

Directive Removing Restriction on Inter-Bank Trading and or Transaction

CBL/D-GOV/2-8/288/'04

June 7, 2004

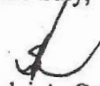
We refer to discussions held during the Banker's Consultative Forum on May 19, 2004 in which the banks were informed of the decision of the Central Bank of Liberia (CBL) to lift the prohibition on inter-bank transactions.

Further to this decision and pursuant to efforts to develop an inter-bank market and strengthen the financial services industry, but without prejudice to regulatory concerns about the safety and soundness of the financial system, the CBL hereby removes the prohibition on inter-bank operations effective as of the date of this communication. Accordingly, bank financial institutions may trade among themselves in forex exchange and bank balances, as well as lend to one another. Every inter-bank lending shall be against adequate security consistent with *CBL Regulation No./SD/02/2000* and for a period not to exceed 30 days subject to the additional condition that it shall not exceed 5% of the networth of the borrower or lender, whichever is lesser.

In line with this decision, bank financial institutions shall be required to make a monthly report (in addition to the existing returns) of all inter-bank transactions, which shall first be recorded, at the time of each transaction, in an inter-bank trading book with indication of the counter party, nature of transactions, amount/currency, and other pertinent particulars.

Kind regards.

Yours truly,


Sande A. Cooper, Sr.
Deputy Governor