

GUIDELINES FOR THE OPENING OF A BRANCH
BY A FINANCIAL INSTITUTION IN THE GAMBIA

1. INTRODUCTION

A branch of a bank means an institution by means of which a bank conducts the business of banking outside the Gambia or institution by means of which a foreign institution conducts the business of banking in the Gambia as prescribed by the law. In essence therefore, foreign subsidiaries in the Gambia and Gambian subsidiary abroad, where they exist, may be deemed branches. Under this definition, locally incorporated banks in The Gambia may have their extensions referred to as Agencies. However, all banks operating in the Gambia are required to incorporate locally.

An Agency in relation to a bank means a right granted to an entity by that bank to receive on its behalf from its clients any deposits, money due to it or applications for loans or advances or make payments to such clients on its behalf. It merely acts on instructions as outlet for the bank to conduct banking business.-

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An agency on the other hand should partake in:

- Receiving and paying out cash
- Receiving applications for loans and advances for onward transmissions to the head office
- No accounts should be opened at the agencies
- No loans or advances should be processed at the Agencies

Branch reports should be, though consolidated, shown as separate line items so as to facilitate its identification either as a liability or asset, profit or loss center to the head office. Agencies need not be reported for in that manner.

2 REASONS AND JUSTIFICATIONS FOR BRANCH OPENINGS

The opening of branches by financial institutions is generally recognized as response to a number of positive business exigencies of fundamental significance. Within the broad spectrum of plausible reasons for financial institutions to embark on branch – opening are:

- (a) The provision of quality service corresponding to factual requirements of actual and/or prospective customers;
- (b) Capability to stimulate savings in the sector and channeling them into the development process; and
- (c) The identification in the prospective area of a catchment conducive to the proper conduct of business.

The areas which the Banking and Financial Supervision Department of the Central Bank of The Gambia takes into consideration in assessing an application from a financial institution for the purpose of opening a branch are herein enumerated under eligibility criteria.

3 STATUTORY REQUIREMENTS

The Financial Institutions Act (FIA), 1992 Section 7, requires that any financial institution is required to secure the approval of the Central Bank of The Gambia prior to its opening of a branch, relocation or closure of any place of business in The Gambia.

In scrutinizing applications to the Central Bank for the opening of a branch, pursuant to the aforementioned Section 7 of the FIA, the Banking and Financial Institutions Supervision Department, in the exercise of its responsibility in this regard, is primarily oriented by Section 4 (3)(A), of the FIA 1992. However, as a complimentary measure, it also takes full cognizance of a number of basic prudential provisions, which have been

conceptualized by the Bank and elaborated in its Guidelines, Instructions and Regulations.

In considering an application to open a branch, the Banking and Financial Institutions Supervision Department has, as principal objective, the determination of the adequate fulfillment, by a prospective financial institution, of basic judicious requirements relative to both its functioning as an independent business concern, as well as its objective participatory prospects within existing socio-economic realities of the milieu in which it envisages opening a branch. The parameters within which the Department's recommendation is determined in connection with the eligibility of an application to open a branch are, hereunder, enumerated:

4 ELIGIBILITY CRITERIA

(4.1) Convenience And Needs Of The Community

The areas to which consideration is given in the determination of whether or not the provision of additional financial services would correspond to a furtherance of the convenience and needs of the community, are:

The population, financial institution/customer ratio and economic activity of the area.

(4.2) Prospective Effect Upon Existing Financial Institutions

An assessment of the impact the prospective business would have on financial institutions already operating in the area would be determined. The basic criterion in determining this is the interest of the banking sector as a whole.

(4.3) Financial Condition And History Of The Applicant

The Banking and Financial Institution Supervision Department assesses the actual situation of the financial institution applying to open a branch, with consideration being equally given to its past performance, in a bid to determining its degree of profitability and earning capacity over a number of years, in the medium term, preferably.

(4.4) **Prospects For Profitable Operation**

The profitability of the proposed business is determined by an examination of a Feasibility Studies Report and Business Plan of the applicant. Furthermore, a through scrutiny of projections made by the applicant is effected for the purpose of determining the viability of the branch.

In this regard, specifications should be provided in the following areas in the supporting documents of the application:

- (a) objectives of the applicant financial institution to establish a branch;
- (b) range of services to be provided by the branch;
- (c) any other information to support the application.

(4.5) **Character And Experience Of The Applicant And Management To Be Posted At The Branch**

The Management and Directors of the applicant financial institutions are assessed in order to determine the adequacy of their skills, knowledge and soundness of judgment relative to properly undertaking and fulfilling their specific duties and responsibilities at the time of presenting the application. The Banking and Financial Institutions Supervision Department further determines whether the proposed management of the branch possess any experience of similar responsibility by taking into consideration, their record in such functions,

where appropriate, as well as the adequacy of their qualifications and training. This involves the forwarding to the Central Bank, of the curriculum vitae of the key personnel to facilitate this review process. The adequate manning of the proposed branch is determined by an assessment of the organization chart in which such managers are fitted and the level of activity to be undertaken.

(4.6) **Adequacy Of Its Capital**

The component of Capital and Capital Adequacy of the applicant financial institution are reviewed, bearing in mind the proposed increased operations and the capital adequacy criteria set for financial institutions generally.

The Internal Capital-generating capacity of the institution is also assessed to deter it from using only depositors' fund to finance its operations.

The applicant must not have been defaulting on its Capital Adequacy requirement for the year of operations preceding the application for the branch opening.

5 **CONCLUSION**

Beside the issues mentioned above, the Banking and Financial Institutions Supervision Department may consider such other matters as it may deem necessary regarding the circumstances of each application. And it is within the mandate of the Bank to inspect the location of any proposed branch in order to satisfy itself of its suitability.

FINANCIAL SUPERVISION DEPARTMENT
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