative”** means an organization composed of small producers, operators and/or consumers who voluntarily join together to form a business enterprise which is registered by the Registrar of Cooperatives and which they own, control and patronize.
 - (f) **“Small Producer”** means self-employed individual or person who operates micro-enterprises including agriculture or who by himself or herself or family provides labour or provides labour requirements of his or her farming activity or

vocation or who earns, at least fifty per cent (50%) of his or her gross income from the payment from proceeds or income of the labour he or she provides.

- (g) **“Prescribe”** means the definition for the same stated in subsection 2 (1) of FIA (1992).
- (h) **“Director”** means the definition constituted under the Companies Act. Under these rules and guidelines, this definition also applies to a member of the controlling committee or body of a SACA.
- (i) **“Person”** means the definition for the same under subsection 2 (1) of FIA (1992).
- (j) **“Borrower”** or beneficiary” means individual or formal or informal group or person eligible for a loan from a SACA.
- (k) **“Financial activity”** means saving and credit business or “banking business” as provided in subsection 2 (1) of FIA 1992 authorized by the Bank to be undertaken by SACAs.
- (l) **“Lender”** means a bank, a non-bank financial institution, a donor, a non-governmental or voluntary organization that provides a loan on a wholesale basis to a SACA for on-lending on retail basis to borrowers.
- (m) **“Unsecured credit”** means credit facilities granted without security by a SACA.
- (n) **“Agriculture”** means any activity related to any of the following subsector: food crops, cash crops, tree crops, horticulture, silviculture, beekeeping, poultry, cattle, sheep, goats, pigs, donkeys, inputs and outputs marketing.
- (o) **“Bad debt”** means any loan granted by a SACA or part thereof with or without interest thereon that is past due for six months after all efforts to recover have failed.
- (p) **“Collection process”** means a loan due to a SACA is in the process of judicial proceedings aimed at full settlement of the loan and all interest accrued thereon.
- (q) **“Place of business”** means the place where the office of the SACA is located and the authorized area or village or towns covered by the banking business of the

SACA and which shall be contiguous as much as possible or within a radius not exceeding twenty-five kilometers.

- (r) **“Capital”** means money contribution made by the promoters or members of the SACA together with any reserve permitted under these rules and guidelines.
- (s) **“Member”** means an individual joining a formal or informal group or organization that constitute the owners of a SACA.
- (t) **“Minister”** means the Minister responsible for the administration of the FIA (1992).
- (u) **“Officer”** means the chief executive, a manager or a supervisor or other person empowered by the board to give direction in regard to the management and administration of the SACA engaging him or her.
- (v) **“Bank”** means the Central Bank of the Gambia.
- (w) **“Trainer”** means a person or an organisation or institution that has specialised in providing training in microfinance operations with specific emphasis on Savings and Credit Associations, Microfinance Institutions and Rural Finance Bureaus and recognised by the Bank.

PART B: POLICY

PRUDENTIAL RULES

(1) Authorized “banking business”

The banking business of SACAs shall be:

- (a) Mobilization of savings and/or time deposits and the repayment of such deposits on demand by the respective depositors;

- (b) Provision of retail credit on short-term basis using part of internally generated funds or borrowed funds; or medium-term basis using borrowed funds and/or grants.

(2) Registration, Name and Confederation.

(a) Provisional Registration Certificate.

- (i) No person shall operate as a SACA or undertake any banking business prescribed by the Bank for SACAs without a Provisional Registration issued by the Bank authorizing it to do so. The certificate shall indicate the type of banking business and the place of business of the SACA.
- (ii) As a unit institution, a SACA shall open one office within its place of business and such office shall be properly secured for safekeeping of all liquid assets or cash held by it in accordance with safety standards prescribed by the Bank.
- (iii) As proof of availability of technical assistance from a proven facilitator for institutional development of the SACA shall constitute an indispensable requirement for registration by the Bank.
- (iv) The person shall provide evidence of adequate training received by intended staff and provided by a proven trainer recognized by the Bank.

(b) NAME.

- (i) A SACA shall be known and referred to by its registered name only. A SACA shall choose its own name.
- (ii) No SACA shall use the name “bank” in referring to itself or cause other person to use the same in referring to it.

(c) Confederation.

Two or more SACAs shall have the right to confederate at the district or divisional level aimed at achieving effective co-ordination of their operations and the sharing of common financial services between them. Such confederation shall not lead to the loss of the legal entity or the ownership of any of the confederating SACAs.

(3) Ownership

A SACA shall be owned and controlled by its promoters and members. All members irrespective of the type such as founding or non-founding or associate shall have equal rights in conducting the affairs of the SACA. Women, the poor and other vulnerable groups shall have the same right to become members.

(4) Capital

- (a) A SACA shall have a minimum paid-up capital amounting to D3,000 (Three thousand Dalasis) or as may be determined by the Bank, contributed by its members before it is issued with a Provisional Registration Certificate under subsection (2) (a) of these rules and guidelines.
- (b) A SACA shall build-up an increasing capital during the “start-up period” and such capital shall not be less than D10,000 (Ten thousand Dalasis) or in an amount prescribed by the Bank at the termination of the “start-up period”.
- (c) Net profits earned by a SACA shall be capitalized in accordance with the “capital build-up” requirement.
- (d) Membership fees, dues and all other cash contributions made by the promoters and members or any other person towards the formation and the organization of the SACA shall be capitalized in favour of the contributors and subsequently held as shares by them.
- (e) Until otherwise prescribed, a SACA shall be granted a maximum of three (3) years as a “start-up period” in building the required capital under 4 (b) above and institutional capacity commensurate with the standards prescribed by the Bank for SACAs.

(5) Liquid Asset

- (a) A SACA shall maintain at all times cash-on-hand and/or with banks or other financial institutions in amounts not exceeding forty per cent (40%) or below fifteen per cent (15%) of its total deposit amount or as may be prescribed for any of both levels.

- (b) A SACA shall not grant any loan when its liquid asset falls below fifteen (15%) of its deposit liabilities or the minimum reserve ratio that may be prescribed by the Bank.

(6) Net Profits

- (a) The Net Profit of a SACA shall be determined after making provision for :
 - (i) bad and doubtful debt;
 - (ii) accrued interest on loans or other incomes not yet received but recorded.

(7) Savings and Time Deposit.

- (a) A SACA shall receive savings and/or time deposits from the general public under subsection (1) and accordingly shall be under obligation to:
 - (i) pay such deposits on demand;
 - (ii) pay competitive and market interest;
 - (iii) provide the depositor the option to refuse interest on religious or other cultural or personal grounds;
 - (iv) determine its terms and conditions for receiving deposits and make such conditionalities known to its depositors and the community at large;
 - (v) establish effective measures for identifying its depositors by the issuance of savings passbooks to savings depositors and time deposit certificates or cards or receipts to time depositors.
 - (vi) Determine the size of the minimum savings deposits acceptable, and equally, the size and maturity periods of time deposits;
 - (vii) Observe strictly liquidity ratio prescribed by the Bank for SACAs.

(8) Loans and Advances

- (a) A SACA shall grant loans and advances under subsection (1) of these rules and guidelines provided that:
- (i) interest rates shall be market determined and competitive;
 - (ii) it shall determine and be guided by eligibility criteria for its loans as a policy which shall be revised from time to time in accordance with prevailing economic and social situations;
 - (iii) the maximum loan period shall not exceed twelve (12) months for short-term loans or thirty (30) months for medium term loans or as may be prescribed by the Bank in either case. Eligibility to external funding and also to medium-term loans depend on satisfactory performance standards laid down by the Bank or as may be determined by it;
 - (iv) No person shall be granted a loan or a cumulative loan extended from deposits, whose total sum shall exceed **TWICE** the total deposit of a first borrower or **THREE** times that of a second borrower with good repayment record or **FOUR** times of an active borrower with good repayment record. No person shall be granted a loan, extended from external funding whose total sum shall exceed **THREE** times the deposit of a first borrower or **FOUR** times of a second borrower who has paid all previous loans on time or **SIX** times that of an active borrower with good repayment record;
 - (v) There shall be fungible uses of its loan funds with viability and profitability as the primary objective and as such the loan shall cover agriculture and other off-farm income generating activities or personal purposes;
 - (vi) The main loan beneficiaries shall comprise small producers and micro-entrepreneurs. Women and other vulnerable groups shall have equal opportunities or access to the loan facilities;
 - (vii) The loan administration policies shall be mostly guided by or based on “group concept” determined by the SACA in accordance with its by-laws and local experience;

- (viii) Loan procedure with regard to application, approval, disbursements, monitoring, supervision and recoveries shall be simple, flexible and pragmatic;
- (ix) A borrower shall be given the use of his or her discretion in need assessment;
- (x) A borrower shall possess a reasonable degree of experience in the loan activity and shall have a minimum equity in kind or cash as shall be determined by the SACA;
- (xi) Substitutes for tangible securities or collateral shall be sought and as such security shall be character-based or depend on peer pressure and individual indemnities or guarantees. In every case, a lien over the deposit shall be taken; and
- (xii) A non-depositor shall not be granted any loans from deposits.

(9) Record Keeping and Accounting System.

- (a) A SACA shall establish a simple but efficient accounting system at all times that will maintain reliable and up-to-date records on:
 - (i) all deposits, withdrawals and balances;
 - (ii) all interest dues and payments on deposits;
 - (iii) all loans approved and disbursed;
 - (iv) all loans outstanding, dues, recoveries and arrears;
 - (v) all interest charges, dues, recoveries and arrears;
 - (vi) all expenditure; and
 - (vii) all assets and their respective values.

(10) Monitoring

- (a) In order to enforce the required minimum operational standards and promote the efficiency and institutional development, the Bank shall monitor the operations of all SACAs. In doing so, the Bank or its appointee shall:
 - (i) request for financial statements and technical information whenever it deems it necessary on the activities of all SACAs or any SACA;
 - (ii) periodically visit a SACA's office and examine its operations or records or request for any other information;
 - (iii) cause special examination of a SACA affairs whenever, in the sole judgement of the Bank, such an examination is required to determine the soundness of the affairs.
- (b) In the event, when as a result of off-site or on-site checks, the affairs of a SACA is found to be either unsound or unlawful the SACA shall take such measures as may be deemed necessary by the Bank to rectify the unsound or unlawful affair. The SACA shall have its Provisional Registration Certificate revoked and accordingly closed down by the Bank if it fails to rectify the unsound or the unlawful situation within a specified period allowed by the Bank to do so.
- (c) All members of the SACA and the Management Committee (MC) shall be jointly and severally held liable for any loss arising as a result of its closure or winding-up.

(11) Financial information.

- (a) In line with subsection (10) of these rules and guidelines, all SACAs shall send to the Bank financial statements that it may request about their operations. The information shall be in such forms and at such intervals that may be determined by the Bank. Until otherwise directed, each SACA shall submit to the Bank or its appointee the under-listed information:
 - (i) quarterly statement of Reserve Assets/Deposit liabilities prescribed in **CBRF 001 A** for quarters ending 31st March, 30th June, 30th September and 31st December;
 - (ii) half yearly Profit and Loss Statement prescribed in form **CBRF 003** for half year ending 30th June and 31st December;

- (iii) half yearly Loans Accounts Statement prescribed in **CBRF 004** for half year ending 30th June and 31st December;
- (iv) A Balance Sheet and Profit and Loss Account prepared by a qualified Accountant or Auditor as at the last day of each financial year in respect of all business transacted by the SACA.

(12) Revocation of Provisional Registration Certificate or Registration Certificate.

The Bank shall revoke the Provisional Registration Certificate if the SACA:

- (i) In the case of a provisionally registered one, it fails to contribute the required minimum build-up capital;
- (ii) closes or winds-up its business;
- (iii) becomes bankrupt;
- (iv) fails to rectify any unsound or unlawful affair under subsection (10) (b) of these rules and guidelines;
- (v) fails to submit to the Bank information under subsection (11) of these rules and guidelines or any other information within a specified period determined by the Bank;
- (vi) fails to allow the Bank or its appointee to examine the records and books of the SACA.

(13) Notification for Revocation of Provisional Registration Certificate and Registration Certificate.

- (a) The Bank shall serve a SACA defaulting under subsection (12) of these rules and guidelines a four (4) weeks notice commencing from the date of the receipt of the notice by the SACA about the Bank's intention to revoke the Provisional Registration Certificate or Registration Certificate of the SACA.

- (b) A SACA shall not grant any loan nor receive any deposit during the notification period and when winding-up.
- (c) A SACA shall pay all its depositors and creditors all deposits and debts respectively due to them during the notification period.
- (d) Without prejudice, the members and the Management Committee shall be responsible for all liabilities that may arise as a result of the revocation of the Provisional Registration Certificate or Registration Certificate.

(14) Right of Appeal against Revocation of Provisional Registration Certificate and Registration Certificate.

- (a) A SACA shall have fifteen (15) days during which it may appeal against the decision for the revocation of its Provisional Registration Certificate or Registration Certificate.
- (b) The appeal shall be addressed in writing to the Bank stating the reasons for stay of the execution of the Bank's decision. On receipt of the appeal, the bank shall fix a day before the end of the notification period for hearing to be presented by the SACA.
- (c) Judged by the merits and the demerits of the appeal petition, the Bank may decide to uphold, or amend or rescind the decision after hearing and such decision shall be final. This shall be communicated to the SACA within seven (7) days after the hearing.

(15) Ownership and Controlling Body.

- (a) As a rule, a SACA shall be owned, controlled and managed by grassroots communities in the rural, peri-urban and urban areas that promoted and established it.
- (b) In this regard, any member or group of persons within a community may promote and form a SACA provided they can meet the minimum registration requirements laid down by the Bank. Production or thrift

organizations or associations such as Kafos, Osusus, Tesito Cooperatives, Credit Unions, market women, youth groups fall within the classification.

- (c) For the purpose of registration, a minimum of **TEN (10)** individuals is required as promoters. They may belong to the same or different groups of interest. However, they shall come from the prospective business area and be fair representation of the organizations or the community or villages embracing the SACA.
- (d) In addition to promoters, a minimum of **FIFTY (50)** founding members from the area of business will be required registration.
- (e) Membership to be extended to any grassroots person who meets the requirements of the organization during and after for registration.
- (f) Members shall determine the cash contribution to qualify one to be a member as one of the key conditions in addition to common interest and aspiration(s).
- (g) All members, namely promoters, office bearers, founding and non-founding or associate ones shall have the same rights.
- (h) The members shall determine all the by-laws and regulations of the SACA, which will be required for registration. They shall also appoint the Board or the Management Committee and vest it with the responsibility of management and administration of the SACA.

PART C

GUIDELINES

04: Authorized banking business, savings deposits, time deposits, sundry deposits.

(1) Authorized banking business.

(a) Scope

A SACA is authorized to provide a limited financial service to a rural community or peri-urban community or to urban micro-entrepreneurs in a defined locality. In doing so, it may:

- (i) mobilize savings and/or time deposits from its members, the community it serves and the general public on commercial basis and accordingly pay market and competitive interests on such deposits except in cases where depositors refuse to accept interests on religious grounds. As a thrift organization, deposit mobilization must be its primary objective;
 - (ii) repay deposits immediately on demand guided by its terms and conditions for deposit repayments;
 - (iii) provide retail credit on short-term basis primarily from its deposits;
 - (iv) provide retail credit on short or medium-term basis from borrowed funds transacted from a lender on proviso that the SACA satisfies the lender's eligibility criteria and those stipulated under "wholesale lending" by the Bank.
- (b) Within the first one year of its operations a SACA must operate from its internally generated funds with the view to inculcating enhanced borrower repayment performance while at the same time it acquires the experience and the required capacity in managing expanding business.
- (c) A gender owned SACA needs not restrict its deposit mobilization business to its gender alone but may mobilize from the other gender as well.

2. Savings and Time Deposit Mobilization.

(a) Authority to mobilize Savings

Any SACA issued with a Provisional Registration Certificate by the Bank is authorized to mobilize savings and time deposits from its members or community or general public. Such deposits should be paid on demand to the respective depositors in accordance with the terms and conditions set-forth for deposit payments and withdrawals.

(b) Terms and conditions for receiving and paying deposits.

It is the duty of a SACA to determine its terms and conditions for accepting and paying deposits. Such conditionalities should be made known to all prospective and current depositors. As much as possible, these may reflect on minimum amounts acceptable, interest rates, withdrawal notices, closure and accounts.

(c) Identification of depositors.

It is a duty of a SACA to take appropriate measures for proper identification of its depositors. For this purpose, it may consider the following steps:

- (i) use a standard signature or thumb-print card or slip which will bear some particulars of the depositor such as the name, location, sex, a referee and the first deposit amount and date;
- (ii) Each new depositor must complete the card and sign or thumb-print it. The card may bear passport size photograph of the depositor in either colour or black and white.

(c) Savings passbook.

A SACA must issue a form of recorded or written evidence to a depositor on all the latter's deposit and withdrawal transactions.

A Savings passbook effectively serves this purpose. All deposits, withdrawals, interests and balances are to be entered in the book, signed

and dated by the official receiving or paying the deposit. The book must in the minimum bear:

- (i) the name and the locational address of the depositor;
- (ii) passport size photograph of the depositor in colour or black and white;
- (iii) serial number of the book, ledger/folio number for reference;
- (iv) deposit account narration indicating columns for date, deposit, withdrawal, balance and signature;
- (v) Instructions regarding the terms of receiving and paying deposits, the ownership and the loss of the passbook.

(d) Certificate or Receipt for Time deposit.

A certificate or a standard receipt must be issued to a depositor for any time deposit made. In order to simplify the procedure, a standard certificate may take the form of a folded card with the following minimum features:

- (i) the left inside page bears the particulars of the depositor including the name, locational address, serial number, a passport-size photograph and a statement prohibiting transfer or renegotiation elsewhere, ownership and loss;
- (iii) the right inside page bears columns for date, deposit amount, renewed amount, maturity date, interest rate and amount, withdrawal and signature.

(f) Prohibition on demand deposit transferable by cheque.

- (i) As a rule, a SACA is not allowed under any circumstance to indulge in any operations that will involve the acceptance of demand deposits transferable by cheque or any other means of third party transfer under FIA (1992) subsection 2 (1).

(g) Deposit Currencies and Receiving place.

- (i) All deposits received or withdrawals paid must be in dalasis currency either in notes or coins.
- (ii) A SACA must not receive or repay deposits in any place other than its registered office. Notwithstanding, a SACA may receive and repay deposits outside its registered office and within its place of business provided such deposits are mobilized under a reliable arrangement with a bank.

(h) Interest on deposits.

- (i) All deposits attract interest, which are market determined. The interest rates must be determined by the Management Committee and reviewed periodically so as to be competitive and above all affordable to the institution. Prevailing interest rates of banks may serve as useful guide.
- (ii) At the time of opening a deposit account, a SACA should give the depositor the option as to whether or not he or she desires interest payment.
- (iii) A depositor has the right to refuse interest payment on religious or any other grounds. Under such a situation, he or she must sign or thumbprints in duplicate an attestation to this choice. The original copy is issued to the depositor while the SACA keeps the duplicate.
- (iv) Interests on savings are to be computed on, at least, quarterly intervals based on aggregate monthly deposit balances or the minimum monthly balances within the preceding quarter. The interest amount computed and payable must be credited to the accounts of the depositor in the books or records of the SACA and entered in his or her passbook at the next occasion it is presented to the SACA.

(v) Interest on time deposit is determined at the end of the maturity date and credited to the depositor in the books of the SACA. Such interest must not be automatically converted into a time deposit except when the depositor issues an explicit instruction to the SACA to do so.

(i) Minimum size of deposit

It is the duty of a SACA to determine the minimum amount it may accept in opening either a savings or a time deposit account.

(i) Minimum amount of savings.

It may be advisable for a depositor, considering the financial constraints that a SACA may face, to pay for the cost of his or her passbook. But where this may be issued free of charge, the SACA may consider taking into account the cost of the book in determining the minimum deposit amount so that at least, such cost will be adequately covered. In any event, the minimum amount may be fixed between ten Dalasis (D10.00) and fifteen Dalasis (D15.00) on the rationale that a modest level is likely to accommodate a larger segment of the community or offer a more affordable opportunity for the poor to save.

(ii) Minimum amount and period for time deposit.

No time deposit may be accepted for a period less than three (3) months or more than twelve (12) months. The minimum amount may be fixed between twenty Dalasis (D20.00) and thirty Dalasis (D30.00).

(j) Recording deposits and withdrawals.

Considering the modest level of its management expertise, a SACA must endeavour to establish a simple but accurate office procedure and

records for receiving, repaying and keeping deposits. The following steps may be considered.

(i) Deposit Journal

A SACA needs not institute a savings account ledger card, neither does it have to operate deposit and withdrawal slips or vouchers. All these can be embodied in one book namely Deposit Journal. This is a diary which records all daily transactions. For the purpose of a SACA, the journal should record the basic transactions on:

- (1.1) savings deposits as “credit”
- (1.2) time and sundry deposits as “credit”
- (1.3) savings withdrawal as “debit”
- (1.4) time and sundry deposit withdrawal as “debit”

It may accordingly comprise five (5) main recording columns headed as following:

- (1.5) name, account number
- (1.6) ledger or folio number
- (1.7) type of deposit (entered as savings or time or sundry)
- (1.8) credit amount (for all deposits)
- (1.9) debit amount (for all deposits)

(ii) Deposit Ledger

In addition to the deposit journal, a SACA may also keep a deposit ledger in which will be recorded or posted the summaries or the totals of the journal entries before the close of the day’s business. Four entry columns may be adopted and headed as following;

- (1.1) date
- (1.2) credit (total of the credits in the deposit journal),
- (1.3) debit (total of the debits in the deposit journal),

(1.4) balance.

The balances in the deposit ledger should provide the records and information for preparing periodic statements required under subsection 03 (11) of these rules and guidelines.

(iii) Deposit account journal and ledger.

A SACA may keep one book to serve both as Deposit Journal and Deposit Ledger. In such case the first seventy-five per cent (75%) of the book may be allotted to the journal and the rest to the ledger.

(iv) Customer Accounts Ledger.

A SACA may keep a second ledger in which will be recorded its customers' deposit and loan accounts. Before the close of the day, the cashier should post the deposit journal and the loans journal entries into this book against the respective accounts of the customers. Two adjacent pages or folios may be allotted to each customer. The left hand folio records all the transactions on deposits which may be entered as following:

(1.1) Heading: name, address, folio/ledger number, account number.

(1.2) Record columns

-date

-deposit

-withdrawal

-interest payment

-balance

-signature

The right hand folio provides records on the loan accounts of the same customer entered as following:

(1.3) Heading: Loan amounts, repayment periods, interest rates.

(1.4) Columns may be headed as following:

-date

-disbursements

-cumulative disbursement

-repayment

-cumulative repayment

-outstanding balance

-arrears

-signature

(v) Time Deposit Ledger.

About thirty per cent (30%) of the Customer Accounts Ledger may be allotted to recording time deposit accounts. The left folio will contain the records on the deposits while the right deals with the loans in the same way under 04 (2) (j) (iv) (1.4). Entries for the time deposits differ from the savings. Therefore the following may be considered:

(1.1) Heading: name, address, folio/ledger number

(1.2) Columns

-date deposited or renewed

-amount

-certificate or card or receipt number

-interest rate

-due date

-withdrawal

-signature

(k) Service of a trained Cashier.

A SACA must appoint and train a cashier who will be charged with the responsibility for receiving and paying deposits and handling all records on them as well as other transactions. As much as possible, the person should be at least, a primary or first cycle school leaver and should hail from the community within which the SACA operates.

- (i) At the beginning of the day's transactions, the cashier should be issued with operational cash from the SACA's safe as "cash out" under subsection 04 (2) (L) of these rules and guidelines.
- (ii) The cashier should keep a Deposit Journal under subsection 04 (2) (i) as cashier's daily book or cashier's counter book in which he/she records all deposit receipts and payments of the day.

(L) Treasury

A SACA's liquid assets or cash-on-hand must be kept at all times in a well secured place, preferably, in a safe and the movements into and out of it recorded as "cash in" or "cash out" in a Treasury book.

The following steps may be considered in establishing a process for operating a Treasury. It is by no means exhaustive:

- (i) As advised under subsection 04 (2) (k), at the beginning of each transaction day, the cashier is given some cash out of this amount to begin the day's operations.
- (ii) The amount received by the cashier will be recorded as "cash out", dated and signed by the cashier and the manager or the treasurer. This amount should bear a relation to the amount previously notified by customers to the SACA for withdrawal on this day in accordance with subsection 04 (2) (o) (i) as well as the amount planned to be disbursed on the same day. The balance is recorded as opening balance, which represents the amount, held in the safe when the SACA opened to the general public.
- (iii) At the close of the day the cashier must hand back the balance of any cash in his or her custody received from the day's transactions and the safe. This cash is accurately checked by the manager and the cashier to ensure that it balances with the day's records. The amount must be placed in the safe and recorded in the Treasury book as "cash in", in the same way as "cash out" was made.
- (iv) The total of the opening balance (the cash in the safe) and the "cash in" must be recorded and entered as "closing balance" in the Treasury book in the same way as "cash out" was recorded.

(m) Treasury Book

All movements of cash in and out of the safe should be recorded in a treasury book for each transaction day. The records may indicate:

- (i) opening balance
- (ii) cash out
- (iii) cash in

(iv) closing balance

At any given moment, the cash left in the safe at the close of the day should be the same as the closing balance.

(n) Security for cash and other valuable assets.

(i) It is desirable that a SACA installs a modest size safe in its office for safe custody of its cash holdings and other valuable securities it may receive. The safe may be installed in concrete walls.

(ii) The safe should have a minimum of two (2) keys. For the purpose of control, the management committee should institute a dual or multiple key holding arrangements into the safe as well as the office or the room where the safe is installed.

(iii) Safekeeping in a SACA's safe must be restricted to the following items:

- (1.1) cash-on-hand;
- (1.2) bond certificates, treasury bills, cheques, savings passbooks;
- (1.3) important documents such as by-laws, minute books;
- (1.4) valuables such as gold jewels.

(iv) It is advisable that cash items are kept separate from non-cash ones. Items belonging to the SACA are to be kept separate from those belonging to third parties.

(o) Savings deposit withdrawal.

A depositor has the right to withdraw the whole or part of his or her deposit provided the terms and conditions of the SACA governing savings withdrawals and previously brought to the knowledge of the depositor are strictly adhered to. The following basic guidelines may be observed in this transaction:

- (i) The customer or the depositor will serve the SACA a minimum period of withdrawal notice either in writing or verbally. Such notice must indicate the date and the amount and it should be served during transaction time in the SACA's office. The SACA in turn will plan towards it and make provision for payment on the scheduled date.
- (ii) The customer should present the passbook to the SACA at the time he or she wants to receive the payment and this should indicate up-to-date balance.
- (iii) The passbook balance must be verified against what obtains in the Customer Accounts Ledger or the books or records of the SACA.
- (iv) The payee must be identified as the depositor or a person properly authorized in writing or in person by the depositor to receive payment.
- (v) The amount to be withdrawn should not exceed the balance in the passbook or the SACA's records.
- (vi) In a case where a deposit has been pledged as a security for a loan, the amount to be withdrawn should not reduce the resultant balance below the deposit sum set aside as security.
- (vii) Where a SACA can afford, the payee may complete a deposit withdrawal slip or form indicating the amount, the payee and the date.
- (viii) All withdrawals may be recorded in the same way and manner as proposed under 04 (2) (j) of these rules and guidelines.

(p) Time deposit withdrawal

- (i) A depositor has the right to withdraw his or her time deposit at the end of the maturity date or any date thereafter. Notwithstanding, he or she can withdraw the deposit before the maturity date. A SACA must accordingly determine the terms and conditions for withdrawing time deposit before the maturity date.
- (ii) A depositor may forfeit all interest due or part thereof as may be determined by the SACA if the time deposit is withdrawn before the maturity date.
- (iii) Any time deposit not renewed or withdrawn at the maturity date should be treated as a savings deposit and will accordingly earn the prevailing interest on the renewal or withdrawal date.
- (iv) A customer or depositor must give a SACA a notice or authority, preferably in writing, for the renewal of his or her time deposit. In a close community in which a SACA operates, it may not be necessary to insist on a written notice.

(q) Reserve against deposits

- (i) A SACA must maintain a proportion of its total deposits in an unimpaired liquid assets required under subsection 03 (5) of these rules and guidelines. It is desirable as a prudent precaution to determine the reserve amount on, at least, monthly basis using the reserve ratio prescribed by the Bank.
- (ii) The quantum of the loan amount a SACA may extend within the ensuing period should be guided by the available liquid assets over the mandatory reserve.

- (iii) Unless otherwise prescribed by the Bank, the limits of deposits held in liquid assets must not exceed **forty per cent (40%)** or fall below **fifteen per cent (15%)** of the total deposit liabilities. These ratios are equally applicable to all SACAs and the Bank shall immediately communicate any change in either or both of them to all SACAs.
- (iv) It is required that a SACA submits to the Bank on quarterly basis a statement of Reserve Liquid Assets/Total Deposits using a standard format, **CBRF 001 A** as prescribed under subsection 03 (11).
- (v) No SACA must grant a loan or any form of advance from its deposits when its total liquid reserve falls below the prescribed minimum limit.
- (vi) The Bank may institute a remedial action or a sanction it may deem appropriate against any SACA, which fails to observe these requirements, and as provided under subsection 03 (5) of these rules and guidelines.

(r) Prohibition on acceptance of deposits by insolvent SACA.

- (i) A SACA that becomes insolvent or is in the process of winding-up its banking business must not accept or mobilize any deposit.
- (ii) Any committee member or an official of a SACA, who in the full knowledge of a SACA's insolvency or winding-up process, accepts or causes deposits to be accepted in contravention of subsection 04 (2) (r) (i) above commits an offence and will be personally or jointly and severally liable for any loss suffered by any depositor concerned.

(s) Office hours and Transaction time.

- (i) It is required of a SACA to determine and make known to the general public the days and hours it opens its office to the general public for business. In rural community, the day(s) may coincide with one(s) set

aside generally as rest day(s) and the community refrain from farming activities.

- (ii) For the purpose of these rules and guidelines, a “transaction time” means the SACA’s opening and closing time for acceptance and payment of deposits; and conducting all other loan transactions such as receiving applications, executing loan documents, making disbursements, receiving repayments and granting interviews to customers, applicants and the general public.
- (iii) A SACA may post a notice in front of its office indicating its transaction time or take other steps that will make the community aware of it.
- (iv) No business must be conducted outside the transaction time. However, in a case where a person entered the office before the end of the transaction time, his or her business must be attended to if this was not done or completed before the transaction time ended.

(3) Sundry Deposits.

- (a) For the purpose of these rules and guidelines “sundry deposit” means a deposit other than savings and time deposit paid to a SACA and which is repayable instantly on demand but not transferable by cheque. Under a deprived rural economy, a good number of the community may not be in the position to save, as usually, they do not hold surplus incomes. However, they may desire an access to a convenient market facility where their monies or seasonal incomes can be safely kept while at the same time the monies can be demanded and received instantly in a like manner if they had been under their respective custody. A provision to cater for such need is therefore considered imperative.

(c) A SACA may accordingly receive sundry deposits provided it determines its terms and conditions for receiving and repaying with regard to interest and service charges.

(c) The terms and the conditions may be guided as following:

- (i) A service charge may be levied by the SACA for its services or for keeping the money;
- (ii) An incentive reward may be instituted to encourage depositors to keep their deposits longer with the SACA than anticipated;
- (iii) In line with (c) (ii) above, payment of a nominal interest on balances graduated on a time scale may be considered; for example:

0-2 months, No Interest;

0-3 months, 30% of time deposit rate for 3 months

0-6 months, 50% of time deposit rate for 6 months

0-9 months, 75% of time deposit rate for 9 months

0-12 months, 90% of time deposit rate for 12 months

PART C

GUIDELINES

05: LOANS, ADVANCES AND INVESTMENTS

(1) Authority

- (a) A SACA may grant loans and advances on retail basis or invest in guarantee securities such as bonds and treasury bills issued by the Government or the Bank.

(2) Sources of loanable funds

- (c) Basically, all loans, advances or investments in securities made by a SACA are to be covered with funds it holds in deposits. In doing so, it must comply with the reserve ratio requirements under subsection 03(5) of these rules and guidelines.
- (d) A SACA is authorized to borrow funds from a lender on wholesale basis and retail to borrowers provided:-
 - (i) in the opinion of the Bank, it has conducted its banking business for not less than one year in a prudent and sound manner as any other SACA will perform in a similar situation;
 - (ii) the loan is acquired and extended under the rules and guidelines governing wholesale lending prescribed by the Bank.

(3) Loan policies

- (a) It is a duty of a SACA to establish clear policies that will govern its loan business. The policies may address in the minimum:
 - (i) all matter under subsection 05 (4) to (17) of these rules and guidelines.
- (b) The authority for determining and implementing loan policies may be vested in the management committee provided under subsection 03 (15) and 06 (3). Part of this authority may be delegated by the committee.
- (c) A SACA must ensure that its loan policies are well documented, pragmatic and reviewed periodically.

- (d) All policy makers and implementers must be fully knowledgeable of the policies. The members as well as the community must also be fully aware of all key policy issues that directly affect them. In this regard, facilitators must ensure that training is available at all levels, namely to the management committee, the management and staff, group leaders and members.

(4) Interest charges

- (a) There must be an interest charge on any loan granted by a SACA. The interest is to be market-determined, competitive as well as affordable to both the SACA and the borrower. At least, it should cover the transaction cost of the loan. As a guide:-
 - (i) the interest rates should be reviewed at periodic intervals and re-aligned in conformity with the prevailing economic and demand situations;
 - (ii) a spread of eight (8) to twelve (12) percentage points between the interests charged on loans and those paid on deposits would constitute a reasonable margin;
 - (iii) interest rates of banks may serve as useful guide;
 - (iv) interest repayment must always be in cash;
 - (v) all interest due on a loan must be repaid fully before the principal due;
 - (1.1) a loan repaid in time or ahead of schedule may attract incentive rebate on interest under subsection 05 (5);
 - (1.2) any case of wilful default may attract a penalty by the way of additional interest levy. This, as a policy, must be uniform.

(5) Incentive interest rate (interest rebate).

- (a) A SACA may introduce innovative incentives so as to reduce risks of loan defaults or enhance better repayment performance. It may accordingly consider, as one of such innovations, applying “premium interest rate” which, for the purpose of these rules and guidelines, means the sum of the actual or real interest rate and incentive interest rate. For example, if the real interest rate is twenty per cent (20%) it may be increased or up-fronted to twenty-five per cent (25%). The difference of five per cent (5%) constitutes the incentive rate.

- (c) A SACA may refund the entire or part of the amount representing the incentive interest charge to the borrower when his or her loan is retired on schedule or within a specified period soon after the expiry date.

- (d) The borrower may forfeit such privilege if the loan is not repaid within schedule or re-scheduled period determined by the SACA.

- (d) In order to encourage the management personnel to perform much better, part of this incentive interest earning may be set aside as incentive bonus or commission to them and only paid when the loan is fully retired on time.

(6) Loan limits

- (a) Loans and advances granted to any person must be subject to prescribed maximum ceilings laid down as a policy by a SACA. Such ceilings need not be confused with “loan rationing” sometimes irrationally resorted to by some intermediaries as a result of liquidity constraints.

- (b) In line with subsection 05 (6) (a) a loan granted to any person from deposit may not exceed a certain ratio in relation to the person's deposit held by the SACA. The maximum loan amount in such case may not exceed **twice** the deposit sum of the borrower. Notwithstanding, the limit may be prudently exceeded in the case of a customer with outstanding repayment records or a borrower who can offer a security in excess of the required amount in addition to the deposit mandatorily required.
- (c) The limits of loans granted from funds borrowed on wholesale for retailing may be governed by the conditions of the lender and also guided by the rules and guidelines on the subject with regard to "wholesale lending" prescribed by the Bank.

(7) Loan periods

- (a) The maximum period of any loan granted from deposits should not exceed six (6) months while the minimum must not be less than one (1) month in order to reduce administrative burden and costs.
- (b) Notwithstanding subsection (7) (a) above, loans granted from funds procured from lenders for retailing may be governed by the terms of the lender and the rules and guidelines on the subject with regard to "wholesale lending" prescribed by the Bank.

(8) Loan purposes

- (a) The purpose of SACA loans are primarily:
 - (i) agriculture as defined under subsection 02 (n);
 - (ii) off-farm income generating enterprises such as handicrafts, tie and dye making, dressmaking, soap making, blacksmithing, catering, carpentry, retail trade and any income generating activities prevalent in the business area.
- (b) Loan targeting or specialization should be avoided. Instead, a SACA must adopt a fungible approach to the use of its funds guided by demand

opportunities. Accordingly, a borrower must be allowed the use of his or her discretion in the identification and selection of the loan purpose.

(iii) Loan purposes may be:

-need based (who need loans most),

-use based (who can use loans best),

-risk based (who can pay back best or what is most profitable).

(1.0) Since a SACA should be ultimately self-sustained; it must essentially target sustainable businesses that are risk based or more profitable. It does not follow that because a person belongs to the poorest group in the community, his or her business is not profitable. The decision should not therefore be determined by class or based on social personalities but the type of business, its level of demand and its economic viability or degree of profitability.

(2.0) Bearing in mind the three factors in (1.0) above, a SACA needs to exercise a good degree of discretion coupled with caution in purpose targeting which may blend the three bases namely need, use and risk.

(iv) A lender may have the affinity for determining a loan purpose or insist on specific targets. Such conditionalities are not encouraged under rules and guidelines on wholesale lending prescribed by the Bank. However, some loans or grants provided by lenders especially donors may be intended to address specific economic constraints of a national interest. Under such circumstances,

wholesale loans reaching SACAs may be targeted in accordance with the lender's requirements.

(9) Beneficiaries of loans and advances

- (a) The beneficiaries of SACA loans and advances should solely comprise “small producers” as defined under subsection 02 (g) made up of individuals, formal and informal groups within its place of business or any other community that may affiliate with the SACA.
- (b) Women, youth and other vulnerable groups must have equal access to and opportunities of SACA loan facilities.
- (c) Gender SACAs may endeavour to accommodate the members of the opposite sex, proven to be good deposit account holders, in their loan schemes.

(10) Eligibility criteria for loans and advances.

- (a) It is a duty of the SACA to establish eligibility criteria for its loans and advances. Community and public awareness of the criteria must be created by the SACA. It is also incumbent on a SACA to review its eligibility criteria periodically in response to prevailing or changing circumstances.
- (b) The criteria must be consistent and equally applicable to all applicants. The loans committee may be granted a limited power to exercise its discretion for an occasional waiver or relaxation of a condition to an applicant. But any such concession granted should be exceptional and must not jeopardize in any way the safety of the loan or increase its risk.

(11) Loan procedures

- (a) It is a duty of a SACA to establish sound procedures for its loans. As much as possible, “the group lending concept” that depends on participatory approach in decision-making or collective leadership, character, trust and confidence may be adopted.

- (b) The procedures must be simple, flexible or pragmatic. They should render easy accessibility to the SACA’s service; allow the transaction processes to be conducted within the minimum possible time and at low costs.

- (c) In all cases, clear procedures must be established in addressing:
 - (i) application forms and requirements;
 - (ii) application processing;
 - (iii) loans and advances approval and advice;
 - (iv) pre-disbursement actions relating to agreements, guarantees, indemnities, and other securities;
 - (v) disbursements;
 - (vi) post-disbursement activities including monitoring or supervision, and recoveries;
 - (vii) loan recoveries and default sanctions;
 - (viii) loan foreclosure;
 - (ix) loan records.

(d) Factors for loan procedures.

The following factors may serve as guide in establishing loan procedures.

(i) Loan application and processing.

- (1.0) A SACA should prepare a simple application form to be completed by every applicant seeking a loan or an advance.
- (1.1) Separate form may be used for individual borrowers and group (formal and informal) borrowers.
- (1.2) The form should contain a reasonable information about the: applicant, purpose, past experience and performance, repayment capacity, and security.
- (1.3) The manager or his appointee must register the application on its receipt in the records of the SACA.
- (1.4) The management committees, headed by the manager are to be charged with the processing of the application for consideration by a loans and advances committee. In doing so, they will assemble all relevant information on the applicant's deposit(s) and previous loan account(s) for the attention of the committee.

(ii) Loans and Advances Committee.

- (1.1) As a rule, all loans and advance approvals must be sanctioned through a committee system. It is highly risky to place such authority in the hands of any one individual. The committee system has the unique advantage of providing collective and a more reliable decision, which is vital in financial matters at the level of a SACA.
- (1.2) The committee may be composed of the entire members of the management committee or a subcommittee of it. In the case of the latter, the management committee must ensure that the subcommittee, in exercising its authority, complies with the policies, rules and all regulations established by the management committee on loan and advance approvals. In all cases, the management committee should determine the composition of the subcommittee, its powers, functions and limits.

- (1.3) A management committee may set approval limits for a subcommittee beyond which the application must be referred to the former.
- (1.4) There must be a chairperson for the loans and advances committee who may be either appointed by the management committee or by the members of the former under the delegated authority of the latter.
- (1.5) The chairperson must be vested with the authority to convene and preside over all loans and advances committee meetings.
- (1.6) A proper arrangement must be in place for someone to act as a chairperson in the absence of the substantive one.
- (1.7) Generally the chairperson must ensure that the decision of the committee is by consensus or majority through the show of hands. Where there is a split decision, the chairman may have a casting vote.
- (1.8) Each loans and advances committee meeting must have a quorum as determined by the management committee before it commences.
- (1.9) A secretary to the loans and advances committee may be appointed by the management committee or the former and charged with the responsibility among others for:
 - serving notices for meetings,

- taking minutes and recording all the decisions of the committee in a minutes book.

(1.10) The manager or the cashier or any other person may be appointed the secretary. However, in order to maintain checks and balances and provided a SACA can afford, a different person other than those mentioned herein may be appointed.

(iii) Loans approval authority.

The management committee may vest the loans and advances committee with the following responsibilities:

- (1.1) schedule dates and times for the committee meetings;
- (1.2) deliberate and take decisions on processed applications presented by the manager. In doing so, the committee would observe the policies, eligibility criteria, rules and regulations of the SACA governing loans which may include:

- the presence of a chairperson'
- availability of a quorum,
- confirmation of previous minutes;
- the soundness and viability of the loan purpose,
- experience and competence of the applicant,
- character or reliability and credit worthiness of applicant,
- contribution (if required) by applicant, and
- suitability and acceptability of deposits and other securities being provided.

(iv) Loan decision.

- (1.1) The loans and advances committee may decide to approve or decline a loan application depending on whether the requirements in subsection 05 (11)(d)(iii) have been satisfactorily met.
- (1.2) The decision of the committee must be recorded by consensus or majority under subsection 05 (11)(d)(ii)(1.7).
- (1.3) All decisions of the committee must be recorded by the secretary under subsection 05(11)(d)(ii)(1.9).
- (1.4) The manger may be authorized to convey the decision of the committee to the applicant. This may be in the form of a written advice or it may be conveyed verbally.
- (1.5) The loan approval advice should indicate the approved amount and all the terms and conditions. Where the applicant is informed verbally, the manager shall clearly explain or cause to be explained such advice to the full acknowledgement of the applicant in a language the latter understands.

(v) Decision of applicant on loan offer.

It is a duty of a SACA to demand from an applicant within a specified period his or her acceptance or rejection of a loan offer. The applicant's decision may be conveyed verbally to the manager. The loan offer may be withdrawn if the applicant fails to respond within a specified period.

(vi) Execution of loan conditions and disbursement.

- (1.1) The applicant must satisfy all the loan terms and conditions before disbursement is made. The management committee must establish, as a policy, a process for verification or attestation to the fulfilment of the requirements.
- (1.2) The manager may be empowered to instruct the cashier to make disbursement subject to (vi)(1.1) above and in accordance with a disbursement schedule or instruction if any, stated by the loans and advances committee.
- (1.3) Generally, disbursement must be in cash and effected without the slightest delay. Except there is a real need for disbursement by instalments, it should be made in one lump sum considering the profile of SACA loans.
- (1.4) Under no circumstance shall the amount disbursed exceed the amount approved.
- (1.5) It should be the duty of a manager to ensure that all disbursements are properly entered in the passbook of the borrower and in the records of the SACA.

(vii) Post-disbursement activities.

- (1.1) It is a duty of a SACA to ensure that proper measures are established for monitoring or supervising the loans of borrowers. Methodologies to achieve this may include:

-application of group leadership and collective responsibility factors,

-maintenance of constant rapport between borrowers and the SACA and loans committee. This may be by way of regular visits by members of the committees to borrowers,

-linking the loan projects to the support and extension services in the area, and

-establishing simple and accurate records on loan activities.

(vii) Recoveries

(1.1) The loans and advances committee determines the repayment periods of loans including any moratorium it may grant on principal and/or interest.

(1.2) Considering the levels and short durations of SACA loans, principal and interest repayments may be bulked together and scheduled as one lump-sum repayment or by instalment.

(1.3) All recoveries must be entered in Customers Loan Ledger or the records of the SACA as provided under subsection 05 (15-16) of these rules and guidelines and also entered in the passbook of the borrower.

(1.4) The achievement of high level of recovery performance is usually enhanced by the following factors:

- sound loan policies and procedures,
- efficient management,
- healthy SACA – borrower relationship, and
- the dedication and loyalty of the management in performing its tasks.

In order to stimulate and sustain the last factor above namely dedication and loyalty of the management personnel, the SACA may provide some remuneration for their services. They must not be expected to serve on gratis or charitable basis which in itself, may constitute a pre-disposing factor for financial impropriety on their part. The remuneration may take the form of:

-regular or periodic allowances or salaries paid out of interest earnings, and

-additional incentive bonus or commission paid from earnings from the incentive interest charges under subsection 05 (5) of these rules and guideline.

- (1.5) A SACA must also organize regular solidarity meetings between the members and borrowers or customers alike to discuss the progress and related matters of interest. Such regular interaction may enhance solidarity or loyalty, and build on the confidence or integrity of those concerned which in turn would improve recovery performance.

(viii) Defaults

- (1.1) Appropriate measures must be instituted by a SACA to reduce the incidence or rate of loan defaults. A default rate of forty per cent (40%) and over is considered bad and unacceptable. The measures may include the following:

-operation of incentive interest scheme under subsection 05 (5),

-fixing a recovery level below which a borrower is not eligible for a new loan. (A level between 85% and 90% may be appropriate),

-exercising effective post-disbursement precautions under subsection 05 (11)(d)(vii),

-charging additional interest (example between 2% and 5%) as a penalty against recalcitrant defaulters,

-provision of rewards or incentives by way of prompt loan renewals and increased amounts for repayments on schedule,

-where all efforts and persuasions by a SACA to recover a loan have failed, it must take the necessary steps to redeem or attach the securities held in respect of the loan, and

-any wilful defaulter must be black-listed and denied a future loan.

(12) Advances

- (a) A SACA may grant advances to its customers for personal and consumption purposes.
- (b) The same rules and guidelines on policies and procedures bearing on loans equally apply to advances.
- (c) Advances may be of very short-term durations. A minimum period of two (2) weeks may be allowed by a SACA. However, the maximum period may not exceed three (3) months.
- (d) Advances must be recorded and entered in the records of the SACA and the passbook of the borrower in the same way as loans are treated.

(13) Investments

- (a) A SACA may invest a portion of its deposit in securities issued or guaranteed by the Government or the Bank provided that such investment is made under subsection 03 (5) of these rules and guidelines and does not result in the denial of loans and advances to eligible applicants.

- (b) It may invest part of borrowed fund from a lender recovered and held as a revolving fund in the same manner and under the same conditions as prescribed under subsection (13)(a) above.

- (c) A SACA must not acquire ownership interest in any commercial, agricultural, industrial and other business undertakings except:
 - (i) such interest is for the purpose of recovering debts owed to it and that the interest will be disposed of immediately the debt is recovered.

(14) Securities

- (a) Substitutes to traditional or collateral securities must be used generally for loans and advances granted by SACAs.

- (b) In small operator credit for short term purpose (particularly the type based on group lending concept) the security for a loan should generally be measured in terms of the efficiency of the SACAs credit system; the soundness of borrower sensitisation and the awareness created by the SACA about the objectives, procedures and the benefits of the loan and an acceptable degree of borrower understanding of his or her obligation under the loan as well as his or her undertaking to act with the integrity and honour the obligations under the loan. Tangible or collateral securities must not necessarily be mandatory in such cases.

- (c) Unsecured loans must be limited to informal grassroots persons or small scale borrowers only. In any such case the loan may be guaranteed by the group leaders or one to two persons of reputable social standing in

the case of individual small scale borrower. In group loans, additional security may be obtained by way of indemnity by the individual members. A lien over deposits belonging to groups or members or individual borrowers may serve as security. Peer pressure is a reliable weapon to rely on to improve recoveries.

- (d) A guarantor is not entitled to a fee or a commission from the lender or the borrower.
- (e) A loan to any individual borrower should be secured by lien over the borrower's savings or time deposit. The loan value may not exceed twice the deposit amount. Additional guarantee by people of good social standing or with good deposit accounts may be necessary.
- (f) The SACA may enter into simple loan agreement with the borrower, which will specify the loan amount, the interest thereon, the period and all other conditions of the loan.

(15) Loans journal

- (a) In the same manner provided under subsection 04 (2)(j)(i) for Deposit journal, the cashier must keep a Loans journal for recording all daily transactions on loans and advances.
 - (i) All recoveries must be recorded as credit.
 - (ii) All other charges must be recorded as credit.
 - (iii) All disbursement must be recorded as debit.
- (b) The columns in the journal may be headed as follows:

- (i) date;
- (ii) name and passbook or ledger number;
- (iii) type of recovery or charge (principal, interest, fees);
- (iv) amount recovered or charge received;
- (v) amount disbursed (debt);
- (vi) signature of officer receiving or paying.

(16) Loans ledger

- (a) Likewise as provided under 04(2)(j)(ii), a SACA may operate a Loans ledger into which will be recorded the summaries of all the loan transactions for the day.
- (b) The columns in the ledger may be headed as follows:
 - (i) date;
 - (ii) total interest repayment;
 - (iii) total principal repayment;
 - (iv) total disbursement;
 - (v) signature.

(17) Customer Accounts ledger

- (a) Any loan repayment made by or disbursed to a borrower must be recorded in his or her folio in the Customer Accounts ledger under subsection 04(2)(j)(iv).
- (b) The same records must be entered in the borrower's passbook.

Guidelines

06 Registration, Name, Ownership, and Controlling body Confederation, Revocation of Provisional Registration Certificate.

(1) Registration

- (a) No person is authorized to engage in any business prescribed by the Bank for SACAs without a Provisional Registration Certificate issued by the Bank permitting it to do so.

- (b) An application form prescribed by the Bank for the purpose of registration of SACAs must be completed and submitted to it by any person intending to operate as a SACA.
- (c) The Bank may demand attachments or extra information to the application. In all cases, the by-laws or articles of association or regulations of the applicant is to be attached.
- (d) Until otherwise prescribed, the use of the registration form prescribed under section 08 shall be in force.
- (e) In considering the application, the Bank may conduct such an investigation it may deem necessary to satisfy its self about the validity of the information contained in an application form.
- (f) In evaluating the application, the Bank will pay attention to the:
 - (i) history and status of the applicant;
 - (ii) fulfilment of minimum capital requirement prescribed for SACAS;
 - (iii) arrangements for business premise and liquid assets to be held;
 - (iv) arrangement with regard to technical assistance from a facilitator for institutional development of the SACA;
 - (vi) convenience and the needs of the community to be served and the economic and social progress likely to be achieved.
- (g) Within sixty (60) days from the receipt of the application or where further information, the Bank may grant the approval for a provisional

registration or decline the application and duly communicate its decision to the applicant in writing without assigning its reason in the case of a refusal.

- (h) On approval of the application, the Bank may issue a Provisional Registration Certificate to the applicant within thirty (30) days from the date of the approval letter.
- (i) The certificate will bear the name, the place and type of business of the SACA, the date and seal of the Bank.
- (j) A SACA must commence business within six (6) months from the date of its certificate. The failure to do so will result in revocation of the certificate by the Bank.
- (k) A SACA must notify the Bank of any amendments in its by-laws or regulations or articles of associations.
- (l) Other causes for revocation of a Provisional Registration Certificate of a SACA are prescribed under subsection 03 (12) of these rules and guidelines. A SACA must be guided by all the provisions therein. In addition, a certificate will be revoked if any information contained in its registration application is subsequently proved to be false.
- (m) Likewise, SACAs are to be guided by the provisions of subsection 03 (13) and (14) with regard to other aspects of revocation of a certificate dealing with notification and appeal respectively.

(2) Name

- (a) A SACA is authorized to determine its name which must not be changed or altered after its registration by the Bank without the latter's prior approval.
- (b) For uniformity and ease of identification SACAs may affix the acronym "SACA" or "SAC" or their words to their respective names. The place or area of business must appear as the last affix of the name. Example, a cooperative credit union at Sapo may be named "Cooperative SAC Union Sapo" or "Cooperative Savings and Credit Union Sapo".
- (c) A SACA is not authorized to refer to itself or to be referred to by others by any other name apart from its registered one.
- (d) No SACA shall use the name "bank" in referring to itself or cause other person to use the same in referring to it.
- (e) It is desirable that a SACA's name is clearly displayed in front of its office so as to provide easy identification. Its logo may also be displayed with the name for the same purpose.

(3) Ownership and controlling body.

(a) Management Committee

The owners or members of a SACA provided under subsections 03 (3) and 03 (15) in accordance with their by-laws, shall appoint a controlling body herein referred to as the Management Committee (MC) which will be

vested with the authority for the management and the administration of the affairs of the SACA. The MC may be selected from the members of the SACA at its annual or special general meeting. The owners at this meeting will also determine:

- (i) the qualifications and disqualifications for MC membership;
 - (ii) term of office of the MC;
 - (iii) powers, duties, functions, limits and liabilities of the MC, its chairman and secretary;
 - (iv) quorum for MC meeting;
 - (v) voting rights of members at MC meetings;
 - (vi) appointment of Mc chairperson;
 - (vii) appoint a SACA manager or delegate the Mc to do so.
- (b) The MC will be vested with the power of administration and management of the affairs of the SACA. In exercising such power, it may delegate part of its responsibilities and authority to its appointees. The MC must:
- (i) determine the operational policies and procedures for banking business and other affairs of the SACA;
 - (ii) appoint SACA manager who will be the chief executive of the SACA management;
 - (iii) appoint SACA management committee which will be responsible for the daily administration of the SACA;
 - (iv) function as or appoint a loans and advances committee;
 - (v) determine the powers, duties, functions and limits of the management committee and the loans and advances committee and other appointees;
 - (vi) where applicable, fix the remuneration of appointees.

(4) Disqualification from MC Membership.

- (a) No person should be appointed or continue to hold office as a member of MC if he or she is:
- (i) a wilful debtor to the SACA or any other creditor;
 - (ii) declared bankrupt;

- (iii) convicted against any unlawful act without being pardoned for the offence;
 - (iv) an undischarged mental patient.
- (b) The MC shall be automatically disqualified when the Provisional Registration Certificate of the SACA he or she serves is revoked by the Bank. Under such circumstances, they will be jointly and severally held liable for all losses arising out of the revocation of the certificate.

(5) Annual General meeting.

- (a) The authority of a SACA is vested in the annual general meeting (AGM) of its members. Accordingly members shall hold a general meeting, at least once a year and:
- (i) determine the bye-laws, rules and regulations, general policies and make relevant appointments such as SC members;
 - (ii) have the right to vote on all matters and each member shall have one vote;
 - (iii) elect among themselves a chairperson and a secretary for general meeting;
 - (iv) appoint and fix remuneration of an auditor for the ensuing year; and
 - (v) obtain quorum before the meeting is commenced;
 - (vi) discuss any other matters that are in the supreme interest and progress of the SACA.

(6) Confederation

- (a) Two or more SACAs may, with the approval of the Bank, enter into confederation at district or divisional level in order to share experiences or coordinate their activities or share common financial services between.
- (b) The decision to confederate is vested in the owners and must be taken at a general meeting.

- (c) The confederation must not lead to the loss of the legal status of any of the confederating SACAs.
- (d) The SACAs intending to confederate will inform the Bank of such intention. The information provided should include:
 - (i) name of confederated body;
 - (ii) names and locations of the confederating SACAs;
 - (iii) the balance sheet of each of them for the last financial year;
 - (iv) the organization powers, functions and limits of the apex body.
- (e) the Bank may grant the approval for permission if it is satisfied with the information provided. Such approval will be given in writing within sixty (60) days from the receipt of the request.
- (f) The Bank may request for information at periodic intervals or at any occasion it considers necessary from the apex body about the affairs of the confederation.
- (g) The confederation may be dissolved by the Bank where, in its opinion, the apex body is found to be unsound or acts unlawfully or persistently act against the interest of the member SACAs. The Bank's decision will be final under any of these circumstances.

(7) Revocation of Provisional Registration Certificate and Registration Certificate.

- (i) During the "start-up period" a SACA is under duty to establish sound and efficient administrative and management frameworks for its operations. It is also required to build-up its capital to a required minimum limit prescribed under subsection 07 (2) and (3). Furthermore, it is under obligation to comply with financial provisions under subsection 03 (11). In addition, the Bank has prescribed policies and guidelines in these "rules and guidelines" that are to be observed by every SACA. Under subsection 03 (10), the Bank is to enforce the compliance with all such requirements.

- (ii) The Bank reserves the right to prescribe remedial and penal measures against non-compliance with any of these requirements indicated in 06 (7) (i) above generally and as specifically provided under subsection 03 (12).

- (iii) Where the affairs of a SACA, in the sole judgement of the Bank, is considered unsound or unlawful at any time during the course of the “start-up period”, or thereafter in the case of a fully registered, the SACA will take the appropriate measures deemed fit by the Bank or its appointee to rectify the unsound or unlawful affair within a specified period allowed it by the Bank. The failure to do so by the SACA may result in a terminal action on the part of the Bank against it depending on the severity of the case decided on the sole judgement of the Bank.

- (iv) The terminal action in this respect comprises the revocation of the Provisional Registration Certificate under subsection 03 (12) and (13).

- (v) A SACA has the right to appeal against a revocation decision. The steps for the appeal are as prescribed under 03 (14). In all cases, the decision of the Bank on the appeal will be final.

07 Capitalization, Start-up period, Capital build-up programme, Status review, Financial Information.

(1) Capitalization

(a) Authorized capital.

- (i) The authorized capital of a SACA must be determined by its members. Though this may be important, it does not constitute a mandatory requirement in the case of a SACA. Attention should be focused rather on how to achieve the contribution of the minimum capital requirements for registration and at the end of the “start-up period”.

- (ii) Members of a SACA must determine the rules and conditions that will govern its capital subscription or contribution. Such rules and conditions are to be embodied in its by-laws or regulations or articles of association required for registration by the Bank.
- (b) Minimum paid-up capital
- (i) The minimum paid-up capital of all SACAs will be determined by the Bank.
 - (ii) No organization or person will be permitted to operate as a SACA by the Bank without it satisfying the minimum paid-up capital requirement.
 - (iii) Until otherwise prescribed, a SACA must have an unimpaired minimum paid-up capital of three thousand (D3000) before it will be registered by the Bank.
 - (iv) The minimum paid-up capital may be computed in such a manner as may be determined by the Bank. Until otherwise prescribed this may comprise any or combinations of the following:
 - (1.0) membership fees,
 - (2.0) special cash contributions by members,
 - (3.0) paid-up shares,
 - (4.0) reserves authorized by the Bank,
 - (5.0) undivided profits and other incomes
 - (6.0) endowments.

(2) Start-up period

(a) Duration.

Until otherwise prescribed by the Bank, a SACA is granted a maximum of three (3) years as a “start-up period” during which it will develop, grow and attain sustainability. During this period it must:

- (1.0) acquire the skills and the expertise needed for efficient management of its business. A technical assistance may be sought from a donor or a non-governmental organization (NGO) or any other facilitator for the achievement of this objective;
- (2.0) establish the policies as well as efficient modus operandi for its business;
- (3.0) establish an appropriate premise for its type of business. It must have a safe for keeping all liquid assets it may hold;
- (4.0) build-up its capital to the extent that it will not be less than the minimum prescribed for SACAs at the termination of the “start-up period”.

(b) Minimum Paid-up capital at end of “start-up period”

The minimum paid-up capital of a SACA at the end of the start-up period must not be less than ten thousand dalasis (D10,000) or an amount that may be prescribed by the Bank.

(3) Capital build-up programme

- (a) Until otherwise directed by the Bank, a SACA is granted a maximum of three (3) years from the date of its registration to build-up the minimum

capital requirement of ten thousand dalasis (D10, 000) or as may be prescribed by the Bank at the termination of the “start-up period”.

- (b) The balance sheet, and profit and loss account submitted to the Bank by a SACA at the end of each of the three years and as required under subsection 03 (11) should indicate the state of affairs with regard to the capital build-up programme. The statement will indicate, among others, the amount and ratio of the “capital gap” contributed as at the end of each year. For the purpose of these rules and guidelines, “capital gap” means the difference between the required minimum paid-up capital at the end of the start-up period and the initial minimum requirement for registration. In this case, until otherwise amended by the Bank, the capital gap is seven thousand dalasis (D7,000). The expected minimum contributions for the respective years should in principle:
 - (i) not be less than fifteen per cent (15%) of the capital gap by the end of the first year;
 - (ii) not be less than fifty per cent (50%) of the capital gap by the end of the second year;
 - (iii) reach the full capital gap by the end of the third year.
- (c) The capital under the programme may be computed as prescribed under subsection 07 (1)(iv) of these rules and guidelines.

(4) Status review

- (a) The affairs of a SACA will be evaluated at the end of the “start-up period” and its status reviewed in accordance with its performance assessment as determined by the Bank. The evaluation will be undertaken by the Bank or its appointee within one month prior to the expiry date of the SACA’s Provisional Registration Certificate.

- (b) The factors to be taken into consideration in performance assessment will include the soundness of policies and procedures, the efficiency of management, the liquidity of the SACA including levels of deposits and capital as well as the suitability of its premise and the economic activities generated by the SACA.

- (c) In every case, emphasis will be placed on the level of the minimum paid-up capital as at the end of the “start-up period”. The Bank may accordingly enforce the following measures:
 - (i) the status of any SACA that achieves one hundred per cent (100%) payment of the required minimum capital will be upgraded to a MISACI and accordingly registered by the Bank in line with its guidelines prescribed for registering MISACIs on proviso that its general performance is rated satisfactory.
 - (ii) A SACA obtaining sixty per cent (60%) and over but less than one hundred per cent (100%) achievement rate may be granted, at the sole discretion of the Bank, a further period of not more than one year to reach the required level.
 - (iii) Any SACA that achieves between forty per cent (40%) to sixty per cent (60%) may have its Provisional Registration Certificate revoked with the right of appeal as provided under subsection 03 (12) of these rules and guidelines or may be granted a further period of not more than twelve (12) months to achieve the required level depending on the merits of the other factors under 4 (b) above.
 - (iv) The Provisional Registration Certificate of any SACA that achieves less than forty per cent (40%) shall be revoked as provided under subsection 03 (12) of these rules and guidelines without the right of appeal.

(5) Net Profit

A SACA is required to prepare a profit loss (PL) statement for its own guidance and submission to the Bank at periodic intervals prescribed under subsection 03 (11). The PL statement forms part of the balance sheet for any transaction year. This should be certified or prepared and certified by a qualified accountant or auditor. It is a statement of the SACA's income vis-à-vis its total operating expenditure (direct and indirect) and, thus, reveals the viability of the institution. For this reason, every SACA should endeavour to prepare this statement, at least, on half yearly basis and be guided by it. In preparing its PL statement, a SACA is required to exclude all interest on loans and other incomes recorded in its books but not yet received. Such unrecovered incomes are not expendable. Likewise, in order to partly sustain the level of loanable funds, part of the profit must be set aside to cover wilful loans which usually end up as doubtful or bad debts. In the case of a SACA, the net profit is arrived at after making provision for doubtful and bad debts as well as accrued interest on loans and other incomes not yet received but recorded.

(6) Financial information

- (i) It is a duty of a SACA to maintain a basic performance standard at all times. As an essential part of this requirement, a SACA is expected to establish an efficient management information system or, simply, keep accurate and up to date records on all its operations. In addition, it is its duty to observe some prescribed financial requirements such as liquid asset levels in relation to reserve ratios, deposit and loan transactions, and other financial statements prescribed under subsection 03 (11). These measures on the other hand serve as internal controls in preventing, detecting and for punishing against any financial impropriety or fraudulent practices on the part of the staff of a SACA with or without a third party.

- (ii) A SACA must ensure that, at least, its manager and cashier or bookkeeper receive adequate training in these skills to be able to enter all the relevant records in its books or ledgers or journals and prepare simple statements such as liquid assets/deposit liability ratio, or reserve ratio, profit and loss, deposit and loan accounts; compute and credit or debit interest charges on deposit and loans etc. It requires both time and

persistent effort on the part of a SACA to train its staff to the extent where they can manage these records independently.

This is a critical area which calls for the assistance of a facilitator. A SACA is accordingly required during its “start-up period” to seek such assistance and as prescribed under subsection 03 (2) (iii) unless it can prove beyond reasonable doubt to the Bank that it possesses the requisite management capacity for this requirement.

- (iii) It is advisable that where a facilitator is in any difficulty it seeks the service of a fellow knowledgeable facilitator or a qualified accountant to assist it in setting up the books or records. Similarly, advisory service may be sought from the Bank or its appointee or any commercial bank. In all cases, it is expected that a qualified accountant or auditor assist with the preparation of the annual account required under subsection 03 (ii)(iv).

- (iv) The Bank is charged with the responsibility for ensuring that basic standards are maintained by all SACAs and that all prudential policies and regulations are duly complied with by them. It does so by monitoring the activities of SACAs through both “off site” and “on site” examination of their affairs as prescribed under subsections 03 (10) and (11). SACAs are hereby advised to strictly comply with the provisions of these two subsections so as to avoid disciplinary measures that may be taken against deficient ones by the Bank.

PART C Guidelines

08 REGISTRATION OF SACAs

An application in writing for registration as a SACA shall be submitted to the Bank in accordance with section 03 (2) of these rules and guidelines and based on the guidelines provided in the Bank's form CBRF-RG/08. The provisions of "rules and guidelines on policies and procedures, volume two, SACAs" must be closely studied by any person before applying to the Bank for registration as a SACA.

**INSTRUCTIONS ON APPLICATION FOR REGISTRATION OF SACA
(CBRF.RG/08)**

(1) Organization (To be completed by all)

(a) Parent organization

State:

- (i) Name of organization intending to form SACA.
- (ii) Present status of organization (e.g. Kafo, Tesito, Osusus, NGO, Informal group, Cooperative etc.) and whether or not incorporated and if so the type.
- (iii) Location and date of formation of organization.
- (iv) Original gender numbers of members.
- (v) Present gender numbers of members.
- (vi) Main economic activities undertaken by organization and by members.
- (vii) Present composition of the governing committee (board) of organization.

(b) Proposed new organization - SACA

State:

- (i) Name of SACA;
- (ii) Organizations forming SACA;
- (iii) Location and address of SACA;
- (iv) Number, names, locations, age, gender of promoters;
- (v) Number, names, gender and locations of founding members.

(2) Management of SACA (To be completed by all)

- (i) Attach a certified copy of by-laws or rules or regulations or memorandum or articles of association of SACA;
- (ii) State name, gender, age and location of each member of the Management committee and state whether or not the member resides in the business area;
- (iii) State composition of management committee,
- (iv) State qualification and experience (formal or informal) required for each management position;
- (v) Briefly outline the powers, functions, duties and limits of the SACA committee;
- (vi) Briefly outline the powers, functions, duties and limits of the management committee;
- (vii) Give brief description of business premise and equipment;
- (viii) Give brief description of security arrangement for deposits and other cash holdings;
- (ix) State rules regarding meeting of members and Management committee, in respect of quorum, voting rights and procedure. (Not applicable if this is provided in the by-laws or regulations).

(3) Financial information (To be completed by all)

State:

- (i) Total amount of membership fees and other contributions made by members from inception of parent organization to date.
- (ii) Brief account of the uses and benefits of the contributed amounts.
- (iii) Proposed cash contributions by members.
- (iv) Proposed share capital and share value of SACA (complete if applicable)
- (v) Number and gender and paid-up shares of shareholders (complete if applicable).
- (vi) Paid-up capital of SACA.
- (vii) Name and address of auditor of SACA (Complete if applicable).
- (viii) Name and address of Bank of the parent organization (Complete if applicable).
- (ix) Name and address of Bank of SACA (Provide one set of data if “viii” and “ix” are the same).
- (x) Liquid assets (cash, bank account balances) of the parent organization.
- (xi) Liquid assets (cash, bank account balances and other assets) of SACA (Provide one set of data if “x” and “xi” above are the same).
- (xii) Liabilities of parent organization-types and values (Complete where applicable).
- (xiii) Rules relating to distribution of assets when winding-up.
- (xiv) List of financial records to be kept by SACA.

(4) Lending activities

(To be completed by organizations that have engaged or engage in credit activities).

Sate:

- (i) Period (date of inception of credit activities to date).
- (ii) Source(s) of loan funds.
- (iii) Total amount of loans made for the period.
- (iv) Number of beneficiaries of total amount of loans.
- (v) Total amount of loans due to date.
- (vi) Total recoveries to date.
- (vii) Outstanding balance classified into short, medium and long term.
- (viii) Total amount in arrears.
- (ix) Amount in arrears up to six months and over six months.
- (x) Interest rate regime over the period. Give dates.
- (xi) Type of securities generally accepted against loans.
- (xii) Outline of loan policies.
- (xiii) Cost of lending activities per year for the last two financial years.
- (xiv) Interest amounts charged and recovered respectively for the last two financial years.

(5) Savings and Time deposits.

(To be completed by organizations that have engaged or engage in savings and time deposit mobilization).

- (i) State period (inception of activity to date).
- (ii) State types of deposits mobilized.
- (iii) State number of deposit accounts (savings and time) and the total deposit amounts as at the end of last day of each year for the past two financial years.
- (iv) State aggregate amounts of deposit held in cash, with banks, and given out as loans for each of the past two financial years.
- (v) Briefly outline security arrangements for cash holding.

- (vi) Briefly outline types of records maintained on deposit accounts and to be maintained by the SACA.
- (vii) Briefly outline terms and conditions of deposits (receiving and paying).

(6) Technical assistance. (To be completed by all)

- (i) State the name and business address of donor facilitator(s) namely NGO, United Nations Agency, Private Voluntary Organization, and Cooperative etc.
- (ii) State how long the organization has associated with donor and for what purpose(s).
- (iii) State type(s) and value(s) of previous technical assistance obtained from this donor and others (complete if applicable.)
- (iv) Briefly state the economic and social benefits derived from previous technical assistance (complete if applicable).
- (v) State the type and values of proposed technical assistance to be provided by donor to facilitate SACA.
- (vi) Attach action plan and budget for technical assistance to be provided by donor. (This must be prepared and certified by the donor).

(7) Social and Economic benefits.

- (i) Briefly outline the main economic activities in the place of business.
- (ii) Outline skill development programmes/projects or activities in the place of business.
- (iii) Describe very briefly your reasons for establishing the SACA.

(8) Balance sheet and accounts.

(Applicable to audited accounts of former or ongoing savings and/or credit organizations).

- (i) Attach a copy of the last balance sheet and profit and loss account audited and certified by a qualified auditor. (This should be in respect of the last financial year or the one before it).

**NON – BANK FINANCIAL INSTITUTIONS
RURAL FINANCIAL OPERATIONS
RULES AND GUIDELINES ON POLICIES AND PROCEDURES**

FIDUCIARY FINANCIAL INSTRUCTIONS

Made in pursuance of Sections 3(1) and 35 of the
Financial Institutions Act (FIA) 1992

PART A - PRELIMINARIES

SECTION 01 - SCOPE

These prudential Regulations and Guidelines cover the operations of Fiduciary Financial Institutions herein referred to as Trusts in the conduct of their authorized fiduciary business. They are pursuant to Financial Institutions Act (FIA) 1992 and volume one of Rules and Guidelines on Policies and Procedures on rural financial operations issued by the Bank. The Provisions herein are by no means intended to replace those of FIA 1992 or the volume one referred to above. In the event of a conflict of any of these Provisions with that of the FIA 1992 or the volume one, that of the latter applicable shall prevail.

SECTION 02 - INTERPRETATIONS

Unless otherwise specified or the context requires the terms used in these Rules and Guidelines:

- (a) ***“Trust” means a fiduciary institution licensed by the Bank to undertake trust business.***
- (b) ***“Trust business” means the administration, holding and management by a Trust of a common trust fund or funds and/or property for the use, benefit or on behalf of the trust or persons so designated by it referred to as beneficiaries.***
- (c) ***“Trust account” means transactions arising from the fiduciary relationship established between a trust partner and a board of trustees who are authorized to administer and manage a particular fund and/or property.***
- (d) ***“Partner” means a participant in a “common trust fund” by way of fund contribution either in cash or kind.***
- (e) ***“Common trust fund” means a fund maintained by a trust authorized to perform trust business and delegated to trustees for wholesale loans or investments or reinvestments or grants or development purposes or capacity building of Micro-financial institutions in their capacity as trustees.***
- (f) ***“Investment authority” means the power conferred by governing trust instruments or law or court order to make, select or change investments or the mandate of trust account.***
- (g) ***“Micro-financial institution” means the definitions for credit institution/financial institution stated in subsection 2(1) of the Financial Institution Act FIA 1992, and which may be owned and self-***

managed by a rural community or a co-operative or a person under a licence or registration issued by the Bank.

- (h)** *“Prescribe” means definition stated in Section 2(1) of the FIA 1992.*
- (i)** *“Co-operative” means an organization composed of small producers, operators and consumers who voluntarily join together to form a business enterprise which is registered by the Registrar of Co-operatives and which they themselves own, control and patronize.*
- (j)** *“Small producer” means self-employed individual or person who operates micro enterprise including agriculture of who by himself or herself or family provides labour requirements of his or her farming activity or vocation or who earns, at least, 50% (fifty) of his or her gross income from the labour he or she provides.*
- (k)** *“Director” means the definition constituted under the Companies Act and also applies to a member of a Board of Trustees of a trust.*
- (l)** *“Person” means the definition in Section 2(1) of the FIA 1992.*
- (m)** *“Financial activity” means savings and credit business or “banking business” as provided in Section 2(1) of FIA 1992 authorized by the Bank to be undertaken by a class of financial institutions.*
- (n)** *“Secretary of State” means the Secretary responsible for the administration of the FIA 1992.*
- (o)** *“Officer” means the Chief Executive, a Manager or a Supervisor or other person empowered by the Board to give direction in regard to the management and administration of the trust engaging him or her.*
- (p)** *“Bank” means the Central Bank of The Gambia.*

- (q) ***“Unsafe” or “Unsound” or “Unlawful manner or practice” means a conduct or an action of a trust which is contrary to acceptable standards of prudent banking or trust business and which can result in the risk or loss or damage to trust partners.***

PART B - REGULATIONS AND GUIDELINES

SECTION 03 - PRUDENTIAL RULES

1 Licence

(a) Requirements and Scope

- i) No person shall engage in a trust business without a licence issued by the Bank authorizing it to do so.***
- ii) The minimum paid-up capital contributed by the trust partners shall not be less than one million Dalasis.***
- iii) The promoters shall first register the trust business with the Registrar of Companies as a private or public company limited either by guarantee or liability obtain the registration certificate and thereafter submit an application to the Bank in accordance with the procedure stated in Section 05 and 06.***
- iv) The licence shall authorize the trust to open one business office at its place of business and its headquarters. Notwithstanding, a trust may open subsidiary offices.***
- v) A licence shall be valid for one year commencing from the date of its issuance and thereafter be renewable annually***

subject to satisfactory performance of the trust determined by the Bank.

A trust shall commence business within 6 (six) months from the date of its licence, otherwise, the licence shall be revoked at the end of this period.

- vi) A trust shall notify the Bank in writing of the commencement date of its business not later than two weeks from that date.***
- vii) A trust shall not be known by any name or be referred to or cause to be referred to by any name other than its licensed name.***
- viii) A standard fee prescribed by the Bank may be charged for licensing a trust or renewing a licence.***

(b) Penalties and Revocation of Licence

- i) A trust shall be liable to a penalty prescribed by the Bank when it is convicted of an offence under these rules and guidelines or it violates a provision of the FIA 1992 or the Companies Act relevant to its operation.***
- ii) The licence of a trust shall be suspended for a specified period or revoked if it conducts its business in an “unlawful” or “unsound” or “unsafe” manner and fails to rectify such affair within a given time allowed it by the Bank to do so or if it becomes insolvent or fails to commence business within a prescribed period or an information provided to the Bank for a licence is found later to be false or it establishes itself as a wilful defaulter in the submission of mandatory financial returns or any other information required by the Bank.***

iii) Where it is deemed necessary to suspend or revoke a licence on the account of any of the aforementioned offences or deficiencies, the Bank shall notify the trust of its intention which may embody, where necessary, the special conditions to be satisfied by the trust before the decision may be revoked or amended.

(c) Appeal against Revocation of Licence

i) A trust shall have the right to be granted a hearing the Bank for a review of its decision to revoke the former's licence. The trust's notice in writing for a hearing must reach the Bank not later than 10 (ten) days from the date of receipt of the revocation notice. The Bank shall grant a hearing within 20 (twenty) days from the date of the receipt of the hearing notice and convey its decision on the hearing to the trust within 30 (thirty) days from the hearing date.

ii) A trust shall cease to receive contributions or grant loans or make investments or reinvestments or other business transactions except receiving repayments from borrowers when it is served with revocation notice.

iii) A trust shall have the right of appeal to the Supreme Court against an upheld decision of the Bank to revoke its licence.

iv) The suspension of the trust business shall continue to be in force from the day it receives the revocation notice till the time a ruling on an appeal to the Supreme Court, if any, is known. The decision of the Supreme Court shall be final.

- v) ***The licence of a trust shall be deemed revoked if no request is received by the Bank for a hearing under this subsection or if after a hearing no notice of an intention to appeal to the Supreme Court is received by the Bank within 15 (fifteen) days from the date the trust received the hearing decision from the Bank revoking its licence.***

- vi) ***A trust shall wind-up its business when its licence is revoked.***

2 Management of Funds of Trust

(a) Establishment of a Common Trust Fund

- i) ***Any person authorized to perform trust business may establish, administer and maintain one or more trust funds made in accordance with the express authority embodied in the instrument creating the trust or upon amendment thereof without prior consent of all the partners or other parties in interest.***

- ii) ***The instrument shall embody the objectives of the partner's fund, the rights, duties, liabilities of both the partner and the Board of Trustees. The fund management contract shall be entered into by both parties which will govern their fiduciary relation and responsibilities.***

(b) Responsibility for Administration of Fund

- i) ***The Board shall be responsible for the proper exercise of the fund management powers vested in it by the partners in the fund. In this context, it shall determine and formulate policies with regard to:***

(1.0) proper management of each account including investment and the disposition of funds or property;

(1.1) Continuously review the trust business to determine the advisability of retaining or disposing of assets of an account. This must be done at least once in 12 (twelve) months; and

(1.2) Continuously review the performance of officers employees, committee(s) designated to manage the funds and accounts especially in the absence of specific agreements, investments or in the case of discretionary accounts.

(c) Trust Deed

i) Each common trust shall be established, administered and maintained in accordance with written declaration of trust deed referred to hereunder as “deed”, which shall be approved by the board and a copy submitted to the Bank for a licence or not later than 30 (thirty) days prior to its implementation in the case of a revised deed.

ii) The deed shall make provisions on the following matters, however, not necessarily restricted to them:

(1.0) manner in which the fund is to be operated including financial activity to be undertaken;

- (1.1) allocation, apportionment, distribution dates of income, (profits and losses);***
- (1.2) terms and conditions governing the admission or withdrawal of participation in the trust;***
- (1.3) auditing and settlement of accounts of the trustee with respect to the fund;***
- (1.4) basis and method of valuing assets in the funds;***
- (1.5) mechanics of expansion and contraction of units and/or participation comprising the fund;***
- (1.6) Such other matters as may be necessary or proper to define clearly the rights of partners in the common trust fund.***

iii) The provisions of the deed shall control all partners in the fund and the rights and benefits of all other persons interested in such participation as beneficiaries or otherwise.

iv) The deed may be amended by a resolution of the Board provided that:

- (1.0) partners in the fund shall be immediately notified of such amendment(s) for ratification;***
- (1.1) a partner shall be allowed to withdraw or reduce the level of its participation if it is not in agreement with the amendment(s) made;***

(1.2) the amendment(s) shall be submitted to the Bank within 10 (ten) business days from approval dated by the Board.

v) A copy of the deed shall be available at the headquarters of the trust during regular office hours for inspection by any person having an interest in the trust or whose funds are invested in the trust or by an authorized representative of a partner. Upon a request, a copy shall be furnished to such person.

(d) Trust Account

i) The Board shall designate clearly in its records the trust accounts of each partner in the common trust fund and the extent of the interest of such accounts. The Board shall not, without the prior consent of the partner or its appointee, negotiate nor assign a partner's beneficial interest in the common trust fund.

ii) No trust account holding or participation in a common trust fund shall have or be deemed to have any ownership or interest in the common trust fund but shall have its proportionate beneficial interest in the fund as a whole.

(e) Separation of Accounts and Records

i) All monies, properties or securities received by the Board or its designated committee or authorized Chief Executive in the management of the trust shall be kept separate and distinct from those of the fund, properties and other assets used in the conduct of its general business.

- ii) The fund management operation shall have books and records separate and independent from other books and records of the operational accounts of the trustee.**
- iii) All accounts and records shall be maintained with skill and competence and in like manner as ordinary efficient accounts and records are kept.**

(f) Accountability

- i) The Board shall periodically render account or submit reports on the managed funds to the partners or owner(s) of the fund, beneficiary or any other party duly designated as the case may be. The reports shall be in such forms and frequency as required under the fund management agreement provided that:**

(1.0) it contains sufficient information to apprise the party concerned of the significant developments in the administration of the accounts during the period covered;

(1.1) the Chief Executive shall submit to the appropriate supervisory and examining department of the Bank such reports as may be required.

(g) Fees and Commissions for Fund/Portfolio Management Services

- i) The Board and/or the management of the fund herein referred to as the financial manager shall be entitled to reasonable fees and/or commissions which shall be determined on the basis of the cost of services rendered and the responsibilities assumed. Any such understanding shall be embodied in the management contract.**

- ii) The fee corresponding to each participant shall be limited to his pro rata shares in the participation of the fund or as agreed upon under management contract.**
- iii) Under no circumstance shall such fees and commissions be determined on the basis of the income derived from the investment of the fund.**
- iv) No financial manager shall solicit or receive rebates on commissions, fees and other payments for the services rendered to the owners or the fund by stock brokers, real estate brokers, insurance agents and similar entities unless the rebates, fees and other payments shall accrue to the benefit of the fund.**

(h) Minimum Features of Management contract

The fund management contract shall have the following minimum features:

- i) There shall be a stipulation that the legal title to the money, properties or other assets of the fund shall not be transferred to the financial manager.**
- ii) The contract shall be clear that the financial manager only acts in a representative capacity and that his acts are designed to be those of his clients.**
- iii) The contract shall not stipulate any interest of any party other than those related to the trust business.**
- iv) Any arrangement based on income expectation or like terms shall be clarified to the extent that such expectation is not a**

guaranty of return or income, nor does it entitle the client to a fixed interest on the money invested.

- v) There shall be a stipulation that in the case of withdrawals or termination of management contract or agreement before the agreed period, the client shall be entitled to such income as the money invested may have earned less entitled commission if any. (For the purpose of these rules and guidelines “client” means the trust or a partner in a trust.***

(i) Authorized Investment

- i) Investments shall be made in accordance with the terms of the agreements either in the name of the owner of fund, or in the name of the chief executive in his capacity as agent specifically indicated in the covering instrument.***
- ii) When the agreement does not specify the character or class of investments, the investments shall be limited to debt and equity securities contained in the list approved by the Board or its duly designated committee at least once every 12 (twelve) months provided however that in the case the list was approved by the committee, a copy thereof shall be submitted to the Board for ratification in its next regular or special meeting.***
- iii) Fund for investment in securities shall be invested in high-grade securities acceptable as collateral under the Bank’s***

rules. Investments in other securities shall be made with the consent of the fund owners.

(j) Loans and Securities

The Board shall determine the purpose(s), type(s) and securities of loans. It shall prescribe the discretionary powers and limits of the management committee or its designated loans committee. The Board shall also observe quantitative loan ceiling in conformity with the prevailing economic situation and it shall also take the appropriate operational and legal measures to protect the interest of the trust and safety of the loan investment.

(k) Transaction by Financial Manager requiring prior authority

i) Unless prior to its execution, the specific transaction has been expressly authorized in writing by the trust, beneficiary or other party in interest, or by a court of competent jurisdiction, the Board shall not undertake any of the following transaction for the account of the trust:

(1.0) purchase or acquire property from, or otherwise sell, transfer, assign or lend money or property to any of the departments, directors or trustees, officers, stockholders, or relatives within the first degree of consanguinity or affinity, or the related interest of such directors, officers or stock holders;

(1.1) invest in equities or purchase debt instrument of a trustee or of any business organization in which the trustee(s) individually or collectively own at least fifty (50) percent of the subscribed capital or voting stock in its own right and not as trustee nor in a representative

capacity, or purchase debt instruments of officers, stockholders, their relatives within the first degree of consanguinity or affinity, or their related interest or of its employees;

(1.2) sell, transfer, assign, or lend money or property from one trust account to another;

(1.3) Commingle the funds of two or more accounts for the purpose of investing in the money market.

(I) Financial Activity

i) The financial activity to be undertaken by a trust shall be embodied in the deed as well as the management contract executed between the partner and the trust.

ii) A trust shall charge market interest on every loan and credit it grants having due consideration for differentials in production, commercial and term loans.

iii) Unless authorized by the Bank to do so, a trust shall not mobilize savings directly from the general public.

It shall however, promote savings mobilization. In pursuit of its savings promotional activities therefore, its loans and credit facilities shall be mainly extended to non-bank financial institutions with proven track records in domestic savings mobilization or any group of persons duly agreed upon with a partner and with the consent of the Bank.

iv) In relation to its financial activities, a trust may manage funds for the benefit of micro-financial institutions for their development or act as a link between such institutions on one part and a donor or a bank on the other.

(m) Profit

i) A trust may be a profit or a non-profit making institution. The deed shall state as required under subsection 03(2)(ii)(1.1) the status of a trust in this regard.

ii) A non-profit making trust shall determine the appropriation of its incomes arising out of its net profit or investments and such appropriation shall be embodied in the deed.

It shall have the authority to amend any provision thereof on annual basis.

(n) Net Profit

The net profit of a trust for each financial year shall be determined after making due provisions for:

i) bad and doubtful debts;

ii) reserves and other capital adjustments required by the bank;

iii) deferred income tax (where applicable);

iv) accumulated profit not yet received by recorded;

v) accrued interest on loans not yet collected but recorded;

vi) contributions to staff welfare fund and other remuneration such as bonus where applicable.

(o) Provision for Bad and Doubtful debts

i) A trust is required to maintain the value of its liquid assets invested in loans and credits. Accordingly, it should periodically make provisions in its profit and loss account for bad and doubtful debts. This provision is required mandatorily in the balance sheet and profit and loss account of the year.

(p) General Reserve

i) A trust shall establish and maintain a general reserve and must at the end of each financial year make due transfer from its profit to the reserve account an amount determined by the Board or as may be prescribed by the Bank.

ii) Unless otherwise prescribed by the Bank, the amount transferred shall not be less than 10 (ten) percent of the profit after making all other provisions under subsection 03(2)(n)(o) or before declaring dividends or appropriating the net profit.

The reduction or impairment of the reserve account is subject to Section 13(2) of FIA 1992.

iii) The Bank may require a trust to deposit part of its reserve into a current account with the former.

(q) Financial Information

i) A trust shall send to the Bank financial information and other operational statements and data or records that the Bank may require about the former's operation in such forms and at such intervals that may be determined by the Bank.

ii) Unless otherwise prescribed every trust shall submit to the Bank or its appointee financial statements listed hereunder:

(1.0) Quarterly Assets (funds) and Liabilities Statement prescribed in Form CBRF 002;

(1.1) Quarterly Profit and Loss Statement prescribed in Form CBRF 003;

(1.2) Quarterly Loans Accounts Statement prescribed in form CBRF 004

(1.3) Quarterly statement and Schedule of investments indicating types, amounts and expected incomes.

(1.4) Balance Sheet and Profit and Loss account certified by a qualified auditor as of the last day of each financial year in respect of all business transacted by the trust. The report shall reach the Bank not later than 3 (three)-calendar months from the last day of the financial year being reported on.

(1.5) Scheduled dates for submission of the returns shall be as follows:

(1.5.0) Quarterly reports shall be in respect of quarters ending March 30, June 30, September 30 and December 31 of each calendar year and shall reach the Bank within 20 (twenty) days from the last day of the quarter being reported on.

(1.6) Any other statement of information the Bank may require from a trust in connection with its affairs.

(1.7) The failure to comply with any of the requirements under this subsection shall constitute a deficiency or an

offence on the part of the trust which, upon conviction, shall be liable to a penalty prescribed by the Bank.

(r) Statutory Registers and Books

a) A trust shall keep all statutory registers and books required under the law in accordance with the Companies Act 1955. These include registers or books for:

i) application for participation, capital allotment (where applicable) capital contribution or partners

ii) trustees and secretaries

iii) trustees' holdings

iv) mortgages and debentures

v) minutes of board meetings

vi) minutes of partners meetings

(s) Audit

a) A trust shall appoint annually a competent auditor acceptable to the Bank at the beginning of each financial year to prepare the balance sheet as well as the profit and loss account for the year as required under subsection 03(2)(q)(ii)(1.4).

b) It is a duty of the auditor to make a report on the financial affairs of the trust to its partners or owners.

(t) Regulations, Monitoring and Supervision

i) The Bank shall prescribe prudential rules and guidelines in regulating the operations of trusts for the purpose of the

maintenance of required standards by the latter. Non-compliance with such prudential regulations or any part thereof shall constitute a deficiency or an offence liable, upon conviction, to a penalty prescribed by the Bank.

- ii) The Bank shall monitor the affairs of a trust through both off-site and on-site examination.***
- iii) An on-site examination of the affairs of a trust shall be made by the Bank or its appointee whenever in its sole judgement, such an examination is absolutely necessary in determining the affairs of the trust.***
- iv) A trust commits an offence if it fails or hinders in anyway an examination of its affairs to be carried out by the Bank or its appointee and, on conviction, shall be liable to a penalty prescribed by the Bank. For the purpose of these rules and guidelines “hinder” means any act or omission which impedes or delays or obstructs a duly authorized officer of the Bank or its appointee from conducting an examination.***
- v) A trust shall take appropriate measures deemed necessary by the Bank to rectify any unsound or unlawful affair established as result of any examination authorized by the Bank. The licence of a trust shall be suspended or revoked by the Bank as the case may be if, in its judgement, the unsound or the unlawful affair is not fully rectified after the expiration of the period allowed the trust by the Bank to do so.***
- vi) An examination includes but need not be restricted to verification, review, audit, investigation and inspection of the books, files and records of a trust in connection with its***

business or financial affairs. It also includes reproduction of the books, files and records or parts thereof as well as taking possession of an keeping them under the custody of the Bank or its appointee after issuing proper receipt thereon. In addition, it includes interviewing the directors and officials of the trust.

(u) Dividends

- i) In the case of a profit making trust, the authority to declare dividends shall reside with the Board. Any intention in this regard shall be communicated to the Bank in writing for its approval before doing so.***
- ii) It is an offence for any trust to declare, announce or communicate to any person the intention to pay dividends or cause dividends to be paid without the prior approval of the Bank. This offence, upon conviction, is liable to a penalty prescribed by the Bank.***
- iii) No dividends shall be paid without satisfying the requirement under subsection 03(2)(n)(o)(p).***
- iv) The Board shall report in writing to the Bank within 30 (thirty) days from the approval date its decision to pay dividends.***
- v) An approval of the Bank in writing for a trust to declare and pay dividends notwithstanding, a trust shall have the right to make a declaration and pay dividends if no response is received from the Bank stating contrary within 60 (sixty) days it received a report or notice from a trust about its Board's intention to declare and pay dividends.***

vi) Accurate records of dividends declared and paid shall be kept in the books of the trust.

(v) Insolvency

a) A trust becomes insolvent when its funds and other liquid assets as well as its reserves are so impaired to the extent that it cannot undertake the objects for which it was established or cannot meet its debt obligations and other liabilities to its creditors.

b) It is an offence for an insolvent trust to receive any new participation or contributions when it becomes insolvent. Any trustee or an officer who in the normal course of his or her duties receives or cause his or her insolvent. Any trustee or an officer who in the normal course of his or her duties receives or causes his or her insolvent trust to receive new participation commits an offence. Offences in both cases are liable, upon conviction, to penalties prescribed by the Bank. A trust official involved in any such offence, without prejudice, shall be liable for any loss(es) suffered by any party concerned a result of his or her action.

c) Insolvent trust shall enter into compulsory liquidation under the law and subsection 03(2)(y).

(w) Liquidation

i) Voluntary Liquidation

(1.0) A trust shall not commence any action that leads to its voluntary liquidation without a written approval for it to do so by the Bank. The ability of the trust to pay all its

partners and creditors without any delay shall constitute part of the considerations to be taken into account by the Bank in granting an approval for voluntary liquidation.

(1.1) The authority for voluntary liquidation shall be vested in the partners and exercised at annual or extraordinary general meeting.

(1.2) A trust is required to notify the Bank of the resolution of its partners for it to undergo voluntary liquidation. A copy of the resolution duly stamped will be attached to the notice to the Bank for permission to undergo voluntary liquidation. The notice should reach the Bank within 4 (four) weeks from the date of the resolution. They shall assign in the resolution the reasons for liquidation.

(1.3) The Bank may grant the approval on such terms and conditions as it may determine provided it is satisfied with the justification or reasons for the voluntary liquidation and that the trust is solvent and has sufficient liquid assets to repay its partners and creditors in full without delay.

(1.4) When the trust notified in writing the Bank of its approval of voluntary liquidation, the trust must:

- › immediately surrender its licence to the Bank;*
- › cease to do business and wind-up all operations prior to the receipt of the approval;*

- **repay in full its partners and other creditors;**
- **exercise other powers under the law to the extent necessary to effect the liquidation.**

(1.5) A trust, which acts in compliance with this subsection in voluntary liquidation, will not be guilty of an offence.

(x) Rights of Partners and Creditors under Liquidations

- i) A trust under voluntary liquidation in accordance with subsection 03(2)(w) must not prejudice the rights of partners and creditors for full payment of the amounts due to them.**
- ii) All lawful claims should be paid promptly by the trust.**
- iii) All other funds and properties held by the trust must be returned to the rightful owners without delay.**
- iv) After all claims by creditors and other claimants have been paid in full to the satisfaction of the Bank the remainder of the properties of the trust should be distributed to its rightful owners in proportion to their respective contribution.**
- v) If the Bank is convinced that the assets of a trust it has granted an approval to liquidate voluntarily is not sufficient for the full discharge of all its obligations under the liquidation or the trust unduly delays the liquidation process, the Bank may take the necessary steps required under the law to enforce the voluntary liquidation.**

(y) Compulsory Liquidation

- i) A trust must enter into an immediate compulsory liquidation if its licence is revoked by the Bank under subsection 03(2)(b).***
- ii) In the event of compulsory liquidation the Bank may cause the sale of the assets and other properties of the trust the proceeds of which will be proportionally distributed to the partners and creditors with pending claims. Its powers under the FIA 1992 will be exercised in the course of compulsory liquidation.***
- iii) The aforementioned procedure and requirements notwithstanding a trust is not absolved from any other requirements under the Companies Act when undergoing liquidation.***

SECTION 04 - MISCELLANEOUS PROVISIONS AND GUIDELINES

1 Trust Administration

(a) Board of Trustees

- i) The partners or owners or their appointed representatives shall appoint the members of the Board of trustees and determine the Board's powers and period of tenure of office of such members.***
- ii) The powers of the Board shall be stated in the articles of incorporation or regulations of the trust.***
- iii) Unless the articles of incorporation or the regulations shall otherwise provide, the Board, when acting on their powers conferred upon them by the said regulations, shall not be bound by the partners.***

- iv) ***The trust or partners shall act through its Board or through officers or agents appointed by the Board or under the authority derived from the trust.***
- v) ***The partners may, within the scope and ambit of their powers under their guidelines, alter the powers under or responsibilities of the Board by way of reduction or addition. The decision by the trust to exercise such powers may be dictated by the social and economic environment within which the trust business operates.***

(b) Functions of the Board

The Board shall have general authority and responsibilities for the proper administration and management of the trust business. In fulfilling this role, it must:

- i) ***ensure that the trust complies with the law and regulations bearing on the trust and in equity;***
- ii) ***determine, formulate and implement policies designed to promote the interest of the trust and for the proper management of each trust account which may include investment, reinvestment and review of the actions of all officers, employees and committees designated to manage the said account(s);***
- iii) ***specifically, in the formulation and implementation of the trust policies through statement of intentions, objectives and specific goals, the Board in the exercise of these functions shall evolve the trust business concept, strategies, organization, planning, controls, monitoring and supervision and in major matters including;***

- (1.0) promotion of savings mobilization;***
- (1.1) lending policies covering interest and other charges, maturity periods, security, eligibility criteria;***
- (1.2) debt collection from loan defaulters and the legal principles and procedures for such actions;***
- (1.3) mode of investment of trust funds;***
- (1.4) the lawfulness of any appropriation or investment of the trust fund;***
- (1.5) internal controls and audit procedures;***
- (1.6) policies on staff matters.***

iv) The Board may delegate in writing some of its responsibilities for the management of the trust business to a committee of officer(s) of the trust provided the Board shall be held responsible in general for all acts of such committee(s) or officer(s). In exercising its powers the Board shall:

- (1.0) determine and state in writing the scope of authority, responsibility, limits and liabilities of the committee or the officer(s);***
- (1.1) in operational management of the trust business as delegated under this subsection, the Board shall only direct and monitor the affairs of the management without taking over the functions of day to day management from the chief executive and his staff;***

(1.2) the Board shall evaluate the performance of the trust vis-à-vis its goals and strategies. In doing so, they shall also assess the performance, integrity and the competence of the chief executive and his staff;

(1.3) the Board shall render an annual account or submit annual report to each partner or beneficiary or any other interest party or duly designated by court in accordance with the management contract and such reports shall contain sufficient information to apprise the party concerned of the progress and significant developments made in the administration of the party's fund and the trust in general;

(1.4) the Board shall anticipate and provide for the capital requirements of the trust so as to ensure appropriate growth and expansion of services;

(1.5) trust operations shall be under the supervision of officers who shall, in addition to meeting the qualificalional standards prescribed for each executive and senior position, possess the requisite experience in trust business. The Board shall therefore determine the qualificalional requirements of each position in a professional manner.

(c) Duties of the Board

i) Duty to act honestly and in the best interest of the trust

As fiduciaries, the Board shall act at all times in the best interest of the trust. The Board falls short of this duty:

(1.0) if they fail to preserve the assets of the trust, or promote its business or the purposes for which it was formed;

(1.1) if in considering what is in the interest of the trust, they fail to take into account the interests of not only the trust, but also the partners, the employees or any other class which they represent;

(1.2) if any trustee places himself or herself in a position which conflicts with either his or her personal interest without the prior consent of the trust. The term “conflict of interest” will be deemed to imply that without the trust’s consent, a trustee, an officer or a group of persons in the service of the trust acts in any of the following manners:

(1.2.1) uses the trust’s money, property, confidential information to his or her own advantage;

(1.2.2) is interested directly or indirectly in a contract or transaction entered into the trust. (He or she may nevertheless be permitted provided he or she declares the nature and the extent of his or her interest to the Board).

ii) Duty not to exceed their powers

(1.0) The Board shall be assumed to exceed their powers if they: act “ultra vires” or “abuse their powers”.

(1.0.1) Acting “ultra vires”

If the trustees directly or indirectly act beyond the scope of the trust regulations and powers conferred on them thereof they shall be deemed as having acted “ultra vires”.

Should the Board exceed its powers in any manner, the members shall be jointly and severally liable to the trust for whatever loss the trust thereby incurs.

If the Board exceed their powers and do not exceed the powers of the trust, then the partners can ratify the ultra vires act of the Board at a meeting of the trust or their representatives.

(1.0.2) Abuse of the powers of the Board

The trustees are expected to exercise their powers for a lawful and proper purpose. The failure to do so amounts to abuse of power which may occur whether or not the trustees acted honestly or dishonestly. The purpose for the exercise of the power will be a factor in deciding whether or not there has been an abuse of power. When there is an abuse of power, the trust shall treat the transaction or the action as void.

iii) Duty of skill and Care

In addition to the duty to act in good faith and honesty each trustee owes a duty to the trust to exercise reasonable care in the management of the trust business. Each accordingly has a primary duty to act in such manner as a faithful, diligent,

careful and ordinary skilful trustee would act in the circumstances. Breach of this duty may render a trustee to civil or criminal liability.

(d) Board Liabilities towards Third Parties

i) If the Board enters into a contract on behalf of the trust, and the contract binds only the trust, the trustees shall not be personally liable to third parties under such contract. However, they may be liable to third parties under the general rules of agency law. In addition, they may be liable to third parties under the Companies Act in the following circumstance(s):

(1.0) In respect of any fraudulent statement made in a prospectus which induces a person or any organization, institution to subscribe to the funds of the trust;

(1.1) If a trustee or an officer of the trust signs a cheque, a bill of exchange, promissory note or order for money or goods in which the name of the trust is not stated correctly and the bill or other document is not duly paid by the trust, the trustee or the officer will be personally liable to the third party for the amount thereof;

(1.2) A trustee or an officer who personally has authorized or taken part in tort committed by the trust may be personally liable to the third party who has suffered loss thereby. (Examples are fraud, trespass and infringement of patent or trademark).

(e) Criminal Liabilities of the Board

The Board of trustees in the course of exercising their powers, duties and responsibilities are expected not to contravene any Provision of the Central Bank of The Gambia Act, the Financial Institution Act (FIA) 1992, Companies Act or any other statute. Secondly, the trustees must not fail to carry out the duties incumbent on them under any of the aforesaid acts or statutes. (Example, failure to present a report on the financial position of the trust.).

(f) Duties and Liabilities of Corporate Officers

(i) Chief Executive

The Board may appoint one of their fellow trustees or other qualified person as the chief executive to run the day-to-day affairs of the trust and shall designate the position. In addition the Board may appoint other officers comprising the management of the trust.

(1.0) Scope of powers of the Chief Executive and Management

This is determined by the article of incorporation and the banking laws in relation to the trust business and those prescribed by the Board within their powers.

The Board may therefore entrust and confer upon the chief executive and the management respectively, some of their powers upon such terms and with such restrictions as the Board of trustees thinks fit. The Board also revoke or change any or all of the powers conferred upon the chief executive and/or the management. Whereas, the actions of the chief and/or the management may be binding on the trust, the acts

of other persons or officers cannot bind the trust, unless they are expressly authorized by the Board to do ad hoc things that can bind the trust.

The chief executive and/or the management collectively or individually shall be held liable for any action committed beyond the scope of powers conferred on them respectively.

(g) Duties of Other Trust Staff

i) The relationship between the employees and the trust shall be regulated by a contract of employment. This contract shall set out the rights and duties of each party to the contract. The chief executive and/or the management shall determine the conditions of such contracts and shall obtain the approval of the board before they become binding on the trust.

ii) Minimum features of duties of an employee. An employee should:

(1.0) be honest and should not act against the interest of the trust;

(1.1) prove capable of the competent to do the job offered by the trust and which he or she accepted to do;

(1.2) not disclose confidential information about the trust business (and those of beneficiaries) to others;

(1.3) obey lawful and reasonable orders given by the board, chief executive and superior officers; and

(1.4) take care of the trust property.

(h) Termination of appointment of an Employee

- i) The power to dismiss or terminate the service of an employee shall be vested in the Board. However, the chief executive may be authorized by the Board to do so. In proposing to dismiss an employee, the Board may seek legal opinion first to determine its right for the intended action.**

(i) Persons disqualified to become Trustees

The disqualificational conditions for the membership of the board shall, likewise, apply to officers of the trust. The following shall be disqualified from appointment to the board or its continued membership or hold office in a trust.

- i) person who have been convicted judicially or administratively of an offence involving moral turpitude, or judicially declared insolvent, bankrupt, spend-thrift, or incapacitated to contract;**
- ii) persons who are removed from public office for reasons of corruption, fraud, stealing or gross incompetence;**
- iii) persons who shall refuse to disclose the extent of their business interest when required to do so by the rules or regulations governing the trust;**
- iv) a trustee who has been absent for whatever reason for more than 50% of all meetings, both regular and special, of the board for a period of one year.**
- v) Persons who are delinquent in the payment of their obligations stated herein as follows:**

(1.0) a trustee, for his or her own account or as a representative or agent of others, acts as a guarantor, endorser or surety for loans from banks and financial institutions;

(1.1) any person whose loan or loan proceeds was credited to the account of or used for the benefit of a trustee;

vi) a trustee who maintained interest in the trust business or contracts directly or indirectly without disclosing such business interest to the board;

vii) a person who has wilfully failed to comply with any banking law, orders, instruction or regulation issued by the Bank or has conducted his or her business in an unlawful, unsafe or unsound manner as determined by the Bank;

viii) a person who has been specifically dismissed from any institution under the regulation or supervision of the Bank.

(i) Secretary to the Board

i) The secretary will be appointed by the board. It shall also determine his or her functions which shall include the following minimum features:

(1.0) provide various forms of services to the board meetings and those of its sub-committees;

(1.1) keep all official registers as may be required in law;

(1.2) file documents with the Registrar of Companies, Banjul. These include:

(1.2.1) resolutions of the board

(1.2.2) agreements involving the trust

(1.2.3) alterations in the regulations;

(1.2.4) annual reports;

(1.2.5) accounts and board report;

(1.3) keep the seal of the board as well as the minutes book;

(1.4) other duties as shall be determined by the board.

(j) Audit

i) The board shall appoint annually a competent auditor acceptable to the Bank to prepare the balance sheet as well as the profit and loss account as required under subsection 03(2)(q)(ii)(1.4). The board is under statutory duty to keep proper records of all transactions of the trust. The auditor shall conduct an independent examination of these accounts and report to the trust whether or not these obligations have been fulfilled.

ii) Rights of Auditor

(1.0) An auditor shall have –

- a right of access to the books and accounts, vouchers and other records and the cash and securities of the trust;**
- a right to request such information and explanations as he or she may consider**

necessary for the efficient performance of his or her duties as auditor of the trust. (“Records” include files, reports, books and accounts and other documents bearings on the transactions of the trust).

SECTION 05 - LICENCING PROCEDURE AND MERGER

1 Procedure for obtaining Licence

a) A written application for a licence should be submitted to the Bank in such a form as the Bank may prescribe under this Section and Section 06. Two copies of the application together with all mandatory attachments are to be submitted by hand or under registered post.

i) Mandatory attachments included among others

(1.0) Memorandum of Association which will indicate among others the name, objects, names and permanent addresses and business interests of partners, place of business, type of company, authorized capital, funds subscribed or minimum paid-up capital, evidence of paid up capital, expenditures incurred by promoter(s) towards the establishment of the trust.

(1.1) Articles of Association which should provide details on the organization and rules of the trust indicating the names and permanent addresses of board members and their qualifications; the powers, functions, duties, rights, limits and liabilities of the board; qualified personnel for management of the trust.

(1.2) Trust Deed with details as provided under subsection 03(2)(c).

ii) Other information include:

(1.0) Description of office premises and equipment;

(1.1) Rules relating to distribution of assets when winding up;

(1.2) Rules regarding meetings (quorum, voting rights, procedures);

(1.3) Provision as to audit of the trust accounts;

(1.4) Arrangement for commissioning the trust;

(1.5) Any other information the Bank may require.

(c) In considering an application, the Bank will conduct such an investigation as may be deemed necessary to ascertain the validity of the information submitted by the applicant or may demand more information from it.

2 Evaluation of Application

(a) In evaluating the application, the Bank will pay special attention to the:

(i) history, status, experience and character of applicant or promoter(s);

(ii) adequacy of capital;

(iii) management and administrative capacity of applicant;

- (iv) acquisition, renovation and furnishing of suitability of the place of business.**
- (v) convenience and the need of the community to be served and the suitability of the place of business;**
- (vi) economic and social progress likely to be generated.**

(3) Response to Application

- (a) Within 60 (sixty) days after the receipt of the application or where further information is required, after the receipt of such information, the Bank may grant the approval for the licence or decline the application and duly communicate its decision in writing to the applicant without necessarily assigning the reason for refusal.**
- (b) Upon the approval of the application, the applicant shall submit to the Registrar of Companies the details of the information contained in the application and the Memorandum and Articles of Association as well as the Deed submitted by the applicant and as amended to the satisfaction of the Bank for the purpose of incorporating the trust.**
- (c) Immediately after incorporation, the trust should provide the Bank with two certified copies of the Memorandum and the Articles of Association and the Deed as registered in pursuant to the Companies Act 1955 as well as a copy of the registration certificate. If the Bank remains satisfied with the application as incorporated, it shall issue the trust with a licence which, will contain the description of the type of trust business and financial service it is authorized to undertake and the place of business. The licence will be valid for one year and renewable annually.**

(4) Scope and Related Matters

- (a) *The licence will empower the trust to carry out only the business stated in it.***
- (b) *A trust should not commence business without receiving its licence issued by the Bank.***
- (c) *The licence of a trust must be conspicuously displayed in its office. Preferably, it should be in a protective frame.***

(5) Mergers and Consolidations

- (i) *In mergers and consolidations of fiduciary institutions or organizations of which one or more have authority to engage in trust business, the surviving or the consolidated institution, as the case may be, continue performing trust business subject to evaluation by the appropriate supervising and examining department of the Bank taking into account subsection 03(1) of these Rules and Guidelines.***

**SECTION 06 - GUIDELINES FOR LICENSING A FIDUCIARY
FINANCIAL INSTITUTION (FFI)**

CENTRAL BANK OF THE GAMBIA

- 1 Made in accordance with the Provision of Section 41(1), (2) and (3) of the Central Bank of The Gambia Act, 1992.**

- 2 All applicants and required to study carefully and follow in sequence the Requirements and Guidelines provided in the relevant subsections referred to hereunder in making application to the Bank for a licence (see Annexes 1 and 2).**
 - 2.1) Terms and Requirements for licensing and commencement of business. These are governed by the Provision in the “Rules and Guidelines” stated under Section 03(1)(a) Volume 5, FFIs.**

 - 2.2) Procedure for obtaining licences.**

 - 2.3) Factors to be considered by the Bank in granting a licence. These are provided in the “Rules and Guidelines” under Section 05 Volume 5, FFIs.**

 - 2.4) Applicant shall complete Form CBGF 009 to obtain an approval of the Bank to enable it register a company to operate as FFI (see Annex 1).**

 - 2.5) After the receipt of approval from the Bank and the registration of the company by the applicant, the latter shall complete Form CBRF 010 for licence from the Bank to operate as FFI (see Annex 2).**

1-2 ECOWAS AVENUE, BANJUL, THE GAMBIA

*APPLICATION FOR AN APPROVAL TO REGISTER A COMPANY TO OPERATE AS
FIDUCIARY FINANCIAL INSTITUTION*

Provide comprehensive information, including attachments, where necessary, on the following items:

- 1) Name of applicant***
- 2) Location of business (town/village and district)***
- 3) Address of business***
- 4) Purpose of business, state whether or not it is profit making***
- 5) Attach "Memorandum of Association" indicating among others –***
 - ▶ Name, objects, place of business;***
 - ▶ Authorized capital – paid-up capital;***
 - ▶ Particulars of each partner including name, permanent address, type of business and/or agency;***
 - ▶ Minimum fund contribution expected of a partner (if applicable).***
 - ▶ Fund contribution by each partner, indicating amount pledged and amount paid to date.***
- 6) Attach "Evidence of paid-up Capital"***
- 7) Attach "Statement of Expenditures" incurred to date in promoting organization***
- 8) State start-up capital***
- 9) Attach "Evidence of availability of start-up capital"***
- 10) Attach "Articles of Association" indicating among others –***

- ▶ **Names and particulars of directors including their permanent addresses, qualifications and experience;**
- ▶ **State the powers, duties, limits, liabilities and functions of management; and minimum qualification for each position.**
- ▶ **Briefly describe office premises (set-up, furnishing and other facilities);**
- ▶ **State rules when winding-up;**
- ▶ **State other rules of operation.**
- ▶ **Attach a copy of the trust deed including minimum features provided under subsection 03(2)(c) of Rules and Guidelines on policies and procedures, Volume 5, FFIs.**

11) **Indicate arrangement for commissioning the trust**

12) **State the economic and social justification for the business.**

ANNEX 2

FORM CBF 009

**CENTRAL BANK OF THE GAMBIA
1-2 ECOWAS AVENUE, BANJUL, THE GAMBIA**

**APPLICATION FOR AN APPROVAL TO REGISGTER A COMPANY TO OPERATE AS
FIDUCIARY FINANCIAL INSTITUTION**

To be completed after registration of the company

1) **Name of Applicant:**.....

2) **Address:**.....

.....

.....

3) **Business Registration Certificate**

- Number:..... Date:.....**
- 4) **Purpose of Business:.....**
.....
.....
- 5) **Location of Proposed Institution**
.....
.....
- 6) **Signature:.....**
- 7) **Name:.....**
- 8) **Designation:.....**
- 9) **Date:.....**

Attach 2 (two) certified copies of Registration Certificate, the Registered Memorandum and Articles of Association and the Trust Deed where applicable.

**NON – BANK FINANCIAL INSTITUTIONS
RULES AND GUIDELINES ON POLICIES AND PROCEDURES**

SAVINGS AND CREDIT COMPANIES/ CO-OPERATIVES - VOLUME SIX
(Category A1 Institutions)

Made in pursuance of Sections 3(1) and 35 of the
Financial Institutions Act (FIA) 1992

PART A - PRUDENTIAL RULES

01 - Scope of banking business

Savings and Credit Companies herein referred to as financial companies, in category A1 of the class of non-bank financial institutions are authorized to engage in banking business covering:

- (1) acceptance of savings and time deposits and repaying such deposits on demand;***
- (2) granting loans, credit and advances from deposits as provided under Section 2(1) of FIA 1992 in respect of “banking business”. No overdrafts operations or acceptance of demand deposits transferable by cheques or other means of third party is permitted;***
- (3) contract loans from financial institutions and use such loan funds either in whole or part for on lending;***
- (4) invest in bonds and bills issued or guaranteed by the Government or the Bank;***
- (5) accept and discount bills of exchange;***
- (6) act as agents for financial institutions; and***
- (7) Provide safekeeping for securities and other properties belonging to third parties.***

02 - Licence

- (1) No person shall carry out any banking business set out by the Bank in accordance with Section 01 supra unless it is licensed by the Bank.***

- (2) *The application for a licence shall be made in a prescribed form to the Bank and shall be accompanied by such particulars or information as may be required by the Bank and in law. In this context, a financial company shall be a private or public corporate body with liability limited by shares and established under the Companies Act 1955.*
- (3) *The Bank may issue a licence to a financial company which complies with the provisions of the FIA 1992 and these regulations relating to application and eligibility for a licence.*
- (4) *A licence shall be valid for a maximum period of one year commencing from the date of its issuance and thereafter renewable on annual basis.*
- (5) *A prescribed fee may be charged for each licence issued or renewed by the Bank.*

03 - Suspension or Revocation of licence

- (1) *The Bank may suspend or revoke the licence of any financial company if it is satisfied that the institution –*
 - (a) *obtained the licence by fraud or mistake;*
 - (b) *has contravened any provision of the FIA 1992 or these regulations or as required in law;*
 - (c) *has contravened any of the term on which the licence is granted;*
 - (d) *has engaged in undesirable methods of conducting the business in respect of which the licence was issued;*
 - (e) *fails to maintain the minimum paid-up capital;*

(f) Fails to commence business within three months from the date of its licence.

(2) Notice of suspension or revocation.

(a) The Bank shall, before suspending or revoking the licence of any financial company, notify the institution of its intention in writing.

(b) A financial company shall immediately cease to undertake any of the businesses provided under Section 01 except – repaying depositors and creditors when it is served with suspension or revocation notice.

04 - Appeal against suspension or revocation of licence

(1) A financial company notified under Section 03(2) may, within 10 (ten) days from receiving the notice, petition the Bank in writing against the suspension or revocation. The Bank may grant a hearing in considering the petition.

(2) The Bank shall, within 30 (thirty) days from the date of the receipt of the petition, communicate its decision on the appeal to the institution.

(3) A financial company aggrieved by the decision of the Bank after the petition may appeal to the Supreme Court.

(4) Provisions on business operations under Section 03(2) (b) shall apply pending the ruling of the Supreme Court which shall be final.

- Special Powers of the Bank

(1) Without prejudice to Section 04 of these regulations, where the Bank is satisfied that a financial company –

is not carrying on its business in the interest of its depositors or creditors; or

has insufficient assets over liabilities; the Bank may after consultation with the Minister –

- i) direct the financial company to take such step(s) as the Bank may consider necessary to deal with the situation;*
- ii) prohibit the receipt by the financial company any fresh deposits;
or*
- iii) Suspend or revoke the licence of the financial company.*

06 - Name

No financial company shall use the word “bank” for the purpose of obtaining a licence or conducting its business or cause any person to use the word “bank” in referring to it.

A financial company shall not alter or change its licensed name without obtaining the prior consent of the Bank.

07 - Place of business

Every licensed financial company shall establish a principal place of business. It is authorized to operate a branch or agency network.

A financial company shall notify the Bank of locations of its principal place of business, branch or agency and a change in any of them.

08 - Display of Name and Licence

A financial company shall display conspicuously and in easily legible letters at the entrance of its principal place of business, branch or agency, its name and the fact that it is licensed to carry on its banking business.

The statement shall indicate that the financial company receives deposits.

The licence shall be conspicuously display in the office at the principal of business.

09 - Transaction periods

A financial company shall determine the days and hours of its banking business and display conspicuously by written notice to this effect in front of its principal office, branch or agency.

10 - Minimum capital requirement for licensing

A financial company shall have a minimum paid-up capital of D500,000.00 (five hundred thousand dalasis) or an amount prescribed by the Bank after consultation with the Minister before it is licensed.

The minimum paid-up capital shall be of kinds and computed in such manners and amounts that may be authorized by the Bank. These may include paid-up shares, part of general reserve, undivided profits and other incomes.

Whenever the minimum paid-up capital is increased by the Bank, the existing financial companies may be granted a grace period determined by the Bank within which they will satisfy the new requirement.

- Authorized Capital

A financial company shall determine its authorized capital and shall not cause an addition to or reduction of it without obtaining the prior consent of the Bank.

The total sum of a financial company's general reserve shall not exceed its paid-up capital.

12 - Capital adequacy and liquid assets

A financial company shall hold unimpaired owned funds which, in the aggregate shall not be less than 10% (ten percent) of its risk assets value.

A financial company shall maintain liquid asset amounting to not less or more than such percentages of its total deposit liabilities prescribed by the Bank.

Until otherwise prescribed the minimum limit of its total liquid assets shall not fall below 15% (fifteen percent) while the maximum limit shall not exceed 40% (forty percent) of its total deposit liability.

No loan or advance or credit shall be granted or investment made during any period the liquid asset falls below the prescribed minimum limit without an explicit authorization of the Bank.

A financial company desiring an authorization of the Bank under subsection 12(2) (b) shall submit an application in writing to the Bank to this effect.

The application should provide:

Comprehensive account of the circumstances leading to the liquidity problem;

Evidence in support of such circumstantial claims;

Convincing plans or steps already set in motion to address the problem.

In considering the application, the Bank may examine the financial company or request from it additional information.

All activities on loans, credits, advances and investments shall be suspended until the approval of the request is received by the financial company.

A financial company commits an offence liable, on conviction, to a penalty prescribed by the Bank if it allows its liquid asset fall outside the prescribed minimum and maximum limits, or provides loans or credits or advances or make investment when the total liquid asset falls below the prescribed limit.

For the purpose of the regulations, “liquid assets” means:

cash in local currencies, either in notes or coins, held by a financial company;

reserve held by way of deposits with banks or current account with a bank;

net credit balances with all financial institutions;

net debit balances of financial institutions and banks with a financial company; and

treasury bills, bonds and other guaranteed securities issued by the Government or the Bank maturing within 180 (one hundred and eighty) days.

(1) The net profit of a financial company for each financial year shall be determined after making due provisions for:

bad and doubtful debts;

reserves and other capital adjustments required by the Bank;

deferred income tax (where applicable);

accumulated profit not yet received but recorded;

accrued interest on loans not yet collected but recorded;

contributions to staff welfare fund and other remunerations such as bonus where applicable.

14 - Provision for bad and doubtful debts

A financial company is required to maintain the value of its liquid assets invested in loans, credits and advances. Accordingly, it should periodically make provisions in its profits and loss account for bad and doubtful debts. This provision is required mandatorily in the balance sheet and profit and loss account of the year.

15 - General Reserve

A financial company shall establish and maintain a general reserve and must at the end of each financial year make due transfer from its profit to the reserve account an amount determined by the board or as may be prescribed by the Bank.

Unless otherwise prescribed by the Bank, the amount transferred shall not be less than 10% (ten percent) of the net profit after making all other provisions under Subsection 13 or before declaring dividends.

The reduction or impairment of the Reserve Fund is subject to Section 13(2) of FIA 1992.

The relationship between Reserve Fund and paid-up capital under Subsection 11(2) shall be observed at all times.

The Bank may require a financial company to deposit part of its reserve into a current account with the former.

16 - Dividends

The authority to declare and pay dividends is vested in the board of directors.

Any intention to declare and pay dividends shall be communicated to the Bank in writing by the board for approval before doing so.

It is an offence for any financial company to declare, announce or communicate to any person the intention to pay dividends or cause dividends to be paid without the prior approval of the Bank. This offence, upon conviction, is liable to a penalty prescribed by the Bank.

No financial company shall declare and pay any dividends on its shares in any one year if the level of capital adequacy is less than that provided for under these regulations or unless it has completely recovered all its capitalised expenditures. In this context, "capitalised expenditures" include preliminary expenses, brokage losses and other item of expenditure not represented by tangible assets.

The board shall report in writing to the Bank within 30 (thirty) days from the approval date, its decision to pay dividends.

An approval of the Bank in writing for a financial company to declare and pay dividends notwithstanding, a financial company shall have the right to make a declaration and pay dividends if no response is received from the Bank stating

contrary within 60 (sixty) days it received a report or notice from a financial company about its board's intention to declare and pay dividends.

Accurate records of dividends declared and paid shall be kept in the books of the financial company.

17 - Safeguards for loans, credits, advances and investments

No financial company shall grant any loans, credits, advances or undertake any financial guarantees or indemnities to or in respect of any one person or group of persons or invest in the equity of any company or carry out any other transaction for any person or group of persons which constitutes in the aggregate a liability to the institution amounting to more than 15% (fifteen percent) of the net worth of the institution.

No financial company shall, in the case of an unsecured loans, credit, advances, financial guarantees or indemnities, grant any loans, credits, advances or undertake any guarantees or indemnities amounting in aggregate to more than 10% (ten percent) of the net worth of the institution.

Subsection 17(1) shall not apply to transactions between a financial company and a bank incorporated in The Gambia.

18 - Proper accounts

(1) A financial company shall keep books of account and proper records in relation to all transactions it undertakes. In this context it shall:

Set-up a proper system for receiving and paying cash and for conducting other accounting duties;

Provide appropriate safeguards such as a safe and strong room for safekeeping of cash and other valuable items such as bonds, bills, securities, certificates, seals belonging to the institution and third parties.

19 - Dormant accounts

(1) Any deposit account that is not reactivated by deposit or withdrawal within a period of 3 (three) years shall be classified “dormant” and the fund in it declared “unclaimed”. Such account shall be segregated and reported to the Bank on yearly basis for the year ending 31 December.

20 - Financial information

A financial company shall send to the Bank financial information and other operational statements and data or records that the Bank may require about its operations in such forms and at such intervals that may be determined by the Bank.

Unless otherwise prescribed a financial company shall submit to the Bank or its appointee financial statements listed hereunder:

Weekly Reserve Assets and Deposit Liabilities Statements;

Quarterly Assets and Liabilities Statement;

Half-yearly Profit and Loss Statement;

Monthly Loans Accounts Statement;

Monthly Statement and Schedule of Deposits indicating type, number and turnover;

Yearly Statement of Unclaimed Funds;

Balance Sheet and Profit and Loss Account certified by a qualified auditor as of the last day of each financial year in respect of all business transacted by the financial company. The report shall reach the Bank not later than 3 (three)-calendar months from the last day of the financial year being reported on.

21 - Regulation, Examination and Supervision

The Bank shall prescribe policies, prudential rules and guidelines in regulating the operations of financial companies for the purpose of maintaining required standards. Non-compliance with such prudential regulations or any part thereof shall constitute a deficiency or an offence liable, upon conviction, to a penalty prescribed by the Bank.

The Bank shall monitor the affairs of a financial company through both off-site and on-site examination.

An on-site examination of the affairs of a financial company shall be made by the Bank or its appointee whenever, in its sole judgement, such an examination is absolutely necessary in determining the affairs of the financial company.

A financial company commits an offence if it fails or hinders in anyway an examination of its affairs to be carried out by the Bank or its appointee and, on conviction, shall be liable to a penalty prescribed by the Bank. For the purpose of these regulations “hinder” means any act or omission which impedes or delays or obstructs a duly authorized officer of the Bank or its appointee from conducting an examination.

A financial company shall take appropriate measures deemed necessary by the Bank to rectify any unsound or unlawful affair established as a result of an

examination authorized by the Bank. The licence of a financial company shall be unsuspending or revoked by the Bank if, in its judgement, the unsound or the unlawful affair is not fully rectified after the expiration of the period allowed the financial company by the Bank to do so.

An examination includes but need not be restricted to verification, review, audit, investigation and inspection of the books, files and records of a financial company in connection with its business or financial affairs. It also includes reproduction of the books, files and records or parts thereof as well as taking possession and keeping them under the custody of the Bank or its appointee after issuing proper receipt thereon. In addition it includes interviewing the directors and official of the institution.

22 - Security Programme

It is a duty of a financial company to draw-up a security programme for the protection of its assets. The programme shall be approval by the board and be properly documented and strictly executed by management.

The measures under the programme shall provide adequate protection and safety for its cash holdings and other properties by making it extremely difficult or impossible in carrying out robbery. They must also enhance the chances of the law enforcement authorities to detect, apprehend and prosecute culprit(s).

23 - Alterations in regulations and the board membership

(1) A financial company shall furnish the Bank within one month from coming into effect with:

a) Every change in its regulations or other rules for the conduct of its business; every change in the membership of the board.

24 - Sale or amalgamation

A financial company shall submit to the bank for approval any arrangement or agreement which it proposes to enter for the sale or disposal by amalgamation or otherwise of its business.

25 - Appointment of auditor

A financial company shall appoint an auditor acceptable to the Bank at the beginning of each year that shall audit its accounts, books and records and prepare the balance sheet and profit and loss account of the year.

No person shall be appointed an auditor under this section unless the person is;

a member of the Institute of Chartered Accountants;

a practising accountant;

Resident in The Gambia or if not so resident, his or her residence outside The Gambia is specifically approved in writing by the Bank;

Not disqualified by any law in force in The Gambia or any other country from being appointed an auditor;

Is not a director or an officer of the financial company to be audited?

26 - Liquidation

(1) Voluntary liquidation

A financial company shall not commence any action that leads to its voluntary liquidation without the written approval for it to do so by the Bank.

The ability of the institution to pay all its depositors and creditors without any delay shall constitute part of the consideration to be taken into account by the Bank in granting an approval for voluntary liquidation.

b) The authority for voluntary liquidation shall be vested in the shareholders and exercised at annual or extraordinary general meeting.

(2) *Compulsory liquidation*

A financial company shall enter into compulsory liquidation when its licence is revoked or it becomes insolvent.

Procedure for liquidation

The steps for liquidation shall be in accordance with the provisions set out in the FIA 1992.

PART B - GUIDELINES

27 - Liquidity

A financial company licensed under Section 3(1) of FIA 1992 shall maintain liquid assets with itself and/or in accordance with the provisions of Section 12(2)(a) of these regulations, a sum not less than 15% (fifteen) percent or more than 40% (forty) percent of its total deposit liabilities.

Every licensed financial company shall further maintain additional assets in a form of Current Account with the Central Bank in the sum equivalent to not less than 10% (ten) percent of its total deposit liabilities for the purpose of monitoring liquidity and reserve requirements.

For the purpose of computation of any deficit or default under 27(1) and (2) supra, the average weekly balance on a five-day week basis will apply.

- a) *For non-compliance with ratios in Section 27(1) (2) supra and as prescribed under Section 12(a) (b) (f), the defaulting institution shall pay a penalty in respect of each week during which the deficiency continues of the sum calculated as a percentage to be determined by the bank of the deficiency which exists during the week.*

1

If a fresh loan, credit, advance or investment is sanctioned during the period of deficiency, a penalty of not less than a percentage to be determined by the Bank will be levied for each day that the contravention continues.

28 - Risk management

Section 01(a) of these regulations sets out loans, credits, advances and investments in Government and Bank bonds or bills as part of the business activities carried

out by a financial company. While engaging in such a financial activity, every financial company shall comply with exposure limits set out in Section 17 of these regulations.

In addition to provision in Section 17, the following are further Guidelines for Credit/Risk Exposure Management:

Definition of Risk Asset/Exposure

In these guidelines the term “risk asset/exposure” or the word “financing” includes giving any loans, credits or advances or other forms of credit or financial guarantee or indemnity to one person or a group of persons or investments in authorized bonds or bills or in equities of any company by a licensed financial company.

Related transaction

While making any loans, credits or advances and/or such investments in bonds, bills or equities or other financial commitments to one person or a group of persons, the limit on all such facilities in the aggregate shall not exceed 25% (twenty-five) percent of the net worth of the licensed financial company.

Connected transactions

A licensed financial company shall not grant:

- i) Any loan or credit or advance or extend any other financial facilities against the security of its own shares;*

any loan or credit or advance or other facility in excess of the aggregate and outstanding at any time, 10% (ten) percent of the financial company's net worth to any firm/company or groups of firms or companies in which the financial company's director or official has interest as a partner, a guarantor or is one of the principal shareholders and in case such facilities are unsecured the amount in aggregate shall not exceed 5% (five) percent of the institution's net worth;

to any of its directors, officials and employees any unsecured loans, credits or advances which will constitute a financial liability on the financial company amounting in the aggregate in the case of:

a director to more than 2% (two) percent of the financial company's net worth,

any official or employee to more than two year's salary of such official or employee.

Inter-Institutional transaction

- i) Any proposal of granting loan, credit or advance or undertaking any financial guarantee or indemnity to or investment in equity of any banking institution shall forthwith be reported to the Bank with complete details of such transactions including the name of the counter-party, bank or financial institution; nature of facility, amount of facility, type and value of collateral obtained, rate of interest/fee, etc.*

Classification of portfolio

A financial company shall review its credit/risk asset portfolio on an on-going basis and shall make a healthy grading of all such assets as Current, Substandard, Doubtful or Loss.

Provisioning and treatment of interests

All loans, credits, or advances/risk assets or receivables classified as substandard, doubtful or loss will be placed on a non-accrual basis.

Provisions

Based on the risk exposure classification, the minimum provisions ranging from 10% (ten) percent, 25% (twenty-five) percent and 100% (one hundred) percent should be made as loan or credit or advance/assets loss provision. Beside, a general provision of 1% (one) percent in respect of current loans, credits, and advance/risk assets may be made.

29 - General Reserve

- (1) *Every financial company will observe the requirements on General Reserve provided under Section 15 of these regulations.*
- (2) *Further guidelines are provided as follows:*

After making the provision required under Section 13(1)(a)(c-f) of these regulations and before declaration of dividends, the following norm may be adopted:

i) *where the financial company's Reserve Fund is less than 50% (fifty) percent of its paid-capital, an amount equal 50% (fifty) percent of its net profit for the year;*

where the financial company's Reserve Fund amounts to 50% (fifty) percent or more but less than 100% (one hundred) of its paid-up capital, an amount equivalent to 25% (twenty-five) percent of its net profit for the year; or

where the amount of the financial company's Reserve Fund is equal to 100% (one hundred) percent or more of its paid-up capital, an amount equal to 12% (twelve) percent of its net profit for the year.

30 - Deposits

(1) Products and Services

Section 01(2) of these regulations authorize a financial company to mobilize savings and time deposits from the public and to grant scheduled loans, credits and advances out of such deposits while observing liquidity ratios with regard to its liquid assets vis-à-vis total deposit liabilities.

(2) Deposit – Receipts and Payments

A financial company shall maintain one or more registers for recording certain specified particulars in the case of every depositor such as name, address of depositor, types of deposit, date of receipt/date or renewal, date of maturity, interest rate payable. The registers are required to be kept at the place of business and preserved in good order for five calendar years

following the financial year in which the latest entry was made of the repayment or the renewal of the deposit.

A financial company shall furnish to each depositor a receipt containing clearly, particulars such as name of depositor, amount, date of receipt, date of repayment, rate of interest etc.

The particulars relating to unclaimed deposits shall be included in the reports to the board of directors and laid before the shareholders at its general meeting with indications of steps taken for payment of such amounts which are overdue but not disbursed.

A financial company shall determine its own interest rates for receipt of deposits. However, these rates should be made known to the public and interested parties well in advance and in clear terms, and made regularly available to the Bank.

In case brokers/agents are employed for the collection of deposits, brokage or agency commission or incentive or any other benefit may be paid by the principals at an agreed percentage of the deposit collected (not per annum) as one time payment.

A financial company shall determine the rules and conditions for receiving deposits with the approval of its board of directors and shall display them prominently or make them easily available and will also contain the procedure and the conditions for withdrawal of deposits under both normal and premature circumstances.

A financial company shall furnish to the Bank, along with a copy of the Annual Audited Financial statements, a certificate from its auditors, to the effect that the full liabilities to the depositors of the financial company

including interest payable thereon are properly reflected in the Balance Sheet and that the financial company is in a position or otherwise to meet the amount of such liabilities to the depositors as and when they accrue.

A financial company shall accept, renew or convert any deposit on a written application by the depositor on the form to be supplied by the institution. This form should contain all the particulars relevant for that deposit.

31 - Soliciting Deposit

Advertisements and Invitations

Every advertisement or invitation that may be made soliciting deposits either generally or by way of a scheme or otherwise from the public shall contain factual information and no misleading information should be made. The factual information should include the actual rate of return on the deposit, mode or repayment to depositors, maturity period of deposits, interest payable on deposits, interest rate on premature withdrawals of deposits and any other special features.

In case of financial company intends to accept large value of deposits from any person or persons without a general invitation it will suffice if the company in advance files a statement containing full details, in lieu of advertisement, with the Bank.

32 - Interest Rates

A financial company is free to determine and charge its own rate of interest on deposits mobilized, loans, credits or advances granted and levy charges for any services

rendered. Any of these should be made known to the public in advance and made available to the Bank within 2 (two) weeks before the effective date.

33 - Accounting System

(1) A financial company is at the liberty to determine the type of accounting system and records it desires to establish for its financial transactions. Notwithstanding, these should be consistent with the normal or acceptable standard that an average financial company will maintain under the same circumstances and must include among others:

a proper set up for receiving and paying cash and for conducting other accounting duties;

a safe or a strong room with a safe for keeping cash, bonds, certificates, agreements, securities seals and other valuable items belonging to the financial company and third parties;

a clear procedure for counter control, opening and closing the day's cash movements;

books and records on all deposits, loans and investments;

books and records on all other incomes and expenditures besides those of loans and deposits respectively.

Books and records on all assets and liabilities;

The accounting books, records and statements should give accurate and current picture of all financial transactions of the financial company and shall be easily audited.

34 - Accounting Year and Financial Information

For the purpose of requirements under Section 20 of these regulations financial companies are to follow the financial year commencing on 1st January and ending 31st December of each calendar year.

The schedule of returns as required under Section 20 should be submitted as follows:

Monthly reports shall reach the Bank by the 10th (tenth) day of the following month.

Quarterly reports shall be in respect of quarters ending 31st March, 30th June, 30th September and 31st December of each calendar year and shall reach the Bank within 20 (twenty) days from the last day of the quarter being reported on.

Half yearly reports shall be in respect of half years ending 30th June and 31st December of each calendar year and shall reach the Bank within 30 (thirty) days from the last day of the half year of the report; and

Yearly statement shall be in respect of a calendar year ending 31st December and shall reach the Bank not later than 30 (thirty) days from the last day of the year.

The failure to comply with any of these requirements provided here above shall constitute a deficiency or an offence on the part of financial company, which upon conviction, shall be liable to a penalty prescribed by the Bank.

35 - *Submission of Audited Accounts*

While complying with the provisions of Section 20(2) (g) and 25(1) of these regulations to auditing of accounts, a financial company shall ensure that a copy of the audited accounts is submitted to the Bank within 3 (three) months of the end of the year to which it relates.

36 - *Statutory Registers and Books*

As limited liability Company, a financial company should keep all statutory registers and books required under the law in accordance with the Companies Act 1955. These should include:

share applications and allotments;

directors and secretaries;

directors' holdings;

mortgages and debentures;

minutes of directors' meetings;

minutes of shareholders' meetings.

37 - *Procedure for obtaining licence*

No person is permitted to operate a financial company or engage in any banking business prescribed by the Bank for financial companies without a licence issued by the Bank authorizing the person to do such business.

A written application for a licence should be submitted to the Bank in such a form as the Bank may prescribe under Sections 39 and 40 of these Guidelines. Two copies of the application together with all mandatory attachments are to be submitted by hand or under registered post. The mandatory attachments must include among others:

Memorandum of Association which will indicate among others the name, objects, place of business, type of company, authorized capital, shares subscribed or minimum paid-up capital, evidence of paid up capital, expenditures incurred by promoters towards the establishment of the financial company, evidence of start-up capital.

Articles of Association which should provide details on the organization and rules of the financial company indicating the board members and their qualifications; the powers, duties, limits and liabilities of the board, qualified personnel for management of the financial company; office premises and equipment, rules on quorum, and annual general meeting, rules when winding-up; and

Arrangement for commissioning the financial company.

Evaluation of application

In considering an application, the Bank will conduct such an investigation as may be deemed necessary to ascertain the validity of the information submitted by the applicant or may demand more information from it.

It will pay special attention to the:

i) history, status, experience and character of application or promoters;

adequacy of capital structure, floating of ordinary shares and keeping share register;

management and administrative capacity of applicant;

acquisition, renovation and furnishing or suitable office premises;

convenience and the need of the community to be served and the suitability of the place of business;

economic and social progress likely to be generated.

Processing Period

Within 60 (sixty) days after the receipt of the application or where further information is required, after the receipt of such information, the Bank may grant the approval for the licence or decline the application and duly communicate its decision in writing to the applicant without necessarily assigning the reason for refusal.

Incorporation of the Company

Upon the approval of the application, the applicant shall submit to the Registrar of Companies the details of the information contained in the application and the Memorandum and Articles of Association submitted by the applicant and as amended to the satisfaction of the Bank for the purpose of incorporating the financial company with liability as a non-bank financial institution – Savings and Credit Company.

Immediately after incorporation, the financial company should provide the Bank with two certified copies of the Memorandum and the Articles of Association as registered in pursuance of the Companies Act 1955 as well as a copy of the registration certificate. If the Bank remains satisfied with the application as incorporated, it shall issue the financial company with a licence which will be valid for 1 (one) year.

Other licensing requirements

A financial company should not commence business without receiving its licence issued by the Bank.

Without the approval of the Bank, a financial company should not change or amend its registered Memorandum and Articles of Association.

The licence of a financial company must be conspicuously displayed in its office. Preferably, it should be in a protectively frame.

A non-refundable fee of D250 (two hundred and fifty dalasis) or as may be prescribed will be charged by the Bank for processing any application for a licence or the renewal of a licence.

38 - Other Matters

Diqualfications and duties of a director

The conditions disqualifying a person from being appointed or elected a director or appointed an officer of a licensed financial company or for the cessation of membership of the board or being an officer of a licensed financial company shall be in accordance with the provisions of Section 24 of the FIA 1992.

Every director and officer of a financial company shall be governed by the provisions of Sections 25 and 26 of FIA in the course of conducting his or her duties.

Changes in Board's composition

A financial company shall notify the Bank of every change of a director on the Board or chief executive officer 30 (thirty) days in advance of such a change and if, such a change occurs for a sudden reason, within 3 (three) days after its occurrence with the reasons for the proposed change/occurrence.

Undesired activities

A financial company shall not engage in or finance any activity in any way which, relates to gambling, betting or any other activities that are likely to jeopardise the deposits of customers.

A financial company shall not purchase or lease or otherwise acquire real property except for the purpose of acquiring office accommodation for its business or living accommodation for its staff.

APPLICATION FOR AN APPROVAL TO REGISTER A COMPANY
TO OPERATE AS SAVINGS AND CREDIT COMPANY

Provide comprehensive information, including attachments where necessary, on the following items:

Name of Applicant

Location of Business (Town/Village and District)

Address of Business

Purpose of Business

Attach “Memorandum of Association” indicating among others:

Name, Objects, Place of Business;

Authorized Capital, Paid-up Capital;

Number of Shares, Share values;

Number of Shares subscribed; Number of shareholders

Attach “evidence of Paid-up Capital”

Attach “Statement of Expenditures” incurred to date in promoting organization

State Start-up Capital

Attach “Evidence of Availability of Start-up Capital”

Attach “Articles of Association” indicating among others:

Names and Particulars of Directors including qualification and experience;

Powers, duties, Limits. Liabilities and functions of Directors;

Management of Organization;

Powers, Duties, Limits, Liabilities and Functions of Management;

Qualifications for Management positions;

Office premises (set-up, furnishing and other facilities);

Rules on Annual General Meetings;

Rules when winding-up;

Rules on Quorum;

Other rules of operation;

Arrangements for commissioning the Savings and Credit Company.

*Economic and social justification for locating the Savings and Credit Company in the place of
business.*

CENTRAL BANK OF THE GAMBIA
1-2 ECOWAS AVENUE, BANJUL, THE GAMBIA

APPLICATION FOR A LICENCE TO OPERATE
SAVINGS AND CREDIT COMPANY

To be completed after registration of the company

Name of Applicant:.....

Address:.....
.....
.....
.....

Business Registration Certificate

Number **Date of Issue**.....

Purpose of Business:.....

.....
.....

Location of Proposed Savings and Credit Company:.....

.....
.....

Signature:.....

Name:.....

Designation:.....

Date:.....

(Attach 2 (two) certified copies of Registration Certificate and the registered Memorandum and Articles of Association.)

PART C - INTERPRETATION

Unless otherwise specified or the context requires, the terms used in these rules and guidelines:

- a) *“Bank” means the Central Bank of The Gambia.*

- b) *“Banking business” means “the business of receiving funds from the public or a financial institution through the acceptance of deposits, or any similar operations through the sale or replacement of bonds, certificates, notes and other securities, and the use of such funds either in whole or in part for advances, investments or in any other operation with authorized by law or by customary banking practices, for the account and at the risk of the person doing such business”, per Section 2(1) FIA 1992.*

- c) *“Board” means the Board of Directors of the Savings and Credit Company or Financial Company.*

- d) *“Capital” means money contribution made by shareholders of the Savings and Credit Company and reserves authorized by the Bank.*

- e) *“Deposit means” a sum of money paid on terms,*
 - i) *that is to be repaid, with or without interest or premium of any kind, and either on demand or at a time in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and*

that it is not referable to the provision of property or services or the giving of security whether or not evidenced by any entry in a record of the person receiving the sum or by any receipt, certificate, note or other document,

and references in the FIA 1992 to money deposited and to the making of a deposit shall be construed accordingly”; per Section 2(1) FIA 1992.

- f) “Director” means a member of the Board of Directors empowered to carry out substantially the functions in relation to the direction of a Savings and Credit Company as those carried out by a director of a company constituted under the Companies Act.*
- g) “Licensed Savings and Credit Company or Financial Company” means a Savings and Credit Company or a Financial Company licensed under the provisions of the FIA 1992.*
- h) “Minister” means the Minister responsible for the administration of FIA 1992, per Section 2(1) FIA 1992.*
- i) “Person” means and includes any individual or group of individuals or company or association or body of persons whether or not incorporated. For the purpose of these regulations association of one person with one another is determined as interpreted under Section 2(2) FIA 1992.*
- j) “Place of business” means the principal office or any branch or office of a Savings and Credit Company in The Gambia, including a mobile office open to the public.*
- k) “Prescribed” means to prescribe by Guidelines, interpretation, bulletin or other writing by the Bank.*

- Guidelines on NBFIs Act 2016

GUIDELINES AND INSTRUCTIONS RE: THE NON-BANK FINANCIAL INSTITUTIONS (NBFIs) ACT, 2016- THE REPUBLIC OF THE GAMBIA

Executive Summary Including A Chapterized List Of Regulations And Guidelines

CLIENT: BOTG/ MOFEA, REPUBLIC OF THE GAMBIA

CONSULTANT:

FRIENDS Consult Ltd, Le Palm House

Plot 244/45 Tank Hill Road, Muyenga

P.O. Box 24366, Tel (041)349381, Kampala

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May 2019

EXECUTIVE SUMMARY

Availability of adequate and suitable financial services to the low income population is a vital necessity in the economic development of The Gambia. Accordingly, non-bank financial institutions need to continually be guided enabled to extend sustainable financial services in different forms to their customers/ clients.

The Gambian financial system/sector permits the establishment of different types of non-bank financial intermediaries with different areas of focus and respective comparative advantages. These need to continually provide various financial services, observe and use market discipline within their (unique) operations. The Central Bank of the Gambia (CBG) has accordingly established the institutional and functional frameworks for different categories of non-bank financial institutions. This culminated in the enactment of the Non-Bank Financial Institutions Act, 2016 (**'the Act'**). CBG is responsible for the regulation and supervision of the entire financial sector, including the Microfinance sector in The Gambia. For microfinance, this is executed by the Microfinance Department of CBG . Microfinance plays an important role in advancing financial inclusion by including large population of unbanked Gambians in the country's main stream financial system. Promoting financial inclusion is an important policy priority for CBG and the Government of The Gambia. Currently, the Gambian microfinance sector is still small but growing, comprised of three (3) main categories of institutions, namely: i) Finance Companies, ii) Credit Unions/Co-operatives and iii) Village Saving and Credit Associations (VISACAs).

The extent of progress in the financial system and institutional hierarchy is not restricted. There is an opportunity for a lower institution to advance and convert from its category to a higher one provided the institution to be upgraded fully satisfies the eligibility and licensing requirements for the higher institution prescribed by the Act and by CBG.

Gambia's Non-Bank Financial Institution Act, 2016 covers finance companies, microfinance institutions, including Islamic microfinance institutions, saving and credit associations and credit unions, leasing companies including Islamic leasing, hire purchase and debt financing companies and mortgage lenders. The Act prescribed specific provisions for the regulation and supervision of non-bank financial institutions (NBFIs) in the country. However, requirements in respect of some of these (particularly Islamic microfinance) were not completely captured in the rules and guidelines. Since the coming into force of the Act in May, 2016, CBG has not yet issued the necessary implementing regulations (and Guidelines) for non-bank financial institutions . The Ministry of Finance and Central Bank of The Gambia, therefore, engaged the service of a Consultancy Firm (FRIENDS Consult Ltd.) to develop a Manual of Guidelines and Instructions based on the Act.

The policy rules and guidelines to be made under the Act are intended to enhance the development of viable and stable non-bank financial institutions and thereby strengthen their effectiveness and the quality of the financial services required to meet this development objective.

The implementing Regulations (and Guidelines) for the Non-Bank Financial Institutions Act, 2016 expound on the relevant provisions of this Act and specify prudential and reporting requirements which are necessary for effective monitoring of compliance with the Act. Strong prudential regulations and Guidelines together with strict enforcement of these Regulations and Guidelines is necessary to ensure that non-bank financial institutions have adequate capital, are well managed and avoid taking excessive risks with depositors' moneys through, for example, reckless or fraudulent lending practices.

The following is the Chapterized List of implementing Regulations and Guidelines that have been developed under the assignment:

Chapterized List of Regulations and Guidelines

1. Chapter 1- Licensing Regulation & Guidelines
2. Chapter 2- Place of Business (including Branch & Agency) Regulations & Guidelines
3. Chapter 3- Capital Adequacy Regulation & Guidelines
4. Chapter 4- Statutory Reserves Regulation & Guidelines
5. Chapter 5- Credit/Risk Classification of Assets and Provisioning Regulations & Guidelines
6. Chapter 6- Credit Concentration and Large Exposures Limits Regulations & Guidelines
7. Chapter 7- Insider Loan Limits Regulation & Guidelines
8. Chapter 8- Liquidity Management Regulations & Guidelines
9. Chapter 9- Corporate Governance Regulations & Guidelines
10. Chapter 10- Ownership and Control Regulations & Guidelines
11. Chapter 11- Fit and Proper Requirements for Shareholders & Directors Regulations and Guidelines
12. Chapter 12- Consolidated Supervision (Rules governing Groups & Cross-Border Microfinance) Regulations
13. Chapter 13- Acquisitions, Mergers, Amalgamations, Transfers of Assets & Liabilities Regulations & Guidelines

14. Chapter 14- Financial Institutions' Foreign Exchange Business Regulations & Guidelines
15. Chapter 15- Prompt Corrective Actions Regulations and Guidelines
16. Chapter 16- Regulatory Reporting Requirements Regulation
17. Chapter 17- Financial Statements Elaboration & Publication Regulations & Guidelines (sections 53,54 & 61(a) of the NBFIA Act,2016)
18. Chapter 18- Appointment, Duties and Responsibilities of External Auditors Regulation & Guidelines
19. Chapter 19- Credit Reference Bureau Regulations and Guidelines (sections 33 & 63 of the NBFIA Act)
20. Chapter 20- Fiduciary Institutions Regulations and Guidelines
21. Chapter 21- Finance Leasing Regulations
22. Chapter 22- Islamic Microfinance Banking Regulations & Guidelines
23. Chapter 23 - Savings and Credit Associations- VISACAs Regulations & Guidelines
24. Chapter 24- Savings and Credit Co-operative Societies/Unions- SACCO Regulations & Guidelines

Other document to be submitted: Comments and Suggested Improvements to the Non-Bank Financial Institutions Act, 2016.