GOVERNMENT NOTICE NO. 43

FINANCIAL SERVICES ACT, 2010

(NO. 26 OF 2010)

FINANCIAL SERVICES (FINANCIAL REPORTING REQUIREMENTS FOR MICROFINANCE INSTITUTIONS) DIRECTIVE, 2014

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IN EXERCISE of the powers conferred by section 34(2)(*n*) of the Financial Services Act, 2010, I, CHARLES S. R. CHUKA, Registrar of Financial Institutions, issue the following Directive—

PART I— PRELIMINARY

1. This Directive may be cited as the Financial Services (Financial Reporting Requirements for Microfinance Institutions) Directive, 2014. Citation

2. This Directive shall apply to— Application

(*a*) deposit taking microfinance institutions;

(*b*) prudentially regulated non-deposit taking microfinance institution; and

(*c*) microfinance portfolios of other licensed financial institutions engaged in microfinance services.

3. In this Directive, unless the context otherwise requires— Interpretation

"annual return" means a set of annual financial reports in a prescribed format to be filed by an institution to the Registrar;

"core capital" consists of—

(*a*) issued and fully-paid shares;

(*b*) share premium;

(*c*) retained earnings;

(*d*) fifty per cent (50%) of current year to-date after tax profit or one hundred per cent (100%) of loss;

(*e*) capital grants; or

(*f*) any other distributable reserves, less investments in unconsolidated financial subsidiaries;

"monthly return" means a set of financial reports in a prescribed format to be filed by all licensed institutions to the Registrar on a monthly basis;

"institution" means a deposit taking microfinance institution, other prudentially regulated non-deposit taking microfinance institution or other licensed financial institutions engaged in microfinance services;

"quarterly return" means a set of financial reports in a prescribed format to be filed by an institution to the Registrar on a quarterly basis; and

"Registrar" means the Registrar of Financial Institutions appointed under the Act.

"supplementary capital" consists of—

(*a*) revaluation reserves on the assets of an institution that arise periodically from the independent valuation of those assets;

(*b*) fifty per cent (50%) of current year to-date; or

(*c*) any other form of capital as may be determined and approved by the Registrar from time to time; and

(*d*) "total capital" means the sum of core capital and supplementary capital

PART II—OBJECTIVES

Objectives

4. The objectives of this Directive are to ensure—

(*a*) enhancement of off-site surveillance of institutions;

(*b*) that institutions maintain a well developed accounting function and management information system;

(*c*) monitoring, on a continuous basis, of the asset quality of the institutions; and

(*d*) monitoring, on an on-going basis, the adequacy of capital and the attainability of the statutory liquidity requirements of institutions.

PART III—SUBMISSION OF RETURNS

Board and management responsibility

5.—(1) The board of directors and management staff of an institution shall—

(*a*) be responsible for adherence and compliance with the requirements of this Directive; and

(*b*) ensure that the institution has a robust management information system that generates accurate financial returns.

(2) The chief executive officer and the financial controller of an institution shall certify the accuracy of the returns.

Weekly return

6.—(1) An institution shall submit to the Registrar on a weekly basis a statement of liquidity for the institution as set out in the form of the First Schedule to this Directive.

(2) The weekly return shall be submitted to the Registrar within five (5) days of the end of the week to which it refers.

Quarterly return

7.—(1) An institution shall submit to the Registrar a monthly return of each of the following—

(*a*) monthly statement of financial position in the form prescribed as Form A of the Second Schedule to this Directive;

(*b*) monthly statement of comprehensive income in the form prescribed as Form B of the Second Schedule to this Directive;

(*c*) monthly computation of capital adequacy in the form prescribed as Form C of the Second Schedule to this Directive; and

(*d*) asset classification report as prescribed in the form prescribed as Form D of the Second Schedule to this Directive.

(2) An institution shall submit to the Registrar all returns forming part of the monthly return within fifteen (15) days of the end of each month.

8.—(1) An institution shall submit to the Registrar a quarterly return of each of the following—

(*a*) portfolio quality report as prescribed in the form prescribed as Form A of the Third Schedule to this Directive;

(*b*) where applicable, a statement of deposits in the form prescribed as Form B of the Third Schedule to this Directive; and

(*c*) a statement of off-balance sheet items in the form prescribed as Form C of the Third Schedule to this Directive.

(2) An institution shall submit to the Registrar all reports forming part of the quarterly return within fifteen (15) days of the end of each quarter.

Annual return

9.—(1) An institution shall annually submit to the Registrar a set of audited financial statements prepared in line with international financial reporting standards and made up of the following components—

(*a*) audited statement of financial position;

(*b*) audited statement of comprehensive income;

(*c*) statement of director's responsibility;

(*d*) auditor's opinion;

(*e*) audited statistical information;

(*f*) statement of cash flows;

(*g*) statement of changes in equity; and

(*h*) disclosure of material amount written off.

(2) An institution shall submit to the Registrar all reports forming part of the annual return within four (4) months of the end of each financial year in accordance with the Act.

Verification of accuracy of returns

10.— (1) The Registrar may inspect an institution, in order to determine the accuracy of the data or information disclosed in a return.

(2) An institution under inspection by the Registrar under subparagraph (1) shall produce all records, books and documents used in the preparation of such returns.

PART III—ENFORCEMENT

Monetary penalty

11.—(1) An institution that fails to submit weekly, monthly, quarterly or annual returns as stipulated in this Directive shall be liable to a monetary penalty of fifty thousand Kwacha (K50,000.00) and five thousand Kwacha (K5,000.00) thereafter for each day that the institution remains in default.

(2) The penalty referred to in subparagraph (1) shall be debited from the concerned institution's main account maintained at the Reserve Bank of Malawi after prior written notification.

(3) Where the institution does not maintain an account with the Reserve Bank, the institution shall make good of the penalty through a bank certified cheque payable to the Reserve Bank of Malawi within ten (10) days of being notified by the Registrar to pay the penalty.

(4) In addition to the monetary penalties imposed in subparagraph (1), the Registrar may impose directions and administrative penalties as provided for under the Act and the Microfinance Act, 2010.

FIRST SCHEDULE

FORM

LIQUIDITY STATEMENT

	Monday Amount (K000s)	*Tuesday Amount (K000s)*	*Wednesday Amount (K000s)*	*Thursday Amount (K000s)*	*Friday Amount (K000s)*	*Average Amount (K000s)*
1. AVAILABLE LIQUID ASSETS						
a. Notes and coin, Malawi currency						
b. Cheques in the course of collection						
c. Balances at Reserve Bank of Malawi						
d. Balances at other banks within Malawi						
e. Short-term Investments						
f. Bills of exchange, eligible for discount						
g. Local Registered Stocks, maturing within 6 years issued or guaranteed by Malawi Government						
h. Other eligible liquid assets						
Total available liquid assets						
i. DEDUCT: Suspense Account						
Net liquid assets (*a*)						
j. DEDUCT: Cheques in course of collection						
Net liquid assets (*b*)						
2. DEPOSITS AND SHORT-TERM LIABILITIES a. Domestic deposits						
b. Other borrowings and debt due in one year						
Total deposits and short term liabilities						
3. LIQUIDITY RATIO:						

SECOND SCHEDULE

FORM—A

MONTHLY STATEMENT OF FINACIAL POSITION

LIABILITIES AND EQUITY CAPITAL *(Amounts in thousands of Kwachas)*	
1. Domestic currency deposits	
a. Residents of Malawi:	
1. Demand deposits	
2. Savings deposits	
3. Time deposits	
i. less than 30 days' notice	
ii. fixed or notice of 30 days or over	
4. Compulsory or collateral savings	
b. Non-residents:	
1. Demand deposits	
2. Savings deposits	
3. Time deposits	
Total domestic deposits	
2. Foreign currency deposits	
a. Residents	
b. Non-residents	
Total foreign currency deposits	
3. Liabilities to other banks	
a. Reserve Bank of Malawi	
b. Other banks in Malawi	
c. Banks abroad in Malawi currency	
d. Banks abroad in foreign currency	
e. Suspense accounts in foreign currency	
Total liabilities to other banks	
4. Borrowed funds	
a. Maturing in less than 1 year	
b. Maturing in more than 1 year	
c. Shareholder's loans	
Total borrowed funds	
5. Other liabilities	
a. Accrued interest payable	
b. All other liabilities	
Total other liabilities	
6. Subtotal (sum 1 through 5)	

LIABILITIES AND EQUITY CAPITAL *(Amounts in thousands of Kwachas)*	
7. Acceptances, endorsements, guarantees etc as per contra	
8. Total liabilities (sum 6 and 7)	
9. Equity capital	
a. Share capital	
1. Authorised	
2. Shares paid up	
b. Share premium	
c. General Reserve	
d. Revaluation reserves (fixed assets)	
e. Retained earnings-prior years	
f. Net income(loss)-for current period	
Total equity capital	
10.Total liabilities and equity capital (sum 8 and 9)	
ASSETS	
11.Cash	
a. Domestic currency	
1. Malawi notes	
2. Malawi coins	
Total domestic currency	
b. Foreign currency	
Total cash	
12.Cheques in the course of collection	
13.Balances with Reserve Bank of Malawi	
a. Liquidity Reserve Requirement (LRR)	
b. Main account	
Total balances with Reserve Bank of Malawi	
14.Balances with banks abroad	
a. Nostro (due from)	
b. Customer foreign currency denominated accounts	
Total balances with banks abroad	
15.Balances with Banks in Malawi	
16.Bills of exchange, etc. payable abroad	
17.Investments and securities	
a. Short term investments:	
1. Treasury bills	
2. Reserve Bank of Malawi bills	
3. Money market deposits	

LIABILITIES AND EQUITY CAPITAL *(Amounts in thousands of Kwachas)*	
4. Inter-bank loans	
5. All other short term investments	
Total short term investments	
b. Long- term securities:	
1. Local registered stocks	
2. Other securities	
Total long-term securities	
Total investments and securities (sum 17.a. and 17.*b.*)	
18.Loans and Leases	
a. Mortgages	
b. Agriculture	
c. Commercial & industrial	
d. Individual & household loans	
e. Government	
f. Statutory bodies	
g. World Bank /Reserve Bank Project Loans	
h. Non-residents	
i. Lease financing receivables	
1. Gross receivables	
2. LESS: Unearned income	
3. Net lease financing receivables	
j. Forex loans	
k. All other	
1. LESS: Provisions for losses (general plus specific)	
Net loans and leases	
19.Premises and equipment	
a. Premises	
b. Equipment	
Total premises and equipment	
20.Other assets	
a. Accrued interest receivable	
b. All other assets	
Total other asset	
21.Subtotal	
22.Customers' liability on acceptances, guarantees, indemnities, etc	
23.Total assets (sum 21 and 22)	

FORM—B

MONTHLY STATEMENT OF COMPREHENSIVE INCOME

INCOME AND EXPENSES	
1. Interest income:	
a. Interest and fee income on loans and leases	
1. Mortgages	
2. Agricultural loans	
3. Commercial and industrial loans	
4. Individuals and household loans	
5. Government & statutory bodies	
6. Lease financing receivables	
7. Forex loans	
8. All other loans	
Total interest and fee income on loans and leases	
b. Interest income on balances with Reserve Bank of Malawi	
c. Interest income on balances with other banks	
1. Banks abroad	
2. Domestic banks	
Total interest income on balances with other banks	
d. Income on investment and securities	
2. Reserve Bank of Malawi Bills	
3. Money market deposits	
4. Inter-bank loans	
5. Local registered stocks	
6. All other securities	
Total investment income	
e. All other interest income	
Total interest income (sum 1.a through 1.e)	
2. Interest expense:	
a Interest expense on deposit accounts	
1. Demand	
2. Savings	
3. Time	

INCOME AND EXPENSES	
Total interest expense on deposit accounts	
b. Interest expense on inter-bank loans	
c. Interest expense on liabilities to banks abroad	
d. Interest expense on borrowed funds	
e. All other interest expense	
Total interest expense (sum 2.*a* through 2.*e*)	
3. Net interest income (item 1. minus 2.)	
4. Provisions for loan and lease losses	
a. General	
b. Specific	
Total provisions	
5. Non-interest income:	
a. Commissions and service charges on deposit accounts	
b. Foreign exchange	
1. Fees from foreign exchange transactions	
2. Trading gains (losses) from foreign exchange holdings	
c. All other non-interest income	
Total non-interest income (sum 5.*a* through 5.*c*)	
6. Non-interest expenses:	
a. Salaries and employee benefits	
b. Management fees	
c. Expenses of premises and fixed assets	
d. Depreciation	
e. All other non-interest expense	
Total non-interest expense (sum 6*a* through 6*d*)	
7. Net non-interest income (5. minus 6.)	
8. Income (loss) before taxes and extraordinary items (3 minus 4 plus 7)	
9 Taxation	
10 Income (loss) after taxes before extraordinary items (8 minus 9)	
11 Dividends proposed	
12 Extraordinary items	
13 Net income (loss) (10 minus 11 and 12)	

FORM C

MONTHLY COMPUTATION OF CAPITAL ADEQUACY REPORT

1) LEVERAGE CAPITAL RATIO:			
Share Capital (Paid Up)			
Share premium			
General reserve			
Retained earnings-Prior years			
Net income (loss)-Current period			
Less: Investment in unconsolidated subsidiaries			
Total equity			
Total Assets-Book amount			
Add: Provisions for loan losses (general only)			
Less: Revaluation reserves (fixed assets)			
Total assets (adjusted)			
2) RISK-BASED CAPITAL RATIOS:			
Share premium			
General reserve			
Retained earnings- Prior years			
Net income (loss)–Current period (60%)			
Less: Investment in unconsolidated subsidiaries			
Core Capital			
Add: Revaluation reserves (fixed assets)			
Provisions for loan losses (general only)			
Total Capital			
RISK BASED ASSETS	*Amount (MK'000)*	*Risk Weight*	*Risk Weighted Assets*
Currency & coin (domestic and foreign)			
Balances with Reserve Bank of Malawi			
Balances with other banks (excl. resid. maturity > 1 yr)			
Cheques in the course of collection			
Malawi Government treasury bills			
Other securities			
Loans to or guaranteed by Malawi Government			
Loans secured by cash deposits			

RISK BASED ASSETS	*Amount (MK '000)*	*Risk Weight*	*Risk Weighted Assets*
Loans guaranteed by OECD incorporated banks			
All other loans			
Fixed assets			
All other assets			
Contingent claims			
Claims to or guaranteed by Government			
Claims with cash collateral			
Direct credit substitutes (guarantees, acceptances, etc.)			
Transaction related contingency (perf. bonds, standbys)			
Documentary credits etc (trade related & self liquidating)			
Other commitments with maturity of over 1 year			
Similar commitments of up to 1 year or which can be conditionally cancelled			
TOTAL RISK-BASED ASSETS			
Risk-Based Capital Ratio			
TOTAL Risk-Based Ratio			

FORM—D

ASSET CLASSIFICATION REPORT

NAME OF INSTITUTION:.....

MONTH ENDING:.....

CLASSIFIED ASSETS.....

Assets	*Standard*	*Special Mention*	*Substandard*	*Doubtful*	*Loss*	*Total*
	0%	20%	50%	75%	100%	
Credit facilities						
Securities						
Real Estate Owned						
Other Assets						
Total Assets						
Provisioning for Loan Loss						
Net Assets						

Past-Due Assets: Report the total amount outstanding for each asset class.

Assets	*Past Due 8-29 days (memo item) (1)*	*Past Due 30-59 days (2)*	*Past Due 60-89*days (3)	*Past Due 90 or more days (4)*	*Total Past Due ((2)+(3)+(4))*
Credit Facilities					
Other Assets					
Total	—	—	—	—	—

Charge-offs and Recoveries

Asset	*Charge-Offs*	*Recoveries*	*Net Position*
Credit Facilities			
Other Assets			
Total	—	—	—

Changes in Allowance for Loan Loss

	Amount K'000
Balance from previous report	—
Recoveries	—
Charge-offs	—
Current provisions for losses	—
Prior period adjustments	—
Ending balance	—

THIRD SCHEDULE

FORM—A

PORTFOLIO QUALITY REPORT

NAME OF INSTITUTION:.....

MONTH / QUARTER ENDING:.....

PART I—PORTFOLIO AT RISK

	Current month	*Previous month*
CLIENT POPULATION		
1. Number of new borrowers		
2. Number of existing borrowers		
3. Total number of borrowers		
DEPOSITORS		
4. No. of Savings Accounts		
5. No. of Time Deposit Accounts		
Total		

	Current month	*Previous month*
PORTFOLIO STATUS		
6. No. of loans disbursed		
7. Value of loans disbursed (K'000)		
8. No. of loans outstanding		
9. Value of outstanding loan portfolio (K'000)		
10. Average loan amount		
11. Average loan term (in weeks)		
12. Loans written off (K '000)		
13. Loans recovered (K '000)		
14. Portfolio at risk *(K'000)		

*Portfolio at risk is calculated as amount due not repaid for over 60 days or more divided by the value of loans outstanding

PART II—AGING REPORT

	Number of Loans	*Outstanding Balance*	*Minimum Provision (%)*	*Provision Amount (Kwacha)*	*Compulsory Savings/LIF*	*Required Provision*
Current	—	—	0%	—	—	—
Overdue for 30 days or more but less than 60 days	—	—	20%	—	—	—
Overdue for 60 days but less than 90 days	—	—	50%	—	—	—
Overdue for 90 days but less than 180 days	—	—	75%	—	—	—
Overdue for 180 days and above	—	—	100%	—	—	—
Rescheduled loans						
Overdue for 30-59 days	—	—	20%	—	—	—
Overdue 60-89 days	—	—	50%	—	—	—
Overdue 90-179 days	—	—	75%	—	—	—
Overdue 180 days and above	—	—	100%	—	—	—
Total	—	—	—	—	—	—

PART III—PROVISIONS

SPECIFIC PROVISIONS

A provision is established against a presently identified loan or probable loss. Should the loan improve in status, its provision may be eliminated or reduced. If a loan is classified as a loss it shall be written off from the books of the institution.

	Year to Date	*Corresponding Quarter*	*Prior Year*
Beginning balance			
Transfer to provisions			
Gross charge-offs (loan losses)			
Recoveries on prior charge-offs			
Other entries (describe)			
Ending balance			

PART IV—INTEREST IN SUSPENSE

For all value-impaired assets, including assets that are adversely-classified and assets that are 60 days or more past-due

	Year to Date	*Corresponding Quarter*	*Prior Year*
Opening Balance			
Add: Current interest in suspense			
Less: Write-offs			
Ending balance			

PART V—CHARGE-OFFS AND RECOVERIES BY SECTOR

Show, in the schedule below, gross amounts charged-off and gross recoveries on such charge-offs by sector, for the year-to-date in the current financial year. The totals must agree with gross provisions established in the period and reductions due to improved status, again in the year-to-date column of the Specific Provisions in Part I of this Schedule.
Year-to-date for the current financial year (K'000s)

Sector	*Charge-off*	*Recoveries*	*Net Position*
1. Agriculture	—	—	—
2. Manufacturing	—	—	—
3. Trade and Commerce	—	—	—
4. Transport and Utilities	—	—	—
5. Building and Construction	—	—	—
6. Others	—	—	—
7. Total	—	—	—

PART VI—SUPPLEMENTARY DATA ON NON-PERFORMING ADVANCES (K'000)

Sector	*Total Outstanding*	*Non-performing as per definition*	*Percentage of Non-Performing*
1. Agriculture	—	—	—
2. Manufacturing	—	—	—
3. Trade and Commerce	—	—	—
4. Transport and Utilities	—	—	—
5. Building and Construction	—	—	—
6. Others	—	—	—
7. Total	—	—	—

	Demand		*Call*		*Savings*		*Time*		*Certificate of Deposits*		*Total*	
	Total Amount	*of which FCDAs*	*Total Amount*	*of which FCDAs*	*Total Amount*	*of which FCDAs*	*Total Amount*	*of which FCDAs*	*Total Amount*	*of which FCDAs*	*Total Amount*	*of which FCDAs*
Deposits of Residents												
1. Government												
2. Parastatal												
3. Private												
4. Individuals and households												
Total deposits of residents												
Deposits of non-residents												
Borrowed funds												
Total Deposit of borrowed funds												

FORM—B para. 8(1)(*b*)

STATEMENT OF DEPOSITS

FORM—c para. 8(1)(*c*)

STATEMENT OF OFF BALANCE SHEET ITEMS

	NAME OF DMFI:	
	FINANCIAL YEAR:	
	Statement of Off Balance Sheet Items	
	END DATE:	
1	Contingent Liabilities	AMOUNT IN K'000'
	a. Guarantees	
	b. Letters of Credit	
	c. Assets pledged as collateral security	
	d. Other	
	Total Commitments	
2	Commitments	
	a. Arising out of sale and option to repurchase transactions	
	b. Credit/Debit Cards	
	c. Foreign exchange and interest related contracts	
	d. Other	
	Total commitments	
3	Unused commitments	
	a. Foreign guarantees	
	b. Local guarantees	
	c. Bankers acceptances	
	d. Other	
	Total unused commitments	
4	Allowances for loan losses on acceptances and off balance sheet items included in other liabilities	
5	Total off balance sheet items (Net of allowances for losses)	

We declare that this return, to the best of our knowledge and belief is correct.

Name of Authorising Officer.....

sign.....date.....

Name of Counter signing Officer.....

sign.....date.....

Made this 21st day of July, 2014.

C. S. R. CHUKA
Registrar of Financial Institutions

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