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EXTRAORDINARY

The Government of the Republic of Liberia announces that the Central Bank of Liberia (CBL), pursuant to its mandate under the Amendment and Restatement of the Act Establishing the Central Bank of Liberia approved 2020 and its authority under the Financial Institution Act of 1999, and specifically consistent with Section 68 of the said Central Bank of Liberia Act of 2020 and Section 130 of the Securities Market Act of 2016, has issued on June 1, 2021, its Prudential Regulation No. CBL/FMD/001/2021, herein under:

REGULATION CONCERNING THE LICENSING AND REGULATORY REQUIREMENTS FOR DISCOUNT HOUSES IN LIBERIA

BY ORDER OF THE PRESIDENT

**AMB. DEE-MAXWELL SAAH KEMAYAH, SR.
MINISTER OF FOREIGN AFFAIRS**

**MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA**

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INTRODUCTION

The Central Bank of Liberia in keeping with Section 68 of the Amendment and Restatement of the Act Establishing the Central Bank of Liberia 1999 approved in 2020, Section 39 of the Financial Institutions Act of 1999 and Section 130 of the Securities Market Act of 2016 hereby issues this regulation, governing the licensing and regulatory requirements for discount houses in Liberia. Without limiting the generality of the requirements stated herein, the Central Bank of Liberia may issue other complementary directives and guidelines to ensure the smooth and ethical conduct of business of the discount houses operating in Liberia.

PART I- PRELIMINARY

1.0 Title

This regulation shall be cited *as Regulation Concerning the Licensing and Regulatory Requirements for Discount Houses in Liberia, Regulation No. CBL/FMD/001/2021.*

2.0 Application

This regulation shall apply to all licensed discount houses and institutions involved in discount house activity in Liberia.

3.0 Interpretation

In this Regulation, unless the context otherwise requires-

“*Act*” means the Securities Market Act of Liberia, 2016.

“*Applicant*” refers to a registered entity seeking for a license to operate a discount house in Liberia. An applicant shall be used interchangeably with a discount house.

“*Board*” or “*Board of Directors*” refers to the highest decision-making body of a discount house responsible for its strategic guidance, effective monitoring of management, and accountability to shareholders.

“*Central Bank*” or “*CBL*” means the Central Bank of Liberia.

“*Chief Executive Officer*” or “*CEO*” means the Chief Executive Officer, the Managing Director or Head of a discount house.

“Director” refers to any person who performs or is empowered to perform, substantially the same functions for the discount house as those performed by the director of a company, whether or not such person receives compensation.

“Discount house” means any legal person or institution in Liberia, which conducts a business that generally entails trading in and holding of Treasury bills, commercial bills, and other financial securities.

“FIA” means the New Financial Institutions Act (FIA) of 1999.

“Final License” means final authorization certificate granted by the CBL to an applicant to conduct full discount house services.

“GOL” or *“Government”* means the Government of Liberia.

“Open Market Operations” or *“OMO”* means the outright sale and purchase of securities to manage liquidity in the economy and develop the financial markets.

“Person” means a natural or legal person.

“Provisional License” means a temporary or conditional license / certificate given to an applicant by the CBL to commence pre-operational work.

“Principal Shareholder” means any shareholder of a discount house or other person owning five (5%) percent of any class of shares of a discount house.

“SMA” means the Security Markets Act of 2016.

“Senior Management Official” refers to any person who is an officer of a discount house, including the chief executive officer, vice-president(s), general manager, chief accountant, chief investment officer, chief treasury officer (or their equivalents), and any other person who, alone or together with one or more others, has the authority to commit the discount house.

“Shell Financial Institution” means a financial institution incorporated, formed or established in a country or jurisdiction where the financial institution has no physical presence and which is not affiliated with a regulated financial group.

4.0 Objectives

The objectives of this regulation are:

- (1) to promote growth and efficiency of the financial markets in Liberia;
- (2) to serve as a legal instrument that governs transactions between the CBL and licensed financial institutions in open market operations (OMO) and other eligible money market securities; and
- (3) to provide a set of uniform procedures, conditions, limitations as well as risks management for the licensing, operations, and management of discount house(s) in Liberia.

PART II- LICENSING

5.0 Requirement to Obtain a License

- (1) Any person or institution seeking a license to establish a discount house in Liberia shall apply in writing to the Executive Governor of the CBL expressing the desire.
- (2) The application for license shall be accompanied by the following:
 - a) A non-refundable application fee of L\$105,500.00 (One Hundred Five Thousand Five Hundred Liberian Dollars).
 - b) Name of the proposed discount house (corporate name to be used for the purpose of carrying on the operations and business of the discount house). Such name shall not closely resemble the name of an existing financial institution as would likely, in the opinion of the CBL, mislead the public.
 - c) A five-year financial projection for the operation of the proposed discount house, including the balance sheet, income statement and cash flows statements, indicating its estimated growth and profitability and details of the assumptions based on which the financial projections are made.
 - d) Resolution of the Board of Directors of the proposed discount house authorizing the investment and an official copy of the minutes of the Board

of Directors' meeting authorizing an application for a license to operate a discount house.

- e) Articles of Incorporation.
- f) The capital structure of the proposed discount house showing the proposed amount of paid-in capital; identify the type, number and par value of each class of shares proposed to be issued.
- g) A complete list of the shareholder(s) of the proposed discount house, including their names, addresses and nationalities; the number and class of shares to be held by each shareholder, as a percentage of the total shares; the purchase price per share, and the total purchase price; and copies of any agreements between the proposed discount house and any third parties regarding both current and future obligations and/or obligations that may have significant implication on the operations of the proposed discount house.
- h) Name of registered agent in Liberia (where applicable).
- i) Where the proposed discount house is a part of a group:
 - i. An organogram of the group structure showing the proposed discount house's position within the group, relationships within the group and percentage holdings, and the lines of authority and reporting between the proposed discount house and any parent company, (if any);
 - ii. Complete information on all entities within the group, including names, addresses, types of entities, principal shareholders, directors, and senior management officials; and
 - iii. Business or other activities of all entities within the group.
- j) Undertaking by the organizers that they do not have financial relationship with shell financial institutions and do not intend to have any relationship with such institutions.
- k) A copy of a detailed business plan disclosing information that will include:

- i. the composition of the Board of Directors of the proposed discount house and the curriculum vitae of each member;
- ii. the organizational structure of the proposed discount house setting out in detail the functions and responsibilities of the senior management team; and
- iii. the training program for staff and management succession.

6.0 Assessment of License Applications

- (1) In assessing an application, the CBL shall take into account all the requirements in Part II Section 4 of the New FIA of 1999, and in particular, matters relating to:
 - a) Character and fitness of the shareholders, directors, and officers of proposed discount house in keeping with the standards set out in the Fit and Proper Regulation of the CBL for Financial Institutions.
 - b) The adequacy of the applicant's capital structure in relation to the nature and scale of its proposed business;
 - c) The financial position and financial history of the applicant, where applicable;
 - d) The earnings prospect of the applicant;
 - e) The objectives of the applicant as contained in its Articles of Incorporation; and
 - f) Whether the interest of potential customers will, as far as can reasonably be ascertained, be detrimentally affected by the manner in which the applicant proposes to conduct its business.
- (2) The CBL may, where necessary invite the promoters (shareholders, directors, or officers) of the applicant for an interview in order to verify and assess their application, and such invitation shall be in writing, stating the specific objectives of the interview.

7.0 Provisional License

- (1) Upon fulfillment of the requirements in section 5.0 of this Regulation, the CBL may grant a provisional license to the applicant for a period of six months within which time the applicant shall complete all organizational processes.
- (2) Failure on the part of an applicant to satisfy the requirements of the provisional license within the specified time stated in section 7.1 above shall lead to automatic nullification of the provisional license.
- (3) The applicant shall not perform or conduct any financial services during the provisional period. The provisional license may be extended by the CBL for justifiable reason as it may deem necessary.

8.0 Conditions for a Provisional License

- (1) A provisional license shall be issued to applicant who satisfy the following requirements with full evidence of compliance submitted to and verified by the CBL:
 - a) Deposit the statutory minimum capital requirement of L\$422,000,000.00 (Four Hundred Twenty-Two Million Liberian Dollars), or as may be prescribed by the CBL from time to time, in an escrow account in favor of the applicant in a bank or banks licensed by the CBL, prior to undertaking any organizational work. The deposit held in an escrow shall be released to the applicant for use in its business in keeping with section 8.2 (c) and upon the granting of a final license, or return to the applicant if the application is unsuccessful or is withdrawn; and
 - b) Commit to ensure compliance with the minimum capital requirement at all times.
- (2) Upon the issuance of a provisional license, the organizers or promoters of the applicant shall satisfy the following requirements:
 - a) Submit a plan of utilization of the portion of statutory minimum capital covering the organization cost or pre-operating expenses;

- b) Regularly submit to the CBL monthly progress reports on organizational set-up;
 - c) Undertake to ensure that organizational costs or pre-operational expenses shall not exceed 25% of the statutory minimum capital and that the net worth of the proposed discount house shall not fall below the minimum capital requirement;
 - d) Recruit other key staff for the proposed discount house; and
 - e) Ensure that the proposed discount house shall not advertise or display its name until a final license is issued.
- (3) Submit a comprehensive enterprise-wide risk management framework in conformity with the Risk Management Guideline of the CBL which provides minimum requirements for sound risk management practices, including market, liquidity, operational and reputational risks.

9.0 Minimum Requirements for Premises

- (1) The premises where a proposed discount house is expected to operate shall meet the following minimum requirements:
- a) Evidence of a lease agreement where the premises are on lease or a Certificate of Title where the premises are owned by the proposed discount house;
 - b) Adequate security measures in keeping with the relevant CBL's directives and rules on security and safety requirements;
 - c) Display the name of the discount house prominently on the premises;
 - d) Inform the CBL in writing of the location and address of Head Office of the proposed discount house for the purpose of inspection; and
 - e) Fulfill any other requirements as may be prescribed by the CBL.

10.0 Use of Name

- (1) A discount house shall use the name specified in the license issued by CBL in all its operations and official communication.

- (2) No licensed discount house shall alter or change its name without the prior approval of the CBL.

11.0 Final License

- (1) An applicant for a discount house license shall be required to meet all of the applicable requirements stated in this regulation, including the payment of a license fee of L\$2,110,000.00 (Two Million One Hundred Ten Thousand Liberian Dollars) to the CBL and shall pay annual operating levy of L\$1,055,000.00 (One Million Fifty Five Thousand Liberian Dollars), or such other amount as may be prescribed from time to time by the CBL.
- (2) The CBL shall, where an application is approved, grant a license within sixty (60) working days from the date of receipt of a complete application and fulfilment of all licensing requirements by the applicant, or notify the applicant of rejection of the application and the reason thereof.
- (3) Prior to granting a final license, the CBL shall conduct a pre-inspection of the facilities of the proposed discount house to ensure that the premises meet the minimum requirements and standards set by the CBL.
- (4) The applicant shall submit to the CBL two copies of an opening statement of affairs audited by a certified local accounting firm.
- (5) The applicant shall submit to the CBL evidence of payment by each proposed shareholder.
- (6) The applicant shall submit to the CBL two certified copies of certificate issued to each shareholder.
- (7) The applicant shall submit to the CBL evidence of completion of the Board of Directors and Management to commence business.
- (8) The applicant shall maintain a shareholders' register in which the equity interest of each shareholder is properly recorded.

- (9) The applicant shall submit two copies of the Articles of Incorporation and Certificate of Registration of the business (together with the original for sighting purposes only).
- (10) The applicant shall inform the CBL in writing of the date of commencement of business.
- (11) The applicant shall be informed in writing by the CBL that it may commence business.

12.0 Conditions for Suspension and Revocation of License

- (1) In the case of suspension, where a discount house receives a compliance warning, and a follow up communication from the CBL, but failed to comply with such warning, the discount house shall have its license suspended for up to six (6) months by the CBL.
- (2) The affected discount house shall, from the date of the notice of the suspension, cease to provide financial services.
- (3) During the suspension period, the discount house shall be allowed to continue to collect re-payments of its existing portfolio and shall be subject to all applicable financial consumer protection rules.
- (4) The grounds for revoking a license granted to a discount house may include any of the following in addition to Section 17 of this Regulation and Sections 11 and 12 of the New FIA:
 - a) submission of false information/data during and after the processing of the application for license;
 - b) engaging in functions/activities outside the scope of the license;
 - c) persistent failure to comply with any of the guidelines or directives of the CBL;
 - d) engaging in activities inimical to the operations of the Liberian economy;
 - e) engage in activities of money laundering and terrorist financing;

- f) failure to comply with prudential requirements, including capital and liquidity requirements; and

any other act(s) which in the opinion of the CBL constitutes a violation of any of the provisions of this Regulation.

13.0 Display of License

- (1) A discount house must display at a conspicuous or prominent place in its premises the license obtained from the CBL and the registration certificate(s) from the Liberia Business Registry (LBR).

14.0 Opening /Closing of Offices/Branches

- (1) Unless the conditions of a license limit or restrict a discount house to one or a specific number of offices or branches, a discount house may conduct business at any place(s) in Liberia subject to the requirements as prescribed in CBL Guidelines Concerning Expansion and Closure of Branches and/or Window of Financial Institutions and has given notice of its intention to the CBL not less than thirty (30) days prior to opening a new branch.
- (2) A discount house intending to close a place of business shall at least within sixty (60) days before closing such branch or office, notify the CBL of its intention and seek its approval before notifying its clients of its decision.
- (3) Any discount house that fails to comply with these requirements shall be subjected to appropriate supervisory sanction (s) as prescribed in this Regulation.

Part III: CAPITAL REQUIREMENTS, CONSUMER PROTECTION AND ACTIVITIES

15.0 Statutory Minimum Capital Requirements

- (1) Every discount house shall at all times comply with the minimum capital of L\$422,000,000.00 (Four Hundred Twenty Two Million Liberian Dollars).

- (2) Without prejudice to 15 (1) above, each discount house shall comply with the minimum capital adequacy requirement (CAR) and other capital standards within this Regulation, and as may be prescribed by the CBL from time to time.

16.0 Permissible Activities

- (1) A discount house shall be permitted to carry on only the following activities:
- a) Facilitate the issue and sale of short-term government securities, CBL bills and other eligible short-term financial instruments (including commercial bills issued by private and state-owned Liberian corporations);
 - b) Enter Repurchase agreements (repos) and reverse repurchase agreements (reverse repos) of eligible securities approved by the CBL;
 - c) Sell/ buyback financial instruments;
 - d) Accept call money from licensed banks and other financial institutions;
 - e) Interbank borrowings and placements;
 - f) Trade eligible financial instruments in the secondary market;
 - g) Provide discount/re-discount facilities for Treasury securities and other eligible financial instruments;
 - h) Provide fund/portfolio management and financial advisory services;
 - i) Accept short term investments in the form prescribed by the CBL; and
 - j) Perform other activities as may be prescribed by the CBL from time to time.

17.0 Prohibitions

- (1) A discount house shall not:

- (a) engage in any form of banking business, including extension of credit and/or acceptance of deposits from the public in any manner or form;
- (b) deal in gold or foreign exchange;
- (c) engage in any business other than those for which it was licensed.

18.0 Consumer Protection

- (1) A discount house is required to adhere to consumer protection standards defined in the applicable CBL's Regulations as listed below:
 - a) Regulation on Consumer Protection and Market Conduct for Financial Institutions;
 - b) Regulation on determination and display of interest rates and charges, and computation of lending rates; and
 - c) Any other applicable consumer protection rules as may be issued by CBL from time to time.

PART IV: CORPORATE GOVERNANCE

19.0 Composition of Board and Eligibility of Directors

- (1) Each discount house shall have a Board of Directors, which shall be responsible for the sound and proper functioning of the discount house and accountable for actions and activities to the shareholders and the CBL.
- (2) The maximum number of Directors on the Board of a discount house shall be seven (7), while the minimum shall be five (5). At least two of the directors shall have experience in the core business of a discount house, including the Chief Executive Officer.
- (3) To qualify for the position of a director in a discount house, the person(s) must not be current employee(s) or director(s) of any financial institution, except the discount house is promoted by a financial institution and that the would-be board member is representing the interest of such institution(s), in keeping with Section 9 (g) of the new FIA of 1999.

- (4) Appointment of directors of a discount house shall be done in keeping with Section 74 of the new FIA of 1999 which requires the CBL's written approval of such appointment.
- (5) Directors and officers are required to adhere to the corporate governance standards in keeping with the CBL Corporate Governance Regulation for Financial Institutions.

20.0 Qualification for Management

- (1) The Chief Executive Officer shall possess relevant qualification acceptable to the CBL, with at least ten (10) years of experience, of which five (5) years must be at senior management level. The relevant qualifications shall include any of the disciplines of accounting, economics, finance, business administration, financial services, banking, and management.
- (2) Heads of Departments shall possess relevant qualification acceptable to the CBL with at least seven (7) years post-qualification experience. The relevant qualifications shall mainly include any of the disciplines of economics, finance, business administration, financial services, banking, management, and law.

21.0 Grounds for Disqualification

- (1) Any director who is involved in the management of a licensed discount house shall cease to hold office if:
 - a) he/she is declared bankrupt by a competent court;
 - b) he/she is convicted of any offence involving fraud, dishonesty or criminality;
 - c) he/she is of unsound mind or any profound or severe disability;
 - d) for conflict of interest or any other unprofessional and unethical behavior;
and
 - e) he/she is deceased.
- (2) No person who had been a director or been directly involved in the management of a failed licensed discount house, a bank or any other financial

institution shall without the expressed authority of the Executive Governor of the CBL act or continue to act as a director or be directly involved in the management of any other licensed discount house.

- (3) No discount house shall be managed by a person who is a director of another discount house or any other company that is in the same line of business.
- (4) Any person who, being a director or manager of a licensed discount house shall be guilty of an offence if he/she:
 - a) fails to take reasonable steps to ensure compliance with the relevant provisions in this Regulation and other Regulations of the CBL, the new FIA of 1999 and the SMA of 2016; or
 - b) fails to take reasonable steps to ensure the accuracy of any statement or information submitted to the CBL.

22.0 Dealing with Conflict of Interest

- (1) Each director or officer of a discount house that holds any office or possesses any property whereby, whether directly or indirectly, such duties or interests might create conflict with his/her duties or interest as a director or officer of the discount house, shall declare to the full Board, the fact, nature, character and extent of such interests.
- (2) Any director or officer who faces a situation of a conflict of interest shall recuse himself / herself from any or all meeting in which the matter that created the conflict is being discussed or decided upon. Any director or officer who contravenes this provision shall be liable to a fine up to L\$200,000.00 (Two Hundred Thousand Liberian Dollars) and/or be removed from office.

PART V. REGULATORY REQUIREMENTS

23.0 Structure of Tradable Assets

- (1) The short-term nature of the liabilities of a discount house requires that its assets be easily converted to cash. The assets of a discount house shall consist of the following:

- a) Interbank placements;
- b) Treasury Bills, Notes and Bonds not exceeding three years;
- c) Certificates of Deposit (CDs);
- d) Bankers' Acceptances;
- e) Commercial Papers;
- f) Zero coupon bonds issued by the CBL;
- g) Promissory Notes issued by the GOL and reputable corporate entities as specified by the CBL, and;
- h) Any other securities that may from time to time be approved by the CBL.

24.0 Capital Adequacy Requirement

- (1) A discount house shall maintain a leverage ratio (capital funds to total assets) of 1 to 50 times at the maximum and Capital Adequacy Ratio, CAR (capital funds/ total risk assets) of 10% at the minimum or as may be prescribed by the CBL from time to time; and
- (2) A discount house shall not exceed a maximum ratio of 30:1 between its total borrowing and capital plus reserves without the prior approval of the CBL.

25.0 Transfer to Statutory Reserve

- (1) A discount house shall be required to maintain a statutory reserve account and transfer to its statutory reserve account a minimum of 20% of profit after tax if the reserve fund is less than the paid-up capital and a minimum of 15% if the reserve fund is equal to or more than the paid-up capital.

26.0 Account at the Central Bank

- (1) A discount house shall be required to open and maintain a current account with the CBL for its dealings with the CBL and other financial institutions.

27.0 Dividends Payment

- (1) A discount house shall not pay any dividend on its shares until all its preliminary expenses and other non-capitalized expenses have been completely written off. For this purpose, an issue of bonus shares out of profits shall be deemed to be a payment of dividend.

28.0 Sources of Funds

- (1) The sources of funds of a discount house shall consist of the following:
 - a) Equity - Paid- up Capital and Reserves.
 - b) Call money and short-term borrowings of not more than three years maturity.
 - c) Call money placed by banks with discount houses shall form part of the specified liquid assets of the respective banks for the purpose of the liquidity ratio (LR) and reserve requirement ratio (RRR).
- (2) The proposed discount house shall declare the sources of all funds along with all supporting documents to the CBL.

29.0 Investments

- (1) A discount house shall at all times maintain not less than 50% of total borrowing in government securities. Any discount house, which fails to maintain the 50% of borrowings in government securities is guilty of an offence and shall be liable to a fine.

30.0 Overnight Facility

- (1) A discount house that is short of funds may:
 - a) obtain from the CBL an overnight advance of only Liberian dollar currency against acceptable collateral as per the Collateral Eligibility Guidelines of the CBL. However, such an advance shall not exceed 30 percent of the total assets of the discount house and shall not in any event be granted if the

discount house has exceeded the borrowing limit as prescribed by the CBL;
and

- b) enter into repurchase transactions with commercial bank (s) and the CBL using eligible securities.

31.0 Publication of Audited Accounts

- (1) In accordance with Section 21 of the New FIA of 1999 and CBL Regulation Concerning Audit of Financial Institutions and Publication of Financial Statements, every discount house shall submit copy of its audited financial statements to the CBL for review and approval not later than three months after the end of the institution's financial year.
- (2) After approval, the discount house shall publish the abridged version of the accounts in at least two (2) national daily newspapers and its website, which shall be publicly accessible. Every published account shall disclose in detail the penalties imposed by the CBL, if any.

32.0 Appointment of External Auditor

- (1) In keeping with Section 21 of the New FIA of 1999, every discount house shall appoint an external auditing firm to conduct a full review of its financial condition, internal controls and risk management system for each year-end. The appointment of the external auditor shall require the prior approval of the CBL, before the commencement of any such audit.
- (2) The appointment of an auditor shall satisfy the minimum requirements stated in the Regulation Concerning Corporate Governance for Financial Institutions and Audit of Banks and the Publication of Financial Statements.

PART VI: SUPERVISION

33.0 Ongoing Examination

- (1) The provisions of Sections 22, 23, 26, 27, 28 and any other applicable provision of the New FIA relating to examination shall apply in entirety to discount house (s).

34.0 Reporting Requirements

- (1) Every discount house shall be required to submit to the CBL at such intervals and in such form, returns, documents, statistics and such other information as the CBL may specify from time to time and in keeping with Section 24 of the New FIA and PART VI, Sections 106 - 108 of the Securities Market Act, 2016.
- (2) Notwithstanding the general requirements stated above, every discount house shall:
 - a) after settlement each day, submit two copies of its returns to the CBL in a prescribed format on:-
 - i. assets composition;
 - ii. borrowing composition;
 - iii. borrowing rates;
 - iv. lending rates;
 - v. two copies of daily returns on its activities to the CBL.
 - b) submit in a prescribed form copies of the monthly, quarterly and semi-annual returns on assets and liabilities within the first seven days of the reporting period.

35.0 Restructuring and Re-organization

- (1) Except with the prior consent of the CBL, no discount house shall enter into an agreement or arrangement:
 - a) which results in a change in the control of the discount house;
 - b) for the sale, disposal or transfer of the whole or any part of the shares or business of the discount house;
 - c) for the amalgamation or merger of the discount house with any other company;

- d) for the restructuring of the discount house; and/or
- e) to employ a management agent or to transfer its business to any such agent.

36.0 Winding Down

- (1) A discount house shall not voluntarily cease from carrying on business without the approval of the CBL.
- (2) Pursuant to (1) above, the discount house shall ensure full settlement of all its outstanding obligations and commitments.

37.0 Publication of Licensed Discount House

- (1) The CBL shall develop a list of licensed discount house (s) to be published on its website, and once every year in the Official Gazette and at least one newspaper of wide circulation in Liberia or other forms of publications as the CBL deems appropriate.

38.0 Miscellaneous Provisions

- (1) Banks and other licensed financial institutions holding shares in discount house (s) shall not participate directly in the daily running and management of such discount house(s).
- (2) With the approval of the CBL, a discount house may acquire or hold part of the equity capital of any financial institution subject to the following conditions:
 - a) the shareholding by the discount house in the equity of any financial institution shall not exceed 10% of its shareholders' funds unimpaired by losses.
 - b) The aggregate equity investment of a discount house at any time shall not exceed 20% of its paid-up capital and statutory reserves.

- (3) Financial institutions and other investors with or without the participation of international finance institutions acceptable to the CBL can subscribe to the shares of a discount house.
- (4) A discount house shall not grant to any bank, facility of more than 50% of its shareholders' funds unimpaired by losses without the prior approval of the CBL;

39.0 Penalties

The penalties for any breach of this Regulation of the CBL shall be as set out in the relevant provisions of the Securities Markets Act, 2016.

40.0 Preventive and Corrective Measures

If in its opinion a discount house is conducting its business in an unlawful or unsound manner or that its capital is impaired or that it is otherwise in an unsound condition, the CBL shall have recourse to its enforcement powers and act according to the New FIA, in particular Sections 24, 40, 47 and other relevant provisions of the New FIA.

41.0 Amendments

The CBL reserves the right to amend or revise this Regulation from time to time as the need arises.

42.0 Effective Date

This Regulation shall take effect upon publication in Official Gazette and shall remain in force until otherwise advised by the CBL.