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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 39 of the New Financial Institution Act of (FIA 1999), has issued Regulation No. CBL/RSD/001/2021 revising Regulation No. CBL/SD/005/2012, herein under:

REGULATION CONCERNING NON-BANK CREDIT ONLY INSTITUTION (NBCOs)

BY ORDER OF THE PRESIDENT

DEWEH E. GRAY
ACTING MINISTER OF FOREIGN AFFAIRS

MINISTRY OF FOREIGN AFFAIRS MONROVIA, LIBERIA

# PART I: GENERAL

## INTRODUCTION

Pursuant to the provisions of Sections 3 and 39 of the New Financial Institutions Act of 1999, the Central Bank of Liberia (hereinafter referred to as "the Central Bank") hereby promulgates and issues these regulations to regulate the establishment, operations and business conduct of non-bank credit only institutions.

#### 1.0 TITLE

This regulation shall be cited as Regulations for Non-Bank Credit Only Institutions, Regulation No. CBL/RSD/001/2020.

# 2.0 DEFINITIONS AND INTERPRETATIONS

In these Regulations, unless the context otherwise requires:

- i) "financial institution" means bank-financial institution and non-bank financial institution.
- ii) "Non-Bank Financial Institution (NBFI)" means any person or institution whose activities and transactions are in the form of non-bank financial services;.
- iii) "Non-bank credit financial institution" means any person or institution whose activities and transactions are in the form of non-bank credit financial services;
- iv) "Non-bank credit-only institution (NBCO)" means a non-bank credit financial institution whose operation is extension of non-bank credit financial services without accepting deposits;
- v) "Non-bank credit financial services" means:
  - the business of thrift operation and loan association (credit unions) in accordance with the applicable regulations;
  - financial services for the rural population and supporting the rural economy (rural community financial institutions) in accordance with the applicable regulations;
  - 3) microfinance deposit taking in accordance with the applicable regulations;
  - 4) extension of credit;

- 5) extension of microcredit;
- 6) mortgage finance and housing finance;
- 7) marketplace finance in accordance with the applicable regulations;
- vi) "extension of credit" means any transaction in which a person delivers or assumes a contingent liability to deliver financial assets in exchange for a claim against the party to or for whom the assets are transferred or are to be transferred. Extension of credit include, but are not limited to, loans, discounts of financial instruments, purchase and/or discount of accounts receivable (factoring) with or without recourse; financial and operative leasing; lines of credit, repurchase agreement, letters of credit, guarantees, and the exposures to loss in covering foreign exchange positions;
- vii) "extension of microcredit" means extension of unsecured loans, lines of credit, purchase and/or discount of accounts receivable (factoring) with or without recourse and financial and operative leasing to microfinance clients and up to the maximum amount as permitted by Asset Classification Regulations for microfinance credit accommodations;
- "Microfinance clients" means natural persons, households, groups of natural persons, small holder farmers, co-operatives and small and micro enterprises in rural and urban communities and lower income earners as specified in applicable legal acts;
- ix) "mortgage finance" means extension of loans or financial leasing with a transfer of an interest in specific immovable real property for the purpose of securing the payment of money advanced or to be advanced through finance;
- whousing finance" means financing provided to individuals for the construction, purchase of residential house/apartment and for purchase of plot and construction directly. Finance availed for the purpose of home improvements and expansion shall also fall under this category;
- "marketplace finance" means operation of internet platforms offering equity and debt crowdfunding services and peer to peer lending services;

- xii) "New FIA" means the New Financial Institutions Act of 1999.
- xiii) iv) "Central Bank" means Central Bank of Liberia (CBL).
- v) "Net worth" means the paid-in capital of a financial institution plus any reserves held by the institution, including those required by law or regulation, and any undivided profits.
- vi) "Related persons" to a NBCO are (i) any officer or director of the NBCO or any person who alone or together with one or more other has the authority to enter into commitments for the account of the NBCO, (ii) any principal shareholder of the NBCO and (iii) any person(s) who is related to such officer, director or principal shareholder by marriage, consanguinity to the second degree or business interest.
- vii) "Related person to any officer director or principal shareholder of an NBCO' means any person who is related to such person by marriage, consanguinity to the second degree or business interest.
- viii) "Officer" means the Chief Executive Officer (CEO), the Principal Officer (PO), any person in a management role who reports directly to the CEO or PO, the internal auditor and the risk manager.
- "Significant shareholding" is a holding of or control over five percent or more of the voting shares of the NBCO.
- x) "Finance Company" is a non-bank credit only institution whose operation is extension of credit or provision of marketplace finance services.
- xi) "Mortgage Finance Company" "is a non-bank credit only institution whose operation is extension of mortgage and housing finance.
- xii) "Microcredit institution" is a non-bank credit only institution whose operation is extension of microcredit.
- xiii) "Person" means and includes any natural person, company, partnership, association or body of persons, corporate or unincorporated, NGO.

# 3.0 APPLICATION

For these regulations, the specific NBCOs covered are stated below:

a. Finance companies;

- b. Mortgage finance companies; and
- c. Microcredit institutions.

# PART II: LICENSING

#### 5.0 REQUIREMENT TO OBTAIN A LICENSE

- (1) No person shall carry on the business of a NBCO and offer any Non-bank credit financial service without obtaining a relevant license from the Central Bank.
- (2) An applicant for a license to conduct NBFO business shall meet all the requirements of section 4 (1) of the New FIA and any other requirements set out in this or any other applicable regulation.

# 6.0 LICENSING REQUIREMENTS IN RELATION TO NBCOs IN EXISTENCE BEFORE THIS REGULATION WAS PROMULGATED.

- (1) Except otherwise suspended, prevented, incapacitated or not permitted, any person who, immediately before the commencement of this Regulation, was offering services prescribed by this Regulation as services of NBCOs in Liberia and who intends to continue to do such business, shall, within ninety (90) days of said commencement, apply to the Central Bank for a license in a form and on terms and conditions to be prescribed by the Central Bank.
- (2) The Central Bank shall issue to a person from paragraph 6.01 a provisional license for a term of 6 months from the date this Regulation comes into force and operation.
- (3) During the 6-month period such person can continue offering NBCO services unless the Central Bank determines that such continuation of NBCO services offering causes or threatens to cause serious harm to financial consumers, stability of financial system, justice or presents a threat related to money laundering or financing of terrorism activities.
- (4) If in the opinion of the Central Bank a person granted a provisional license has successfully met the requirements for the granting of a license, the Central Bank shall issue a full license in replacement of the provisional license.
- (5) Any person intending to offer NBCO services after the entry into force of this Regulation shall, before commencing such business, apply for a license under the provisions of this Regulation.

# 8.0 APPLICATION FOR A NBCO LICENCE

- (1) An application for licensing to offer non-bank credit financial services shall be made to the Central Bank in the form to be provided by the Central Bank.
- (2) In order to obtain a NBCO license, the applicant shall comply with the requirement specified in Section 4 (1) of the New FIA but not limited to the following:
  - Resolution of the Board of Directors of the proposed NBCO authorizing the investment;
  - A letter of interest to engage in the provision of non-bank credit financial services and to start a business on NBCO addressed to the Executive Governor of the Central Bank;
  - A non-refundable application fee of US\$100.00 in bank draft or by cheque, payable to the Central Bank;
  - iv) A feasibility report including a business plan and financial projections for the first three (3) years. The feasibility report shall disclose the following:
    - (a) Precise nature of the business and a type of NBCO;
    - (b) Description of activities;
    - (c) Name, address and contact information of promoters and/or significant shareholdings of at least 5%, directly or indirectly and the names and addresses of bankers (not post-office addresses);
    - (d) Ownership, organizational, and management structures of the institution; and
    - (e) The business plan should incorporate the proposed market segment, corporate governance, risk management analysis, financial statements and projections for at least three years. It should also include a copy of the accounting policies to be adopted by the proposed NBCO and the underlying assumptions.
  - v) A copy of the Certificate or Articles of Incorporation;
  - A statement of location and address in Liberia, information on the prospective place of business, indicating the head office and branches;

- vii) Name and address of registered agent in Liberia (if applicable);
- viii) Names and Curriculum Vitae (CVs) of the proposed members of the Board of Directors and officers including their background, financial position, business interests and particulars of other business concerns under their control or management. The CVs must be personally signed and dated by each of proposed Board members or officers;
- ix) Undertaking by the organizers/ promoters that the proposed NBCO will be adequately capitalized at all times and will comply with all national laws and regulations;
- The balance sheet (a declaration of the assets, liabilities and capital) for existing NBCOs; or proforma balance sheet for new NBCOs with evidence of initial capital;
- xi) Most recent audited financial statements (where applicable) of the applicant;
- xii) A letter of intent signed by each shareholder indicating his/her commitment to subscribe to the shares allotted to each shareholder of the proposed NBCO; and
- xiii) The deposit of the statutory minimum capital requirement in an escrow account in favor of the subject NBCO in a local licensed bank prior to undertaking any organizational work. The deposit held in escrow shall be released to the NBCO for use in its business if a final license is granted or returned to the applicant if the application is unsuccessful or is withdrawn.
- ix) Any other information or document as may be required by the Central Bank.

#### 9.0 ASSESSMENT OF LICENSE APPLICATIONS

- (1) In determining an application, the Central Bank shall take into account all the requirements of Part II Section 4 the New FIA and in particular, matters relating to:
  - i) Character and fitness of the directors and officers of proposed directors and officers of the applicant who shall conform to the standards defined by the Central Bank.

- ii) The adequacy of the applicant's capital structure in relation to the nature and scale of the proposed business;
- iii) The financial position and financial history of the applicant; and
- iv) Whether the interest of potential customers will, as far as can reasonably be ascertained, be detrimentally affected by the manner in which the applicant proposed to conduct its business.
- (2) The Central Bank, may, where necessary invite an applicant for an interview in order to verify and assess an application, and any such invitation shall be in writing, stating specific objectives of the interview.

#### 10.0 PROVISIONAL LICENSE

- (1) Upon fulfillment of the requirements in section 8.0 of these regulations, the Central Bank may grant a provisional license to the applicant for a period of six months during which time the organizational process shall be completed.
- (2) Failure on the part of an applicant to satisfy the requirements of the provisional license shall lead to automatic revocation of the provisional license upon expiration of the license.
- (3) The NBCO shall not perform or conduct any financial services during the provisional period. The provisional license may be extended by the Central Bank for justifiable reason as it may deem necessary.

#### 11.0 CONDITIONS OF A PROVISIONAL LICENSE

- (1) A provisional license shall be issued to organizers or promoters who satisfy the following requirements:
  - The deposit of the statutory minimum capital requirement in an escrow account in favor of the applicant in a bank acceptable to the Central Bank, prior to undertaking any organizational work. The deposit held in escrow shall be released to the NBCO for use in its business if a final license is granted or returned to the applicant if the application is unsuccessful or is withdrawn; and
  - ii) Commit to ensure compliance with the minimum capital requirement at all times.

- (2) Upon the issuance of provisional license, the organizers or promoters of the proposed NBCO should:-
  - Submit a plan of utilization of the portion of statutory minimum capital covering the organization cost or pre-operating expenses;
  - ii) Undertake to ensure that organizational costs or preoperational expenses shall not exceed 25% of the statutory minimum capital;
  - iii) Submit to the Central Bank regular monthly progress reports on organizational set-up;
  - iv) Recruit other key staff for the NBCO;
  - v) Ensure that the proposed NBCO will not advertise or display its name until a full license is issued.

# 12.0 MINIMUM REQUIREMENTS FOR PREMISES

- (1) The premises where a NBCO is licensed to operate shall meet the following minimum requirements:
  - Evidence of a lease agreement where the premises are on lease or a Certificate of Title where the premises are owned by the NBCO;
  - Adequate security measures in keeping with the relevant Central Bank's directives and rules on security and safety requirements;
  - iii) Display the name of the NBCO prominently on the premises; and
  - iv) Any other requirements as may be advised by the Central Bank.

## 13.0 USE OF NAME

- (1) An NBCO shall use the name specified in the license issued by Central Bank. If a name is used in a foreign language, the meaning shall be consistent with the name specified in the license.
- (2) The Central Bank shall prohibit the NBCO from using a name if it is already used or if it closely resembles a name that is already given to another NBCO.

- (3) Only a person that has obtained the license for the NBCO may use the term "Finance company" (FC), "Mortgage finance company" (MFC), or "Microcredit institution" (MCI) and their derivative terms and abbreviations as part of its name, marketing materials or for any other public purposes and in line with the type of the NBCO licensed obtained.
- (4) No NBCO shall alter or change its licensed name without the prior approval of the Central Bank.

#### 14.0 GRANTING OF FINAL LICENSE

- (1) An applicant for a NBCO license shall be required to meet all of the applicable requirements stated in this regulation, plus the raising of a minimum capital requirement as prescribed for particular type of NBCO, and payment of a license fee as prescribed for particular type of NBCO or such other amount as may be determined from time to time by the Central Bank, before obtaining a final license. See attached Appendix I.
- (2) The Central Bank shall, where an application is approved, grant a license within sixty (60) working days from the date of receipt of a complete application and fulfilling of all licensing requirements.

#### 15.0 CONDITIONS ON A LICENSE AND VALIDITY OF A LICENSE

- (1) When a license is granted, it is subject to a number of conditions as may be imposed by the Central Bank and is valid until revoked by the Central Bank or surrendered by the NBCO.
- (2) A license issued to a NBCO, may not be transferred, assigned or encumbered in any way except in the event of a merger or similar corporate restructuring transactions, on such terms and conditions as the Central Bank shall approve.
- (3) A license shall expire if the licensee fails to commence the business within a period of six months following the granting of the license.
- (4) The approval of the Central Bank shall be obtained for any subsequent changes to the contents of the documents submitted at the time of seeking the license.

#### 16.0 GROUNDS ON WHICH THE CENTRAL BANK MAY SUSPEND OR REVOKE A LICENSE

(1) In the event a NBCO receives a compliance warning, and a follow up oral communication from the Central Bank, but fails to comply with such warnings, the NBCO shall have its license suspended for up to six (6) months by the Central Bank.

- (2) The affected NBCO shall, from the date of the notice of the suspension cease to provide financial services.
- (3) During the suspension period the NBCO shall be allowed to continue to collect repayments of its existing portfolio and shall be subject to all applicable financial consumer protection rules.
- (4) For the grounds and process for revoking a license, Sections 11 and 12 of the New FIA shall apply to NBCOs. In addition to these sections, the grounds for revoking a license granted to a NBCO may be any or all of the following:
  - Where the NBCO has failed to fulfill or comply with the terms and conditions stipulated in the license;
  - ii) Submission of false information/data during and/or after the processing of the application for license;
  - iii) Engaging in functions/activities outside the scope of its license;
  - iv) Failure to comply with requests for information/data in the form required/specified by CBL;
  - v) Engaging in any activity involving money laundering, financing terrorist activity or any other financial crime;
  - vi) Failure to commence business within6 months of being granted a final license;
  - vii) Failure to redeem matured obligations to customers;
  - viii) Failure to comply with, any directives, regulations or guidelines issued by Central Bank;
  - ix) Failure to pay the annual operating levy;
  - xi) Where the NBCO becomes insolvent;
  - xii) It is prohibited by a court decision from engaging in provision of NBFI services;
  - xiii) It has engaged in deception regarding the financial condition, ownership, management, operations or other facts material to its business;

- xiv) It has transferred or assigned its license; or
- xv) Any other act(s) which in the opinion of Central Bank constitutes a violation or serious infringement of the law or regulation.
- (5) The Central Bank shall, before revoking a license, give the affected NBCO notice of at least fourteen (14) days in writing of its intention.
- (6) In case the Central Bank revokes a license:
  - i) It shall cause notice of the revocation to be published in the Official Gazette and in at least one newspaper of wide circulation in Liberia, or other forms of publications as Central Bank deems appropriate.; and
  - The affected NBCO shall, from the date of the notice, cease to provide financial services.

# 17.0 DECISION TO RECONSIDER A LICENSE OR REFUSE TO GRANT A LICENSE

- (1) The Central Bank may refuse to issue a license to an applicant in case of non-fulfillment of any of the licensing requirements, especially on the following grounds:
  - i) Non-submission of required documents;
  - ii) Non-payment of statutory minimum capital;
  - iii) Submission of misleading information;
  - iv) If the provisions of the by-laws or articles of association are contrary tothese regulations;
  - v) If it is evident from the documentation and from other available information that the applicant fails to meet the personnel, organizational and technical requirements for the provision of services in the manner and scope envisaged in its business plan;
  - vi) If it is evident from the application and the accompanying documentation that the applicant fails to meet other requirements for the provision of the services covered by the license; and
  - vii) Any of the applicants are participating in illegal activities or there is a court decision prohibiting the applicant or one of its owners, directors or managers from engaging in NBFI activities or banking.
- (2) In the case of refusal of a license application, the Central Bank shall, within sixty (60) working days of receipt of the full application, provide a written statement of the reasons for refusal and shall return all submitted documents. The applicant,

as the case may be, may apply to the Central Bank in writing seeking a review of the decision. Any application for review must address the reasons given by the Central Bank in its initial decision. The Central Bank may uphold or reconsider its initial decision.

- (3) The applicant may resubmit the application at any time, provided that the reason for refusal has been addressed.
- (4) The Central Bank shall, within sixty (60) working days upon receipt of the file, issue its decision in writing as specified in these Regulations.

#### 18.0 DISPLAY OF LICENSE

(1) A NBCO must display at a conspicuous or prominent place in its premises the license obtained from the Central Bank and the registration certificate (s) from the appropriate government entity (ies).

# PART III: ONGOING REQUIREMENTS

## 19.0 OPENING/CLOSING OF BRANCHES OF A NBCO

- (1) Unless the conditions of a license limit or restrict a NBCO to one or more specific sites or locations, a NBCO may conduct business at any place or places in Liberia subject to the requirements of Central Bank guidelines concerning the expansion and closure of branches and/or window and has given notice of its intention to the Central Bank not less than thirty (30) days prior to opening a new branch.
- (2) A NBCO intending to close a place of business shall at least within sixty (60) days before closing such place, notify its clients, and also provide notice in writing to the Central Bank, of its intention to do so.
- (3) Any NBCO that fails to fulfill requirements of Central Bank guidelines concerning the expansion and closure of branches and/or window shall be subjected to appropriate supervisory sanction (s), including but not limited to closing of such branch.

#### 20.0 ANNUAL OPERATING LEVY

A NBCO shall pay an annual operating levy as prescribed for a particular type of NBCO or such other amount as may be determined by the Central Bank from time to time. Failure to pay the operating levy may lead to the revocation of a license. See attached Appendix I.

#### 21.0 FINANCIAL CONSUMER PROTECTION

NBCOs are required to adhere to consumer protection standards defined in the applicable Central Bank's regulations on:

- i) consumer protection and market conduct;
- ii) rules on determination and display of interest rates and charges, and computation of lending rates; and
- iii) any other applicable consumer protection rules as may be decided from time to time by Central Bank.

# PART IV: CORPORATE GOVERNANCE

#### 22.0 COMPOSITION OF BOARD AND ELIGIBILITY OF DIRECTORS

- (1) Each NBCO shall have a Board of Directors which is responsible for the sound and proper functioning of the NBCO and is accountable for its actions and activities to the shareholders and the Central Bank.
- (2) The maximum number of directors on the Board of a NBCO shall be five (5) while the minimum shall be three (3). One of the directors shall be the Chief Executive Officer and should have experience in the core business of NBCO, and at least one must be a non-executive director.
- (3) The Chief Executive Officer shall possess one of the following qualifications and the relevant number of years of experience:
  - master's degree in business, accounting or finance, or any other relevant field and 3 years of experience in the financial sector;
  - bachelor's degree in business, accounting or finance, or any other relevant field and 5 years of experience in the financial sector;
- (4) To qualify for the position of a director in a NBCO, the person(s) must not be a current employee(s) or a director(s) of any bank or financial institution, except if the NBCO is promoted by a bank or other 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.

## 23.0 APPROVAL OF DIRECTORS AND OFFICERS

Appointment of directors of a NBCO shall be done in keeping with Section 74 of the new FIA of 1999 which requires the Central Bank's written approval of such appointment.

# 24.0 CORPORATE GOVERNANCE STANDARD TO BE APPLIED TO DIRECTORS AND OFFICERS

Directors and officers are required to adhere to the corporate governance standards defined in the applicable Central Bank's corporate governance regulations for Financial Institutions.

#### 25.0 DEALING WITH CONFLICTS OF INTEREST

Every director or officer of a NBCO that holds any office or possesses any property whereby, whether directly or indirectly, such duties or interests might create conflict with the person's duties or interest as a director or officer of the NBCO, shall declare to the full Board, the fact and the nature, character and extent of such interests. Any director or officer who has a conflict of interest shall not be present at any meeting at which the matter that has created the conflict is discussed or voted upon. Any director or officer who contravenes this provision shall be liable to a fine not exceeding L\$150,000 and/or be removed from office.

# 26.0 THE POWER OF THE CENTRAL BANK TO REMOVE DIRECTORS AND OFFICERS

- (1) The Central Bank may, for reasonable cause
  - i) suspend or remove a director of a NBCO; and
  - ii) suspend or remove the entire board of directors of a NBCO;
- (2) For the purpose of this regulation, "reasonable cause" shall include:
  - (i) failure to exercise fiduciary responsibility;
  - exhibiting any act detrimental to the reputation of the NBCO or its customers; and
  - (iii) failure to comply with or ensure compliance of the NBCO with supervisory directives.

# PART V: OPERATIONS, ACTIVITIES, AND CAPITAL REQUIREMENTS

PART V (a): FINANCE COMPANY

# 27.0 STATUTORY MINIMUM CAPITAL REQUIREMENTS

- (1) All Finance Companies shall be incorporated as companies with a minimum share capital of USD 250,000.00 (or its equivalent in Liberian dollars).
- (2) The capital of a Finance Company may be mobilized by any foreign or local natural or legal person as a shareholder of the Finance Company.

#### 28.0 CAPITAL AND EXPENDITURES

- (1) The capital of a Finance Company comprise:-
  - Share Capital capital investment by one or more investors that will receive in return for such investment a share of the equity of Finance Company;
  - ii) Statutory reserve;
  - iii) Voluntary property contributions by one or more investor; and
  - iv) Earnings from the activities of the Finance Company.
- (2) Expenditures of a Finance Company include:
  - Interest of any borrowings;
  - ii) Business administration costs;
  - iii) Any required provisions;
  - iv) Depreciation and amortization of fixed assets; and
  - v) Other expenditures.

#### 29.0 PERMISSIBLE ACTIVITIES

A Finance Company shall be permitted to carry on only activities of extension of credit, marketplace finance and other complementary additional services.

# 30.0 ADITIONAL COMPLEMENTARY SERVICES

A Finance Company may offer the following additional services which are complementary to extension of credit and market-place finance upon fulfilment of applicable requirements to engage in such services where applicable:

i) Mobile money agent services;

- ii) Banking agent services;
- iii) Foreign exchange services;
- iv) Domestic money transfer (payments) services;
- v) International payment services / remittances.
- vi) Provide financial advice to its clients and conduct financial education activities;
- vii) Data processing and data analyses for credit referencing purposes in accordance with personal data protection and other applicable regulation; and
- viii) Perform any other financial services as may be approved by the Central Bank.

#### 31.0 PROHIBITED ACTIVITIES

- (1) A Finance Company must not under any circumstances:
  - i) Accept deposits;
  - ii) Offer Housing Finance;
  - iii) Engage in any other unauthorized business activity for which it did not receive prior approval from the Central Bank.
- (2) Any contravention of these requirements shall attract a supervisory sanction on the Finance Company and/or, on the directors/officers who fail to comply with these provisions.

# PART V (b): MICROCREDIT INSTITUTION

# 32.0 STATUTORY MINIMUM CAPITAL REQUIREMENT

- (1) All Microcredit Institutions shall be incorporated as a company or established as a non-government organization according to the applicable rules with a minimum share capital or equivalent NGO equity of USD 50,000 (or its equivalent in Liberian dollars).
- (2) The capital of a Microcredit Institution may be mobilized by Government grants or donations, non-government organizations, international organizations, the private sector, investors, and others.

#### 33.0 CAPITAL AND EXPENDITURES

(1) The capital of a Microcredit Institutions comprise:

- Share Capital capital investment by one or more investors that will receive in return for such investment a share of the equity of Finance Company;
- ii) Statutory reserve;
- iii) Voluntary property contributions by one or more investor or donor;
- iv) Donations and charitable contributions from third parties;
- v) Grants, and non-repayable special purpose financing from Government;
- vi) Earnings from the activities of the microcredit Institution,.
- (2) Expenditures of a Microcredit Institution include:
  - i) Interest of any borrowings;
  - ii) Business administration costs;
  - iii) Any required provisions;
  - iv) Depreciation and amortization of fixed assets; and
  - v) Other expenditures as per applicable regulation.

#### 34.0 PERMISSIBLE ACTIVITIES

- A Microcredit Institution shall be permitted to carry on only activities of extension of microcredit and other complementary additional services offered only to Microfinance clients.
- (2) Regardless of the maximum amount of finance allowed for a microcredit product in the relevant Central Bank's prudential regulation for microfinance activities, the exposure of a Microcredit Institution shall not exceed:
  - i) Five percent of the Microcredit Institution's total capital to Microfinance client which is one natural person or a group of related borrowers which are natural persons;
  - ii) Seven percent of the Microcredit Institution's capital's to Microfinance client which are microbusinesses or co-operatives.
- (3) The amounts and percentage above shall be calculated based on the latest audited financial statements of the Microcredit institution.
- (4) Any contravention of these requirements will attract supervisory sanction on the Microcredit Institution and/or, on the directors/officers who fail to comply with these provisions.

#### 35.0 ADDITIONAL COMPLEMENTARY SERVICES

- (1) Microcredit Institution may offer the following additional services which are complementary to the extension of micro-credit and upon fulfilment of applicable requirements to engage in such services.
  - i) Mobile money agent services;
  - ii) Banking agent services;
  - iii) Foreign exchange services;
  - iv) Domestic money transfer (payments) services;
  - Provide financial advice to its clients and conduct financial education activities;
  - vi) Provide social support programs and activities as approved by relevant government authorities; and
  - vii) Perform any other financial services as may be approved by the Central Bank.

#### 36.0 PROHIBITED ACTIVITIES

- (1) A Microcredit Institution must not under any circumstances:
  - iv) Accept deposits;
  - v) Offer Mortgage and Housing Finance;
  - vi) Act as a surety for the obligations of the shareholders / equity holders of the Non-Deposit Taking Microcredit Institution or third parties;
  - vii) Provide collateral for its management, employees or third parties;
  - viii) Engage in any other unauthorized business activity for which it didn't receive prior approval from the Central Bank or a letter of no objection.
- (2) Any contravention of these requirements shall attract supervisory sanction on the Microcredit Institution and/or, on the directors/officers who fail to comply with these provisions.

# PART V (C) MORTGAGE FINANCE COMPANY

# 37.0 STATUTORY MINIMUM CAPITAL REQUIREMENTS

- (1) All Mortgage Finance Companies shall be incorporated as companies with a minimum share capital of USD 2,000,000 (or its equivalent in Liberian dollars).
- (2) The capital of a Mortgage Finance Company may be mobilized by any foreign or local natural or legal person as a shareholder of the company.

#### 38.0 CAPITAL AND EXPENDITURES

- (1) The assets and capital of a Mortgage Finance Company comprise:
  - Share Capital capital investment by one or more investors that will receive in return for such investment a share of the equity of the company;
  - ii) Voluntary property contributions by one or more investor;
  - iii) Statutory reserve; and
  - iv) Earnings from the activities of the company.
- (2) Expenditures of a Mortgage Finance Company include:
  - Interest of any borrowings;
  - ii) Business administration costs;
  - iii) Any required provisions;
  - iv) Depreciation and amortization of fixed assets; and
  - v) Other expenditures.

#### 39.0 PERMISSIBLE ACTIVITIES

- (1) A Mortgage Finance Company shall be permitted to carry on following activities:
  - mortgage finance;
  - ii) housing finance;
  - iii) other additional complementary services.

#### 40.0 ADITIONAL COMPLEMENTARY SERVICES

- (1) A Mortgage Finance Company may offer following additional services which are complementary to its permissible activities, upon fulfilment of licensing condition for such services where applicable:
  - i) Provide financial advice to its clients and conduct financial education activities;
  - ii) Data processing and data analyses for credit referencing purposes in accordance with personal data protection and other applicable regulation;
  - iii) Perform any other financial services as may be approved by the Central Bank.

#### 41.0 PROHIBITED ACTIVITIES

(1) A Mortgage Finance Company must not under any circumstances:

- Accept deposits;
- ii) Engage in any other unauthorized business activity for which it did not receive prior approval from the Central Bank or a letter of no objection.
- (2) Any contravention of these requirements shall attract a supervisory sanction on the Mortgage Finance Company and/or, on the directors/officers who fail to comply with these provisions.

## 42.0 TRANSFERS TO STATUTORY RESERVE

A NBCO shall maintain a statutory reserve account in its financials. Transfer to Statutory Reserve from profit after tax shall be set by the general assembly or other relevant body of an NBCO.

#### 43.0 OTHER INVESTMENTS

- (1) Unless specifically provided otherwise in a grant or a loan agreement for specific funds, an NBCO can invest funds not immediately required for its use in the following classes of assets:
  - Securities issued by or guaranteed by the Government of Liberia with a term to maturity within 180 days;
  - Deposits with banks licensed by the Central Bank with a term to maturity within180 days;
  - iii) Real estate for own use provided that the total value of the real estate does not exceed 25% of the net worth of the NBCO.

#### 44.0 PAYMENT OF DIVIDENDS

- (1) An NBCO shall not pay dividends until it satisfies the following conditions which are subject to verification by the Central Bank:
  - i) All accumulated losses have been fully absorbed and written off;
  - All preliminary and pre-operational expenses have been amortized in accordance with Central bank's Manual of Accounting Guidelines and International Financial Reporting Standards;
  - iii) Capital Adequacy ratio has been met
  - iv) All maturing obligations have been met, and
  - v) The transfers to the Statutory Reserve if applicable, have been made.

# PART VI: CLASIFICATION OF ASSETS AND SYSTEMICALLY IMPORTANT NBCOs

#### 45.0 REPORTING ASSET CLASSIFICATION

- (1) Each NBCO shall review at least once every thirty days, its loans and advances and other investments and make appropriate and disclosures in its audited financial statements and other regular reports on the specific and general classification made for such investments.
- (2) Every NBCO shall submit to the Central Bank each quarter as a part of its quarterly returns a schedule of loans, and advances and other investments showing their classification in line with the CBL Asset Classification Regulation.
- (3) The reports should include following information:
  - (i) identification of debtors with current or potential repayment difficulties;
  - (ii) identification of the nature of those difficulties, and extent to which they affect the debtor;
  - (iii) determination of the proportion of the exposure that is unlikely to be paid in full:
  - (iv) consideration of factors which may: -
    - (a) evidence a borrower's inability to meet his obligation at the due date, due to extraneous circumstances;
    - (b) evidence a borrower's current difficulties in meeting his obligations; and
    - (c) evidence the likelihood of persistence in repayment.

## 46.0 SYSTEMICALLY IMPORTANT NBCOs

- (1) The Central Bank shall issue regulation determining conditions for declaring an NBCO for a systemically important non-bank financial institution.
- (2) Conditions for determination of whether an NBCO is a systemically important nonbank financial institution will include but are not limited to:
  - i) the number of clients,
  - ii) size of assets, or

- iii) number of branches in Liberia.
- (2) The Central Bank shall pay specific attention to systemically important NBCOs.
- (3) If in the opinion of the Central Bank a systemically important NBCO concerned 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 Central Bank shall have recourse to its enforcement powers and act according to it powers in New FIA, in particular Section 24, 40, 47 and other relevant provisions of New FIA.

# PART VII: ACCOUNTING, REPORTING AND AUDIT REQUIREMENTS

# 47.0 ACCOUNTING

- (1) The management of a NBCO shall ensure that proper accounting records and systems are maintained, sound operational procedures formulated and implemented and adequate internal controls put in place. The management should particularly ensure:
  - The accuracy and reliability of the accounting system;
  - ii) The establishment of an adequate and effective management information system;
  - iii) The accuracy and reliability of the operational reports and prudential returns submitted to the Central Bank.

# 48.0 INTERNAL AUDIT

Every NBCO shall have an Internal Audit system (person, unit, section or department) which should ensure that its operations conform to the law as well as, to its internal rules and regulations. Every fraud or attempted fraud must be promptly reported to the Regulation and Supervision Department of the Central Bank.

# 49.0 REPORTING AND DISCLOSURE TO SHAREHOLDERS

- (1) The Board of Directors shall ensure the preparation of annual audited financial accounts for disclosure to the shareholders in accordance with the constitution or rules of the NBCO and the Central Bank.
- (2) The annual audited financial accounts to be submitted to the shareholders shall be accompanied by a report of the Directors detailing the following:

- Method used to determine specific and general provisions and key assumptions used;
- ii) The risk management and control policies and practices adopted by the NBCO, relating to the credit risk of the loan portfolio and other risks entailed in its operations;
- iii) Balances of advances, impaired loans and past due loans by major categories of borrowers and the amounts of specific and general provisions established against each category;
- iv) Balances of advances and other information about the loans that have been rescheduled or renegotiated during the year;
- v) Information about significant concentrations of credit risk;
- vi) Contractual obligations with respect to recourse arrangement and the expected losses under these arrangements.
- (3) The management of an NBCO shall include in their comments on the audited financial accounts, the following:
  - i) The performance of the NBCO during the period under review with particular reference to:
    - a. The reliability and composition of reported earnings; and
    - b. The breakdown and analysis of operating costs.
  - The accounting policies and valuation criteria applied in the preparation of the accounts;
  - Reclassifications and other adjustments made by the auditor to the accounts originally submitted for audit;
  - iv) Details of any areas where generally accepted accounting principles have not been complied with or disagreement exists between the management and the external auditor.

#### 50.0 APPOINTMENT OF EXTERNAL AUDITOR

(1) In keeping with Section 21 of the New FIA of 1999, every NBCO 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. For each annual audit, the appointment of the external auditor shall require the prior approval of the Central Bank, before the commencement of any such audit.

(2) The appointment of an auditor shall satisfy the minimum requirements stated in the Regulations Concerning Corporate Governance for Financial Institutions and Audit of Banks and the Publication of Financial Statements.

#### 51.0 PUBLICATION OF AUDITED ACCOUNTS

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

#### 52.0 REPORTING TO THE CENTRAL BANK

- (1) An NBCO shall submit to the Regulation and Supervision Department of the Central Bank at such intervals and in such form, returns, documents, statistics and such other information that the Central Bank may specify from time to time and in keeping with Section 24 of the New FIA.
- (2) Notwithstanding the general requirements stated above, a NBCO shall provide:
  - Annual report (annual audited financials);
  - ii) Quarterly Returns (management financial balance sheet and income statement);
  - iii) Monthly returns (outreach statistics).
- (3) All reports shall be duly signed by 2 (two) senior officers including Chief Executive Officer of the institution.
- (4) Monthly returns will include:
  - A monthly return detailing its lending rates in a form prescribed by the Central Bank;
  - A monthly report on frauds and forgeries affecting the institution and any default in meeting any obligation to lenders or investors; where no frauds/forgeries and defaults occurred during the period, a Nil return shall be forwarded;
  - iii) A monthly schedule of loans, showing the classification reflecting deterioration in the quality of its loans as per this Regulation;

- iv) A monthly schedule of all investments, including details of the counterparty, the term to maturity, the purchase price and the current market value where appropriate.
- (5) Monthly returns shall be due on the 10<sup>th</sup> day after the month has ended.
- (6) Annual reports shall be submitted to the Central Bank within three months after the end of a financial year. All quarterly returns shall be submitted not later than fifteen calendar days after the quarter of reporting. All reports shall be duly prepared in accordance with International Accounting Standards.
- (7) The Central Bank may from time to time review and update such requirements.

# PART VIII: SUPERVISION

#### 53.0 ONGOING EXAMINATION

The provisions of Section 22, 23, 26-28 and any other applicable provision of the New FIA relating to examination shall apply in entirety to NBCOs.

## 54.0 RESTRUCTURING AND RE-ORGANIZATION OF NBCO

- (1) Except with the prior consent of the Central Bank, no NBCO shall enter into an agreement or arrangement:
  - which results in a change in the control of the NBCO;
  - for the sale, disposal or transfer of the whole or any part of the business of the NBCO;
  - iii) for the amalgamation or merger of the NBCO with any other company;
  - iv) for the restructuring of the NBCO; and/or
  - v) to employ a management agent or to transfer its business to any such agent.

#### 55.0 VOLUNTARY LIQUIDATION

A NBCO shall not voluntarily cease from carrying on business without the approval of the Central Bank and following the procedure for voluntary liquidation set in the New FIA, in particular Section 41 to 46.

#### 56.0 PUBLICATION OF LICENSED NBCOs

The Central Bank shall develop a list of licensed NBCOs 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 Central Bank deems appropriate.

#### Part IX. REMEDIAL ACTIONS

# 57.0 PENALTIES FOR LATE OR FALSE/INACCURATE RETURNS OR OTHER INFORMATION

- (1) An NBCO which fails to submit a report required under these Regulations commits an offence and shall be liable to a penalty not less than L\$100,000 (for each day of such noncompliance.
- (2) In addition, the Central Bank may impose administrative penalties and enforcement actions as provided under the New Financial Institutions Act of 1999.
- (3) Persistent failure/refusal to render returns in the prescribed format and on time shall be a ground for the suspension and/or revocation of license.
- (4) Where the Central Bank considers it necessary, it may appoint a certified accounting firm to prepare proper books of account or render accurate returns, as the case may be, for the NBCO concerned and the cost of preparing the account or rendering the returns shall be borne by the NBCO.
- (5) If any officer of a NBCO fails to take all reasonable steps to ensure that proper books of accounts are kept with respect to all transactions of the NBCO or at its Head Office and/or branches, the Central Bank may impose on such director or officer a fine not exceeding L\$ 250,000.00. If any default in this respect is caused by the willful act of any Director or Officer of the NBCO, the Central Bank may impose on him a fine not exceeding L\$500,000.00 or cause the removal of such Director or Officer in order to protect the integrity of the institution. In addition, the Central Bank may impose on the NBCO such other penalties as it may deem appropriate.
- (6) If any return/information is not supplied accurately or is misleading/false, the NBCO shall pay a fine of L\$200,000.00 in respect of each day during which such violation occur. The Central Bank may revoke the license of such NBCO for refusal to correct the default or failure to pay the fine or failure to submit the report.

#### 58.0 AMENDMENTS

The Central Bank reserves the right to amend or revise these rules and regulations from time to time as the need arises.

# 59.0 EFFECTIVE DATE

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

# APPENDIX I: Financial Requirements for Non-Bank Credit Only (NBCO)

Category		Non- Refundable Application fee (USD)	License Fee (USD)	Annual Levy Fee (USD)	Minimum Capital Requirement (USD)
Non-deposit Tanking NBCOs	Microcredit	100	500	1,000	50,000
	Finance Company	100	5,000	2,500	250,000
	Mortgage Company	100	6,000	5,000	2,000,000