RESERVE BANK OF MALAWI

DIRECTIVE

NO.DO6.-2006/SF

SUPERVISORY FEES
FOR BANKS AND FINANCIAL INSTITUTIONS

Arrangement of Sections

PART I: SHORT TITLE, AUTHORIZATION, APPLICATION AND INTERPRETATION

Sec. 1: Short Title – Supervisory Fees

Sec. 2: Authorization – Sections 22 and 53 of the Banking Act of 1989;

Sec. 3: Application – All Banks and Financial Institutions licensed under the Banking Act to conduct banking business in Malawi

Sec. 4: Interpretation - In this Directive unless the context otherwise requires

1) "bank" is as defined in Section 2 of the Banking Act of 1989;

2) "financial institution" is as defined in Section 2 of the Banking Act of 1989 but shall also include institutions carrying out the business of discount houses.

3) "Regulatory Governance" means the capacity to manage resources efficiently and to formulate, implement, and enforce sound prudential policies and regulations within the premises of legal mandate and in accordance with internationally accepted supervisory standards.

4) "Supervisory Fees" means amounts charged by the Reserve Bank of Malawi in order to offset or recover part of expenses incurred by the Bank in carrying out its supervisory responsibilities under the Banking Act, 1989.

PART II: STATEMENT OF POLICY

Sec. 1: Objectives

1) To ensure that banks and financial institutions contribute towards the cost of implementing the Banking Act and Directives issued under the Act by the Reserve Bank of Malawi.

2) To strengthen and enhance a sound regulatory governance framework that will promote financial sector soundness in Malawi.

Sec. 2: Rationale

1) There is a general consensus that financial sector stability is vital for economic development through, among other factors, provision of finance, payment mechanism and monetary policy transmission.

2) The financial system is constantly undergoing tremendous transformation due to combined effects of de-regulation, technological advances and globalisation. These strategic forces have fuelled innovation and competition which have led to increased risk profile of financial market players. These risks may potentially threaten or impair the financial soundness of institutions and the system as a whole.

3) In this new era, the over-arching goal is for market players to strengthen risk management practices while supervisors improve the regulatory oversight. Effective regulatory governance framework is one of the elements that underpin the pillars of financial stability.

4) Consistent with the ever-changing financial landscape, supervisory authorities have to improve regulatory standards, recast financial soundness benchmark criteria and set a proactive framework for systemic stability. In order to achieve this, there is need for constant and intensive training which may be hampered by budgetary constraints.

5) Recognising that the promotion of sound regulatory governance is a shared responsibility, and in the interest of, financial market participants and the Reserve Bank, this Directive opens the way for market players to share the costs of strengthening the supervisory and regulatory capacity in Malawi for the benefit of the financial industry.

PART III: ASSESSMENT AND PAYMENT OF FEES

Sec. 1: Method of Assessment

1) Each institution licensed under the Banking Act, 1989 shall be required to pay supervisory fees of K2 million or an amount equivalent to 5 per cent of its audited annual after tax income of the preceding year , whichever is greater, provided that the amount shall not exceed K5 million. The basis of calculating the fees shall be subject to review from time to time.

2) An institution shall not be subject to assessment of supervisory fees until after 18 months of operations. However, this waiver shall not apply to new entities arising from mergers, amalgamations, acquisitions, conversions or similar transactions.

Sec. 2: Manner of Payment

1) The supervisory fees shall become due and payable within six months after the close of the institution's financial year.

2) The Reserve Bank of Malawi shall debit the main account of all institutions subject to supervisory fees at the end of the first quarter of each year in respect of the minimum fees stipulated in Section I above. The final balance, where applicable, shall be assessed and become payable after audited accounts of the institution have been released.

3) In order to facilitate the final assessment of fees each institution shall ensure that it submits its audited accounts to the Reserve Bank not later than six months from the end of its financial year.

Sec. 3 Late Payments

1) If six months elapse before audited accounts are submitted to the Reserve Bank of Malawi so that the Bank is unable to assess the final fees, then the concerned institution shall be liable to penalties.

2) If a bank or financial institution fails to pay the full amount of the supervisory fees within the period stipulated above, it shall be required to pay, in addition to such fees, a penalty calculated at the ruling rate of the 91 day treasury bill on the amount of the outstanding supervisory fees, for each month or part of the month during which the fees remain unpaid. And such an amount shall be recovered from the main account of the said institution maintained at the Reserve Bank of Malawi.

Sec. 4 General

1) All fees and penalties collected under this Directive shall accrue for the benefit of the Reserve Bank of Malawi in its discharge of financial sector supervisory functions.

PART IV: REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS

Sec. 1: Remedial Measures and Administrative Sanctions

1) Persistent non-compliance with this Directive shall attract such remedial measures and administrative sanctions against the institution as the Reserve Bank may deem necessary.

PART V: EFFECTIVE DATE

This Directive came into force after the Malawi **Government Gazette No. 2904 Vol XLIII No. 56 dated 08/12/2006 under General Notice No. 97**

Questions relating to this directive should be addressed to the Director, Bank Supervision Department of the Reserve Bank of Malawi.

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Victor Mbewe
GOVERNOR