

THE



LIBERIA

OFFICIAL

GAZETTE  
PUBLISHED BY AUTHORITY

---

VOL. XXIII

THURSDAY, JULY 27, 2023

NO. 47

---

**EXTRAORDINARY**

THE GOVERNMENT OF THE REPUBLIC OF LIBERIA ANNOUNCES THAT THE CENTRAL BANK OF LIBERIA (CBL), PURSUANT TO ITS MANDATE UNDER “AN AMENDMENT AND RESTATEMENT OF THE ACT ESTABLISHING THE CENTRAL BANK OF LIBERIA OF 1999” AND ITS AUTHORITY UNDER THE FINANCIAL INSTITUTIONS ACT OF 1999, AND SPECIFICALLY CONSISTENT WITH SECTION 39 OF THE NEW FIA OF 1999 AND SECTIONS 39 AND 68 OF THE SAID AMENDED AND RESTATED CENTRAL BANK OF LIBERIA ACT, HAS ISSUED ON JULY 27, 2023, ITS REGULATIONS NO. CBL/RSD/001/2023 AMENDING REGULATION NO. CBL/RSD/005/2020 AND HEREIN UNDER:

REGULATIONS CONCERNING REQUIRED RESERVES FOR BANK FINANCIAL INSTITUTIONS

BY ORDER OF THE PRESIDENT

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

MINISTRY OF FOREIGN AFFAIRS  
MONROVIA, LIBERIA  
JULY 27, 2023

## 1.0 Introduction

The Central Bank of Liberia (CBL), pursuant to Section 39 of the New Financial Institutions Act (FIA) of 1999 and Sections 39 & 68 of the Amended and Restated Central Bank of Liberia Act, and in order to ensure that required reserves (RRs) are computed and maintained in a manner that promotes the achievement of their intended purposes as defined in these regulations, hereby issues these regulations, amending Regulation No. CBL/RSD/005/2020.

## 2.0 Definitions

**Bank** means a financial institution licensed to do banking businesses and regulated by the New Financial Institutions Act (FIA) of 1999;

**‘business day’** means a working day, excluding week-ends and public holidays;

**CBL** means the Central Bank of Liberia;

**End-of-day** means the close of the Real Time Gross Settlement (RTGS) system of the CBL; and

**Operating accounts** means both the current and reserve accounts of the banks at the CBL.

## 3.0 Objective

3.1 The Reserve Requirement (RR) system is primarily a monetary policy instrument, and secondarily a prudential policy instrument of the Central Bank of Liberia. Accordingly, banks are required to maintain minimum balances in their CBL operating accounts equivalent to a specified proportion of their eligible liabilities. The total amount of the eligible liabilities constitutes the reserve base while the proportion applied to derive the RR is the RR ratio (RRR).

3.2.1 The RR shall serve 3 main monetary policy purposes:

- a) The RR, through the averaging method, aims to contribute to the stabilization of money market interest rates by giving banks an incentive to smooth the effects of temporary liquidity fluctuations.
- b) The RR creates a demand for central bank financing that contributes to the creation of a structural liquidity shortage or the reduction of a structural liquidity surplus.
- c) The reserve requirement serves as a liquidity buffer which the CBL may free up in times of market turmoil by reducing the RR ratio to ease liquidity conditions and support banks’ liquidity management.

## 4.0 Base Period

4.1 The Required Reserve is calculated based on the daily average of eligible liabilities in the Base Period. Base Period means two (2) weeks long, starting on Wednesday and

ending on the second Tuesday thereafter, two (2) weeks before the Maintenance Period starts.

## **5.0 Eligible Liabilities**

5.1.1 Eligible liabilities include: -

- savings deposits;
- demand/checking deposits;
- time deposits;
- loans received or borrowed funds with a maturity of less than one year;
- repurchase agreements;
- own securities issued with an original maturity of less than 2 years; and
- other similar liability accounts as the CBL may specify from time to time.

5.2 Eligible liabilities exclude liabilities owed to other financial institutions subject to this RR regulation and liabilities with the CBL of any form.

5.3 For the purpose of this regulation, average liabilities shall mean the sum of the end-of-day balances of eligible liabilities divided by the number of business days in the base period. The weekends and public holidays during the base period shall be included in the calculation of the RR, where the end-of-day balances on the operating accounts on weekends and public holidays shall be the closing balance from the previous working day.

5.4 For the purpose of calculating a bank's total daily liabilities, negative deposit balances shall be substituted by zeros and shall not be netted off against positive balances.

## **6.0 Maintenance Period**

6.1 Each bank shall be required to maintain required reserves on average for a period of two calendar weeks (the Maintenance Period). The Maintenance Period is 2 weeks long, starting on the second Wednesday following the end of the Base Period and ending on the second Tuesday thereafter (fully lagged base and maintenance periods).

## **7.0 Computation of Required Reserves**

7.1 Each bank shall, as of the date herein below stated, be required to maintain in its Operating Accounts with the Central Bank of Liberia (RTGS & T24 Accounts) adequate reserves.

7.2 Required reserves are calculated as a ratio (reserve requirement ratio) against a bank's eligible liabilities as defined in 5.1.1.

7.3 The reserve requirement ratio will be prescribed by the Monetary Policy Committee, or any other committee as designated by the CBL.

7.4 The eligible liabilities will be denominated in both Liberian and United States Dollars.

- 7.4 By 5:00P.M. each business day, each bank shall be required to submit a report on its end-of-day eligible liabilities of the previous business day to the Regulation and Supervision Department. If the bank fails to provide the required information, the CBL shall estimate its reserve base, taking into consideration balance sheet data provided earlier as well as other available information.
- 7.5 CBL shall advise the banks of their Required Reserves at least 5 business days before the start of the Maintenance Period. The banks may request in writing on one occasion, up to the third business day before the beginning of the maintenance period, that CBL modifies the amount of its determined reserve requirement. In the event of a need for modification, CBL shall determine the final reserve requirement amount, and shall notify the bank about it in writing latest by one business day before the beginning of the maintenance period.
- 7.6 To achieve the objectives as stated in Section 3.1, the CBL may, as it sees appropriate, vary the RRRs from time to time in keeping with the applicable law. Reserve requirements on Liberian dollars liabilities should be fulfilled in Liberian dollars and those on United States dollars liabilities should be fulfilled in United States dollars. However, the CBL shall notify banks of any change in the reserve requirement ratio two (2) weeks before the commencement of the next maintenance period.

## **8.0 Reserve Averaging**

- 8.1 Banks shall maintain the required reserves on average over the maintenance period.
- 8.2 For the purpose of reserve averaging, the calculation of average reserves shall take into account all calendar days in the period, including the weekend days and public holidays in the Maintenance Period. The end-of-day balances on the operating accounts on weekends and public holidays shall be the closing balance from the previous working day.
- 8.3 Maintenance of balances in the Operating Accounts of commercial banks at the CBL shall be flexible and shall provide for banks to utilize 50% of the prevailing RRs (daily minimum limit). This is to allow banking institutions the flexibility in managing their liquidity while ensuring that no banking institution behaves imprudently by allowing its reserves on any given day to fall too far below the prevailing RRs.
- 8.4 As such, banks are required to comply with the RRs at two levels:
- a) On a daily basis, balances maintained in commercial banks operating accounts at the CBL must NOT be below the daily minimum limit (50% of the prevailing RRs) ; and
  - b) For each maintenance period, the average daily balances maintained in commercial banks operating accounts at the CBL must be equal to or greater than the RRs computed by the CBL for that period.

## **9.0 Remuneration of Reserve Requirement Holding**

9.1 There shall be no remuneration for the reserve requirement.

## **10.0 Penalty for Violation**

10.1 Any bank that fails, neglects, refuses or omits to comply with the requirements of this Regulation shall be liable to pay a penalty of three (3) percentage points above CBL Standing Credit Facility rate on the amount of average deficiency in the required reserves for the duration of deficiency, in keeping with Part VII, Section 39 (4) of the Amended and Restated Central Bank of Liberia Act of 1999. The penalty rate shall be annualized and payable to the CBL on such date as the CBL may prescribe. The penalty may be recovered by deduction from any balance(s), which the bank may have with the CBL. The CBL shall inform the institution of its RR deficiency and the specific sanction before it is applied.

## **11.0 Effective Date**

11.1 This regulation shall take effect immediately upon publication in the Official Gazette and shall remain in full force and effect until otherwise changed or revoked by the Central Bank of Liberia.

11.2 The CBL shall inform the banks about any future changes in these regulations at least 15 days prior to such regulations coming into effect.

BY ORDER OF THE PRESIDENT

MINISTER OF FOREIGN AFFAIRS

MINISTRY OF FOREIGN AFFAIRS

MONROVIA, LIBERIA