



CENTRAL BANK OF THE GAMBIA

**GUIDELINE FOR THE
LICENSING OF FINANCIAL INSTITUTIONS**

FINANCIAL SUPERVISION DEPARTMENT

AUGUST 2003

GUIDELINES FOR LICENSING FINANCIAL INSTITUTIONS

(1) INTRODUCTION

The Banking Financial Institutions Supervision Department is the department in the Central Bank charged with, among other things, the responsibility of screening applicants for banking license to operate in the Gambia. The aim of this guideline is to facilitate the licensing of banks both from the stand point of the Central Bank and the processing applicants.

(2) STATUTORY REQUIREMENT

As a statutory requirement under Section 3 (1) of the Financial Institutions Act (FIA) 2003, no financial institution, including banks whether local or foreign, is authorized to engage in a banking business in the Gambia without a license issued by the Central Bank (Bank) authorizing it to do so. The Act provides adequate and precise information on the procedure and the requirements for obtaining a licence. The Bank has also issued prudential regulations and guidelines articulating on various aspects of the Act including the procedure and the requirements for obtaining a licence. The main objective of the licence guidelines is to assist an applicant to comprehend the full licensing requirements and thereby improve the quality of an application as well as its chances of success.

(1) PROCEDURE

(2.1) APPLICATION

An application for an approval for incorporation shall be in writing to the Bank, signed by the Chief Executive or the Chief Operating Officer and submitted along with the following information and attachments:

- (a) Name of proposed Company
- (b) Address of its head office
- (c) Objects of its business
- (d) Proposed Memorandum and Articles of Association. These should indicate but not necessarily be restricted to:
 - (i) Proposed capital not less than D60 million (sixty million Dalasis), the equivalent of about US\$2 million;
 - (ii) Name and permanent residence address of every person who subscribes to ten per cent (10%) or more of any class or series of shares whether or not such shares carry the right to vote in all circumstances;
 - (iii) Names and permanent residence addresses of directors including their respective curriculum vitae and schedule of assets;
 - (iv) Name and particulars of first chief executive;
 - (v) Full particulars of the company including among others:
 - organizational chart together with the curriculum vitae of the top management personnel;

- business plan including projected growth and estimates of profitability for, at least, the first five (5) years;
- locations and addresses of other business offices it proposes to operate;
- particulars of the office premises for the head office;
- start-up capital investment incurred and planned investments based on the financial projections indicated above;
- Cash flow statement

A local financial institution or a foreign subsidiary can be licensed by the Bank only if it is incorporated under the Companies Act (cap.29) of The Gambia. The prior approval of the Bank is required before such incorporation can be pursued.

- (e) Copy of the most recent audited financial statement indicating balance sheet and profit and loss statement in the case of a registered company or a consolidated parent organization. In the case of a start-up company the audited statement must indicate pre-incorporation expenditures.
- (f) Rules on quorum and distribution of assets and liabilities when winding up.
- (g) The needs of the community to be served.
- (h) Any other information the Central Bank may deem necessary.

(2.2) APPROVAL PROCESS

(a) **Investigation**

In considering an application for approval to incorporate a company to undertake a banking business, the Central Bank is required under Section 4 (3) FIA 2003 to conduct an investigation to verify the validity of the information furnished by the applicant or any other information it may deem necessary and incidental to the application. The investigation covers all matters under this section without necessarily limiting to them or the areas indicated below:

- (i) Financial condition and history or past performance of the applicant;
- (i) Character and experience of the applicant and the proposed management. The people concerned must not have participated, either directly or indirectly, in any bank failure;
- (ii) Adequacy of capital; the source of the capital and its legitimacy.
- (iii) A minimum capital of D60 million (sixty million Dalasis), the equivalent of about US\$2 million;
- (iv) Convenience and needs of the community to be served;
- (v) Prospects of profitable operation;
- (vi) Effect on existing financial institutions;
- (vii) Suitability of the office premises;

(viii) Any Other matters the Central Bank may consider necessary.

(2.3) APPROVAL IN PRINCIPLE

- (a) Upon the receipt of all the relevant information and provided the Central Bank is completely satisfied with them, it issues a letter recommending incorporation for possible subsequent licensing.
- (b) If the application is refused, the reason for declining it is conveyed to the applicant. However, if issuing the licence will not be in the public interest then the Central Bank does not need to assign the reason for refusal in accordance with section (4)(a) of the (FIA) 2003.
- (c) In case the Central Bank decides to issue a licence to an applicant, it delivers to the Registrar of Companies the memorandum and Articles of Association submitted by the applicant, as amended to the satisfaction of the Bank, for the purpose of incorporation.
- (d) It is required that upon incorporation of the applicant, it shall provide the Central Bank with certified copies of the Memorandum and Articles of Association as registered pursuant to the Companies Act. The Central Bank shall satisfy itself further that;
 - (i) the Memorandum and Articles of Association as registered are in accordance with those submitted to the Registrar of Companies for the purpose of incorporation;
 - (ii) there are no changes in the corporate structure during the period of incorporation;

- (iii) the condition with respect to minimum capital requirement prescribed by the Central Bank is fully satisfied in accordance with Section 18(2) of the FIA 2003.

ISSUANCE OF A LICENCE

- (e) If the Bank remains satisfied with the company as registered as well as any other information provided thereafter, it issues a licence to the applicant.
- (f) In issuing a licence, the Bank may impose any one or more conditions and may limit the exercise of powers of the financial institution as the Bank may consider necessary or desirable in accordance with Section 4(5) FIA 2003.

(2.4) APPROVAL IN PRINCIPLE

After completing the aforementioned successfully, the proposed bank would be granted an "Approval In Principle". This would enable it to finalized preparations for commencement of banking business. These include but not necessarily limited to:

- Completion of building(s) for the bank, if work is in progress
- Assessment of the identified site for its suitability as a banking center
- Availability of the appropriate banking facilities
- Capital payments into the Central Bank

- Any other issue that the Central Bank may consider necessary.

(2.5) COMMENCEMENT OF BUSINESS

The business of the financial institution may commence after being issued with the licence and only if the licence issued by the Central Bank specifically authorizes it to operate as a financial institution or a bank.

(2.6) REVOCATION OF LICENCE

Section 9 of FIA 2003 provides the conditions under which the Central Bank may revoke a licence issued to a bank or a financial institution.

Sub-section 9(1)(a) prescribes such sanction under a situation where the licensed financial institution “fails to commence operations within a period of six months following the issue of a licence”.

Revised by:
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