Deposit Taking Microfinance Institutions

They mobilise deposits for on lending and must meet the following:

- Non-refundable application fee: K150, 000
- Evidence of membership to the national association of microfinance in Malawi
- Minimum capital: K250 million
- Be a company limited by shares
- Provide source and evidence of capital
- Submit Memorandum and Articles of Association
- Satisfy fit and proper tests for board and management
- Submit documented lending policy
- Submit proposed complaints handling procedures
- Submit Policies for monitoring and recovering delinquent loans
- Submit organisation chart
- Documented risk management systems
- Details of external auditors
- Latest audited financial statements
- Submit business plan and projected financial statements
- In case of foreign-owned/partially foreign owned institutions copy of the resolution of the parent board of directors allowing establishment of subsidiary in Malawi and letter from home supervisory authority allowing the parent company to invest/operate in Malawi

All required information must be submitted to avoid delays in processing the application.

Outcome of the Licence Application

- The decision to grant or refuse registration/licencing is communicated to the applicant in writing by the Registrar of Financial Institutions within sixty (60) days after receipt of a complete application.

Application Form

The Application Forms may be obtained from the Director, Financial Sector Regulation Department or downloaded from **http://www.rbm.mw**

For further information or inquiries concerning the preparation and status of application, please contact the following: *The Director, Financial Sector Regulation Department, Reserve Bank of Malawi, P.O. Box 565, Blantyre, MALAWI.*

Tel: [265] (01) 820 299
Fax: [265] (01) 830 628
E-mail: fsr@rbm.mw
Website: www.rbm.mw

Disclaimer

Every effort has been made to ensure that this Brochure contains accurate and reliable information prevailing at the time of publication. However, where the contents are at variance or in conflict with the Financial Services Act or related Directives issued by the Registrar of Financial Institutions, the latter shall take precedence.

RESERVE BANK OF MALAWI

Registration/licensing Requirements for Microfinance Service Providers

September 2018

THE MICROFINANCE SECTOR

In Malawi, microfinance service providers are categorised into: Microcredit, non-deposit taking and deposit taking. All these are registered or licensed by the Registrar of Financial Institutions.

LEGAL FRAMEWORK

The Financial Services Act, 2010

The Act is an umbrella law which provides for licensing, registration or approval of all financial institutions.

It gives the Registrar of Financial Institutions the authority to regulate and supervise the financial services industry and appoints the Governor of the Reserve Bank of Malawi as the Registrar.

The Microfinance Act, 2010

Provides for operational requirements for all microfinance institutions. It also stipulates general requirements for licensing. The Financial Services Act and the Microfinance Act apply to all the Microfinance categories.

Applicable Directives

The Directives stipulate minimum licensing requirements and operational guidelines for the *specific* microfinance categories. Currently, the following apply:

- The Microfinance (Microcredit Agency) Directive, 2018;
- Microfinance (Non Deposit Taking Microfinance Institutions) Directive, 2018;
- Financial Services (Licensing and Approval Requirements for Deposit-Taking Microfinance Institutions) Directive 2014;
- Financial Services (Asset Classification Requirements for Microfinance Institutions) Directive 2014;
- Financial Services (Corporate Governance Requirements for Microfinance Institutions) Directive 2014;
- Microfinance (Premises Inspection Requirements for Deposit-Taking Microfinance institutions) Directive 2014;
- Financial Services (Prudential Liquidity Requirements for Deposit-Taking Microfinance Institutions) Directive 2014; and
- Financial Services (Financial Reporting Requirements for Microfinance Institutions) Directive 2014.

REGISTRATION AND LICENSING REQUIREMENTS

Different categories of microfinance service providers have different registration/licensing requirements depending on the nature of business as stipulated below:-

Microcredit Agencies

These provide microcredit services and must meet the following:-

- Non-refundable application fee: K100, 000
- Evidence of membership to the national association of microfinance in Malawi
- No minimum capital requirement
- Legal status: Partnership, NGO or company limited by shares or guarantee
- Provide source and evidence of capital
- Submit constitution documents
- Submit organisation chart
- Satisfy fit and proper test for board and management
- Submit documented lending policy
- Submit proposed complaints handling procedures
- Provide latest audited financial statements for applicants already conducting microcredit business
- Submit business plan and projected financial statements
- In case of foreign-owned/partially foreign owned institutions, copy of the resolution of the parent board of directors allowing establishment of subsidiary in Malawi and letter from home supervisory authority allowing the parent company to invest/operate in Malawi.

Non-Deposit Taking Microfinance Institutions

These provide microcredit, micro insurance, micro pension, micro leasing, linkage banking, transfer and payment services or any other services that the Registrar may designate. These require at a minimum:-

- Non-refundable application fee: K200,000
- Evidence of membership to the national association of microfinance in Malawi
- Minimum capital: K100 million
- Legal status: NGO or company limited by shares or guarantee if below threshold or company limited by shares if above threshold
- Provide source and evidence of capital
- Submit constitution documents
- Satisfy fit and proper test for board and management
- Submit documented lending policy;
- Submit proposed complaints handling procedures
- Submit organisation chart
- Provide documented risk management system
- Provide details of external auditors
- Submit latest audited financial statements
- Business plan and projected financial statements
- In case of foreign-owned/partially foreign owned institutions copy of the resolution of the parent board of directors allowing establishment of subsidiary in Malawi and letter from home supervisory authority allowing the parent company to invest/operate in Malawi