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INTRODUCTION

Financial Institutions [Non-Banking] Law, 1993 [PNDCL 328] specifies in the Schedule thereto, nine types of financial activity or business by engaging in which a corporate is considered a [non-bank] financial institution falling under the ambit of its regulation.

By function, all but two categories of these are credit institutions. Two types of financial institutions viz. Discount Houses and Venture Capital fund Companies are predominantly investment companies; discount houses investing in Inter-bank money market, Treasury bills and other money market assets, and VCF Companies investing in equity issues of mainly unlisted and 'greenfield'/ start up ventures.

The Law designates and mandates Bank of Ghana (BoG) as the authority to:

[a] issue LICENCES to corporates in Ghana to undertake or engage in the business of NBFIs as well as to suspend/revoke licences in specified circumstances [Sections 4 (1), 5(1) and 6(iii)];

[b] make RULES for the proper functioning of the licensed institutions, supplementing the regulation in the Law, - that is, to frame supplemental regulation [Section 14 (1)];

[c] issue DIRECTIONS on taking of public deposits by NBFIs, and in specified circumstances, to prohibit any deposit-taking institution from acceptance of deposits [Sections 11 (2 & 3) and 6 (ii); and

[d] exercise SUPERVISION "in all matters relating to the business of any non-bank financial institution licensed under this Law" [Section 13].

[Business Rules]

The NBFI Business [BoG] Rules 2000 hereto attached, are framed and issued by the Bank of Ghana pursuant to powers noted at [b] and [c] above. Being in the nature of supplemental regulation, they are mandatory for compliance by all institutions holding licences issued by the Bank. These Rules are additional to the requirements of the provisions of the Law, except where the latter are elaborated in the Rules. These replace the Operating Guidelines issued earlier to these institutions by BOG.

The Rules are framed, consistent with the spirit of the Law, distinguishing between the financial institutions taking deposits from
the public and those which do not, and enjoining relatively tighter regulation for the former. The tighter regulation is reflected in prescribing, for the Deposit-taking institutions:

- Higher levels of minimum initial capital,
- Capital adequacy standard, besides minimum capital requirement
- Mandatory holding of liquid [reserve] assets besides Rules connected with acceptance of deposits.

Credit unions are not covered by these Rules as a separate supervisory and regulatory framework is envisaged for them.

The Rules covering the eight types of NBFIs are issued in four separate sets, targeting institutions - grouped by their business orientation, as under:

A. Deposit taking Institutions (other than Discount houses).
B. Non-deposit taking Institutions in credit business
C. Discount houses.
D. Venture Capital Fund companies

For institutions at items C and D, (Operating Guidelines) have been issued in lieu of Rules.

[NBFI DEPARTMENT]

Non-Bank Financial Institutions [NBFI] Department of Bank of Ghana administers the FINB Law and the Rules framed thereunder. As the instrumentality of the Bank for exercising 'supervision in all matters relating to the business' of licensed financial institutions pursuant to Section 13 of the Law, the Department has responsibility for

[a] regulatory enforcement [i.e. ensuring compliance with the statutory and notified regulations relating to NBFIs], and

[b] prudential supervision of the licensed institutions.

Towards accomplishment of the latter objective, the NBFI Department

- conducts on-site examinations, and
- undertakes off-site monitoring and surveillance - based on periodical returns/call reports,

of the licensed institutions.
All correspondence in respect of the above Law and the Rules framed thereunder shall be addressed, and the Returns prescribed submitted, to NBFI Department at the address given below:-

The Head
Non-Bank Financial Institutions Department
Bank of Ghana
[Cedi House, 10th Floor]
P O Box 2674
Accra

Fax No. (021) 660867
NON-BANK FINANCIAL INSTITUTIONS BUSINESS [BoG] RULES, 2000
[as applicable to Deposit taking Institutions]

Preamble

The Bank of Ghana [the Bank], being satisfied that in the public interest and for the purpose of securing and promoting the proper functioning of the non-bank financial institutions licensed by it under Section 4[1] of the Financial Institutions (Non-banking) Law 1993 (PNDCL 328), it is necessary to make Rules in respect of their business, issues, in exercise of the powers vested in it by Sections 14[1] and 11[2] ibid, the Rules hereinafter specified, to the licensed institutions:

1. These Rules shall be known as the 'NON-BANK FINANCIAL INSTITUTIONS BUSINESS [BoG] RULES 2000' [as applicable to Deposit taking Institutions].

2. These Rules shall apply to all licensed financial institutions taking public deposits except Credit Unions, namely

   (i) Savings and Loans Companies
   (ii) Building Societies
   (iii) any other NBF1 specifically authorised to take public deposits.

3. These Rules shall not apply to Discount houses as they primarily take deposits in the inter-bank call money market (and exceptionally collateralised call deposits from other corporates).

4. Rules in Section D (i.e. Restrictions on Lending and investments) and Section E (i.e Portfolio Management norms) apply to all institutions in credit business (ICBs) – regardless of whether they are deposit-taking or not.

5. These Rules shall come into force with immediate effect, and replace the Operating Guidelines earlier issued by the Bank to the institutions referred in Clause 2.

DEFINITIONS

Core Business is the category of business to engage in which, a licence is issued to a non-bank financial institution by the Bank of Ghana.

For the purpose of the FINB Law and the Rules framed thereunder, the 'core' business of each category of financial institution is outlined below:-
A. **[Institutions in Credit Business]**

i. **Acceptance Houses** engage in the specialised business of lending primarily their name rather than funds; this they do by accepting bills drawn on them usually under credits established in favour of approved customers to finance trade. They may also provide credit by discounting commercial bills of exchange.

ii. **Building Societies** are mutually owned (i.e. co-operative) organisations promoted for mobilisation of savings from members for the purpose of financing their residential/home mortgages.

iii. **Credit Unions** are mutually owned (i.e. co-operative) organisations formed by homogenous group[s] or interest[s] for mobilisation of savings from members for meeting their credit needs.

iv. **Finance Houses** are companies engaged in the provision of a range of financial services but principally providing consumer credit and business finance. They may also provide other financial services as may be specifically authorised by the licensing authority.

v. **Leasing and Hire-Purchase Companies**

   [a] **Leasing Companies** undertake the business of leasing of equipment, heavy-duty vehicles and such other assets, and mostly provide credit under finance lease contracts.

   [b] **Hire-Purchase Companies** engage in the business of providing credit under hire purchase contracts to customers for acquisition of assets such as light vehicles and consumer durables.

Companies issued licences for this business may undertake either 'lease' financing or hire-purchase financing or a 'mix' of the two [composite business] - as their principal business.

*Note: Manufacturing and trading companies which provide instalment credit on sales of their stock-in-trade – under the guise of hire purchase finance - as a strategy for sales promotion are not hire purchase (finance) companies, under these Rules.*

vi. **Mortgage Finance Companies** are companies engaged in lending funds for acquisition of residential and commercial property which are secured by mortgages on the properties financed. Additionally, they may deal in the securities collateralised by such mortgages.
vii. **Savings and Loans Companies [SLCs]** engage in mobilisation of retail savings by acceptance of deposits from the public - mainly, households and small business enterprises and provide credit largely with target group orientation (such as micro and small business financing) but also extending personal /consumer credits and finance to mid-market business. Target group oriented credits are usually "linked to savings".

B. **[Institutions in Money Market Intermediation and Securities Trading]**

viii. **Discount Houses** are companies that intermediate between inter-bank money market participants as also between banks and the Central Bank [BoG] under special agency/refinance arrangements with the latter, for management of liquidity in the money market. They invest in money market assets, notably in short-dated Government securities and inter-bank placements/repos/money market loans and take wholesale/call deposits for funding them. They also make a market in Treasury Bills and currently, as primary dealers, in all government securities.

C. **[Institutions in specialised equity Investment Business]**

ix. **Venture Capital Finance Companies** are those specialising in financing the risk capital needs of new and unlisted/high-risk business enterprises ['greenfield ventures'] by investing in their equity or equity cum debt.

**Deposit** means a sum of money placed with or paid to a financial institution on terms under which it will be repaid with or without interest or premium either on demand or at a time or in circumstances agreed by or on behalf of the person making the placement/payment and the person receiving it.

**Deposits from the public** - also referred as 'public deposits' or 'retail deposits' - means deposits placed or paid by members of the public [including legal persons] and include individual members of the general membership of co-operative institutions but exclude: -

i. amounts deposited by the directors of the company and shareholders of a private company*;

ii. amounts received from banks and other financial institutions;

iii. amounts received in the ordinary course of business as dealership/earnest money deposits, security deposits [from employees], etc.;
iv. subscription monies received towards bonds and debentures to be issued by the Company or for the purchase of securities issued by others.

[* These may be separately shown as 'Deposits from Shareholders/Directors' in the financial reports of the Company]

**Free Reserves** means the aggregate of balances in

[a] reserves created through allocation of profit [i.e. retained earnings/amount in Income surplus a/c], and

[b] amounts in Capital surplus account [capital reserves]

and does not include reserves created for repayment of any future liability or for depreciation in assets or bad debts.

[Notes: (i) Free Reserves are so called to distinguish from “provisions” which are a charge on Earnings.

(ii) A reserve created by revaluation of the assets of the company (i.e. Premises Revaluation Reserve) is included in 'free reserves' for computation of shareholder equity/own funds but excluded from 'free reserves' for computing the 'core capital' for the purpose of capital adequacy regulation or Solvency Standard].

**Gearing Ratio** is a ratio wherein the numerator contains all listed obligations on the statement of financial position [i.e. all liabilities], divided by the denominator that contains the shareholders' funds.

**Loan assets** means and includes:

[a] a scheduled loan or a medium term loan, or

[b] receivables under finance lease and hire-purchase contracts/factor credits, or

[c] trade bills purchased/discounted/forfaited, or,

[d] any other credit facility.

**Micro and Small business finance.**

Micro finance means lending to borrowers having the capacity to service/support loans of not more than one million cedis, and in case of group lending - with Joint and several guarantees of the members of the group – not more than ten million cedis.
Small business finance refers to lending to borrowers having capacity to support/service loans of up to twenty million cedis, not being micro credits.

Networth (or Net own funds) means Own Funds less intangible assets (such as deferred revenue expenditure, preliminary expenses and goodwill).

Own Funds [or Shareholder Funds] means paid-up capital plus free reserves net of:

i. losses [i.e. balance of loss carried on P & L account], and
ii. unprovided for depreciation or diminution of the value of assets. [vide to Sec.27 of FINB Law - for Definitions]

Savings institutions are NBFIs licensed to mobilise retail savings from the public (or members, in case of co-operative/mutual organisations) by offering savings accounts and time deposit products and for providing credit to small business segment and target groups, (and members, respectively) - linked to their savings or otherwise. [Savings and loans companies, building societies and credit unions belong to this group of NBFIs.]

Short Notice Deposit means a deposit which is payable with a notice period or for a term, not exceeding seven [7] days.
SECTION A. **Permitted Business**

**Rule 1**  
*Three types of licences are issued for undertaking specified business by NBFIs*

(1) A licence is issued under the provisions of Section 4(1) of the Law, for undertaking the business of a particular category of NBFI as specified in the Law. (vide Definitions - "Core business")

(2) Bank of Ghana issues three types of licences to non-bank financial institutions, based on the principal source of funding. – (specifically, whether deposit taking is the principal source of financing the business)

Type I  -  to Savings Institutions (i.e. Institutions taking retail deposits from the public or members)

II  -  to Discount Houses (which take call deposits in inter-bank market and from corporates.)

III  -  to other institutions which do not take public deposits

**Rule 2**  
*Business specified in the licence shall be undertaken as principal business*

(1) A financial institution issued a licence by Bank of Ghana for undertaking the business of a specified category of financial institution shall engage in that business as its 'principal business'.

(2) Any ‘ancillary business’ it undertakes shall be complementary to and supportive of its 'principal business' and for engaging in which it has obtained the prior approval of or no objection certification from the Bank.

[Notes: “Principal business” is the financial activity/business of a licensed company (NBFI) from which not less than 75% of its total income is derived in a financial year.

“Ancillary business is” any of the financing activities engaged in by non-Bank institutions in credit business (ICBs), which a licensed ICB may undertake, in addition to its ‘principal business’

**Rule 3**  
*Deposit-taking authorisation has to be specifically obtained by Type III licence holders*

(1) Notwithstanding the general permission provided in Section
11[1] of the Law, licensed institutions other than Savings institutions desiring to solicit and take public deposits, shall seek and obtain specific deposit-taking authorisation [DTA] - additional to the business licence, from Bank of Ghana.

(2) Those not issued such authorisation shall not take deposits from the public.

**Rule 3 A**

*Deposit-Taking authorisation accorded, in specific cases, permits acceptance of only term deposits from the public*

(1) On an application made by a Type III licence holder institution, Bank of Ghana may, on being satisfied about with the financial soundness and the operational needs/financing strategy of the applicant (company), accord Restricted deposit-taking authorisation, namely, to accept [only] term deposits from the public.

(2) An institution accorded specific authorisation to take public deposits shall be governed by the Rules relating to minimum capital, solvency standard and Liquidity as applicable to Deposit taking institutions, Type 1 licence (viz Rules 6, 9 and 11).

**Rule 4**

*NBFls in credit business to obtain special authorisation to undertake non-funded credit business*

(1) Institutions in credit business (ICBs) desiring to undertake non-funded credit business, such as issue of guarantees, acceptance credits, co-acceptances and endorsements shall obtain specific authorisation from the Bank of Ghana to engage in such business.

(2) Institutions undertaking non-funded credit business shall be governed by higher capital requirements as applicable to Type I licence holders [vide Rules 6 and 9].

**Rule 5**

*Business barred for NBFls*

No licensed NBFI shall engage in or finance any activity in any way related to gambling, betting or any other speculative ventures and any other socially undesirable activities.
SECTION B:  Capital and Solvency Requirements

Rule 6  [Minimum Capital as prescribed has to be maintained unimpaired at all times]

(1) Every licensed financial institution taking public deposits shall hold initial paid-up capital of not less than one billion cedis.

(2) The minimum capital as prescribed shall be maintained unimpaired at all times while in operation and holding the licence.

(3) The impairment of paid up capital arises or is deemed to occur to the extent

   (i) the loss balance carried in the profit and loss account, exceeds the sum of balances in capital surplus and income surplus accounts (i.e. Reserves and surplus), or

   (ii) of the loss balance in the profit and loss account, if there are no “reserves”.

(Note: The deficiency or shortfall in the provisions – often identified in on-site examinations - adds to the impairment).

Rule 7  [Mandatory Reserve Fund to be maintained and progressively funded]

(1) Every licensed institution shall maintain a Reserve Fund into which shall be transferred, out of the company's net profits [profit after provision for tax but before declaring any dividend i.e. PAT] for each year, the following amounts:-

   [a] an amount not less than 50% of net profit, until the amount in the institution's Mandatory Reserve Fund equals the amount of one billion cedis (i.e. the minimum prescribed paid up capital), and

   [b] after the amount in the Reserve Fund attains the targeted level at [a], the transfer to the Fund shall be made in amounts at a rate not less than 15% of the net profit for each year.

(2) No amount in the Mandatory Reserve Fund shall be withdrawn without the prior written approval of the Bank.
Rule 8  [Fixed Assets Rule for Deposit-Taking Institutions]

The fixed assets [i.e. infrastructural assets] of a deposit-taking financial institution at book value shall not exceed 50% of its own funds.

Rule 9  [Solvency or Capital adequacy standard prescribed]

(1) A licensed institution which takes deposits from the public is required, under Section 15[1] of the Law, to hold at all times unimpaired own funds which in the aggregate, are not less than ten per cent of its risk assets.

The capital adequacy framework prescribed by Bank of Ghana pursuant to this statutory provision, requires every deposit-taking institution to maintain at all times while in operation, a ‘capital base’ which shall not be less than ten per cent of its total risk weighted assets.

The methodology of computation of capital adequacy is detailed in Annexure.

(2) Bank of Ghana may prescribe for a (deposit taking) institution a higher solvency standard [i.e. capital to risk assets ratio - CRAR - higher than 10%] having regard to the quality of assets and the overall risk profile of the institution.

Rule 10  [Restrictions on failing to maintain minimum Capital and Solvency Standard]

(1) A deposit taking institution, failing to maintain the prescribed minimum unimpaired capital [Rule 6] and solvency standard [Rule 9] shall refrain from declaring/paying dividend on its share capital.

(2) Bank of Ghana may prohibit a credit institution in capital deficiency, as noted in Clause [1], from undertaking new lending and assuming additional risk exposures, or place such other restrictions on its lending activity as considered appropriate for
as long as considered necessary during the period of capital deficiency.

SECTION C: **Liquidity Requirements**

**Rule 11**  
**[Deposit-taking institutions to maintain Liquidity Reserves]**

1. Section 16 (1) of the Law requires every deposit-taking institution to maintain specified levels of 'liquid' assets to be able to meet the payment calls on deposit liabilities. It enjoins maintenance of two levels of liquidity reserves and directs that the primary and secondary reserve ratios - reserve eligible liquid assets in relation to deposit liabilities - may be prescribed/varied by the Bank from time to time.

The deposit-taking institutions are required by the Bank, to hold primary and secondary reserve assets which shall not be less than 10% and 15% respectively, of the institution's total deposit liabilities.

2. **[Primary liquidity ratio (PLR)]**  
**Primary Reserve assets comprise**

   i. Cash held by the institution.

   ii. Balances in current accounts and money at call with banking institutions, and

   iii. such other assets as may be designated (as reserve – eligible) by the Bank from time to time.

3. **[Secondary Liquidity Ratio (SLR)]**

   **Secondary Reserve assets comprise**

   i. Treasury paper [i.e. Treasury Bills, and Notes, Government of Ghana Bonds and loan stocks].

   ii. Bank of Ghana Bills and Bonds.

   iii. Call money with Discount Houses

   iv. any other assets designated (as reserve – eligible) by Bank of Ghana.
(4) **[Basis of Computation of Reserve Assets]**

For the purpose of computation of 'holding' or 'carry' of reserve assets for compliance with Rule 11(1), the average weekly balance, on a seven-day basis, shall be taken.

**Rule 11 A [Penalty for deficiency in Liquidity Reserves]**

(1) In case of non-compliance with the reserve assets maintenance [r.a.m.] requirement, the defaulting institution shall pay a penalty for each week during which the deficiency continues. The penalty amount shall be calculated at one-half per mille of the amount of deficiency which exists during that week.

(2) **[Credit sanctions may be required to be suspended during period of non-compliance]**

While the institution is in non-compliance with the mandatory Liquidity Reserve requirements, Bank of Ghana may require it to refrain from sanction/grant of any new loans or other credit facilities.

(3) **[Penalty for violation of the above Direction]**

If the defaulting institution sanctions any loan/credit facilities during the period of Reserves deficiency despite the direction of BOG in terms of clause (2), a penalty of not less than one hundred thousand cedis will be levied for each day during the period of contravention.
SECTION D: RESTRICTIONS ON LENDING AND INVESTMENTS

Rule 12  [Limit on Risk Concentration - Large Exposure Rule]

(1) Section 18[1] and [2] of the Law enjoins that no licensed institution shall assume financial exposure by lending or otherwise, including investing in its equity, to a single entity/borrower or a 'group of entities/borrowers' which in the aggregate exceeds:

- 15% of the institution’s networth*, if the loan/exposure is secured,
- 10% of the institution’s networth*, if the loan/exposure is unsecured.

[* as per its latest audited financial statements]

(2) Financial exposure otherwise than by lending includes undertaking credit commitments such as by issue of financial guarantee or indemnity on behalf of a customer or carrying out any other credit transaction for a person or customer)

Rule 13  [Limit on Equity Investments]

No licensed institution shall make investment in the equity of any one company, including a subsidiary, which amounts to more than fifteen per cent (15%) of the networth of the institution. Investment in equities of all companies, including its own subsidiaries and associates, shall not in the aggregate, exceed 25% of its networth (as per its latest audited financial statements)

Rule 14  [Limit on Related Exposures]

The aggregate financial exposure an institution in credit business may assume on any one of its subsidiaries by making loans and advances, together with its equity investment, shall not exceed fifteen percent (15%), and on all of its subsidiaries and affiliates together, 25% of the institution’s networth (as per its latest audited financial statements).
Rule 15  *[Limit on ‘Connected’ Credits]*

A licensed institution in credit business shall not grant to any firm or company in which any of the institution's Directors or Managers [i.e. executive officials] is interested as major or principal shareholder or partner, or director or guarantor - any loan or credit or other financial facility which in the aggregate and outstanding at any time exceeds:

- 10% of the institution's networth, if the exposure is secured, and
- 5% of the institution's networth, if the exposure is unsecured.

Rule 16  *[Limits on Lending to Insiders]*

A licensed institution shall not grant unsecured advances or other credit facilities:

a) to any of its directors, amounting to more than 2% of its networth, and

b) to any of its officials and employees, amounting to more than two years consolidated salary of the concerned official/employee.

SECTION E:  **Portfolio Management Norms**

*Note on prudential norms*

This Section lays down the prudential norms relating to

* Income recognition
* Classification of assets (loans) and
* provisioning

that shall be adopted by NBF Institutions in credit business (ICBs) in respect of different types of assets in their credit portfolio.

For the purpose of these norms, the credits in the portfolios of ICBs are put in three broad categories, viz

a) Business Finance/commercial loans
b) Micro and Small business loans
c) Asset-based finance.
In most savings institutions, asset based lending is limited to hire purchase and instalment credits. In this type of financing, repayment is generally required in equated monthly instalments (EMI) which include interest payment component.

Prudential norms on credits are laid down in Rules 17 to 22.]

**Rule 17  [Norms for Business Finance Portfolio]**

(1)  **[Loans to be Considered as Non-Performing, if 90 Days Overdue]**

In case of loans and credits extended for financing business enterprises [other than micro enterprises and small businesses], a loan on which interest and/or scheduled repayment of principal [instalment] has remained unpaid for 30 days from the due date shall be considered overdue.

A loan which is overdue for 90 days shall be classified as non-performing.

(Note: A non-performing asset is one which ceases to yield income or has stopped being an earning asset.)

(2)  **[Interest shall not be accrued on Non Performing loans]**

Income (interest, discount or finance charge) shall not be accrued on non-performing loans/assets. That is, interest on loans remaining unserviced (i.e. by non-payment of interest or instalment/principal amount) for 120 days from the due date, shall be recognised or taken as income, only when received or realised in payment.

(3) Any income recognised before the loan asset became non-performing and remaining unrealised shall be reversed.

**Rule 17A  [Non-performance in any one Credit facility - signifying increase of 'Risk' - makes all Credit to the borrower non-performing]**

When any of the credit facilities to a borrower becomes non-performing, the total dues outstanding under all the credit facilities made available to the same borrower shall be considered 'non-performing'. That is, interest shall not be accrued on all the outstanding credits against the borrower, and income shall be recognised only when realised/paid in.
Rule 18  

[Asset Classification to be made on the basis of perceived Credit Risk]

(1) Every financial institution in credit business shall monitor its portfolio of credit/risk assets on an on-going basis and make a review at periodical intervals. A review of the business finance portfolio shall be undertaken at least once in a quarter. For the purpose of such review, it shall, after taking into account the degree of well defined credit weaknesses and the extent of dependence on collateral security for realisation, classify its loans and any other forms of business credit into the following classes or risk grades viz.:

i. Standard Assets
ii. Sub-Standard Assets
iii. Doubtful Assets
iv. Loss Assets

on the basis of criteria indicated in Clause (2)

Since assets in risk grades [ii] to [iv] are non-performing, they shall be on non-accrual basis.

(2) [Criteria/Norms for Asset Classification]

The criteria on which business loan assets shall be classified into four risk grades/categories are to be based on the following definitions:-

**Standard Asset:** is a loan asset

i. in respect of which, no default in payment of interest or repayment of principal has occurred, or payment thereof has not been past due for 3 months [90 days], and

ii. which does not carry more than normal risk attached to the business and does not disclose any problem.

**Sub-Standard Asset:** is a loan asset which

i. displays well defined credit weaknesses that jeopardise the liquidation of the debt or loan; and

ii. is not protected by the current [sound] networth and paying capacity of the borrower/customer.
Sub-standard advances include:

[a] assets classified as non-performing for a period not exceeding 6 months; or

[b] loans and credits to borrower entities which

* lack sufficient capital to meet their operating needs, or

* are significantly under capitalised, or

* whose cash flow is not sufficient to meet maturing debts, or

[c] loans and credits in respect of which the terms regarding interest and/or principal have been re-negotiated/ re-scheduled after commencement of operations - until the expiry of one year of satisfactory performance under the re-negotiated or re-scheduled terms.

*Doubtful Asset:* is a loan asset which

(i) has been a non-performing asset for 6 months [180 days] and more but less than 12 months, or

(ii) exhibits all the weaknesses inherent in sub-standard assets/credits with the added characteristics that the credits are not well secured and the weaknesses make collection or liquidation of the debt in full highly improbable - on the basis of currently existing conditions/facts.

*Loss Asset* is a loan asset which

i. has remained past due/non-performing for 12 months or more, or

ii. is considered uncollectable* and of such little value that its continuation as a recoverable advance is not warranted.

(Note: * The threat of non-recoverability may arise due to erosion in the value of the collateral or misappropriation or fraud).

**Rule 18A**  
*[Loans can not be upgraded by re-scheduling/renegotiation]*
(1) A non-performing loan or credit which has been re-negotiated or re-scheduled shall be a sub-standard asset, or continue to remain in the same category in which it was graded prior to its re-negotiation or re-scheduling.

(2) The loan or credit may be upgraded only after satisfactory performance on the new payment schedule i.e. by on-time payment of interest and re-scheduled instalments, for one year from the date of re-scheduling.

(3) Necessary provision is required to be made as applicable to such loan asset until it is upgraded.

Rule 19  [Provisioning for non-performing/adversely classified loans to be based on classification]

1. Every institution shall, after taking into account

   - the time lag between an account becoming non-performing and its recognition as such,

   - the realisation prospects of the security, and the erosion over time in the value thereof,

make provision against the 'adversely classified' or non-performing assets, as specified below:

<table>
<thead>
<tr>
<th>Asset Classification</th>
<th>Minimum Rate of Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>[a] Sub-Standard</td>
<td>A 'basket' provision of 20% of total outstandings of all the advances [accounts] in the risk grade.</td>
</tr>
<tr>
<td>[b] Doubtful</td>
<td>Provision of 50% on the aggregate 'net unsecured balance' of all advances in the category/risk grade.</td>
</tr>
<tr>
<td>[c] Loss</td>
<td>Full [i.e. 100%] provision for the aggregate 'net unsecured balance' of all 'loss' advances.</td>
</tr>
</tbody>
</table>

(Notes:- i. 'Net unsecured balance' is the 'principal' amount of loan outstanding less the value of easily realisable collateral such as cash margins/deposits, lien on deposit receipts etc, if any.)
ii. 'Basket' provisioning means making provision on the aggregated outstandings of all loan assets in a risk grade [i.e. basket] - disregarding the collateral available for any loan (security aspect).

**Rule 20  [Norms for Hire-Purchase Finance and Instalment Credits]**

(1) The portfolio of hire-purchase or instalment credit/consumer loans [generally, for acquisition of consumer durables] shall be reviewed once in every month and the assets shall be classified, based on on-time payment of instalments, into two categories.

[a] Current
[b] Overdue (Delinquent)

(2) A hire-purchase credit/consumer loan shall be classified delinquent if a scheduled instalment has remained unpaid for 30 days from the due date.

Assets not classified delinquent [or overdue] are current.

(3) Provision shall be made for delinquent assets on hire/overdue instalments of consumer loans at the rates prescribed below.

<table>
<thead>
<tr>
<th>Instalments Overdue for</th>
<th>Rate of Provisioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>(on the outstanding dues)</td>
<td></td>
</tr>
<tr>
<td>30 days &amp; less than 90 days</td>
<td>20%</td>
</tr>
<tr>
<td>90 days &amp; less than 180 days</td>
<td>40%</td>
</tr>
<tr>
<td>6 months &amp; less than 9 months</td>
<td>60%</td>
</tr>
<tr>
<td>9 months &amp; less than 12 months</td>
<td>80%</td>
</tr>
<tr>
<td>12 months and over</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Rule 21  [Norms for Micro and Small Business loans]**

(1) Micro and small business* credits shall be reviewed once in every month and classified on the basis of on-time repayment, into two categories:

[a] Current
[b] Overdue/Delinquent

[* vide Definitions]

(2) A delinquent loan is one in respect of which payment of interest and/or scheduled repayment of principal/instalment, has not been made on the due date.
Loans which are not delinquent are current.
Interest shall not be accrued on delinquent loans.

(3) Provision shall be made for micro and small business loans, on 'basket' basis, at rates prescribed below, which are linked to the length of delinquency:

<table>
<thead>
<tr>
<th>Loan delinquent for</th>
<th>Prescribed rate of Provisioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 30 days</td>
<td>5%</td>
</tr>
<tr>
<td>30 days and less than 60 days</td>
<td>20%</td>
</tr>
<tr>
<td>60 days and less than 90 days</td>
<td>40%</td>
</tr>
<tr>
<td>90 days and less than 120 days</td>
<td>60%</td>
</tr>
<tr>
<td>120 days and less than 150 days</td>
<td>80%</td>
</tr>
<tr>
<td>150 days and above</td>
<td>100%</td>
</tr>
</tbody>
</table>

[Note:- Basket basis of provisioning means making a blanket provision for the aggregate outstandings of loans grouped in each arrearage 'basket' at the applicable rates, without regard to any security available for individual loans].

Rule 22 [General provisions to be made on Current (i.e performing)/Standard assets]

(1) In addition to the specific loss provisions made for delinquent or non-performing assets [NPAs], a general provision shall be made at the rate of not less than 1% on the aggregate outstandings of all the current or standard (class of) loan assets.

(2) Specific loss provisions shall not be appropriated from the general provision held.

Rule 23 [Disclosure of loss provisions in the Audited Financial statements reports mandatory]

Every financial institution shall disclose in its audited financial statements the specific and general loss provisions made for the non-performing/delinquent loans and standard/ current assets.

Rule 24 [Provisioning for Impaired equity Investments]

(1) Financial institutions holding equity shares of companies [including of subsidiaries/associates] shall value them on the lines indicated below:-

(a) 'Listed shares' - for which market quotes are available - may be valued at cost or market price whichever is lower.
(b) Unlisted shares should be valued at the lower of cost or the net realisable value in accordance with an independent professional valuation undertaken within the last two years.

(2) The diminution in the value of equities shall be provided.

Rule 25  
[Licensed Institutions to conduct their operations also conforming to other applicable Laws ]

Licensed institutions shall conduct their business having regard to the provisions of any other laws governing their operations besides the FINB Law, and the Rules/Operating Guidelines noted thereunder, and the best practices in the industry.

(For example, a licensed Building Society shall engage in housing/mortgage finance duly complying with the provisions of the Mortgage Decree, 1972 [NCRD.96] and Building Societies Ordinance [of Gold Coast], 1955)

Rule 26  
[Responsibility of the Board of Directors for sound Governance]

SECTION F: CORPORATE GOVERNANCE

(1) The Board of Directors of a licensed institution is wholly responsible for the sound and proper functioning of the institution and is accountable for the institution’s activities and actions to its stakeholders viz. shareholders, creditors, customers and employees, and to the regulatory authorities. This is notwithstanding that it may have assigned to its committees or executives [Managers], as part of corporate internal management, discretionary or delegated powers for carrying through/implementing approved policies and business plans.

(2) [Minimum Membership of the Board of Directors]

The Board of Directors of a Deposit taking institution shall have not less than five members, two or more of whom should have experience of managing financial institutions or have exposure to the working of the financial sector/institutions.

(3) [Institutions to notify the Bank of proposals to change Board Member[s] or Chief Executive]
Licensed institutions shall notify the Bank of any proposal to effect changes in the membership of the Board or the incumbent Chief Executive/Principal officer 30 days in advance, with reasons. If such a change occurs for a sudden reason, the Bank shall be notified within three days of its occurrence, with the reasons for such occurrence.

Rule 27  [Bank’s Power to disqualify Members of the Board or supersede the Board]

(1) Given the high level of accountability and responsibility vested in the Board of Directors as noted in Rule 26 Clause [1] in overseeing the affairs of the financial institutions, the Bank of Ghana may direct that any one or more of the members of the Board found wanting in the requisite attributes or seen responsible for violating any regulations, be dropped from the Board, and such direction shall be complied with.

(2) If, in the assessment of Bank of Ghana, the Board of Directors of a deposit-taking institution is functioning in a manner that does not adequately or properly safeguard and promote the interests of the institution or is detrimental to the interests of its depositors and creditors, the Bank may supersede the Board and constitute an interim Board. The interim Board shall function and conduct the affairs of the institution with the full powers of a properly constituted Board until a new Board duly elected by the shareholders or as otherwise constituted under the institution’s charter takes over from the former.

Rule 28  [Responsibility for maintenance of proper accounts/accounting systems and Internal Controls]

(1) The management of a licensed institution shall ensure that proper accounting records and systems are maintained, sound operational procedures formulated and implemented and adequate internal controls put in place. They should especially ensure the following:

i. the accuracy and reliability of the Accounting System

ii. the establishment of an adequate and effective Management Information System [MIS]

iii. the accuracy and reliability of the operational reports and prudential returns submitted to Bank of Ghana.
Rule 29  

[Obligations for Transparency in financial reporting]

(1)  

[Mandatory Disclosures in Financial Reports]

The Directors of a licensed institution shall include in their comments on the audited financial accounts, the following:

[a]  

The financial performance of the institution during the period under review with particular reference to:

i)  
the reliability and composition of reported earnings,

ii)  
the breakdown and analysis of operating costs, and

iii)  
the liquidity and capital adequacy ratios.

[b]  

The accounting policies and valuation criteria applied in the preparation of the accounts;

[c]  

The adequacy of provisions made

(i)  
against the advances portfolio, investments and 'other asset' accounts,

(ii)  
for creditors, accruals and other liabilities and against off-balance sheet items.

[d]  

Re-classifications and other adjustments made by the auditor to the accounts originally submitted for audit

[e]  

Details of any areas where generally accepted accounting principles have not been in compliance or a disagreement exists between management and the external auditor.

(2)  

[Directors' Report on the Audited annual financial accounts to include comments on specified areas/aspects]

In the report of the Directors accompanying/presenting the audited annual financial accounts,
Qualifications, if any, made by the statutory auditors on the audited accounts shall be highlighted and comments on each item of qualification are to be provided.

Comments shall also be furnished, inter alia, on the following aspects:

i. methods used to determine specific and general provisions and key assumptions used;

ii. the risk management and control policies and practices adopted by the institution, relating to credit risk of the loan portfolio, and other risks entailed in its operations;

iii. balances of advances, impaired loans and past due loans by major categories of borrowers and the amounts of specific and general provisions established against each category;

iv. balances of loans where accrual of interest in accordance with the terms of the original loan agreement has ceased because of deterioration in credit quality;

v. balances of advances and other information about the loans that have been rescheduled/renegotiated during the year;

vi. significant concentration of credit risk; and

vii. contractual obligations with respect to recourse arrangements and the expected losses under these arrangements.

Rule 30  [Statutory Audit and Audit Reports]

All institutions, duly complying with the statutory provisions relating to the audit of their accounts [Sec 22 - 24 of FINB Law] shall have regard to the following requirements:

(1) All licensed institutions shall have the Calendar year as their accounting year – as enjoined in the law.

[all licensed financial institutions may follow/adopt]
the calendar year, commencing on 1 January and ending 31 December of the year as their Accounting year]

(2) Statutory Auditors shall be required to prepare a Long Form Audit Report [LFAR] on the audited accounts, focusing on major areas of concern noted in the audit.

(3) The institution shall submit to Bank of Ghana [NBFI Department] one copy of the audited accounts within four months after the end of the financial year to which they relate. It shall also submit a copy of the Long Form Audit Report [LFAR] together with the Management's comments on the issues raised in the LFAR.

Rule 31 [Regulatory reporting and returns]

(1) [Operational Reports and Regulatory Returns Prescribed to be Submitted]

Pursuant to provision in Section 19[1] of FINB Law, licensed institutions shall submit to Bank of Ghana

(i) returns and reports relating to their operations as prescribed from time to time in respect of all or each category of institutions.

(ii) the periodical reports as may be prescribed by it for the purpose of prudential supervision.

(2) [Reports on Interest Rates may be called by the Bank]

Every licensed institution in credit business may be required to submit periodical reports to Bank of Ghana [NBFI Department] on lending rates charged, and the deposit rates offered to their customers, in the form prescribed by the Bank.
SECTION G: Deposit-Taking Rules

Rule 32  [Restrictions on depository products to be offered to the public]

(1) No non-bank financial institution shall accept public deposits which are payable or withdrawable by cheque going through the clearing system. In other words, the deposit product of current or checking account[s] shall not be offered by NBFIs.

(2) Savings institutions may offer to their customers savings accounts besides other deposit products such as fixed and recurring deposits. They may, if they consider expedient, offer 'in-house checking' facility in the 'savings accounts' to their customers.

[Explanation: 'In-house checking facility' means - drawing cheques on savings accounts of customers of the same institution [i.e. transfer cheques], and subject to the institution having put in place necessary controls, permitting select/ well-rated savings account customers to draw cheques on the current account of the savings institution with a bank, under prior arrangement].

Rule 32A  [Deposit taking by specifically authorised institutions]

Licensed institutions other than Savings institutions specifically authorised to take public deposits shall take only term deposits which are:

[a] for amounts of not less than one million cedis, and


Rule 33  (Deposit business to be planned and rules framed)

(1) Every deposit taking institution shall frame comprehensive rules relating to its deposit taking programme with the approval of the
Board of Directors; these shall include types of deposits accepted, interest rates offered, mode of payments/withdrawals and contain the procedures and terms for premature withdrawal of deposits, renewal of overdue deposits and treatment of overdue deposits unclaimed by depositors.

(2) The terms of deposit shall be displayed for the information of the public.

Rule 33A  [Procedures for taking deposits from the public]

(1) [Deposits to be Taken on Written Applications]

No deposit-taking institution shall accept or renew any public deposit except on a written application from the depositor in the form to be supplied by the institution which form shall contain all particulars that the depositor should normally know in regard to the relevant contractual relationship that is created on making the deposit.

(2) [Issue of Deposit Receipts]

A deposit-taking institution shall furnish to every depositor or his agent a receipt for every amount received by way of deposit. The said receipt shall be duly signed by an officer authorised by the institution in that behalf and shall state the date of deposit, the name of depositor, the amount - in words and figures - received by the institution by way of deposit, rate of interest thereon and the date on which the deposit is repayable.

(3) [Brokers/Agents for Deposit Mobilisation]

In case brokers/agents are employed for the collection of deposits, brokerage/commissions or incentives or any other benefits may be paid by the deposit-taking institution at an agreed percentage of total deposits [not per annum] as a one time payment.

Rule 33B  [Proper records on deposit-taking business shall be maintained]

(1) Institutions taking public deposits shall keep proper records of all transactions relating to receipts/and payments of deposits.

(2) [Register of Deposits]
To this end, they may maintain one or more registers in respect of all deposits in which shall be entered separately in the case of each depositor, the following particulars:

[a] name and address of the depositor
[b] date and amount of each deposit
[c] duration and due date of each deposit
[d] date and amount of accrued interest or premium on each deposit
[e] date of claim made by the depositor
[f] date and amount of each repayment, whether of principal interest or premium
[g] reasons for delay in repayment beyond five working days
[h] any other particulars relating to the deposit.

(3) The register of deposits shall be kept at each deposit-taking office and a consolidated register at the Head Office. The registers shall be maintained in good order for a period of not less than five calendar years following the financial year in which the latest entry is made of the renewal or repayment of any deposit of which particulars are contained in the register.

Rule 33C  *(Overdue and unclaimed Deposits)*

(1) Overdue deposits remaining unclaimed/unpaid shall, one year after becoming overdue, be transferred to the 'overdue deposits' Register, and if remaining unpaid for three years, to "unclaimed deposits", Register. The status of 'overdue' and 'unclaimed deposits' shall be reviewed by the Board of Directors of the institution once in every 6 months.

(2) Any payment or withdrawal of amounts from the 'Overdue Deposits' and 'Unclaimed Deposits' Registers shall not be permitted except by the branch Manager personally, and all such payments made during each quarter, shall be placed for the information of the Board.

Rule 34  *[Advertisements soliciting deposits from the public shall disclose minimum specified information]*
A licensed institution soliciting public deposits through advertisements shall disclose therein, or offer to disclose and make available to the prospective depositor, the following information relating to the institution and the deposit products it is offering.

**[Regarding the Institution]**

[a] The date of incorporation of the company and the business carried on by the company and its subsidiaries.

[b] Brief particulars of the management of the company, the names, addresses and occupations of the directors.

[c] Profits of the company before and after making provision for tax, for three financial years immediately preceding the date of the advertisement and the dividend declared in the said years.

[d] A summarised financial position of the company as in the two audited balance sheets immediately preceding the date of advertisement.

[e] The amount which the company plans to raise by way of deposits and the aggregate of deposits actually held on the last day of the immediately preceding year.

[f] A statement to the effect that on the day of the advertisement, the Company has no overdue deposits other than unclaimed deposits and showing the amount of overdue and unclaimed deposits.

[g] A declaration to the effect that the deposits accepted by the institution - unless otherwise secured - are unsecured and ranking pari passu with other unsecured liabilities.

**[Regarding Deposit product [s] on Offer]**

i. The interest payable on deposit[s] as also the actual rate of return by way of interest, premium or other advantage to the depositor on the deposit product offered.

ii. The mode of repayment of the deposit[s].

iii. Maturity period[s] of deposit[s].

iv. The rate of interest which will be payable to the depositor in case of premature withdrawal.
v. The terms and conditions subject to which the deposit will be renewed.

SECTION H - PENALTIES

Rule 35 The Bank may prescribe and notify the penalties for non-compliance/breach of the aforementioned Rules/directions. These will be separately notified to the institutions by the NBFI Dept.
[ANNEXURE]

CAPITAL ADEQUACY REGULATION/FRAMEWORK
(for Deposit taking Institutions in credit business – (DICBs)

The key elements of the Capital Adequacy framework, prescribed for Deposit taking Non-Bank Financial Institutions (in credit business) by Bank of Ghana under Section 15 (1) of the Law/Rule 9 of the Business Rules are detailed below:

Capital Adequacy of an institution is measured by its “Adjusted Capital base” (ACB) as a percentage of its Total risk weighted assets (TRA). Such measure is known as Capital to Risk Assets Ratio (CRAR) or Capital Adequacy Ratio (CAR).

A. Adjusted Capital Base (ACB) is the institution’s total capital as reduced by its

(i) Investments in Subsidiaries (& Associates), and
(ii) Connected lending of a capital nature.

Total Capital is the sum of two levels (in quality) of capital(in quality) referred as (Tier one and Tier two). Core capital and Supplementary capital. Supplementary capital shall not exceed the level of “Core capital”.

(a) Core Capital comprises Shareholder or own funds

(Less)

(i) Premises revaluation Reserve*
(ii) Intangible assets (such as Preliminary expenses/
 Deferred revenue //
(iii) Losses not provided for +

[Notes: Shareholder or own funds comprise

(i) Paid up Capital
(ii) Free Reserves* and
(iv) Surplus @
(Minus)

- carried forward loss balance on P&L a/c
* Premises revaluation Reserve, which is a part of shareholder equity -not being considered to be high quality or core capital, is shown as part of supplementary (or Tier Two) Capital.

@ Surplus is the amount of “retained earnings” but unappropriated to ‘Reserves’ and carried forward as credit balance on Profit and Loss account.

This should be distinguished from the operating profit (which is subject to audit/provisions & tax) which also forms part of the credit balance on profit and loss on account but not part of core capital.

+ (usually identified in on-site examinations)

b. Supplementary or Tier Two Capital

comprises the following elements

(i) Premises Revaluation Reserve (PRR), discounted by 55% (i.e. 45% of the book value) PRR is reckoned as Tier Two Capital),

(ii) General Provisions (or loss reserves),

(iii) Sub-ordinated debt (limited to 50% of Supplementary capital), and

(iv) Hybrid debt (i.e. long term debt with some attributes of capital).

Supplementary capital in excess of the level of Core Capital is not reckoned (disregarded) as “Capital”.

To sum up,

**Adjusted Capital Base (ACB)** is computed as under

Total Capital i.e. sum of [ ]

[Core (or Primary/Tier one) Capital plus supplementary capital]

Less (i) Investments in subsidiaries (& associates) i.e. Group companies

(ii) Connected lending of a Capital nature £

[Note: £ means loans and credits repayable beyond one year, extended to connected companies]
B. **Total Risk Weighted Assets (TRA)**

is computed as under:

*Total assets of the institution other than those assets deducted from “shareholder funds” for computing “capital base” (so called “capital netting assets”—“CNA”) are classified or grouped into “differentiated risk” categories.*

The assets in each risk category are “weighted” by an allotted credit risk quotient (CRQ) – referred to as “Risk Weight”.

The Risk Weighting framework prescribed for the Depository institutions in credit business (DICBs) is outlined below:

<table>
<thead>
<tr>
<th>Risk Weight (quotient)</th>
<th>Related Category of Assets (by Credit risk exposure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Zero or no risk (0%)</td>
<td>(i) Cash funds</td>
</tr>
<tr>
<td></td>
<td>(ii) Investments in Govt./BOG Securities</td>
</tr>
<tr>
<td></td>
<td>(iii) Balances and deposits with well rated banks</td>
</tr>
<tr>
<td>(b) Low risk (20%)</td>
<td>Placements with Discount Houses</td>
</tr>
<tr>
<td>(c) Modest risk (50%)</td>
<td>Home mortgage loans</td>
</tr>
<tr>
<td>(d) Normal risk (100%)</td>
<td>All other assets (i.e. other than CNAs)</td>
</tr>
<tr>
<td></td>
<td>and assets with lower than normal risk) which include</td>
</tr>
<tr>
<td></td>
<td>- Customer loans, credits and receivables</td>
</tr>
<tr>
<td></td>
<td>(other than home mortgage loans)</td>
</tr>
<tr>
<td></td>
<td>- Fixed Assets</td>
</tr>
<tr>
<td></td>
<td>- Other “current” assets</td>
</tr>
<tr>
<td></td>
<td>- Deposits with poorly rated banks</td>
</tr>
</tbody>
</table>
Off-balance Sheet (OBS) or non-funded credit exposures also require capital cover which is computed as under.

Initially, the nominal amounts of the outstanding OBS exposures (e.g. financial guarantees) are converted to the equivalent of a funded or on-balance sheet exposure by applying a “credit conversion factor” (CCF). Since the CCF for financial guarantees and other non-funded/OBS exposures of NBFIs is 100%, the OBS exposures shall be reckoned as equivalent in risk to the category of loans, credits and receivables, having a Risk Weight of 100%. [Methodology for computation of capital adequacy ratio (CAR) is illustrated in Attachment]
[Attachment]

**COMPUTATION (Methodology) of CAR**
(Illustrative exercise)

[Data]

The *position statement of MS Finance Co Ltd.* on date of report (i.e. 31.3.99) reads as under: (i.e. Pro forma balance sheet)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Capital and Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash</td>
<td>(i) Paid up Capital 700</td>
</tr>
<tr>
<td>2. Balances &amp; Deposits with banks</td>
<td>(ii) General Reserve 460</td>
</tr>
<tr>
<td>3. Investments in Treasury/ BOG Bills</td>
<td>(iii) Capital Reserve 100</td>
</tr>
<tr>
<td>4. Call deposits with Discount Houses</td>
<td>(iv) Premises Revaluation Reserve 600</td>
</tr>
<tr>
<td>5. Loans &amp; Advances (net)*</td>
<td>(v) Sub-ordinated loan from Directors (eligible) 800</td>
</tr>
<tr>
<td>6. Investments in subsidiaries</td>
<td>(vi) Borrowings from banks 8,250</td>
</tr>
<tr>
<td>7. Other (financial) assets</td>
<td>(vii) Public deposits (Term) 2,700</td>
</tr>
<tr>
<td>8. Loss balance on P&amp;L A/C</td>
<td>(viii) Other liabilities 880</td>
</tr>
<tr>
<td>9. Fixed Assets</td>
<td>900</td>
</tr>
</tbody>
</table>

Total Assets 14,490

[Off-balance sheet exposures]

Financial guarantees issued 100

The provisions netted off “gross loans” portfolio include €60 million in “General provision”.
Computation of CAR

is shown below:

A. Adjusted Capital Base

\[ \text{\( \varepsilon \) million} \]

(a) Core Capital

1. Paid up Capital \( 700 \)
2. Reserves \( 1,160 \)

Shareholder equity (1+2) \( 1,860 \)

Deduct

(i) Premises Revaluation Reserve \( (600) \)
(ii) Loss balance on P&L a/c \( (320) \)

Core Capital \( 940 \)

(b) Supplementary Capital

(i) Premises Revaluation Reserve \( 270 \)
\( \text{at 45% book value (i.e. at 55% discount)} \)

(ii) General provisions \( 60 \)

(iii) Sub-ordinated loans (being eligible \( 330 \) (after a haircut

of

(only) up to 50% of supplementary \( \varepsilon 470 \) million)

Supplementary Capital \( 660 \) (less than the

level of core capital)

Adjusted Capital base

Total Capital (sum of a + b) \( 1,600 \)

(Deduct)

Investments in subsidiaries \( 600 \)

Connected Lending of Capital nature \( \text{nil} \)

Adjusted Capital Base \( 1,000 \)
B.  **TOTAL RISK WEIGHTED ASSETS (TRA)**

(¢ million)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Book Value</th>
<th>Risk Weight</th>
<th>Risk Weighted Value of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash and Balances/deposits with banks</td>
<td>1,070</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Investments in Govt. Securities</td>
<td>2,350</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Call deposits with Discount Houses</td>
<td>350</td>
<td>20%</td>
<td>70</td>
</tr>
<tr>
<td>4. Loans &amp; Advances (net)</td>
<td>8,600</td>
<td>100%</td>
<td>8,600</td>
</tr>
<tr>
<td>5. Other (financial) assets</td>
<td>300</td>
<td>100%</td>
<td>300</td>
</tr>
<tr>
<td>6. Fixed Assets (net)</td>
<td>900</td>
<td>100%</td>
<td>900</td>
</tr>
<tr>
<td>7. Financial guarantees (on-balance sheet value</td>
<td>100</td>
<td>100%</td>
<td>100</td>
</tr>
</tbody>
</table>

8. **Total Risk Weighted Assets (TRA)**

9,970

[Note: Capital netted assets (CNAs) omitted from risk weighting]

**Capital Adequacy Ratio (CAR)**

<table>
<thead>
<tr>
<th></th>
<th>(¢ million)</th>
<th></th>
<th>(¢ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Capital Base</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRA</td>
<td>9,970</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAR (%)</td>
<td>10.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>