



## **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.

## Schedule I

### 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.