

BANK OF GUYANA

SUPERVISION GUIDELINE NO. 1

**ISSUED UNDER THE AUTHORITY OF PART VII, SECTION 31(11)
and 32(2) OF THE FINANCIAL INSTITUTIONS ACT 1995,
(NO. 1 OF 1995)**

INSPECTION FEES AND COSTS

**Bank of Guyana
March 28, 1996**

Issued :

- To all banks
Letter dated March 28, 1996
- To all non-banks
Circular No. 42/96 May 20, 1996

In accordance with sections 31(11) and 32(2) of the Financial Institutions Act 1995 the Bank of Guyana hereby specifies that it shall charge inspection fees and costs on all licensed financial institutions in the following manner -

1. The fee for a general inspection conducted by the Bank on a licensed depository financial institution shall be assessed by calculating the standard hours for inspection multiplied by the hourly rate for inspectors. No assessment shall be made for inspections of branches.
2. In the case of a special inspection conducted by the Bank, the fee shall be assessed based on the actual hours spent multiplied by the hourly rate for inspectors. An inspection conducted on a non-depository financial institution shall be deemed a special inspection for assessment purposes.
3. Where an inspection is conducted by one or more than one inspector appointed by the Bank in accordance with section 32(1) of the Financial Institutions Act, the licensed financial institution inspected shall reimburse the costs incurred by the Bank based on the actual amount charged by the appointed inspectors.
4. The Bank shall specify not later than July 1 of each year, the standard hours and the hourly rate for inspectors applicable for the succeeding calendar year in a notice to be sent to all licensed financial institutions. An assessment for inspection fee or cost shall be made by the Bank at the start of a general inspection or at the close of a special inspection. Payment of the inspection fee or cost shall be made to the Bank by the inspected licensed financial institution within ten days from receipt of the assessment.

SUPERVISION GUIDELINE NO. 2

**ISSUED UNDER THE AUTHORITY OF PART II OF THE
FINANCIAL INSTITUTIONS ACT 1995
ACT NO. 1 of 1995**

**LICENSING
OF
FINANCIAL INSTITUTIONS**

**Bank of Guyana
May 20, 1996**

Issued :

- To all banks
Circular No. 41/96 May 20, 1996
- To all non-banks
Circular No. 42/96 May 20, 1996

LICENSING CRITERIA

The following criteria shall be considered by the Bank in evaluating an application to conduct banking or financial business -

1. Qualifications of Controlling Shareholders, Directors, Officers, and Officials

The Bank must be convinced that the applicant satisfies the fit and proper criteria by evaluating the personal history, business or employment records, experience, and other background information of all controlling shareholders, directors, officers, and officials. The qualifications of these persons should be at a level which will enable them to conduct business competently and competitively with existing financial institutions.

2. Capital Adequacy

The level of capital is important to ensure the commitment of the applicant to the success of the proposed financial institution. Capital must be adequate to support projected volume and type of services planned in a highly competitive environment. The source of initial capital and the availability of additional capital, should this be necessary in the future, are likewise considered.

3. Future Earnings Prospects

The overall strategy of the applicant for succeeding in the market must be conceived and developed into an organised operating plan complete with operating policies and procedures. This plan shall take into account projected activities, existing and potential competitors, anticipated problems as well as possible remedies, and other elements that will affect the growth and projected performance of the proposed financial institution.

4. Effects on Competition and the Community

The effects of a new financial institution on competition and on the community shall be assessed. An applicant who can establish its role in meeting identified needs for a particular area or sector of the economy to be served through a carefully conceived plan and strategy would be seriously considered.

5. **Ownership Structure**

Broad-based ownership profile is preferred and likely to be conducive to the interests of depositors and other creditors. Control of a financial institution by a board of directors representing a broad range of shareholders is desirable. Control by a single shareholder or group of related shareholders shall therefore be viewed less favourably except where -

- (a) controlling shareholder is a local holding company, the activities of which are limited to banking or financial business;
- (b) controlling shareholder is a foreign financial institution duly authorised, supervised, and regulated by the central bank of its home country or similar government agency; and
- (c) controlling shareholder is a financial institution duly licensed by the Bank, operating in compliance with the Financial Institutions Act 1995, and in sound financial condition.

Ownership, directly or indirectly, by an applicant of other licensed financial institutions of the same type or category shall not be viewed positively. The provisions of the Financial Institutions Act regarding acquisition of control shall be strictly applied.

6. **Effective Supervision**

A level of cooperation between the Bank and the home country supervisor in the case of an applicant which is a foreign financial institution should be established to permit the conduct of consolidated supervision and the observance of international supervision standards. The applicant should reasonably assure that there will be no factors which may inhibit effective supervision such as inadequate or non-availability of information and lack of transparency in the group to which the applicant may belong. Complete transparency in the background of the applicant, prospective controlling shareholders, directors, officers, and officials including related parties, are required.

LICENSING PROCEDURES

Preliminary steps

7. The applicant is required to attend a preliminary conference with the Bank Supervision Department of the Bank.
8. The conference will provide the applicant with an overview of the laws and regulations, particularly on the applicable minimum paid-up or assigned capital requirement, and other licensing prerequisites. The criteria for evaluating an application shall likewise be explained.
9. If the applicant reasonably establishes capacity and seriousness of intent to proceed with the proposed establishment of a financial institution, an Application Form (Schedule I) will be provided together with an Information Sheet (Schedule II) and a Personal Declaration Sheet (Schedule III). The Bank shall require separate Information Sheet for each principal corporate shareholder, subsidiary, and affiliate. All prospective principal individual shareholders, directors, officers, and officials shall submit duly completed Personal Declaration Sheets. An official means any person holding a key position in a company, other than as an officer as defined in section 2(1)(x) of the Financial Institutions Act 1995, and includes the head of a department or similar functional unit and the branch manager or equivalent position.
10. Any clarification on the completion of the forms and other documentary requirements as well as on other aspects of the licensing process may be requested from the Bank Supervision Department. Supporting documents and other requirements shall be as of a date not earlier than ninety days prior to the filing of the application except for audited financial statements which shall pertain to the most recent annual or interim audit.
11. Completed forms are to be submitted to the Bank Supervision Department. No section in the forms shall be left blank. Place "Not Applicable" or "None" as the case may be. If the space provided in format is not adequate, the required information or data needed may be annexed. Reference shall be made in the pertinent section of the form by placing the words "Refer to Annex ____".
12. Within ten working days from receipt of an Application Form, together with all supporting documents and the prescribed application fee, the Bank Supervision Department shall send the applicant a formal letter of acknowledgment or a letter of deficiency. The letter of acknowledgment will serve as the official notice that the documents submitted were found to be complete and that the processing or evaluation will commence. The letter of deficiency will provide a deadline for rectification of the deficiencies outlined. The Bank will take no further action unless the deficiencies are rectified within the time prescribed.

Processing of application

13. The Bank shall, in accordance with section 6(4) of the Financial Institutions Act 1995, act upon an application within one hundred and twenty days or in the case of an application from a foreign company one hundred and eighty days, from receipt of a completed application together with all supporting documents. The time limits may be extended for an additional period of ninety days upon written notice to the applicant requesting or stating what further information or additional documents are needed to review the application.
14. If the evaluation of the application establishes that the applicant is likely to be granted a licence as requested, a notice shall be sent to the applicant to comply with the required paid-up or assigned capital. In addition, the applicant shall submit further proof of its capabilities and capacity to establish the proposed financial institution by submitting the following -
 - (a) physical facilities -
 - (i) floor plan of the premises indicating dimensions;
 - (ii) vault - indicate features as to length, width, height, thickness and type of materials;
 - (iii) computers, equipment and other machines - state whether these are owned or leased; and
 - (iv) communication facilities.
 - (b) business hours;
 - (c) security - number of guards and security systems in place;
 - (d) organisation and functional charts;
 - (e) complete operating manuals including policies and procedures on loans, deposits, foreign exchange, internal control, asset-liability management, data processing, and security;
 - (f) management information system - description of sample forms, reports, and schedules;
 - (g) types of services to be offered; and
 - (h) other documents or information which the Bank may require.
15. Material changes, such as in the composition of major shareholders, directors, officers, and capital structure while the application is being processed should be duly communicated to the Bank.
16. Upon determination that the applicant fully satisfies the licensing criteria and other requirements, the Bank after consultation with the Minister of Finance, shall in accordance with section 6(2) of the Financial Institutions Act 1995, issue a licence to conduct banking or financial business, and publish in the Gazette and in a newspaper of general circulation in Guyana notice of the issue of such licence.
17. Upon issuance of a licence, the financial institution shall pay to the Bank the prescribed fee under section 6(8) of the Financial Institutions Act 1995.

18. If the Bank determines that the applicant does not fully satisfy the licensing criteria and other requirements, the Bank after consultation with the Minister of Finance, shall inform the applicant in writing of its refusal to grant a licence.

Start of Operations

19. Within six months following the issuance of a licence, the financial institution shall commence operations.
20. The licensed financial institution shall notify the Bank of its opening date at least thirty days before start of operations.
21. Within thirty days from start of operations, the licensed financial institution shall submit a new Information Sheet. Personal Declaration Sheets for directors, officers, and officials shall be submitted within fifteen days from assumption of duty.
22. Updated Information Sheets or Personal Declaration Sheets of all persons required to complete these forms shall be submitted to the Bank within fifteen days from the occurrence of any material change in the information previously submitted.
23. The licensed financial institution shall immediately comply with the Bank's reporting requirements once it commences operations.
24. No major change or addition to the line of business or principal activities conducted by a licensed financial institution shall be effected without prior approval of the Bank.

- (d) Economic justification and outline of short, medium, and long term business plans with details on -
 - (i) financial, commercial, and other business establishments within the proposed area of operation or targeted markets;
 - (ii) deposit or other fund gathering sources as well as lending and investment potentials; and
 - (iii) financial services to be offered by the applicant.
- (e) Financial projections (statements of condition, income statements, and cash flow projections) for at least a three-year period, including details of estimated organisation expenses. Assumptions used and other bases for projections are indicated.
- (f) Schematic presentation, with regard to the group of companies of which applicant is a member, reflecting all interests held in and by each member company including the nature of business of each of these entities.
- (g) List of existing shareholdings of the applicant and its controlling shareholders, directors, officers, and officials in other licensed financial institutions.
- (h) Certified true copies of audited financial statements or annual reports for the past two years prepared in accordance with generally accepted accounting and auditing standards.
- (i) Certificate of appropriate government regulatory body (wherever applicable), that applicant is operating in conformity with existing laws, and acceptable norms of auditing standards and accounting principles.
- (j) Latest tax compliance certificate from the Inland Revenue Department or certified true copy of corporation tax and property tax returns.
- (k) Individual credit references for the applicant and each of its principal shareholder, director, officer, and official from at least two banks or financial institutions with whom such persons have had financial dealings within the past two years.
- (l) Certified true copy of the board resolution of the Head Office or Parent Company authorising the establishment of a branch or subsidiary.
- (m) Certified true copy of the board resolution authorising the acquisition of a specified number of shares in applicant institution (if major shareholder is a corporation or company).

4. Any query, clarification or additional requirement regarding this application may be directed to the following officers authorised to liaise with the Bank.

Name :Telephone No.:
Name :Telephone No.:

5. Certification and Undertaking

I, the undersigned, hereby certify that all information contained in and accompanying this application is complete and accurate to the best of my knowledge and belief.

I also undertake to forthwith notify the Bank of Guyana, of any material change in the particulars of this application.

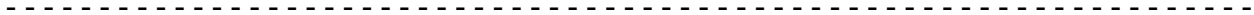
(Signature) _____ (Position)

(Date)

Sworn to at Georgetown, Demerara,
this _____ day of _____, _____,

Before Me,

A COMMISSIONER OF OATHS TO AFFIDAVITS



FOR BANK OF GUYANA USE	
Received by : _____	Date: _____
Application Documents checked for completeness by: _____	
Letter of Deficiency or Acknowledgment sent on: _____	_____
Action Taken : _____	

_____	_____
Evaluating Officer	Director Bank Supervision Department

INFORMATION SHEET

1. Name : _____

2. Principal Business Activities: _____

3. Head or Main Office: _____

(a) Address: _____

(b) Telephone Numbers: _____

(c) Telefax No. :

4. Branches :

<u>Address</u>	<u>Date Established or Licensed</u>
_____	_____
_____	_____
_____	_____
_____	_____

5. Subsidiaries & Affiliates :

<u>Name & Type of Business</u>	<u>\$ Amount of Shares Held</u>	<u>% of Shares Held to Total</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. Management :

(a) Board of Directors :

<u>Name</u>	<u>Designation</u>	<u>Present Term From - To</u>	<u>No.of Years as Board Member</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(b) Board Committee(s):

<u>Name & Purpose of Committee(s):</u>	<u>Name of Members</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(c) Officers and Officials :

<u>Name</u>	<u>Position</u>	<u>No. of Years as Officer or Official</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

7. Ownership Profile :

	<u>Name</u>	<u>Country of</u>		<u>Paid-up Capital</u>	
		<u>Citizenship</u>	<u>Residence</u>	<u>\$</u>	<u>%</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____
4.	_____	_____	_____	_____	_____
5.	_____	_____	_____	_____	_____
6.	_____	_____	_____	_____	_____
7.	_____	_____	_____	_____	_____
8.	_____	_____	_____	_____	_____
9.	_____	_____	_____	_____	_____
10.	_____	_____	_____	_____	_____
Other Shareholders owning less than 5%					
(_____) Number				\$ _____	100%

8. Organisation Profile :

- (a) Organisation Chart - Annex a chart indicating major departments or divisions with names and position titles of officers heading each department or division.
- (b) Functions - Annex a list of functions or responsibilities for each department or division listed in organisation chart indicating number of personnel or staff for each.
- (c) Qualifications of its principal shareholders, directors, officers, and officials. Annex Personal Declaration Sheet of each principal shareholder, director, officer, and official.
- (d) Powers and purposes. Annex the latest copies of memorandum and articles of association if not previously submitted to the Bank.

9. Shareholdings in Other Financial Institutions:

<u>Name of Financial Institution</u>	<u>Shares Owned</u>		<u>% of Capital</u>
	<u>\$</u>	<u>Number</u>	
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

10. Certification and Undertaking :

I, _____, certify that all information contained in and accompanying this form is complete and accurate to the best of my knowledge and belief.

I also undertake to forthwith notify Bank of Guyana within a period of fifteen days of any material change to this Information Sheet.

 (Signature) _____
 (Position)

 (Date)

Sworn to at Georgetown, Demerara,

this _____ day of _____, _____,

Before Me,

A COMMISSIONER OF OATHS TO AFFIDAVITS

PERSONAL DECLARATION SHEET

1. Name and Capacity of person making this declaration :

(a) Name : _____

(b) Position or Capacity : _____

2. Date and place of birth :

3. (a) Citizen of: _____

(Country)

Since

_____ (Year)

(b) Resident of :

(Country)

Since

_____ (Year)

4. Addresses :

(a) Present Business Address:

(Guyana, since _____)

(Outside Guyana, since _____)

(b) Present Residential Address :

(Guyana, since _____)

(Outside Guyana, since _____)

(c) Last two addresses in Guyana, if any, during the past 10 years:

(Since _____)

(Since 19 _____)

5. Professional Qualifications :

Particulars

Year Obtained

(a) Highest Academic Degree

(b) Special Awards or Honours

_____	_____
_____	_____
_____	_____
_____	_____

(c) Training Courses or Seminars

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(d) Membership in Professional Organisations

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

6. Occupation or Employment (Present or most recent and for the last 10 years) :

<u>Name & Business of Employer</u>	<u>Positions Held</u>	<u>Inclusive Dates</u> (Mth & Yr)	
		<u>From</u>	<u>To</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

9. Record of court cases or any investigation by governmental, professional or any regulatory body (including pending cases or on-going investigations) :

<u>Name of Court or Investigative Body</u>	<u>Full Particulars</u>	<u>Status</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

10. Documentary Requirements -

- (a) Police Clearance.
- (b) Certified statement of assets and liabilities.
- (c) Latest tax compliance certificate from the Inland Revenue Department or certified true copy of income tax and property tax returns.
- (d) Two letters of character reference certified and duly notarised from individuals other than relatives who have personally known the undersigned for at least ten years.
- (e) Two letters, duly certified and notarised, from financial institutions with whom the undersigned has had dealings for the last two years on the performance of past and present accounts such as, unauthorised overdraft on deposit accounts, past-due or delinquent accounts.

11. Certification and Undertaking

I, _____ certify that all the above information contained in and accompanying this form is complete and accurate to the best of my knowledge and belief and that I do not possess any of the disqualifications provided under section 26(1) of the Financial Institutions Act 1995.

I also undertake to notify the Bank of Guyana, within a period of fifteen days, of any material change to this Personal Declaration Sheet.

 (Signature) _____ (Position)

 (Date)

Sworn to at Georgetown, Demerara,

this _____ day of _____, _____,

Before Me,

A COMMISSIONER OF OATHS TO AFFIDAVITS

SUPERVISION GUIDELINE NO. 3

**ISSUED UNDER THE AUTHORITY OF PART II, SECTION 3(3) OF THE
FINANCIAL INSTITUTIONS ACT 1995
ACT NO. 1 of 1995**

BRANCHING

**Bank of Guyana
May 20, 1996**

Issued :

- To all banks
Circular No. 41/96 May 20, 1996
- To all non-banks
Circular No. 42/96 May 20, 1996

BRANCHING CRITERIA

1. No application to open a branch shall be processed by the Bank when any of the following conditions exists -
 - (a) the applicant has incurred a net loss in the immediately preceding year;
 - (b) the applicant has failed to comply with any approved capital build-up programme and plan for compliance under section 18 with sections 14 and 15 of the Act;
 - (c) the applicant has failed to meet the capital adequacy ratio for a period of two consecutive months or a total of four months during the last twelve months; or
 - (d) the applicant has incurred net deficiencies in reserve requirement for four consecutive weeks or a total of eight weeks during the last twelve months.

2. An applicant which does not have any of the aforesaid disqualifications shall be evaluated on the following criteria -
 - (a) satisfactory performance of the applicant regarding -
 - (i) compliance with pertinent laws and prudential regulations, and recommendations or directives from results of inspections, particularly, the maintenance of adequate loan loss provisioning;
 - (ii) financial strength and profitability based on latest audited and other financial reports for the past twelve months;
 - (iii) managerial capabilities as reflected in a strong internal control system, business plans, and strategies; and
 - (iv) submission of timely and accurate reports to the Bank;
 - (b) economic justification for the branch -
 - (i) types of services to be offered in proposed branch and existing services offered by other financial institutions in the area to be served;
 - (ii) description of the area to be served in terms of economic growth and potential; and
 - (ii) write-up on how the proposed branch will contribute to the effective mobilisation of savings and development of banking or financial business in the area to be served;
 - (c) financial feasibility including -

- (i) projected balance sheets and income statements; and
 - (ii) projected cash flow statements;
- (d) adequate Head Office support showing -
- (i) operational and staff set-up of the proposed branch;
 - (ii) internal control system for the branch and reporting system to the Head Office; and
 - (iii) investments in premises, office equipment, and computers.

BRANCHING PROCEDURES

3. A licensed financial institution which proposes to establish a branch shall apply in writing to the Bank and the application shall include the documentary requirements in Schedule I. The Bank may require additional information or documents to evaluate the application.
4. Priority in processing of applications shall be based on the time of the receipt of the application which is complete with all supporting information and documentary requirements, or the time at which the applicant becomes eligible to apply after conditions precluding evaluation are regularised, whichever is later.
5. The Bank shall respond with a decision on all applications within a period of thirty days from receipt of the completed application together with all supporting documents.
6. Upon determination that the applicant satisfies the branching criteria, the bank shall issue its written approval and the applicant shall pay to the Bank the prescribed fee under section 6(8) of the Act.
7. If the Bank determines that there exists a condition which precludes evaluation of the application or that the applicant does not satisfy the requirements for branching, the Bank shall inform the applicant in writing of its refusal to grant permission.
8. Advertisements or announcements of plans or intention to open any branch should state clearly that this would be subject to prior approval by the Bank.
9. The proposed branch should commence operations within six months following notice of its approval by the Bank. An extension of another six months may be granted provided that there is justifiable reason and that there are no significant developments that will negatively affect the evaluation

previously undertaken by the Bank.

10. The approval granted to a licensed financial institution for the establishment of the branch shall be revoked if it fails to commence operations within the prescribed period.

RELOCATION OF OFFICES

11. Transfer or relocation of Head Office or any branch may be allowed with prior approval of the Bank. An application for authority to transfer or relocate offices of licensed financial institutions shall be accompanied by -
 - (a) copy of board approval authorising the relocation;
 - (b) sketch of the area of operations showing the present and the new locations and the approximate distance between the two, as well as from other existing offices of other licensed financial institution;
 - (c) justification for the relocation; and
 - (d) estimated expenses to be incurred for the relocation which should include outlays for the new premises.

MOBILE DEPOSIT UNITS

12. The operation of mobile deposit units shall be subject to approval by the Bank. Only licensed depository financial institutions shall be allowed to operate mobile deposit units. A mobile deposit unit shall not be considered as a branch but its operation shall be subject to the following conditions -
- (a) activities by the mobile deposit units shall be limited to servicing deposits and withdrawals;
 - (b) adequate security system shall be established; and
 - (c) no mobile deposit unit shall be allowed to operate in areas where any branch of a licensed depository financial institution is located or has been approved to be established.

AUTOMATED TELLER MACHINES

13. The installation of automated teller machines shall be subject to prior notice to the Bank of the location and the security system in place. Only licensed depository financial institutions shall be allowed to install automated teller machines.

DOCUMENTARY REQUIREMENTS FOR BRANCHING

1. Proposed site or address (indicate if owned or leased).
2. Proposed areas to be served.
3. Approximate date of opening.
4. Type of services to be offered.
5. Statistical Data -
 - (a) approximate population of areas to be served ;
 - (b) existing financial institutions in the area to be served; and
 - (c) principal economic activities and major business establishments (existing and prospective).
6. Write-up on economic justification, including growth potential for the areas to be served, for the establishment of the proposed branch .
7. Copy of board approval for the establishment of the branch.
8. Annual financial projections for three years showing projected balance sheet, income statement, cash flow statement or sources and application of funds.
9. Operational and staffing set-up with names of branch officers and the completed Personal Declaration Sheets for at least the branch manager and the assistant manager.
10. Internal control system within the branch and reporting system to the Head Office.
11. Facilities to be put in place including estimated cost of each major capital expenditure for premises, equipment, and securities devices.
12. Any other information as may be required by the Bank.

SUPERVISION GUIDELINE NO. 4

**ISSUED UNDER THE AUTHORITY OF PART II, SECTION 7(4) OF THE
FINANCIAL INSTITUTIONS ACT 1995,
(NO. 1 OF 1995)**

**CAPITAL ADEQUACY
RATIO**

**Bank of Guyana
May 30, 1996**

Issued :
· To all depository institutions
Circular No. 45/96 May 30, 1996

CAPITAL ADEQUACY RATIO

1. A depository financial institution shall maintain a capital base in an amount not less than eight percent of its weighted risk assets.

The basic framework for computing the ratio of a financial institution's capital base to its weighted risk assets was that adopted by the Basle Committee on Banking Supervision with revisions to suit local conditions. The emphasis of the framework is on assessing capital in relation to credit risk with measurements for foreign exchange risk, interest rate risk and other risks to be introduced as necessary.

The ratio shall be computed by using the attached Capital Adequacy Ratio Worksheet (Schedule I along with supporting schedules) which shall be submitted to the Bank not later than fifteen days from the end of each reference month.

CONSTITUENTS OF CAPITAL

2. The capital base for the purpose of this Guideline shall consist of Tier I or core capital and Tier II or supplementary capital.
3. Tier I capital or core capital shall not be less than fifty percent of the total qualifying capital and shall consist of -
 - (a) issued and fully paid ordinary shares or common stock and related surplus (share premium) or assigned capital;
 - (b) fully paid perpetual non-cumulative preference shares and related surplus;
these are preferred shares which -
 - (i) do not have a maturity date;
 - (ii) cannot be redeemed at the option of the shareholder;
 - (iii) give the issuer the legal right to defer or eliminate preferred dividends; and
 - (iv) have no other provisions that will require future redemption of the issue.
 - (c) reserve fund as required by the Financial Institutions Act;
 - (d) capital reserves excluding asset revaluation reserves;
 - (e) general reserves excluding reserves or provisions for losses on assets;
and

- (f) retained earnings as stated in the latest audited financial statements.
4. Tier II capital or supplementary capital shall be limited to one hundred percent of Tier I or core capital and shall consist of -
- (a) fixed asset revaluation reserves arising from a formal revaluation of an immovable property but limited to one revaluation every five years and up to twenty percent of Tier I capital;
 - (b) securities revaluation reserves which arise from the practice of holding securities in the balance sheet valued at historic cost. The difference between the historic cost and the market value is discounted by fifty-five percent;
 - (c) general provisions or general reserves for losses on assets, which refer to provisions and reserves not ascribed to specific assets. General provisions or general reserves made for specific assets are not eligible for inclusion in capital. General provisions or general loan loss reserves which qualify for inclusion in Tier II do so subject to a limit of 1.25% of weighted-risk assets;
 - (d) hybrid debt capital instruments which refer to a range of instruments that combine the characteristics of equity capital and of debt, such as perpetual cumulative preference shares, long term preference shares, perpetual subordinated term debt and mandatory convertible debt instruments, which should meet the following requirements -
 - (i) they should be unsecured, subordinated and fully paid;
 - (ii) they should not be redeemable at the discretion of the holder;
 - (iii) they should be available to absorb losses; and
 - (iv) service obligations attached to the instrument should be deferrable;
 - (e) subordinated debt includes conventional unsecured subordinated debt, capital instruments with a minimum original fixed term to maturity of over five years and limited life redeemable preference shares. Such instruments are subordinated to the claims of both depositors and general creditors and are limited to a maximum of fifty percent of Tier I capital.
5. The following deductions shall be made from core and total qualifying capital -

- (a) From Tier I or core capital -
 - (i) goodwill arising from the acquisition of assets; and
 - (ii) losses made in current year, whether audited or unaudited.

- (b) From total qualifying capital -
 - (i) investments in unconsolidated subsidiaries engaged in banking or financial activities;
 - (ii) other intangible assets, such as, formation and other preliminary expenses;
 - (iii) deficiencies in provision for losses on loans and other assets as may be determined by the Bank unless a significant improvement in the quality of the assets is reported by the financial institution and accepted by the Bank;
 - (iv) net due from parent, subsidiary, and other affiliated companies;
 - (v) net due from head office and own branches abroad, in the case of a licensee not incorporated in Guyana; and
 - (vi) other deductions as may be determined by the Bank which may impair, distort or dilute core capital.

WEIGHTED RISK ASSETS

6. On-Balance Sheet Assets

All assets appearing in the balance sheet (statement of assets and liabilities) shall be multiplied by the applicable risk weights -

- (a) Zero Percent Risk Weight -
 - (i) local and foreign currency;
 - (ii) deposits at the Bank;
 - (iii) treasury bills and other securities issued or guaranteed by central government;
 - (iv) claims on local governments, statutory boards and other public sector entities in CARICOM and approved foreign countries and loans to these entities, fully guaranteed by central government;
 - (v) claims on CARICOM and approved foreign countries' central banks and central governments and other obligations fully guaranteed by these entities; and
 - (vi) claims fully secured by cash deposited with the reporting institution or by central government securities and guarantees.

- (b) Twenty Percent Risk Weight -

- (i) claims on domestic financial institutions and other financial institutions incorporated in CARICOM or approved foreign countries and loans guaranteed by such institutions;
- (ii) claims on multilateral development banks and claims guaranteed or collateralised by securities issued by such banks;
- (iii) bankers' acceptances held as part of the institution's investment portfolio; and
- (iv) cash items in the process of collection.

(c) Fifty Percent Risk Weight -

Real Estate housing loans fully secured by mortgages on residential properties which are owner-occupied or rented.

(d) One Hundred Percent Risk Weight -

- (i) claims on the private sector;
- (ii) other loans and advances;
- (iii) premises, plant and equipment and other fixed assets;
- (iv) real estate and equity investments;
- (v) capital instruments issued by other financial institutions (unless deducted from capital); and
- (vi) all other assets.

(e) CARICOM Countries refer to -

Antigua	Jamaica
Bahamas	Montserrat
Barbados	St. Kitts & Nevis
Belize	St. Lucia
Dominica	Suriname
Grenada	St. Vincent & the Grenadines
Guyana	Trinidad & Tobago

Approved Foreign Countries refer to -

Australia	Greece	Norway
Austria	Iceland	Portugal
Belgium	Ireland	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Luxembourg	United Kingdom
France	Netherlands	United States of America
Germany	New Zealand	-

- (f) From the total weighted on-balance sheet accounts, the following amounts shall be deducted -
- (i) specific accumulated provision made for losses on assets (if corresponding assets are presented at gross in the balance sheet);
 - (ii) general reserves or provisions for losses on assets disallowed under Tier II capital (if corresponding assets are presented at gross in the balance sheet);
 - (iii) deficiencies in provisions for losses on loans and other assets as may be determined by the Bank unless a significant improvement in the quality of the assets is reported by the financial institution and accepted by the Bank; and
 - (iv) other deductions from core capital or total qualifying capital such as goodwill and other intangible assets, investments in unconsolidated subsidiaries engaged in banking or financial activities, net due from parent, subsidiary, and other affiliated companies, and net due from head office and own branches abroad, in the case of a licensee not incorporated in Guyana.

7. Off-Balance Sheet Accounts

All contingent accounts and other off-balance sheet items shall be multiplied by the

applicable conversion factors to arrive at the credit equivalent amount which shall then be weighted accordingly to the applicable risk weights used for on-balance sheet accounts -

(a) One Hundred Percent Conversion Factor -

- (i) items which substitute for loans and advances such as financial guarantees, including standby letters of credit and bankers' acceptances;
- (ii) sale and repurchase agreements with recourse where the credit risk remains with the financial institution; and
- (iii) forward asset purchases, forward deposits and partly-paid shares and securities representing commitments with certain drawdown.

(b) Fifty Percent Conversion Factor -

- (i) certain transaction-related contingent items such as performance bonds, warranties and standby letters of credit related to particular transactions;
- (ii) note-issuance facilities and revolving underwriting facilities; and
- (iii) other commitments such as formal standby facilities and credit lines with an original maturity of over one year.

(c) Twenty Percent Conversion Factor -

short-term self-liquidating trade-related contingencies such as, documentary credits collateralized by the underlying shipments.

(d) Zero Percent Conversion Factor -

other commitments such as formal standby facilities and credit lines with an original maturity of up to one year or which can be unconditionally cancelled at any time.

Name of Financial Institution

CAPITAL ADEQUACY RATIO WORKSHEET

For the Month Ended _____

Due Date : 15 days from

month-end

		\$000
1	Total risk-weighted on-balance sheet assets (Schedule I-A)	
2	Total risk-weighted off-balance sheet accounts (Schedule I-B)	
3	Total risk-weighted assets before deductions (Add Items 1 and 2)	
4	Less Deductions : Total (Add Items 4a to 4e)	()
	(a) Specific accumulated provisions for losses on assets (if assets are stated at gross)	()
	(b) General reserves and provisions for losses on assets disallowed under Tier II (if assets are stated at gross)	()
	(c) Deficiencies in provisions for losses	()
	(d) Other deductions from core and total capital [Add Items 4d(i) to 4d(v)]	()
	(i) Goodwill	
	(ii) Other tangible assets such as formation and preliminary expenses	()
	(iii) Investments in unconsolidated financial subsidiaries	()
	(iv) Net due from parent company, subsidiaries and other affiliated companies	()
	(v) Net due from Head Office and own branches abroad	()
	(e) Others (as may be determined by the Bank)	()
5	Total risk-weighted assets after deductions (Item 3 less Item 4)	
6	Tier I Capital (Schedule I-C) to total risk-weighted assets after deductions	%
7	Total Tier I and Tier II qualifying capital (Schedule I-C) to total risk-weighted assets after deductions	%

Submitted By :

Signature over Printed Name

Position

Date

RISK-WEIGHTED ON-BALANCE SHEET ASSETS

CATEGORY	ASSETS	VALUE (V) \$000	RISK WEIGHT (W)	WEIGHTED VALUE (V x W) \$000
Zero Weight Risks	1. Cash			
	(a) Local		0	
	(b) Foreign		0	
	2. Due from central bank			
	(a) Reserve Account		0	
	(b) Special Deposits		0	
	(c) Other Claims		0	
	3. Securities issued or guaranteed by government			
	(a) Treasury Bills		0	
	(b) Government Securities (specify country)		0	
	(c) Other claims on government (specify country)		0	
	4. Claims on CARICOM and approved Foreign Governments			
	(a) Deposits at CARICOM central banks		0	
	(b) Other claims on CARICOM central banks		0	
	(c) Securities issued by CARICOM central banks		0	
	(d) Other claims on CARICOM governments		0	
	(e) Deposits at approved foreign central banks		0	
	(f) Other claims on approved foreign central banks		0	
	(g) Securities issued by approved foreign governments		0	
	(h) Other claims on approved foreign governments		0	
	5. Fully Secured Claims			
	(a) by cash on deposit with own institution		0	
	(b) by government securities (specify country)		0	
6. Claims on local government, statutory boards and other public sector entities in the CARICOM countries (Guaranteed by Central Government)				
(a) Local government securities		0		
(b) Other claims on local government		0		
(c) Local government securities issued by CARICOM countries		0		
(d) Other claims on local governments in CARICOM countries		0		
(e) Securities issued by state-owned entities		0		
(f) Other claims on state-owned entities		0		
(g) Securities issued by CARICOM state-owned entities		0		
(h) Other guaranteed claims on CARICOM state-owned entities		0		
20% Risk Weight	1. Due from banks			
	(a) Locally incorporated		20	

CATEGORY	ASSETS	VALUE (V) \$000	RISK WEIGHT (W)	WEIGHTED VALUE (V x W) \$000
	(b) Incorporated in CARICOM countries		20	
	(c) Incorporated in approved foreign countries		20	
	2. Due from other financial institutions			
	(a) Locally incorporated		20	
	(b) Incorporated in CARICOM countries		20	
	(c) Incorporated in approved foreign countries		20	
	3. Other claims and loans guaranteed by financial institutions			
	(a) Locally incorporated		20	
	(b) Incorporated in CARICOM countries		20	
	(c) Incorporated in other foreign countries		20	
	(d) Incorporated in other foreign countries with a residual maturity of up to 1 year		20	
	4. Claims on or guaranteed by multilateral development banks or collateralized by securities issued by such banks		20	
	5. Bankers' acceptances		20	
	6. Cash items in the process of collection		20	
50% Risk Weight	Real estate housing loans fully secured by mortgages on residential properties which are owner-occupied or rented		50	
100% Risk Weight	1. Loans and advances			
	(a) Commercial		100	
	(b) Personal		100	
	(c) Other		100	
	2. Claims on loans guaranteed by financial institutions incorporated in other foreign countries with a residual maturity of over 1 year		100	
	3. Claims on other foreign governments			
	(a) Claims on and obligations guaranteed by other foreign central banks		100	
	(b) Claims on and obligations guaranteed by other central governments		100	
	4. Fixed Assets			
	(a) Land and buildings		100	
	(b) Furniture and equipment		100	
	(c) Other fixed assets		100	
	5. Investments			
	(a) Investments in other financial institutions		100	
	(b) Quoted shares/stocks		100	
	(c) Other investments		100	
	6. Other Assets		100	
	TOTAL RISK- WEIGHTED ON-BALANCE SHEET ASSETS			

RISK WEIGHTED OFF-BALANCE SHEET ACCOUNTS

CATEGORY	ASSETS	VALUE (V) \$000	CONVERSION FACTOR	RISK WEIGHT (W)	WEIGHTED VALUE (V x W) \$000
Zero Risk Weight	1. Domestic and Foreign Government Entities				
	(a) Bankers' acceptances		1.0	0	
	(b) Bills of Collection		1.0	0	
	(c) Documentary credits (collateralized by underlying shipments)		0.2	0	
	(d) Documentary Credits - (others)		1.0	0	
	(e) Unconditional formal standby letters of credit and other commitments with an original maturity of up to 1 year		0.0	0	
	(f) Formal standby letters of credit and other commitments with a maturity of over 1 year		0.5	0	
	(g) Other standby letters of credit		1.0	0	
	(h) Performance bonds, warranties and transaction-related contingent items		0.5	0	
	(i) Financial guarantees and items which substitute for loans and advances		1.0	0	
	(j) Sale and repurchase agreements with recourse		1.0	0	
	(k) Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdowns		1.0	0	
	(l) Others		1.0	0	
	2. Domestic, CARICOM and Approved Foreign Public Sector Entities and Local Governments (Guaranteed by Central Government)				
	(a) Bankers' acceptances		1.0	0	
	(b) Bills of Collection		1.0	0	
	(c) Documentary credits (collateralized by underlying shipments)		0.2	0	
	(d) Documentary Credits - others		1.0	0	
	(e) Unconditional formal standby letters of credit and other commitments with an original maturity of up to 1 year		0.0	0	
	(f) Formal standby letters of credit and other commitments with a maturity of over 1 year		0.5	0	
	(g) Other standby letters of credit		1.0	0	
	(h) Performance bonds, warranties and transaction related contingent items		0.5	0	
	(i) Financial guarantees and items which substitute for loans and advances		1.0	0	
	(j) Sale and repurchase agreements with recourse		1.0	0	
	(k) Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdowns		1.0	0	
	(l) Others		1.0	0	

CATEGORY	ASSETS	VALUE (V) \$000	CONVERSION FACTOR	RISK WEIGHT (W)	WEIGHTED VALUE (V x W) \$000
20% Risk Weight	3. Domestic, CARICOM and Approved Foreign Financial Institutions and Public Sector Entities and Multilateral Development Banks				
	(a) Bankers' acceptances		1.0	20	
	(b) Bills of Collection		1.0	20	
	(c) Documentary credits (collateralized by underlying shipments)		0.2	20	
	(d) Documentary Credits - (others)		1.0	20	
	(e) Unconditional formal standby letters of credit and other commitments with an original maturity of up to 1 year		0.0	20	
	(f) Formal standby letters of credit and other commitments with a maturity of over 1 year		0.5	20	
	(g) Other standby letters of credit		1.0	20	
	(h) Performance bonds, warranties and transaction related contingent items		0.5	20	
	(i) Financial guarantees and items which substitute for loans and advances		1.0	20	
	(j) Sale and repurchase agreements with recourse		1.0	20	
	(k) Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdown		1.0	20	
	(l) Others		1.0	20	
100% Risk Weight	4. Private Sector and Other Institutions				
	(a) Bankers' acceptances		1.0	100	
	(b) Bills of Collection		1.0	100	
	(c) Documentary credits (collateralized by underlying shipments)		0.2	100	
	(d) Documentary Credits - (others)		1.0	100	
	(e) Unconditional formal standby letters of credit and other commitments with an original maturity of up to 1 year		0.0	100	
	(f) Formal standby letters of credit and other commitments with a maturity of over 1 year		0.5	100	
	(g) Other standby letters of credit		1.0	100	
	(h) Performance bonds, warranties and transaction related contingent items		0.5	100	
	(i) Financial guarantees and items which substitute for loans and advances		1.0	100	
	(j) Sale and repurchase agreements with recourse		1.0	100	
	(k) Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdown		1.0	100	
	(l) Others		1.0	100	
	TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ACCOUNTS				

Schedule I-C

TOTAL QUALIFYING CAPITAL

	CAPITAL ITEMS	\$'000
Tier I	1. Paid-up ordinary share capital/assigned capital	
	2. Paid-up ordinary share premium	
	3. Paid-up perpetual non-cumulative preference shares	
	4. Paid-up perpetual non-cumulative preference share premium	
	5. Reserve Fund	
	6. Capital reserves - excluding asset revaluation	
	7. General reserves - excluding reserves for losses on assets	
	8. Retained earnings - audited	
	Tier I capital before deductions	
	Less deductions : Total	
	(a) Goodwill	()
	(b) Current year's losses	()
	Tier I capital after deductions	
Tier II	1. Fixed asset revaluation reserves (limited to 20% of Tier 1 capital)	
	2. Securities revaluation reserves (discounted)	
	3. General provisions/reserves for losses on assets (up to 1.25% of weighted-risk assets)	
	4. Paid-up perpetual cumulative preference shares	
	5. Paid-up perpetual cumulative preference shares surplus	
	6. Long term preference shares	
	7. Perpetual subordinated term debt	
	8. Mandatory convertible debt instruments	
	9. Subordinated term debt and limited life preference shares (limited to 50% of Tier I capital)	
	Tier II capital	
Tier I & Tier II	Total capital (Tier I & II)	
	Less deductions : (Total)	
	(a) Investments in unconsolidated financial subsidiaries	()
	(b) Intangible assets	()
	(c) Deficiencies in provisions for losses	()
	(d) Net due from parent company, subsidiaries and other affiliated companies	()
	(e) Net due from Head Office and own branches abroad	()
	(f) Others (as may be determined by the Bank)	
	TOTAL QUALIFYING CAPITAL	

SUPERVISION GUIDELINE NO. 5

**ISSUED UNDER THE AUTHORITY OF PART IX, SECTION 61
OF THE FINANCIAL INSTITUTIONS ACT 1995,
(NO. 1 OF 1995)**

LOAN PORTFOLIO REVIEW, CLASSIFICATION, PROVISIONING, AND OTHER RELATED REQUIREMENTS

**Bank of Guyana
June 11, 1996.**

Issued :

- To all banks
Circular No. 48/96 June 11, 1996
- To all non-banks
Circular No. 49/96 June 11, 1996

LOAN PORTFOLIO REVIEW

1. A licensed financial institution shall conduct a qualitative appraisal of its loan

portfolio comprising all loans, overdrafts, receivables, and other extensions of credit at least twice yearly. The review shall include the loan portfolio of the trust department of a licensed financial institution authorised to engage in trust business.

2. A summary of the consolidated (Head/Main Office and branches) loan portfolio review as at June 30 of each year shall be submitted by a licensed financial institution to the Bank not later than the end of the succeeding month in the prescribed form (Schedule I). A separate loan portfolio review summary shall be submitted for the trust department. Each review shall cover at least seventy percent of the loan portfolio (excluding debt securities of the Government) and shall include the following -
 - (a) large accounts above one percent of the loan portfolio, including aggregate loans to borrower groups;
 - (b) all past-due accounts;
 - (c) all non-performing accounts;
 - (d) all identified problem accounts; and
 - (e) large off-balance sheet commitments above one percent of the loan portfolio.

PAST-DUE AND NON-PERFORMING ACCOUNTS

3. A licensed financial institution shall report in its monthly statement of assets and liabilities the outstanding balance of its loan portfolio considered to be past-due and those considered to be non-performing. The principal balance outstanding (and not the amount of delinquent payments) shall be used in calculating the aggregate amount of past-due and of non-performing accounts.
4. An account shall be reported as past-due when -
 - (a) for a loan or an account with fixed repayment dates -
 - (i) principal or interest is due and unpaid for one month to less than three months; or
 - (ii) interest charges for one to two months have been capitalised, refinanced, or rolled-over.

collateral is sufficient to protect the licensed financial institution from loss of principal and interest through its timely disposition under a forced liquidation programme. Sufficiency implies the existence of proper legal documentation, a net realisable market value which is adequate to cover the amount of principal and interest outstanding, as well as costs of collection, and the absence of prior liens on the collateral which would diminish its value or otherwise prevent the licensed financial institution from acquiring clear title. Collateral such as specialised manufacturing facilities and equipment for ongoing operations which involve large-scale employment of workers would not normally be considered well-secured because of the difficulties of actual foreclosure or of disposing of the collateral in a timely manner at values sufficient to protect the financial institution from loss. An account may also be considered as well-secured if the collateral includes irrevocable guarantees issued by first-class banks and other licensed financial institutions, multinational companies, and governments where the beneficiary or licensee has performed the financial analysis necessary to determine that the issuer is financially sound, well-capitalised, and able to pay the guarantee on demand. Such guarantees should be unconditional and payable upon the default of the borrower and should be properly acknowledged by the issuer through independent confirmation.

CLASSIFICATION CRITERIA

9. The loan portfolio shall be classified based on the review of the following information-
 - (a) the original amount of the credit facility, terms, interest rate, current balance and status, and purpose of the credit facility;
 - (b) the business of the borrower, balance sheets, income statements, cash flows and other financial data both on the business and the guarantors;
 - (c) an evaluation of the project being financed;
 - (d) the collateral taken including appraisals done once every two years, legal assignments, insurances among others;
 - (e) track record of the borrower including the servicing of previous borrowings; and
 - (f) if part of a group, the performance of credit accommodations to other members of the group.

10. The loan portfolio classification process provides a basis for determining an

adequate level of loan loss provisioning. The criteria for each of the five classifications are set out below but the Bank is not precluded from requiring a more severe classification for an account if such is warranted, based upon any additional information. These criteria shall be used by a licensed financial institution for its loan portfolio review as at June 30 of each year and by the inspectors of the Bank for loan classification purposes.

11. The following are the five categories for classifying accounts in the loan portfolio - Pass, Special-Mention, Substandard, Doubtful and Loss. For purposes of classification, the hardcore of an overdraft facility shall refer to that portion of an overdraft which shows little or no turnover over a period of twelve consecutive months. When an account has more than one deficiency, the deficiency which attracts the lower classification category shall be considered.

Pass

All of the following -

- (a) the financial condition of the borrower is sound;
- (b) there is adequate documentation to support the granting of credit, such as current financial statements, cash flows, credit checks, and evaluation report on collateral held; and
- (c) the collateral for the account is unimpaired and represents tangible security to cover the financial institution's exposure.

This classification would therefore be assigned to:

- (a) a loan which is up-to-date in repayments;
- (b) a loan with principal or interest due and unpaid for less than one month; and
- (c) an overdraft -
 - (i) operating within the approved limit;
 - (ii) with unexpired credit line;
 - (iii) with interest charges covered by deposits; or
 - (iv) with no hardcore and showing turnovers which conform to the business cycle.

Special Mention (Potential Problem Credits)

Any one or more of the following -

- (a) an account which is currently up-to-date but evidence suggests that certain factors could in the future affect the borrower's ability to service the account properly or impair the collateral;
- (b) there is inadequate credit documentation or other deviations from prudent credit extension practices;
- (c) collateral is not fully in place;
- (d) an account which could deteriorate because of current market conditions affecting the sector or industry;
- (e) a renegotiated account which is up-to-date in repayments and adequately secured for a minimum of one year after rescheduling and during which period there would have been no inherent weaknesses affecting repayment;
- (f) for a loan or an account with fixed repayment dates when -
 - (i) principal or interest is due and unpaid for one month to less than three months; or
 - (ii) interest charges for one to two months have been capitalised, refinanced or rolled-over;
- (g) for an overdraft or an account without fixed repayment dates when -
 - (i) approved limit has been exceeded for less than one month; or
 - (ii) credit line has expired for less than one month; or
 - (iii) interest charge for one month has not been covered by deposits; or
 - (iv) the account had turnovers which did not conform to the business cycle.

Substandard

Any one or more of the following -

- (a) there are well-defined credit weaknesses, such as, shortfalls in the borrower's cash flow, several renewals with capitalisation of interest;
- (b) the primary source of repayment is insufficient to service the debt and the financial institution will have to look at secondary sources, such as collateral or refinancing, for repayment;
- (c) the well-secured portion of a loan or an overdraft which would otherwise have been classified as doubtful or loss;
- (d) for a loan or an account with fixed repayment dates when -
 - (i) principal or interest is due and unpaid for three months to less than six months; or
 - (ii) interest charges for three to five months have been capitalised, refinanced or rolled-over;
- (e) for an overdraft or an account without fixed repayment dates when -
 - (i) approved limit has been exceeded for one month to less than three months; or
 - (ii) credit line has expired for one month to less than three months; or
 - (iii) interest charges for two months to three months have not been covered by deposits; or
 - (iv) the account has developed hardcore which was not converted into a term loan after three months to less than six months.

Doubtful

Any one or more of the following -

- (a) the collection of the debt in full is highly questionable or improbable;
- (b) there is possibility of a loss, and some factors exist which could improve the situation;
- (c) the unsecured portion of a loan or an account with fixed repayment dates when -
 - (i) principal or interest is due and unpaid for six months to less than twelve months; or
 - (ii) interest charges for six to eleven months have been capitalised,

refinanced or rolled-over;

- (d) the unsecured portion of an overdraft or an account without fixed repayment dates when -
 - (i) approved limit has been exceeded for three months to less than six months; or
 - (ii) credit line has expired for three months to less than six months; or
 - (iii) interest charges for four months to five months have not been covered by deposits; or
 - (iv) the account has developed hardcore which was not converted into a term loan after six months to less than twelve months.

Loss

Any one or more of the following -

- (a) an account considered uncollectible;
- (b) an account which may have some recovery value but it is not considered practical nor desirable to defer write off;
- (c) an account classified as doubtful with little or no improvement over the twelve- month period it has been classified as such;
- (d) the unsecured portion of a loan or an account with fixed repayment dates when -
 - (i) principal or interest is due and unpaid for twelve months or more; or
 - (ii) interest charges for twelve months or more have been capitalised, refinanced or rolled-over;
- (e) the unsecured portion of an overdraft or an account without fixed repayment dates when -
 - (i) approved limit has been exceeded for six months or more; or

- (ii) credit line has expired for six months or more; or
- (iii) interest charges for six months or more have not been covered by deposits; or
- (iv) the account has developed hardcore which was not converted into a term loan after twelve months or more.

PROVISIONING REQUIREMENT

11. An allowance for probable losses shall be set-up in the books and presented as a contra-asset account in the Statement of Assets and Liabilities based on the following minimum levels of provisioning for each of the classification categories -

Classification	Level of Provision
Pass	0%
Special Mention	0%
Substandard	
- portion secured by cash, cash substitutes, government securities or government guarantees	0%
- others	20%
Doubtful	50%
Loss	100%
General Provision (portion of loan portfolio not reviewed)	1%

12. If the provision for losses reflected in the books is less than the required provisioning, the deficiency shall immediately be taken up in the books. However, the deficiency arising from the loan portfolio review to be conducted as at June 30, 1997 by a licensed financial institution, may be booked over a period of four years provided that at the end of two years, at least fifty percent of the total deficiency shall be met.

OTHER REQUIREMENTS

13. The hardcore of an overdraft facility shall be converted into a term loan which specifies a fixed repayment programme. To facilitate review of overdraft facilities, a licensed financial institution shall maintain an analysis sheet for

each account showing monthly balances and a summary of movements indicating the total amount and number of deposits and withdrawals, and the accruals and repayments of interest charges.

14. A renegotiated loan is a loan which has been refinanced, rescheduled, rolled-over, or otherwise modified because of weaknesses in the borrower's financial position or the non- repayment of the debt as arranged and shall be subject to the following conditions-
 - (a) the existing financial position of the borrower can service the debt under the new conditions;
 - (b) an account classified as doubtful or loss shall not be renegotiated unless an up-front cash payment is made to cover, at the least, unpaid interest or there is an improvement in the collateral taken which will make the renegotiated account, including unpaid interest, a well-secured account;
 - (c) a commercial loan shall not be renegotiated more than twice over the life of the original loan and mortgage or personal loan not more than twice in a five-year period; and
 - (d) a renegotiated loan shall not be reclassified upward for a minimum of one year following the new arrangements.

15. An account shall be written-off three months after being classified as a loss unless it shows a definite and significant improvement which indicates recovery within the next six months. A record of bad debts written-off shall be maintained in a memorandum account for monitoring purposes.

TRANSITION PERIOD

16. A licensed financial institution shall have a period of one year from June 11, 1996 to bring itself into compliance with this guideline.

(Name of Licenced Financial Institution)

LOAN PORTFOLIO REVIEW SUMMARY

As at

(Amounts to the nearest thousand)

Date Due: _____

A. Category	Pass	Special Mention	Sub-Standard		Doubtful		
			0% Secured by cash, gov't securities etc.	20% Others	20% Well-secured portion	50% Others	20% Well-s por
B. Percentage (%) Provisioning	0%	0%					
C. 1. Total dollar amount of Loan Portfolio [Amount should tally with 2(a)+2(b)]							
2. (a) Amount Reviewed							
(b) Amount not Reviewed							
(c) Number of Accounts on Loan Portfolio							
(d) Number of Accounts Reviewed							
D. Total Classified Accounts							
E. 1. Required Provision for Losses [E(a)+E (b)]							
(a) Computed Provision (respective amounts indicated at row D multiply by respective percentage at row B)							
(b) General Provision [1% of 2(b)]							
F. Booked Provision for Losses							
G. (Excess/Deficiency) [Item D1-Item E]							

* The total amount classified as sub-standard includes the initially identified sub-standard accounts and the well-secured portions of accounts classified as doubtful or loss.

Certified correct _____
Signature over printed name

Position

Date

SUPERVISION GUIDELINE NO. 6

**ISSUED UNDER THE AUTHORITY OF PART III, SECTION 14 OF THE
FINANCIAL INSTITUTIONS ACT 1995,
(NO. 1 OF 1995)**

LIMITS ON LARGE LOANS AND ON LOANS TO SHAREHOLDERS, DIRECTORS, OFFICERS, AND OTHER RELATED PERSONS

**Bank of Guyana
June 11, 1996.**

Issued :

- To all banks
Circular No. 48/96 June 11, 1996
- To all non-banks
Circular No. 49/96 June 11, 1996

1. A licensed financial institution shall have well-defined lending policies and

monitoring and controlling procedures that will enable it to comply at a consolidated level (Head/ Main Office and branches) with the limits and reporting requirements on large loans and on loans to shareholders, directors, officers, and other related persons under section 14 of the Financial Institutions Act 1995.

2. The expression “loans, advances, financial guarantees or other extensions of credit or other liabilities” under section 14 of the Financial Institutions Act 1995 and collectively referred to as “loans” for the purpose of this Guideline encompasses all on-balance sheet credit facilities, such as loans, overdrafts, receivables, and other credits, as well as off-balance sheet commitments, such as acceptances, guarantees, and other contingent liabilities granted to or incurred on behalf of any person or borrower group. It shall also include loans, overdrafts, receivables, and other extensions of credit funded by trust and similar fiduciary accounts.
3. A “person” or “borrower group” shall be as defined under section 2(1)(z) and (i) respectively, of the Financial Institutions Act 1995. The unsecured portion of a loan, advance, financial guarantee or any other extension of credit or other liability refers to that portion which is not considered “well-secured” as defined in Supervision Guideline No.5 - Loan Portfolio Review, Classification, Provisioning, and Other Related Requirements.
4. The capital base for the purpose of this Guideline shall be -
 - (a) the total of -
 - (i) paid-up share capital or assigned capital;
 - (ii) reserve fund as required by the Financial Institutions Act 1995;
 - (iii) paid-up share premium;
 - (iv) retained earnings;
 - (v) asset revaluation reserves arising from a formal revaluation of an immovable property but limited to one revaluation every five years; and
 - (vi) other capital accounts approved by the Bank;
 - (b) less the following deductions -

- (i) net due from Head Office and own branches abroad in the case of a licensee not incorporated in Guyana;
 - (ii) net due from parent company, subsidiary, and other affiliated companies;
 - (iii) current year's losses;
 - (iv) deficiencies in provisions for losses on loans and other assets as may be determined by the Bank unless a significant improvement in the quality of the assets is reported by the financial institution and accepted by the Bank; and
 - (v) other deductions as may be determined by the Bank which may impair capital.
5. Loans, advances or other extensions of credit granted to shareholders, directors, officers, and other related persons mentioned in subsections (3) and (4) of section 14 of the Financial Institutions Act 1995 shall not be on terms and conditions more favourable than the general terms and conditions applicable to other borrowers. The foregoing shall not apply to loans granted under a duly approved fringe benefit plan for staff or under formal internal policies which define the general terms and conditions on the type of loans which may be given preferential treatment.
6. Pursuant to section 14(5) of the Financial Institutions Act 1995, a licensed financial institution shall submit within fifteen days from the end of each calendar quarter, the following reports-
- (a) Report on loans to top twenty borrowers (Schedule I).
 - (b) Report on aggregate loans to shareholders, directors, officers, and other related persons (Schedule II).
7. The Statement of Plan for Compliance for loans in excess of the limits under section 14 or 15 of the Financial Institutions Act 1995 submitted by a licensed financial institution pursuant to section 18 thereof shall be adhered to and no change therein shall be made without prior approval of the Bank.

Name of Licensed Financial Institution -----

REPORT ON CREDIT EXPOSURES TO TOP TWENTY BORROWERS
For the Quarter Ended -----

[Amounts (\$) to the nearest thousand]

Due Date: 15 days from quarter-end

Name of Individual and/or Borrower Group (Indicate name & Balance of each person within a group)	OUTSTANDING AMOUNT					Classification	Collateral	
	On-balance Sheet			Off-Balance Sheet	Total		Amount	Description
	Loans	Overdrafts	Bonds/debentures/ Securities					
			Domestic					

Certified Correct: -----
 (Signature over Printed Name)

Position:-----

Date: -----

(Name of Financial Institution)

**REPORT ON AGGREGATE LOANS TO SHAREHOLDERS, DIRECTORS, OFFICERS
AND OTHER RELATED PERSONS**

For the Quarter Ended _____

[Amounts (\$) to the nearest thousand]

Due Date: 15 Days from quarter end

Aggregate Loans	No. of Borrowers	Outstanding Amounts				Total	U A
		Loans	Overdraft	Bonds/Debentures/Securities			
				Domestic	Foreign		
1 Shareholders (Owing at least 20%)							
2 Directors							
3 Officers							
4 Officials & Employees							
(a) Housing							
(b) Others							
5 Other Related Persons							
TOTAL							
% OF CAPITAL BASE							

Certified Correct: _____

(Position)

(Date)

SUPERVISION GUIDELINE NO. 7

**ISSUED UNDER THE AUTHORITY OF PART II, SECTION 9 OF THE
FINANCIAL INSTITUTIONS ACT 1995 (NO. 1 of 1995) AS AMENDED BY THE
FINANCIAL INSTITUTIONS (AMENDMENT) ACT 1996 (NO. 9 of 1996)**

ACQUISITION OF CONTROL OF FINANCIAL INSTITUTIONS

**Bank of Guyana
June 19, 1996**

Issued :
· To all financial institutions
Circular No. 53/96 June 19, 1996.

1. Any person seeking to acquire control of a licensed financial institution shall

complete and submit to the Bank the prescribed Application Form (Schedule I) which can be obtained upon request from the Bank Supervision Department.

2. A licensed financial institution incorporated in Guyana shall within fifteen days from the end of each quarter submit to the Bank a duly certified list of shareholders (Schedule II) arranged by shareholders' group on the basis of available information.
3. The Corporate Secretary of a licensed financial institution shall ascertain the identity of any share transferee, voting trustee, proxy or person vested with the right to vote, and the relationship of such person to existing shareholders of the licensed financial institution.
4. The Corporate Secretary shall promptly inform any shareholder or group of related shareholders whose shareholdings taken together are about to reach twenty-five percent of the total shareholdings of a licensed financial institution to obtain the prior approval of the Bank if such shareholder or group of related shareholders intends to increase shareholdings to twenty-five percent or more of the voting shares of such institution or to acquire control through other means.
5. In the event that any sale or transfer of shares shall result in the acquisition of control of a licensed financial institution by a shareholder or a group of shareholders without prior approval of the Bank, the Corporate Secretary shall deny the transfer or registration and forthwith by written notice inform the parties to the transaction of the denial. Simultaneous with the notice to the parties, the Corporate Secretary shall inform the Bank of the details of the share transaction so denied.
6. The completed Application Form referred to in paragraph 1, together with all supporting documents, shall be submitted to the Bank Supervision Department. No section in the forms shall be left blank. Place "Not Applicable" or "None" as the case may be. If the space provided is not adequate, the required information or data needed may be annexed. Reference shall be made in the pertinent section of the form by placing the words "Refer to Annex ____".

7. Within ten working days from receipt of an Application Form, together with all supporting documents, the Bank Supervision Department shall send the applicant a formal letter of acknowledgment or a letter of deficiency. The letter of acknowledgment will serve as the official notice that the documents submitted were found to be complete and that the processing or evaluation will commence. The letter of deficiency will provide a deadline for rectification of the deficiencies outlined. The Bank will take no further action unless the deficiencies are rectified within the time prescribed.
8. The Bank, in accordance with section 9(4) of the Financial Institutions Act 1995, shall act upon an Application Form within ninety days from receipt of a completed application together with all supporting documents. The time limit may be extended for an additional sixty days upon written notice to the acquiring person that further investigation or inquiry is needed.
9. In evaluating an application to acquire control of a licensed financial institution the Bank must be convinced that the applicant satisfies the fit and proper criteria after considering the areas cited under subsections 9(3) and 9(10) of the Financial Institutions Act 1995.
10. The Bank shall forthwith inform both the applicant and the Corporate Secretary of its decision on the application within the prescribed time.

 (Name of Financial Institution)

LIST OF SHAREHOLDERS
As at Quarter Ending _____

Due Date : 15 days from quarter-end

Shareholders' Name*	Nationality	Type of Shares (voting/non-voting)	Number of Shares		Nominal Value of Paid-up Shares	% to Total Shareholdings
			Subscribed	Paid-Up		
* Please group related persons, where such information is available, specify- ing the respective shareholding for each member of the group e.g., Jones Group 8% - Mr. J. Jones 4% - J. Jones Enterprise 2% - J. Jones & M. France 2%						
Total					\$	100%

Certified Correct :

 Corporate Secretary
 (Signature over Printed Name)

 Date

**APPLICATION TO ACQUIRE CONTROL OF A
LICENSED FINANCIAL INSTITUTION**

_____ (Application Date)

The Governor
Bank of Guyana
Georgetown.

1. I, the undersigned, acting as principal or duly authorised agent on behalf of or as chairman or chief executive officer of _____ being duly empowered, hereby apply for approval to acquire control of _____ (financial institution subject of this application)

2. Control of subject financial institution shall be acquired through the following means : (the terms and conditions of the proposed acquisition, and the identity, source and amount of funds or other consideration to be used in making the acquisition are set out below) -

3. The total shareholdings owned and proposed to be owned by the applicant and other related shareholders deemed to be one person in subject financial institution are as follows -

<u>Shareholders' Name</u>	<u>Nominal Value of Paid-up Shares</u>			<u>% to Total Shareholdings</u>
	<u>Current</u>	<u>Proposed</u>	<u>Total</u>	
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

4. As at the following are the shareholdings owned by the applicant and other related shareholders deemed to be one person, in all other financial institutions -

(a) _____
(Investee Financial Institution)

<u>Shareholders' Names</u>	<u>No.of Shares</u>	<u>Nominal Value Paid-up Shares</u>	<u>% to Total Shareholdings of Investee Institution</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(b) _____
(Investee Financial Institution)

<u>Shareholders' Names</u>	<u>No.of Shares</u>	<u>Nominal Value Paid-up Shares</u>	<u>% to Total Shareholdings of Investee Institution</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(c) _____
(Investee Financial Institution)

<u>Shareholders' Names</u>	<u>No.of Shares</u>	<u>Nominal Value Paid-up Shares</u>	<u>% to Total Shareholdings of Investee Institution</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

- 5. Outline of plans or proposals regarding any significant change in the business, corporate structure, or management of the subject financial institution, including any plans to liquidate, merge or reorganise.

- 6. The following documents are being submitted to comply with the initial requirements for evaluation. Where a document is not applicable this is so stated -

- (a) Information Sheet (Schedule IA) for corporate shareholders

- (b) Personal Declaration Sheet (Schedule IB) for individual shareholders and for directors and officers of corporate shareholders.

- (c) Schematic presentation, with regard to the group of companies of which applicant is a member, reflecting all interests held in and by each member company including the nature of business of each of these entities.

- (d) Certified true copies of audited financial statements or annual reports for the past two years prepared in accordance with general accepted accounting and auditing standards.

- (e) Latest tax compliance certificate from the Inland Revenue Department or certified true copy of corporation tax and property tax returns.

INFORMATION SHEET

1. Name :

2. Principal

Business

Activities:

3. Head or Main Office:

(a) Address:

(b) Telephone Numbers:

(c) Telefax No. :

4. Branches :

Address

Date Established or Licensed

<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

5. Subsidiaries & Affiliates :

Name & Type of Business

\$ Amount of
Shares Held

% of Shares
Held to Total

<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

6. Management :

(a) Board of Directors :

Name

Designation

Present Term
From - To

No.of Years as
Board Member

<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>

(b) Board Committee(s):

<u>Name & Purpose of Committee(s):</u>	<u>Name of Members</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(c) Officers and Officials :

<u>Name</u>	<u>Position</u>	<u>No. of Years as Officer or Official</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

7. Ownership Profile :

	<u>Name</u>	<u>Country of</u>		<u>Paid-up Capital</u>	
		<u>Citizenship</u>	<u>Residence</u>	<u>\$</u>	<u>%</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____
4.	_____	_____	_____	_____	_____
5.	_____	_____	_____	_____	_____
6.	_____	_____	_____	_____	_____
7.	_____	_____	_____	_____	_____
8.	_____	_____	_____	_____	_____
9.	_____	_____	_____	_____	_____
10.	_____	_____	_____	_____	_____
Other Shareholders owning less than 5%					
(_____) Number				\$ _____	100%

8. Organisation Profile :

- (a) Organisation Chart - Annex a chart indicating major departments or divisions with names and position titles of officers heading each department or division.
- (b) Functions - Annex a list of functions or responsibilities for each department or division listed in organisation chart indicating number of personnel or staff for each.
- (c) Qualifications of its principal shareholders, directors, officers, and officials. Annex Personal Declaration Sheet of each principal shareholder, director, officer, and official.
- (d) Powers and purposes. Annex the latest copies of memorandum and articles of association if not previously submitted to the Bank.

9. Shareholdings in Other Financial Institutions:

<u>Name of Financial Institution</u>	<u>Shares Owned</u>		<u>% of Capital</u>
	<u>\$</u>	<u>Number</u>	
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

10. Certification and Undertaking :

I, _____, certify that all information contained in and accompanying this form is complete and accurate to the best of my knowledge and belief.

I also undertake to forthwith notify Bank of Guyana within a period of fifteen days of any material change to this Information Sheet.

(Signature) _____
(Position)

(Date)

Sworn to at Georgetown, Demerara,

this _____ day of _____, _____,

Before Me,

A COMMISSIONER OF OATHS TO AFFIDAVITS

PERSONAL DECLARATION SHEET

1. Name and Capacity of person making this declaration :

(a) Name : _____

(b) Position or Capacity : _____

2. Date and place of birth :

3. (a) Citizen of: _____
(Country)

Since _____
(Year)

(b) Resident of :

(Country)

Since _____
(Year)

4. Addresses :

(a) Present Business Address:

(Guyana, since _____)

(Outside Guyana, since _____)

(b) Present Residential Address :

(Guyana, since _____)

(Outside Guyana, since _____)

(c) Last two addresses in Guyana, if any, during the past 10 years:

(Since _____)

(Since 19 _____)

5. Professional Qualifications :

Particulars

Year Obtained

(a) Highest Academic Degree

(b) Special Awards or Honours

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(c) Training Courses or Seminars

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(d) Membership in Professional Organisations

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

6. Occupation or Employment (Present or most recent and for the last 10 years) :

<u>Name & Business of Employer</u>	<u>Positions Held</u>	<u>Inclusive Dates</u> (Mth & Yr)	
		<u>From</u>	<u>To</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

9. Record of court cases or any investigation by governmental, professional or any regulatory body (including pending cases or on-going investigations) :

<u>Name of Court or Investigative Body</u>	<u>Full Particulars</u>	<u>Status</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

10. Documentary Requirements -

- (a) Police Clearance.
- (b) Certified statement of assets and liabilities.
- (c) Latest tax compliance certificate from the Inland Revenue Department or certified true copy of income tax and property tax returns.
- (d) Two letters of character reference certified and duly notarised from individuals other than relatives who have personally known the undersigned for at least ten years.
- (e) Two letters, duly certified and notarised, from financial institutions with whom the undersigned has had dealings for the last two years on the performance of past and present accounts such as, unauthorised overdraft on deposit accounts, past-due or delinquent accounts.

11. Certification and Undertaking

I, _____ certify that all the above information contained in and accompanying this form is complete and accurate to the best of my knowledge and belief and that I do not possess any of the disqualifications provided under section 26(1) of the Financial Institutions Act 1995.

I also undertake to notify the Bank of Guyana, within a period of fifteen days, of any material change to this Personal Declaration Sheet.

 (Signature) _____
 (Position)

 (Date)

Sworn to at Georgetown, Demerara,

this _____ day of _____, _____,

Before Me,

A COMMISSIONER OF OATHS TO AFFIDAVITS

