



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 license 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 license 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 license.
17. Upon issuance of a license, 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 license.

Start of Operations

19. Within six months following the issuance of a license, 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).

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					
				<u>\$</u> _____	<u>100%</u>

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,

5. Professional Qualifications :

<u>Particulars</u>	<u>Year Obtained</u>
(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>	Inclusive Dates (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

AUTHORISATION TO CONDUCT INQUIRIES AND INVESTIGATIONS

The [hereinafter referred to as the “applicant”],
having made an application for a licence to conduct banking/financial business* in the Co-
operative Republic of Guyana, hereby authorizes the Bank of Guyana [hereinafter referred to as
“the Bank”] to inspect the books and records of the applicant and/or to conduct such inquiries
and investigations as the Bank deems necessary for the proper determination of whether the
applicant satisfies the requirements of the Financial Institutions Act 1995 (No. 1 of 1995).

[Name & Signature of Applicant]

Designation

Date

Signed and sworn to before me, this day of 19.....
at affiant exhibiting his/her
..... issued on
[National Registration No. or other Form of Identification]

NOTARY PUBLIC

*Delete whichever is not applicable.

Bank Supervision Department
Bank of Guyana