

REGULATION CONCERNING INTEREST RATE DETERMINATION AND DISPLAY OF INTEREST RATES AND CHARGES, AND COMPUTATION OF LENDING RATES

1.0 Introduction

Pursuant to the authority vested in it by Section 39 and 26 of the New Financial Institutions Acts of 1999, and consistent with Section 35 of the Central Bank of Liberia Act of 1999, the Central Bank of Liberia hereby issues this regulation, Regulation No. CBL/RSD/005/2017, replacing Regulation No. CBL/SD/01/2004 Concerning Interest Rate Determination. This regulation compliments the Regulation for Consumer Protection and Market Conduct, and shall not be seen to be in conflict with this regulation.

2.0 REVOCATION OF DIRECTIVE NO CBL/SD/003/2011

Directive No. CBL/SD/003/2011 Concerning Display on Interest Rate and Charges, and Computation of Lending Rates is hereby revoked.

3.0 INTEREST RATE DETERMINATION

- 3.1 Every licensed financial institution operating in Liberia shall be required to adhere to the determination of interest rate and other charges based on the interplay of market forces. The interest rate and all charges, inclusive of commissions, fees, and discounts for lending of money shall be market determined. Financial institutions shall also be required to be cognizance of the usury law of Liberia in their lending operations.
- 3.2 All licensed financial institutions shall use the declining-balance method of interest computation (the uniform principal repayment method), which requires the computation of interest on the total principal amount outstanding for each month of the tenor of the loan.
- 3.3 There shall be no minimum or maximum interest rate on any category of deposit accounts. This provision shall not be construed as authorizing the levying of monthly charges on savings account.

4.0 DISPLAY OF SCHEDULE OF FEES AND CHARGES

- 4.1 Every Financial Institution operating in Liberia shall display its schedule of annual lending rates, interest rates on deposits, all fees, commissions and other charges in places that are clearly visible and accessible to the

banking public at its various places of business, including but not limited to, head office, branches, and annexes at all times. For the purpose of clarity, visible accessible places shall include the banking hall, main entrance of the banking premises, etc. The schedule shall include pricing by tenor and type of product (for example: overdraft, short, medium and *long-term loans*).

4.2 ***The fees and charges displayed shall be on a prospective basis. That is, the schedule displayed shall represent the fees & charges of the preceding month.***

4.3 Licensed financial institutions are also required to post their schedules on their websites and issue copies to customers upon request.

5.0 Disclosure Requirements to Customers

5.1 For all transactions bearing interest, fees and charges, financial institution shall prior to the consumer entering into the contract:

- i. inform the customer of the fees and charges, if any, for, and as a consequence of, prematurely terminating a financial transaction;
- ii. give customer information on the basis and frequency on which interest payments or deductions are to be made;
- iii. explain the method used to calculate interest rates; and
- iv. disclose to the customer the total amount of income the customer shall receive on the fixed rate deposits of the customer;

5.2 All licensed financial institutions shall make available to every customer, a repayment schedule for the full tenor of the loan prior to the consummation of the loan contract, reflecting his/her monthly repayment obligations (i.e. principal and interest) to the bank.

5.3 All licensed financial institutions are further required to immediately inform their customers of any errors in the computation of the customer's obligation or loan account with a bank and actions taken by the financial institution to correct such errors.

6.0 Reporting/Publications

All Financial Institution shall be required to submit, on a monthly basis to the Central Bank, copies of their fees and charges that are to be displayed at their various places of business.

7.0 PENALTY

Any licensed financial institution that fails, neglects, refuses, or omits to display and/or disclose the schedule of its fees and charges to its customers or found in violation of any of the provisions of this regulation shall be subject to a fine of L\$100,000.00 (One Hundred Thousand Liberian Dollars) for each day of the violation.

The CBL may impose additional penalties against persistent violation of this regulation by any financial institution.

8.0 EFFECTIVE DATE

This regulation shall come into full force and effect upon been published in the official gazette and shall remain in full force and, effect until otherwise changed by operation of law or the Central Bank of Liberia.

Issued this _____ day of in the City of Monrovia, Republic of Liberia.