

# REGULATIONS FOR NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

## 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 financial institutions that provide credit but do not accept deposits from the public.

#### 1.0 TITLE

This regulation shall be cited as *Regulations for Non-Bank Financial Institutions, Regulation No. CBL/RSD/005/2012*.

#### 2.0 DEFINITIONS AND INTERPRETATIONS

In these Regulations, unless the context otherwise requires:

- i) “***A Non-Bank Financial Institution (NBFI)***” means any person or institution whose activities and transactions are in the form of non-bank financial services rendered without accepting from the general public deposits payable upon demand or after a fixed period.
- ii) “***Non-bank financial services***” means the business of thrift operation and loan association; broker and dealer operations in securities and commodities; currency exchange and encashment of checks; redeeming, encashing, or otherwise dealing in money orders or other similar financial instruments; issuance of credit cards; underwriting of insurance; loan or financing agency business; operation of building societies; remittance of money but not accepting from the general public money payable on demand or after a fixed period.
- iii) “***New FIA***” means the New Financial Institutions Act of 1999.
- iv) “***Central Bank***” means Central Bank of Liberia (CBL).
- v) “***Networth***” 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 NBFI are (i) any officer or director of the NBFI or any person who alone or together with one or more other has the authority to enter

into commitments for the account of the NBF, (ii) any principal shareholder of the NBF 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. "Related person" to any officer director or principal shareholder of an NBF means any person who is related to such person by marriage, consanguinity to the second degree or business interest.

- vii) "**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.
- viii) "**Significant shareholding**" is a holding of or control over five percent or more of the voting shares of the NBF.
- ix) "**Finance companies**" are companies engaged in the provision of a range of financial services but principally providing consumer credit and business finance. They may also provide other financial services as may be specifically authorized by the licensing authority.
- x) "**Mortgage Finance Companies**" are companies engaged in lending funds for acquisition of residential and commercial property which are secured by mortgages on the properties financed. Additionally, they may deal in the securities collateralized by such mortgages.
- xi) "**Credit only institutions**" means any financial institution or financing agency whose operation is non-deposit-based lending without accepting from the general public deposits payable on demand or after a fixed period.
- xii) "**Person**" means and includes any company, partnership, association or body of persons, corporate or unincorporated.

### 3.0 APPLICATION

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

- a. Finance companies
- b. Mortgage finance companies
- c. Credit only institutions

#### **4.0 PROHIBITED ACTIVITIES**

- i) A NBFi shall not accept deposits from the public that are either repayable on demand or after a fixed period.
- ii) No licensed NBFIs shall engage in or finance any activity in any way related to gambling, betting or any other speculative ventures or any other socially undesirable activities.

### **PART II: LICENSING**

#### **5.0 REQUIREMENT TO OBTAIN A LICENSE**

5.01 No person shall carry on the business of a NBFi without obtaining a license from the Central Bank.

5.02 An applicant for a license to conduct NBFi business shall meet all the requirements of section 4 (1) of the New FIA of 1999 and any other requirements set out in this regulation.

#### **6.0 PERMISSIBLE ACTIVITIES**

Every person seeking to be licensed as a NBFi shall be permitted to do so on a “stand alone” basis and be strictly limited to solely engaging in the provision of a specific NBFi services as defined in section 3 above.

#### **7.0 LICENSING REQUIREMENTS IN RELATION TO NBFIs IN EXISTENCE BEFORE THIS REGULATION WAS PROMULGATED.**

A NBFi that was in existence before these regulations came into force must apply for a license within 90 days of this regulation coming into force. The NBFi may continue carrying on business during the 90 days period and up to the granting of a final license.

#### **8.0 APPLICATION FOR A NBFi LICENSE.**

In order to obtain a NBFi license, the applicant shall comply with the requirement specified in Section 4 (1) of the New FIA but are not limited to the following:

- i) Resolution of the Board of Directors of the proposed NBFi authorizing the investment;
- ii) A letter of interest to engage in the provision of non-bank financial services addressed to the Executive Governor of the Central Bank;

- iii) A non-refundable application fee of US\$500.00 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;
  - (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); and
  - (d) Ownership structure.

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 NBFi and the underlying assumptions;

- v) A copy of the Certificate or Articles of Incorporation;
- vi) A statement of location and address in Liberia;
- 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 NBFi will be adequately capitalized at all times and will comply with all national laws and regulations;
- x) Most recent audited financial statements (where applicable) of the applicant;
- xi) A letter of intent signed by each shareholder indicating his/her commitment to subscribe to the shares allotted to each shareholder of the proposed NBFi; and
- xii) Any other information or document as may be required by the Central Bank.

## **9.0 ASSESSMENT OF LICENSE APPLICATIONS**

In determining an application, the Central Bank shall take into account all the requirements of Part II Section 4 the New FIA of 1999 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.

## **10.0 PROVISIONAL LICENSE**

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. The NBFi 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**

A provisional license shall be issued to organizers or promoters who satisfy the following requirements:

- i) 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 NBFi 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.

Upon the issuance of provisional license, the organizers or promoters of the proposed NBFi should:-

- i) 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 staff for the NBFi;
- v) Ensure that the proposed NBFi will not advertise or display its name until a full license is issued;

## **12.0 MINIMUM REQUIREMENTS FOR PREMISES**

The premises where a NBFi is licensed to operate shall meet the following minimum requirements:

- i) Possession of a lease agreement where the premises are on lease or a Certificate of Title where the premises are owned by the NBFi;
- ii) Adequate security measures in keeping with the Central Bank's Directive on Vault Security and Surveillance System of Financial Institution; and
- iii) Any other requirements as may be advised by the Central Bank.

## **13.0 USE OF NAME**

No NBFi shall be granted license under a name which so closely resembles the name of the holder of an existing licensed financial institution as would likely mislead the public. When this happens or upon investigation by the Central Bank, the Central Bank shall request the last grantee to modify or change its name.

No NBFi shall alter or change its licensed name without the prior approval of the Central Bank.

## **14.0 GRANTING OF FINAL LICENSE**

An applicant for a NBFi license shall be required to meet all of the requirements stated in 11.0 above, plus the raising of a minimum capital requirement of US\$2 million (or as may be determined by the Central Bank from time to time) and payment of a license fee

of US\$10,000 or such other amount as may be determined from time to time by the Central Bank, before obtaining a final license.

Where the requirements under Section 11.0 above have been fulfilled, and the Central Bank has issued a provisional license, the applicant shall be required to provide evidence of fulfillment of the minimum requirements of its premises. When the premises are ready, the Central Bank shall conduct a pre-opening inspection.

After satisfying itself of the applicant's compliance with all outstanding requirements based on the pre-opening inspection report, the Central Bank shall grant a final license.

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

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 NBFIs. A NBFIs license is not transferable or assignable.

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

For the grounds and process for revoking a license, Sections 11 and 12 of the New FIA shall apply to NBFIs. In addition to these sections, the grounds for revoking a license granted to a NBFIs may be any or all of the following:

- i) Where the NBFIs 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 as specified in Section 4 of these regulations.
- 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 within 6 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 NBFi becomes insolvent; and
- xii) Any other act(s) which in the opinion of Central Bank constitutes a violation or serious infringement of the law or regulation.

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

Where the Central Bank refuses to grant a license it shall notify the applicant in writing and may give reasons for its decision.

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.

#### **18.0 DISPLAY OF LICENSE**

A NBFi 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 NBFi**

A NBFi wishing to open or close a branch shall seek the prior approval of the Central Bank, subject to the requirements of Central Bank Guidelines Concerning the Expansion and Closure of Branches and/or Window. The application for approval shall contain the following information:

- i) a three year financial projection of the branch; and
- ii) Other requirements may be prescribed by the CBL on the establishment and closure of branches.

Any NBFIs that fail to obtain the approval of the Central Bank before commencing any organizational work such as construction, renovation, or other related works or activities on a branch shall be in breach of the regulation and shall be subjected to appropriate supervisory sanction (s), including but not limited to non-approval of such branch.

## **20.0 ANNUAL OPERATING LEVY**

A NBFIs shall pay an annual operating levy of US \$5,000.00 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.

## **21.0 PROVISIONS RELATING TO ADVERTISING, MAKING LOANS OR GRANTING CREDIT**

### **21.1 DISPLAY OF INTEREST RATES**

Every NBFIs shall display on a daily basis in a conspicuous place at its Head Office and branches, its interest rates, related fees and commissions. Interest rates shall be applied on a monthly declining basis which requires the computation of interest on the total principal amount outstanding for each month of the tenor of the loan. Any NBFIs contravening this provision shall be liable to a fine of not less than L\$100,000.00 for each day of violation and/or supervisory sanctions as deemed appropriate by the CBL.

Every NBFIs shall be required to submit periodic reports on its lending rates to the Central Bank in a form prescribed by the Central Bank.

### **21.2 FALSE AND MISLEADING INFORMATION**

Without prejudice to sections 30, 31 and 32 of the New FIA, if the Central Bank considers that information that has been conveyed either orally or in writing about the NBFIs or any product which is offering is or may be misleading, it may ban its publication or distribution, and order that an appropriate correction is published or distributed by a specified deadline. Any NBFIs that does not withdraw or amend the information as the case may be by the specified deadline shall be liable to a fine of not less than L\$100,000.00 for each day of the violation and or other supervisory sanctions as deemed appropriate by the Central Bank

### **21.3 POTENTIAL BORROWERS' INFORMATION AND ASSESSMENT**

Prior to making a loan or granting any credit to a borrower, the NBFIs shall make sufficient enquiries of the financial position of the borrower to satisfy itself that under all reasonable circumstances, the borrower is able to repay the loan or the credit.

Where the borrower is indebted to another financial institution(s), the NBFIs may make enquiries of the performance of the loan or credit from that financial institution(s) and /or the credit reference registry or bureau.

#### **21.4 LOANS TO BE EVIDENCED IN A WRITTEN CONTRACT**

Each loan or credit given by the NBFIs shall be evidenced in a legally binding written contract executed by the NBFIs and the borrower. The contract shall include as a minimum:

- i) The parties;
- ii) The amount of the loan;
- iii) The date of the loan;
- iv) The term;
- v) The interest rate;
- vi) Any other charges or fees that will be applicable to the loan or credit;
- vii) The amount and frequency of the repayment;
- viii) Any securities;
- ix) The rights of the NBFIs to adjust interest rate (if applicable);
- x) The rights of the NBFIs to secure repayment if the borrower defaults on payments;
- xi) The obligations of the NBFIs not to act harshly and unconscionably;
- xii) The obligation of the borrower to repay as per the agreed repayments;
- xiii) The obligations of the borrower to notify the NBFIs of any circumstances that are preventing the borrower meeting the repayment as and when they are due;
- xiv) How the borrower can seek redress against the NBFIs for acting harshly and unconscionably.

If the Central Bank considers that a contract does not provide sufficient information for the borrower to understand his or her rights and obligations, it may ban its use, and order that an appropriate correction is made by a specified deadline. Any NBFIs that does not make the appropriate correction by the specified deadline shall be liable to a fine of

not less than L\$100,000.00 for each day of the violation and /or other supervisory sanctions as deemed appropriate by the Central Bank.

Prior to the disbursing any loan or credit to a borrower, the NBFi shall explain to the borrower his or her rights and obligations under the contract.

#### **21.5 CONSUMER REDRESS**

A borrower who is aggrieved by a decision of the NBFi may refer the matter to the Consumer Protection Unit of the Central Bank for redress. The Central Bank may uphold, overturn or modify the decision of the NBFi to take such supervisory action as it deems appropriate. The decision of the Central Bank shall be binding on the NBFi.

### **PART IV: CORPORATE GOVERNANCE**

#### **22.0 PROVISIONS RELATING TO CORPORATE GOVERNANCE**

##### **22.1 COMPOSITION OF BOARD AND ELIGIBILITY OF DIRECTORS**

Each NBFi shall have a Board of Directors which is responsible for the sound and proper functioning of the NBFi and is accountable for its actions and activities to the shareholders and the Central Bank. The maximum number of directors on the Board of a NBFi shall be seven (7) while the minimum shall be three (3). At least two of the directors should have experience in the core business of NBFi and not less than one must be a non-executive director. To qualify for the position of a director in a NBFi, the person(s) must not be a current employee(s) or a director(s) of any bank or financial institution, except the NBFi 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.

##### **22.2 APPROVAL OF DIRECTORS AND OFFICERS**

Appointment of directors of a NBFi 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.

##### **22.3 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 CBL's Corporate Governance Regulation for Liberia Financial Institutions.

## **22.4 DEALING WITH CONFLICTS OF INTEREST**

Every director or officer of a NBFi 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 NBFi, 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.

## **22.5 LIMIT ON LOANS TO DIRECTORS, OFFICERS AND EMPLOYEES OR RELATED PARTIES**

A NBFi may grant to any director or any related party or relation a loan or credit facility whether directly or indirectly, provided that the total indebtedness to the NBFi of the Director or any related party does not exceed 2% of the net worth of the NBFi.

A NBFi may grant to an Officer or employee a loan or credit facility whether directly or indirectly, provided that the total indebtedness of the officer or employee to the NBFi does not exceed an amount equal to two years' consolidated salary of that individual.

## **22.6 THE POWER OF THE CENTRAL BANK TO REMOVE DIRECTORS AND OFFICERS**

The Central Bank may, for reasonable cause-

- a) suspend or remove a director of a NBFi; and
- b) suspend or remove the entire board of directors of a NBFi;

For the purpose of this regulation, "reasonable cause" shall include:

- (i) failure to exercise fiduciary responsibility;
- (ii) exhibiting any act detrimental to the reputation of the NBFi or its customers; and
- (iii) failure to comply with or ensure compliance of the NBFi with supervisory directives.

## **PART V: FINANCIAL, ACCOUNTING, DISCLOSURE AND AUDIT REQUIREMENTS**

### **23.0 SOURCES OF FUNDS**

The sources of funds of a NBFi shall consist of the following:

- i) Shareholders' funds – paid up share capital and reserves;

- ii) Debenture/qualifying medium to long-term loans; and
- iii) Grants/donations from individuals, organizations, national government, and international sources.

#### **24.0 CAPITAL ADEQUACY REQUIREMENTS**

A NBFi shall maintain a minimum capital ratio of not less than 10% of risk-weighted assets or such other ratio as may be determined from time to time by the Central Bank. The items that are eligible to be included as capital, the risk weights attached to different classes of assets and the method of calculation are prescribed in CBL's Regulation Concerning Capital Adequacy. When the ratio falls below the prescribed level, the NBFi shall not do either of the following without the approval of the Central Bank until the required ratio is restored:

- i) Grant credits and make further investment;
- ii) Pay dividend to shareholders;
- iii) Any other measures as may be deemed by the Central Bank of Liberia.

In addition to above-mentioned measures, the NBFi shall be required to submit within a specified period to be determined by the Central Bank, a recapitalization plan acceptable to the Central Bank.

Failure to comply with any or all of the above may constitute grounds for the revocation of the license of the NBFi or require such other penalties as may be deemed appropriate by the Central Bank. NBFi are enjoined to ensure that their shareholders' funds do NOT fall below the required minimum paid-up capital.

#### **25.0 TRANSFERS TO STATUTORY RESERVE**

A NBFi will be required to maintain a statutory reserve account in its financials. Transfer to Statutory Reserve from profit after tax shall be at a minimum of 25% until the Statutory Reserves equals the paid-up share capital and a minimum of 15% thereafter until the balance of the Statutory Reserves equals twice the paid up share capital of the NBFi. The transfer will occur annually at the conclusion of the annual audit and the net profit will be determined after the conclusion of the audit. The Central Bank may vary from time to time the proportion of net profit transferable to Statutory Reserves. The Central Bank mandates that no accretion shall be made to the Statutory Reserve or any other reserve of the NBFi until the NBFi satisfies the following conditions:

- i) All preliminary and pre-operational expenses have been amortized in accordance with the CBL Manual of Accounting Guidelines and International Financial Reporting Standards (IFRS);
- ii) All preliminary losses have been made for loans/assets deterioration;
- iv) All or any provisions for taxes have been made; and
- iv) All identifiable losses have been fully provided for.

## **26.0 MINIMUM LIQUIDITY**

The Central Bank may prescribe that a NBFi shall hold liquid assets of a specific amount and composition and may fix such amount as a percentage of its liabilities or in any other manner.

A NBFi which has breached the liquidity requirement as prescribed by the Central Bank shall notify the Central Bank immediately it has discovered the breach and must cease making loans, investments or capital expenditures until the liquidity ratio is restored to the minimum required, unless authorized by the Central Bank to do otherwise.

## **27.0 ASSET CLASSIFICATION**

Each NBFi shall review at least once every thirty days, its loans and advances and other investments and make appropriate provisions for loan losses. A NBFi will comply with Regulation Concerning Amended Prudential Regulation for Asset Classification, Provisions for Loan Losses and Suspension of Interest on Non-Performing Loans and Advances.

Every NBFi shall separately disclose in its audited financial statements the specific and general loan loss provisions made for loans.

Every NBFi shall submit to the Central Bank each quarter a schedule of loans, showing the provisions made for losses or deterioration in the quality of its loans.

## **28.0 OTHER INVESTMENTS**

A NBFi can invest funds not immediately required for its use in the following classes of assets:

- i) Securities issued by or guaranteed by the Government of Liberia with a term to maturity within 180 days;

- ii) Deposits with banks licensed by the Central Bank with a term to maturity within 180 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 NBFi.

## **29.0 PAYMENT OF DIVIDENDS**

A NBFi 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;
- ii) All preliminary and pre-operational expenses have been amortized in accordance with CBL'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 Mandatory Reserve as required by Section 24.0 have been made.

## **30.0 LIMIT OF LENDING TO SINGLE BORROWER OR GROUP OF RELATED BORROWERS**

The maximum amount of loan that can be extended by a NBFi to any one person or group of related borrowers shall be 20% of the NBFi's net worth or as may be prescribed by the Central Bank from time to time. Any contravention of this requirement will attract a supervisory sanction on the NBFi and/or, on the directors/officers who fail to comply with this provision.

## **31.0 ACCOUNTING**

The management of a NBFi 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:

- i) 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.

### **32.0 INTERNAL AUDIT**

Every NBFi shall have an Internal Audit system (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.

### **33.0 REPORTING AND DISCLOSURE TO SHAREHOLDERS**

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 NBFi and the Central Bank.

The annual audited financial accounts to be submitted to the shareholders shall be accompanied by a report of the Directors detailing the following:

- i) Method used to determine specific and general provisions and key assumptions used;
- ii) The risk management and control policies and practices adopted by the NBFi, 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 loans where accrual of interest in accordance with the terms of the original loan agreement has ceased because of the deterioration of credit quality;
- v) Balances of advances and other information about the loans that have been rescheduled or renegotiated during the year;
- vi) Information about significant concentrations of credit risk;
- vii) Contractual obligations with respect to recourse arrangement and the expected losses under these arrangements.

The Management of a NBFi shall include in their comments on the audited financial accounts, the following:

- i) The performance of the NBFi during the period under review with particular reference to:
  - a. The reliability and composition of reported earnings;
  - b. The breakdown and analysis of operating costs; and
  - c. The liquidity and capital adequacy ratios

- ii) The accounting policies and valuation criteria applied in the preparation of the accounts;
- iii) The adequacy of provisions made against the loan portfolio, investments and other assets;
- iv) Reclassifications and other adjustments made by the auditor to the accounts originally submitted for audit;
- v) Details of any areas where generally accepted accounting principles have not been complied with or disagreement exists between the management and the external auditor.

#### **34.0 PUBLICATION OF AUDITED ACCOUNTS**

In accordance with Section 21 of the New FIA 1999, and Regulations Concerning Audit of Financial Institutions and Publication of Financial Statements, every NBFi shall submit its audited financial statements to the Supervision Department of the Central Bank for review and approval not later than three months after the end of the institution's financial year. After approval, the NBFi 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.

#### **35.0 APPOINTMENT OF EXTERNAL AUDITOR**

In keeping with Section 21 of the New FIA of 1999, every financial institution 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.

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.

### **PART VI: SUPERVISION**

#### **36.0 ON-SITE EXAMINATION**

The provisions of Section 22 of the New FIA relating to examination shall apply in entirety to NBFIs.

### **37.0 REPORTING TO THE CENTRAL BANK**

Every NBFIs shall be required to submit to the Central Bank at such intervals and in such form, returns, documents, statistics and such other information and the Central Bank may specify from time to time and in keeping with Section 24 of the New FIA.

Notwithstanding the general requirements stated above, a NBFIs shall provide:-

- i) A monthly return detailing its lending rates in a form prescribed by the Central Bank;
- ii) 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 quarter, a Nil return shall be forwarded.
- iii) A monthly schedule of loans, showing the provisions made for losses or deterioration in the quality of its loans.
- 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.

Returns shall be due on the 10<sup>th</sup> day after the month has ended.

### **38.0 PENALTIES FOR LATE OR FALSE/INACCURATE RETURNS OR OTHER INFORMATION**

For lateness in submitting returns/furnishing any information required, the penalty shall be a fine of not less than L\$75,000.00 for each day of violation. 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.

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 NBFIs concerned and the cost of preparing the account or rendering the returns shall be borne by the NBFIs.

If any Director or Officer of a NBFIs fails to take all reasonable steps to ensure that proper books of accounts are kept with respect to all transactions of the NBFIs or at its Head Office and/or branches, the Central Bank may impose on such director or officer a fine not exceeding L\$ 75,000.00. If any default in this respect is caused by the willful act of any Director or Officer of the NBFIs, the Central Bank may impose on him a fine not exceeding L\$75,000.00 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 NBFIs such other penalties as it may deem appropriate.

If any return/information is not supplied accurately or is misleading/false, the NBFi shall pay a fine of L\$75,000.00 in respect of each day during which such violation occur. The Central Bank may revoke the license of such NBFi for refusal to correct the default or failure to pay the fine or failure to submit the report.

### **39.0 RESTRUCTURING AND RE-ORGANIZATION OF NBFi**

Except with the prior consent of the Central Bank, no NBFi shall enter into an agreement or arrangement:

- i) which results in a change in the control of the NBFi;
- ii) for the sale, disposal or transfer of the whole or any part of the business of the NBFi;
- iii) for the amalgamation or merger of the NBFi with any other company;
- iv) for the restructuring of the NBFi; and/or
- v) to employ a management agent or to transfer its business to any such agent.

### **40.0 AMENDMENTS**

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

### **41.0 EFFECTIVE DATE**

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

Issued this 2<sup>nd</sup> day of July, *A.D. 2012* in the city of Monrovia, Republic of Liberia

By order of the President

Minister of Foreign Affairs  
Ministry of Foreign Affairs  
Monrovia, Liberia

*July 2, 2012*