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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 Central Bank of Liberia Act of 1999 and its authority under the Financial Institutions Act of 1999, and specifically consistent with Section 55 of the said Central Bank of Liberia Act of 1999 and Section 39 of the Financial Institutions Act of 1999, has issued on May 26, 2017, its Regulations No. CBL/RSD/003/2017 herein under:**

**REGULATIONS CONCERNING EMERGENCY LIQUIDITY  
ASSISTANCE (ELA)**

**BY ORDER OF THE PRESIDENT**

**MARJON H. KAMARA  
MINISTER OF FOREIGN AFFAIRS**

**MINISTRY OF FOREIGN AFFAIRS  
MONROVIA, LIBERIA**

## **Introduction**

The Central Bank of Liberia, pursuant to its authority under Section 39 of the New Financial Institutions Act of 1999 and Section 32 (2) of the Central Bank of Liberia Act of 1999, hereby issues these Regulations.

### **1.0 Title**

These Regulations shall be cited as “*Regulation Concerning Emergency Liquidity Assistance*” Regulation No. CBL/RSD/003/2017

### **2.0 Scope**

All licensed Bank- Financial Institutions and deposit taking- Microfinance Institutions who are eligible under Section 3.0 below, shall receive credit from the CBL not only through monetary policy operations but exceptionally also through Emergency Liquidity Assistance (ELA).

### **3.0 Definition**

(i) Emergency Liquidity Assistance (ELA) means the provision by the Central Bank of Liberia (CBL), on the basis of Section 32(2) of the CBL Act, of:

- a) Central Bank’s money and/or
- b) any other assistance that may lead to an increase in Central Bank’s money

to a solvent, viable, deposit-taking financial institution that is facing temporary liquidity problems, without such operation being part of the CBL’s monetary policy.

(ii) The Bank shall mean the Central Bank of Liberia.

(iii) Institution shall mean all licensed Bank- Financial Institutions and deposit taking- Microfinance Institutions.

### **4.0 Objective**

The objective of these regulations is to preserve financial stability and the confidence of depositors and creditors in the Liberian banking system.

### **5.0 Eligibility Criteria**

3.1 In order to be eligible for an ELA, the CBL shall ensure that:-

- a) the potential failure of a licensed institution in need of support is judged to be a threat to systemic stability of the financial system ;
- b) the institutions receiving support shall be assessed to solvent and viable based on a report of the Regulation and Supervision Department; and that there should be a feasible exit strategy from the ELA—  
that is, the ELA would be a temporary bridge to a stable state in which the ELA would be repaid to the Bank.

In addition, the ELA facility needs to be structured to take account of two further principles:

- (i) that the element of moral hazard should be minimized; and
- (ii) that the risks to the Bank's balance sheet and to public funds should be controlled.

## **6.0 Application Procedure**

In order to be granted an ELA, the CBL hereby sets forth the following requirements:

- 6.1 A Letter of Application to the Executive Governor of the Bank expressing the desire to be granted emergency liquidity assistance. *Appendix 1*
- 6.2 The Letter of Application shall be accompanied by information regarding the funding plan, collateral being proffered, current financial statements of the institution, board resolution and a completed application form for ELA assistance. *Appendix 2*

## **7.0 Assets Eligibility Criteria**

The Bank may accept as guarantees or as collateral in repurchase agreement operations all assets that may be legally accepted as guarantees by it under the CBL Act.

## **8.0 Interest Rate**

ELA shall be provided at a penal interest rate against appropriate collateral, under close supervisory oversight, and on strict conditionality aimed at restoring the beneficiary financial institution's liquidity situation.

## **9.0 Powers of CBL**

The CBL has full discretion in:

- a) assessing the risks to financial stability and the resulting decision to provide, or not, ELA to a financial institution;
- b) assessing, in a forward-looking manner, the solvency, viability and systemic nature of a financial institution requesting ELA;
- c) deciding on the financial terms of ELA; and
- d) selecting assets as guarantees and applying appropriate risk control measures.

**10.0 Effective Date**

These regulations shall take effect immediately upon publication in Official Gazette, and shall remain in force until otherwise advised by the Central Bank of Liberia.

Issued this \_\_\_\_\_ of, \_\_\_\_\_ in the City of Monrovia, Republic of Liberia.

**BY ORDER OF THE PRESIDENT**

**MARJON V. KAMARA  
MINISTER OF FOREIGN AFFAIRS**

**MINISTRY OF FOREIGN AFFAIRS  
MONROVIA, LIBERIA**

**SAMPLE TEMPLATE LETTER REQUESTING ELA**

[DATE]

[Address at CBL].

Dear Executive Governor,

[Counterparty] is currently solvent but is experiencing liquidity pressures that pose an immediate threat to its ability to make payments to customers and the public. Accordingly, I hereby request an emergency liquidity assistance from the Central Bank of Liberia ( CBL) by advancing funds to [Counterparty], in accordance with the Central Bank's authority under statute and on the terms and conditions that may be set by the CBL.

I would like to request that an amount of up to X million (LR\$) and X million (US\$) be advanced.

Yours sincerely,

Chairman

**APPENDIX V. APPLICATION FORM FOR ELA**

1. Name and address of applicant : \_\_\_\_\_
  2. Name and title of authorized representative: \_\_\_\_\_  
\_\_\_\_\_
  3. Signature of authorized representative: \_\_\_\_\_  
\_\_\_\_\_
- (The person signing the request must be one of the authorized representatives included in the CBL’s authorized person’s list).
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4. Type of liquidity assistance requested:

<b>Amount (LR\$ Million and/or US\$ Million):</b>			
<b>Transaction date:</b>			
<b>Settlement date:</b>			
<b>Maturity date:</b>			
<b>Term:</b>			

i) Collateral offered

<u>Description</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Maturity</u>
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ii) Documents attached:

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1. For domestic securities offered as collateral, a properly exercised lien form from the Central Registry of the Central Treasury.
  2. A copy of the decision of the applicant’s Board of Directors signed by the Chairman and the Chief Executive Officer verifying that the Board has concluded that the institution is solvent.
  3. A copy of the latest financial statements of the institution.
  4. A statement signed by the Chief Executive Officer on the reasons why the institution has been unable to meet its liquidity needs from market sources.
  5. If the applicant bank is a foreign institution, a formal statement from its parent , explaining why the parent is unable to provide for the applicant’s liquidity needs.

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*The applicant is also obliged to provide a remedial program, for approval and in a format agreed by the CBL, in relation to restoring its liquidity position.*