

# REVISED COMMERCIAL BANKS LICENCE APPLICATION REQUIREMENTS



## 1. FORM OF APPLICATION

License application requirements are prescribed by the Act (Section 11 (2) and the 'schedule') and the Regulation (section 2). Prior to making a determination on an application, the Bank of Sierra Leone may, by notice in writing, require additional information or documents (Section 11 (3) of the Act).

A license application must be in writing and in English. The original and two complete official copies must be submitted to the Bank of Sierra Leone. The application must be signed by an authorized officer of the applicant.

## 2. DESIGNATION OF SPOKESPERSON

The license application should identify an English-speaking spokesperson who has been formally designated by the applicant to act on its behalf regarding the application. The spokesperson's name, address and telephone number should be provided in the application. During the time that the license application is pending with the BSL, any change to the name, address or telephone number of the spokesperson should be promptly provided in writing to the BSL. All communications between the BSL and the applicant will be directed to the spokesperson.

## 3. INFORMATION ON THE PROPOSED LICENSED INSTITUTION

The following information on the proposed licensed institution should be submitted as part of the application:

- Minutes of the meeting of the Board of Directors of the applicant authorizing the application for license.
- The proposed name and type of licensed institution.
- A copy of the Memorandum and Articles of Association of the proposed licensed institution or the constitution or relevant legislation governing the establishment and operations of the proposed licensed institution.

- A copy of the certificate of registration as a company, cooperative society or statutory body for the proposed institution.
- A copy of the last audited balance sheet of the proposed licensed institution, where applicable.
- The capital structure of the proposed licensed institution as of the date of the application, and the amount of the proposed paid-up capital of the licensed institution, including the amount that may have previously been paid in or subscribed to; provided that no capital of a licensed institution may be contributed in-kind. Identify the type and number of shares.

#### 4. INFORMATION ON CONTROLLING PERSONS

For each person who is, or proposes to be, a shareholder, promoter, or sponsor of the proposed licensed institution, the following information should be submitted as part of the application:

- Name
- Address
- Physical persons; country identification or passport number and data.  
Legal persons; identification of persons owning ten percent (10%) or more, or who are otherwise in control.
- Number and type of shares held or be subscribed in the proposed licensed institution, price per share, total price, resulting percentage ownership;
- Membership in companies, partnerships, associations, and groups of persons acting together with a common purpose, whether or not organized or registered as a formal business concern;
  - The names and addresses of companies, firms, and other business concerns in which they have an interest as principal shareholders, directors, partners, proprietors or guarantors, as the case may be;
  - The amount and percentage of shareholding or stakeholding;
  - The balance sheet and profit and loss accounts of the business concerns for a period of three years immediately preceding the date of application;
  - The nature of their participation in the management of business concerns; and

- The bankers' credit reports in respect of the business concerns.
- Knowledge or experience in the management of licensed institutions;
- History of ownership of at least ten percent (10%) or more of the stock or a precious position in senior management in any bank located anywhere in the world.
- Signed financial statements for the past three years, either audited if available, or in the format prescribed by the Bank of Sierra Leone.
- The source of funds used, or to be used, to fund the interest in the proposed licensed institution, if assets were (or will be) sold, or if funds were (or will be) borrowed, provided full information.
- Details of pending litigation, if any.
- Details of previous or pending insolvency or bankruptcy proceedings, if any.
- Copy of the Tenancy/Lease Agreement between the promoters of the bank and the Landlord of the proposed premises of the bank.

For each person who proposed to be a member of the Board of Directors, the audit committee, or senior management of the proposed licensed institution, the following information should be submitted as part of the application:

- Name
- Address
- Country identification or passport number and data;
- Education, qualifications, and professional or managerial experience, included in a detailed curriculum vitae;
- History of ownership of at least ten percent (10%) or more of the stock or a previous position in senior management in any bank located anywhere in the world.
- Membership in companies, partnerships, associations, and groups of persons acting together with a common purpose, whether or not organized or registered as formal business concern.

## 5. BUSINESS PLAN

The business plan for the proposed licensed institution should consist of three parts:

- Report on market survey of the banking and financial sectors, or feasibility study;
- Narrative in which the subjects listed below are fully discussed; and
- Detailed financial projections for the initial five years.

#### **INTRODUCTION:**

State the objectives for the business. Provide a basic statement on the nature and scale of the proposed deposit-taking business, development plans for the business, and arrangements for the management of the business.

#### **ASSUMPTIONS:**

Discuss all assumptions used in the preparation of the business plan and financial projections such as economic conditions in Sierra Leone, level of competition, growth forecasts, interest rates on earning assets (such as loans and investments) and liabilities (deposits, borrowed funds).

#### **ORGANIZATIONAL STRUCTURE:**

Describe the structure of the organisation and management of the proposed licensed institution. Address the board of directors, permanent committees (such as the audit committee), senior management, operational and administrative divisions and their sub-divisions and functions, supervisory positions, lines of authority and reporting relationships, staff projections, and manpower recruitment and training.

#### **FINANCIAL ACTIVITIES:**

Discuss the types and scale of deposit-taking and other financial activities envisaged. This presentation should be supported by information, which clearly shows the capability to undertake those activities in terms of management, expertise, systems support, organisation and staff. Specifically address: (1) the types of loans to be offered, targeted economic sectors, and plans for diversification; (2) planned deposit and borrowing activity; (3) method for pricing loans and deposits; and (4) proposed off balance sheet activities; and (5) correspondent and agency arrangements.

**FINANCIAL PROJECTIONS:**

Provide support for the business plan's financial projections for asset and liability growth, profitability, maintenance of an adequate level of unimpaired paid-up capital as prescribed by the Bank of Sierra Leone, and dividends.

**RISK MANAGEMENT:**

Describe the risk management processes: risk identification, measurement, monitoring and control. Describe plans for controlling the following risks: (1) liquidity, interest rate, and maturity risk (asset and liability management); (2) credit risk (3) operational risk; (4) market risk; and (5) all other risks to which the proposed licensed institution will be exposed when engaged in the financial activities envisaged by this business plan.

With regard to credit risk, specifically address: (1) credit policies (which must include limitations on loans to affiliates and controlling persons); (2) plans to minimize concentration risk through diversification and limitations on exposures to individual and groups of related borrowers, and (3) asset quality considerations such as underwriting, loan classification system, and provisioning for bad and doubtful loans.

**INFRASTRUCTURE:**

Provide information on the suitability of the premises. Indicate whether facilities and equipment will be leased or purchased. Address plans for future expansion, including branches offices. Describe the operations systems, including corporate policies and procedures, accounting standards, record-keeping, reporting (including to the management, board of directors, shareholders and the Bank of Sierra Leone), computerization (including hardware, software, and maintenance), risk measurement and controls, and internal audit and controls. Provide evidence that systems are capable of producing all required reports to the BSL in an accurate and timely fashion.

**BUSINESS PLAN MONITORING:**

Discuss the methods that the board of directors will use to regularly monitor performance under the business plan.

## **FINANCIAL STATEMENT PROJECTIONS:**

Based upon the preceding narrative section, submit a pro-forma balance sheet and income statement (and any necessary supporting schedules) for each of the first five years of operation.

### **6. MINIMUM PAID-UP CAPITAL**

The minimum paid-up capital will be as follows:-

- 2007 - Le 9 billion (or its equivalent in United States Dollars)
- 2008 - Le12 billion (or its equivalent in United States Dollars)
- 2009 - Le15 billion (or its equivalent in United States Dollars)

The amount must be deposited in a bank account to be specified by the Bank of Sierra Leone.

### **7. EXTERNAL AUDITORS**

External Auditors appointed must be satisfactory to the Bank of Sierra Leone.

### **8. ADDITIONAL REQUIREMENTS WHEN APPLICANT IS A FOREIGN BANK**

- The most recent "Full-scope" examination report of the applicant foreign bank.
- The most recent audit report (including management letter).
- The current organization chart of the applicant foreign bank showing the lines of authority and reporting from the branch in Sierra Leone to the parent foreign bank.
- A list of all affiliates and controlling persons of the applicant foreign bank including those of the proposed branch office in Sierra Leone.
- Evidence that, from the commencement of operations, the infrastructure at the branch will be established and the systems will be capable of producing all required reports to the Bank of Sierra Leone in an accurate and timely fashion, both on an individual branch and consolidated basis.

## **BANKING SUPERVISION DEPARTMENT**