FINANCIAL SERVICES ACT

(CAP 44:05)

FINANCIAL SERVICES (DISCLOSURE OF INFORMATION BY BANKS) DIRECTIVE, 2018

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IN EXERCISE of the powers conferred by section 34 (2) of the Financial Services Act, I, DR. DALITSO KABAMBE, Registrar of Financial Institutions make the following Directive—

1. This Directive may be cited as the Financial Services (Disclosure of Information by Banks) Directive, 2018. Citation

2. In this directive, unless the context otherwise requires— Interpretation

"bank" has the meaning ascribed to that term in Banking Act; Cap. 44:01

"banking business" has the meaning ascribed to that term in the Banking Act; Cap. 44:01

"Board" means the highest body of authority in a banking institution responsible for strategically guiding the institution, effectively monitoring management, and properly accounting to shareholders;

"disclosure" means publishing or displaying information to the general public as prescribed in this Directive or by the Registrar from time to time;

"executive officer" means an officer at the most senior level of the management of a banking institution, whether or not he is a director, who effectively manages the institution;

"financial statements" means—

(*a*) Statement of Position;

(*b*) Statement of Comprehensive Income; and

(*d*) Cap. flow statement;

"insider" has the meaning ascribed to that term in the Banking Act; Cap. 44:01

"related party" has the meaning ascribed to that term in the Banking Act; Cap. 44:01

"senior management official" means—

(*a*) an executive officer;

(*b*) head of department or function;

(*c*) an official who ensures that every bank reports either directly to the Board, to a committee of the Board or to an executive officer; or

(*d*) a branch manager of a bank that the Registrar declares as a senior management official.

Objectives

3. The objectives of this Directive are to—

(*a*) maintain a level of transparency that is adequate and relevant to enable depositors and the general public to make informed decisions;

(*b*) enhance market discipline in the banking sector by providing adequate financial information including that on pricing of products and services to various stakeholders; and

(*c*) promote and maintain public confidence in the banking industry through enhanced transparency.

Responsibility of Board and executive officer

4.—(1) The Board and an executive officer of a bank shall ensure that the bank complies with the requirements of this Directive.

(2) The bank shall have a formal disclosure policy approved by the Board.

(3) The disclosure policy shall address the bank's approach for determining what disclosures to make and the internal controls over the disclosure process.

(4) The bank shall implement a process for assessing the appropriateness of its disclosures, including validation and frequency of such disclosures.

(5) The executive officer shall be responsible for full, timely and accurate disclosure of all relevant information.

Audited Financial Statements

5.—(1) A bank shall, within 4 months after the end of each financial year, publish in at least two newspapers of wide circulation in Malawi, excluding on public holidays, and on its website the following information—

(*a*) a copy of audited financial statements containing at a minimum a statement of financial position, statement of comprehensive income, and cash flow statement; and

(*b*) other disclosures as listed under paragraph (7) of this Directive and prescribed in Forms 4 to 8 of the Schedule hereto.

(2) The bank shall in addition to publishing the information in subparagraph (1), disclose in detail in its audited annual accounts all the information as required under International Financial Reporting Standards 7: Financial Disclosures.

Unaudited Financial Statements

6.—(1) A bank shall prepare and publish in at least 2 newspapers of wide circulation in Malawi, excluding public holidays, and on it's website, it's unaudited financial statements and all disclosures listed in paragraph (7) of this Directive.

(2) The bank shall publish the unaudited financial statements for the first half of the year within 60 days after 30th of June and not later than 31 August.

(3) The bank shall only publish audited financial accounts for the second half of the year, in accordance with paragraph 5:

Provided that the published financial statements shall contain all the disclosures stipulated under paragraph 7.

(4) The bank shall, at a minimum, ensure that the published unaudited financial statements contain the items prescribed in Forms 1 to 3 in the Schedule hereto.

(5) Subject to subparagraph (4), the bank may disclose additional information, including commentary to the Forms where the information enhances disclosure to the general public.

Exemptions from publishing unaudited financial statements

7. A newly licensed bank shall be exempted from publishing unaudited financial statements and other disclosures until after 12 months from the date the bank commenced its operations.

Other disclosures

8.—(1) A bank shall in addition to publication of financial statements as stipulated in paragraphs 5 and 6 of this Directive, publish in at least two newspapers of wide circulation in Malawi, excluding public holidays, and on it's website the following information—

(*a*) total loans to related parties, including loans to insiders, and their proportion to core capital;

(*b*) base or Prime Lending Rate including the maximum spread or range (basis points) above the prime or base rate including that on foreign currency loans;

(*c*) director's remuneration, bonuses and management fees;

(*d*) deposit rates including those on foreign currency deposits for Foreign Currency Denominated Accounts (FCDAs); and

(*e*) itemized fees or charges on all personal banking products or services.

(2) The bank shall publish all disclosures in the format prescribed in Forms 4 to 8 in the Schedule hereto.

(3) The bank shall publish additional information pertaining to charges or fees where the bank has other personal banking products or services that are not reflected on Form 8 prescribed in the Schedule hereto.

(4) The bank shall at all times exhibit copies of its financial statements and disclosures listed in subparagraph (1) (*b*), (*d*), and (*e*) in a conspicuous place at its place of business and in all banking halls of its branches and agencies.

(5) In addition to the list of disclosures in this paragraph of this Directive, the bank shall publish any other information as the Registrar may from time to time prescribe.

(6) The Registrar shall publish or direct the bank to publish a breach or violation of the Act, the Banking Act or any relevant financial services laws by the bank including the penalties imposed on the bank. Cap. 44:01

(7) The Registrar may also publish a consolidated summary of major disclosures for all the banks in any widely circulated newspaper.

Monetary penalties

9.—(1) The Registrar shall impose the following monetary penalties for violations of this Directive—

(*a*) for banks, up to K50,000,000 and;

(*b*) for a natural person who is a member of the Board of directors or senior management, up to K10,000,000.

(2) With respect to banks, the Registrar shall—

(*a*) debit the penalty in subparagraph (1) (*a*) from the main account of the bank maintained at Reserve Bank of Malawi; and

(*b*) notify the bank in writing prior to debiting the account.

(2) With respect to a natural person or where the bank does not maintain an account with the Reserve Bank of Malawi, the natural person or the bank shall pay the penalty through a bank certified cheque or electronic transfer payable to the Reserve Bank of Malawi within ten working days after being notified by the Registrar.

Administrative penalties Cap. 44:01

10. In addition to the monetary penalty imposed in paragraph 9 (1), the Registrar may impose directions, administrative penalties and enforcement action as provided for under the Act and the Banking Act.

Revocation

11. The Directive on Disclosure of Information by Banking Institutions (DO1-2010/DR) is hereby revoked.

SCHEDULE (para. 5(1)(*b*))

FORMS FOR PUBLISHING FINANCIAL STATEMENTS AND OTHER DISCLOSURES

FORM 1

STATEMENT OF POSITION

ASSETS	Current Year/ Half Year (K'Million)	Previous Year/ Half Year (K' Million)
Cash and Cash Equivalents	x	x
Investment Securities (< 1 year)	x	x
Investment Securities (> 1 year)	x	x
Loans and Advances (local currency)	x	x
Forex Loans	x	x
Property, Plant and Equipment	x	x
Other Assets	x	x
TOTAL ASSETS	x	x

LIABILITIES	Current Year/ Half Year (K'Million)	Previous Year/ Half Year (K' Million)
Deposits from Customers (Local)	x	x
Deposits from Other Banks	x	x
Foreign Currency Deposits (FCDA's)	x	x
Borrowed Funds (Local)	x	x
Borrowed Funds (Foreign)	x	x
Other Liabilities	x	x
TOTAL EQUITY	x	x
TOTAL LIABILITIES	x	x
OFF BALANCE SHEET ITEMS	x	x

FORM 2

STATEMENT OF COMPREHENSIVE INCOME

	Current Year/ Half Year (K'Million)	Previous Year/ Half Year (K' Million)
Interest Income	x	x
Interest Expense	x	x
Net Interest Income	x	x
Non-Interest Income	x	x
Non-Interest Expense	x	x
Operating Income	x	x
Provisions/Impairment Loss	x	x
Other Expenses	x	x
Taxation	x	x
NET PROFIT	x	x
DIVIDENDS	x	x

FORM 3

CASH FLOW STATEMENT

	Current Year/ Half Year	Previous Year/ Half Year
Net cash flows from Operating activities	x	x
Net cash used in Investment activities	x	x
Net cash generated from Financing activities	x	x
Cash and cash equivalents at end of period	x	x

FORM 4

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	Current Year/ Half Year	Previous Year/ Half Year
Directors		
Balance at beginning of year/half year	x	x
Loans granted during the year/half year	x	x
Repayments	x	x
Balance at end of year/half year	x	x
Other Related Parties	x	x
Balance at beginning of year/half year	x	x
Loans granted during the year/half year	x	x
Repayments	x	x
Balance at end of year/half year	x	x
Senior Management Officials	x	x
Balance at beginning of year/half year	x	x
Loans granted during the year/half year	x	x
Repayments	x	x
Balance at end of year/half year	x	x

FORM 5

BASE LENDING RATE

	Current Year/ Half Year	Previous Year/ Half Year
Base Lending Rate (local currency)	x	x
Maximum Applicable Range (basis points)	x	x
Base Lending Rate (foreign currency loans)	x	x
RBM Bank Rate	x	x

FORM 6

DIRECTOR'S REMUNERATION, BONUSES AND MANAGEMENT FEES

	Current Year/ Half Year	Previous Year/ Half Year
Director's Remuneration	x	x
Total Bonuses Paid by licensed institution	x	x
Management Fees	x	x

FORM 7

DEPOSIT RATES

Type of Deposit	Current Year/ Half Year	Previous Year/ Half Year
1.	x	x
2.	x	x
3.	x	x
4.	x	x

ANNEXURE 8

CHARGES OR FEES ON PERSONAL BANKING ACCOUNTS

Number	Item/Transaction	Charge/Fee
1.0	Current Accounts	
	(1) Required minimum opening balance	
	(2) Monthly service fee (breakdown per customer type)	
	(3) Cheque withdrawal over counter	
	(4) Fees per ATM withdrawal	
	(5) ATM mini statement	
	(6) Interim statement per page	
	(7) Periodic scheduled statement	
	(8) Cheque book	
	(9) Dishonoured cheque	
	(10) Special clearance	
	(11) Counter cheque	
	(12) Stop payment	
	(13) Standing order	
	(14) Balance inquiry	
	(15) New ATM card issuance	
	(16) ATM renewal or replacement (indicate costs for different card types)	
	(17) Overdrawn account interest charge	
	(18) Unarranged overdraft	
	(19) Interbank transfer	
	(20) Bill payments through ATM	
	(21) Deposit fee	
	(22) Other (please specify)	

Number	Item/Transaction	Charge/Fee
2.0	Savings Accounts (Disclose for specific types e.g. Saver Plus, Contract Save, Partnerships etc)	
	(1) Required minimum opening balance (2) Monthly service fee (3) Interim statement (4) Account closure	
3.0	Electronic Banking	
	(1) Internet banking monthly service fee (2) Internet transfers (3) SMS banking(iv) Other	
4.0	Foreign Exchange Transactions (1) Purchase/Sale of TCs (2) Purchase of foreign cheque (3) Sale/purchase of cash passports (4) Telegraphic transfer (5) Telex/Swift (6) Transfer from FCDA to local current account (within bank and to other banks)	
5.0	Personal Loans	
	(1) Processing/Arrangement/Appraisal fee (*a*) Personal loans (*b*) Overdrafts (*c*) Mortgage finance (*d*) Asset finance (2) Unpaid loan installment (3) Early repayment (4) Valuation fees (5) Other	

We the undersigned attest to the correctness of the above financial statements and other disclosures. We declare that the statements have been examined by us, and to the best of our knowledge and belief have been prepared in conformance with the instructions and are true and correct.

	Name	*Designation*	*Signature*	*Date*
1.	.....	.....	.....	.....
2	.....	.....	.....	.....
3	.....	.....	.....	.....

Questions relating to this Directive should be addressed to the Director, Bank Supervision Department of the Reserve Bank of Malawi.

Made this 29th day of June 2018.

D. KABAMBE, PhD
Registrar of Financial Institutions

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