



OFFICIAL

**GAZETTE
PUBLISHED BY AUTHORITY**

VOL. XV

MONDAY, NOVEMBER 7, 2016

NO. 79

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 39 of the New FIA of 1999 and Section 34 of the Central Bank of Liberia Act, has issued on NOVEMBER 7, 2016, its Regulations No. CBL/RSD/003/2016 replacing Prudential Regulation No. CBL/RSD/002/2014 and Guideline No. CBL/E-GOV/076/2005 and herein under:

**REGULATIONS CONCERNING REQUIRED RESERVES FOR BANK
FINANCIAL INSTITUTIONS**

BY ORDER OF THE PRESIDENT

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

**MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA
NOVEMBER 7, 2016**

REGULATION CONCERNING REQUIRED RESERVES FOR BANK-FINANCIAL INSTITUTIONS

The Central Bank of Liberia (CBL), pursuant to Section 39 of the New Financial Institutions Act (FIA) of 1999 and Section 34 of the 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, hereby issues these regulations, amending Regulation No. CBL/RSD/002/2014 and Guideline No. CBL/E-GOV/076/2005 and sets forth as follows: -

1.0 Base Period

- 1.1** The Required Reserves of each bank will be computed on the basis of the average daily deposits of the immediate past two weeks (the base period).
- 1.2** For the purpose of this regulation, average deposits shall mean the summation of the daily deposits for one base period, in savings, demand, time, checking and other similar accounts aggregated and divided equally by the number of days in the base period.
- 1.3** In calculating a bank's total daily deposits, negative deposit balances are to be zeroed and should not be netted off against positive balances.

2.0 Maintenance Period

- 2.1** Each commercial bank is required to maintain required reserves for a period of two weeks. The first maintenance period shall commence from the 14th of November to the 26th of November 2016.

3.0 Computation of Required Reserves

- 3.1** Every bank financial institution operating in Liberia shall, as of the date herein below written, be required to maintain in its Operating Accounts with the Central Bank of Liberia (RTGS & T24 Accounts)

the following reserves expressed as a ratio against deposit and other similar liabilities, as may be defined by the CBL from time to time, as follows:

a) Liberian Dollar

Twenty-five (25%) percent of the average Liberian Dollar deposits held with it in terms of each class of deposits and other categories of similar liabilities to the public.

b) United States Dollar

Ten (10%) percent of the average United States Dollar deposits held with it in terms of each class of deposits and other categories of similar liabilities to the public.

3.2 For the purpose of liquidity management and the achievement of other monetary policy objectives, the Central Bank shall vary the Reserve Requirement Ratios (RRRs) from time to time.

3.3 Reserve Averaging

3.3.1 At the beginning of each maintenance period, banks will be advised of their Required Reserves based on a simple average of their daily deposit liabilities of the base period and the applicable RRR set by the Central Bank of Liberia.

3.3.2 A bank will have complied with the RRs if its daily average balances in its operating accounts at the CBL throughout the maintenance period, are equal to, or greater than the RRs as computed by the CBL.

3.4 Maintenance of balances in the Operating Accounts of commercial banks at the CBL is nevertheless flexible, with a daily variation from the RR within a band of $\pm 50\%$ of the prevailing RRR. This band, within which the balances of each banking institution are allowed to fluctuate on any day, allows 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.

3.5 As such, banking institutions are required to comply with the RR at two levels:

- a) On a daily basis, balances maintained in commercial banks operating accounts at the CBL must be within the variation band (As stated in Section 3.4 above) around the prevailing RRR. Balances below the band are not permitted, while balances in excess of the band's ceiling will not be recognized in meeting the average monthly requirement; 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.

4.0 Transitional Provision:

4.1 The RRs for the first maintenance period will be calculated for the base period of 12 banking days (from October 31, 2016 to November 12, 2016).

4.2 On Monday, November 14, 2016 (the effective date of this Regulation), balances in banks' Reserve Accounts at the CBL will be transferred to their Operating Accounts and the Reserve Accounts will be immediately closed.

5.0 Penalty for Violation

Any bank-financial institution that, being subject to Section 34 of the Central Bank of Liberia Act, fails, neglects, refuses or omits to comply with the requirements of this Regulation shall be liable to a penalty of 10% on the amount of the deficiency in the required reserves. Such penalty shall be payable to the Central Bank of Liberia on such date as the Central Bank of Liberia may prescribe. The penalty may be recovered by deduction from any balance(s), which the financial institution may have with the Central Bank of Liberia.

6.0 Effective Date

This regulation shall take effect as of Monday, November 14, 2016 and shall remain in full force and effect until duly changed or revoked by the Central Bank of Liberia.

Issued this _____, 2016 in the city of Monrovia,
Republic of Liberia

BY ORDER OF THE PRESIDENT
MINISTER OF FOREIGN AFFAIRS

MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA