

PRUDENTIAL REGULATION NO CBL/SD/03/2000

PRUDENTIAL REGULATIONS ON LIQUIDITY REQUIREMENTS FOR LICENSED BANKS

1.00 INTRODUCTION

In compliance with the provisions of Sections 17 and 18 of the New Financial Institutions Act of 1999 (FIA), licensed banks are required to maintain sufficient liquidity to meet their expected and contingent cash flow needs at reasonable cost. The Central Bank of Liberia (CBL) hereby issues the following regulations which specify the prescribed liquid assets and eligible liabilities to be used in determining a bank's compliance with the liquidity requirements as provided by the FIA.

2.00 LIQUID ASSETS

The liquid assets shall consist of freely transferable assets from any charge or lien whatsoever and shall include the following:

1. Banknotes and coins which are legal tender in Liberia. A listing of branches, where applicable, shall be required.
2. Balances with the Central Bank of Liberia (CBL) excluding required reserves and marginal reserves established under Section 34(1) of CBL Act of 1999. In this respect, only the current account with the CBL is to be reported. The balance should be taken from the bank's general ledger.
3. Net Balances at financial institutions in Liberia and money at call in Liberia, provided that if such balances are negative they shall be subtracted from the liquid assets.
4. Treasury Bills and other securities issued by the Government of Liberia or CBL and maturing within one hundred and eighty (180) days. These assets shall, however, be subject to a maximum of two (2%) percent of the total eligible deposits and other liabilities.
5. Bills of Exchange and Promissory Notes eligible for re-discount at the CBL and Warehouse Warrants or their equivalents securing possession of goods against which the CBL may grant advances.
6. Net Balances at Financial Institutions in such monetary areas as may be designated by the CBL, provided that if such balances are negative they will be subtracted from the liquid assets.

7. Money at Call, approved Bills of Exchange and 180 days Treasury Bills in such monetary areas as may be designated by the CBL.

The approved monetary zones must be so designated by CBL and verifiable documentation must be available for inspection by Supervision Department of CBL.

3.00 DEPOSITS AND DESIGNATED LIABILITIES

The eligible deposits and other liabilities shall consist of the following:

1. Deposit Liabilities

The deposits shall represent credit balances only on customers' deposits accounts. Foreign currency accounts which are not legal tender should be excluded. The deposits shall include the following;

- 1.1 Checking or Demand Deposit Accounts.
- 1.2 Time Deposits.
- 1.3 Savings Deposits.
- 1.4 Certificate of Deposits.
- 1.5 Special Deposits.

2. Margins against Contingent Liabilities.

3. Interest Accrued. Interest accrued is the amount of interest earned by customers on their accounts but not yet credited. Such amounts should be determined monthly.

4.00 REQUIRED LIQUIDITY RATIO

The liquidity ratio shall be measured as the percentage of **liquid assets** to the **deposits and designated liabilities**. The prescribed ratio shall be **fifteen (15%) percent** and may be varied by the CBL within the statutory range of five (5%) to twenty five (25%) percent as and when appropriate.

5.00 REPORTING REQUIREMENTS

Licensed banks shall be required to submit, **on weekly basis**, details of their liquid assets and deposits and the designated liabilities to the CBL in the attached format. They should report in the same format on, memorandum basis, the advances received from other financial institutions, own offices and branches overseas as well as the required reserves and marginal reserves with the CBL.

6.00 SANCTIONS

Any licensed bank that fails to maintain the required liquidity ratio shall be sanctioned by the CBL as provided in Section 17 (4) and (5) of the FIA.

SUPERVISION DEPARTMENT
CENTRAL BANK OF LIBERIA
APRIL, 2000

Private and Confidential

WEEKLY RETURN ON LIQUIDITY REQUIREMENT

as at _____

Reporting Bank: _____

(IN BLOCK LETTERS)

All questions and concerns may please be addressed to the Head of Supervision, Central Bank of Liberia, Broad & Mechlin Streets, Monrovia, Liberia.

Telephone: _____

NOTES:

This return should be completed as at close of business on
ch _____.

Enter amounts to the nearest thousand omitting 000 =s.

Submit the return within FOUR CALENDAR DAYS of reporting date, clearly
addressed to the HEAD OF SUPERVISION, CENTRAL BANK OF LIBERIA,
Broad & Michelin Streets; Monrovia, Liberia

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Logged in	Date Checked	Date Input	Amendment Input

FORM SD

WEEKLY RETURN ON LIQUIDITY REQUIREMENTS FOR THE WEEK ENDING DATE OF REPORTING

REPORTING BANK

S/NO	DETAILS	AVERAGE BALANCES '000			
		US\$	L\$ EQUIVALENT RATE	L\$	TOTAL L\$
A	LIQUID ASSETS				
1	Bank Notes & Coins (Legal tender in Liberia)				
2	Balances (excluding required reserves & marginal reserves) with the CBL				
3	Net Balances at Financial Institutions and Money at Call in Liberia				
4	180 day T/Bills and Other Securities of Government of Liberia (Max 2% of B17)				
5	Bills of Exchange & Promissory Notes eligible for re-discount at CBL and Eligible Warehouse Warrants				
6	Net Balances at Financial Institutions in monetary areas designated by the CBL				
7	Money at Call, Approved Bills of Exchange and T/Bills in designated monetary areas				
8	TOTAL LIQUID ASSETS				
B	DEPOSITS & DESIGNATED LIABILITIES				
9	Checking or Demand Deposits				
10	Time Deposits				
11	Savings Deposits				
12	Certificates of Deposits				
13	Special Deposits				
14	TOTAL DEPOSITS (9 - 10)				
15	Margins Against Contingent Liabilities				
16	Interest Accrued				

NOTES TO THE WEEKLY RETURN ON LIQUIDITY REQUIREMENT

Any commercial bank subject to the regulations of the Central Bank of Liberia and doing or engaging in banking business in Liberia is required to submit Form SD... to ensure THAT the institution is complying with Section 17 and Section 18 of the New Financial Institutions Act of 1999 and maintaining sufficient liquidity for prudential purposes.

SD.

Item No.

- 1 Cash in Till and Vaults and Safes. Attach a listing of branches where applicable.
- 2 Balance with CBL. Only the current account with the CBL is to be reported. The balance shall be taken from the bank's s general ledger. Required Reserve and Required Marginal Reserve Balances shall be reported under Memorandum Items.
- 3 Only cleared balances and money at call with licensed banks/money market institutions are not to be included.
- 4 Securities issued by the Government of Liberia or CBL shall be subject to a maximum of two (2%) percent of the total eligible deposits and other liabilities.
- 5 These must be certified as eligible liquid assets by CBL.
- 6-7 The approved monetary zones must be so designated by the CBL and verifiable documentation must be available for inspection by the Supervision Department.
- 9-13 Deposit Liabilities. Credit balances only on customers' deposits accounts shall be included. Foreign currency accounts that are not legal tender in Liberia shall be excluded.
- 16 Interest Accrual. Interest accrued is the amount of interest earned by customers on their accounts but not yet credited. Such amounts shall be determined monthly.