REGULATION NO. 16, 2012

LIQUIDITY MANAGEMENT

In accordance with the provisions of section 12 of the Bank of South Sudan Act, 2011, and section 66 of the Banking Act 2012 (the Banking Act), I hereby issue the following Regulation that specifies the amount of liquid assets that must be maintained by banks operating in South Sudan as well as the requirements for liquidity policies for such banks. This regulation applies to all banks operating in South Sudan.

This Regulation shall be cited as Liquidity Management, 2012, and shall come into effect as from the date of its signature.

I. General Provisions and Definitions

1. The purpose of this regulation is to:

   (a) ensure that each bank has sufficient liquidity to meet its obligations as they fall due across a wide range of operating circumstances;

   (b) provide guidance on compilation of liquidity returns;

   (c) ensure accuracy and uniformity in the computation of the liquidity ratio in the banking sector;

   (d) ensure timely submission of liquidity and maturity analysis of assets and liabilities reports to the Bank of South Sudan (BSS); and

   (e) provide guidance to banks in the formulation of liquidity management strategies, policies, procedures, management information systems, internal controls and contingency plans for unexpected distress situations.

2. The following definitions are used in this regulation:

"High quality liquid assets" include:

   (a) cash;

   (b) operating, current and/or clearing accounts and time deposits with the BSS;

   (c) call deposits, bank bills and certificates of deposit held with banks approved by the BSS;

   (d) debentures, bonds, or other debt instruments issued or guaranteed by:

      (1) any of the entities listed in section 13(c) of the BSS Regulation No. 15, 2012 on Maximum Exposure to One Person or a Group of Interconnected Persons;

      (2) a central government or central bank whose long-term rating is not lower than "A", or an equivalent level by an internationally-recognised rating agency whose ratings are approved for use by the BSS, provided that the value of the claim can be determined on a constant basis and the claim or guarantee can be converted to liquid funds on an immediate basis.

Such assets must be free from any encumbrance, lien, and charge, right of setoff, credit, or preference in connection with any claim against the bank.

"Deposit liabilities" of a bank refers to the total amount of money deposited in the bank in the form of demand deposits, savings deposits, and all other forms of deposits.

"Short term liabilities" are liabilities that have matured and those that are due to mature within 91 days and have cash flow implications.

II. Liquidity Maintenance Requirements

3. Each bank operating in South Sudan must maintain high quality liquid assets in the amount of at least 20 percent of deposit liabilities, matured and short-term liabilities.

4. The minimum prescribed liquidity requirement set forth in section 3 is only the minimum that all banks operating in South Sudan must maintain. Each bank must identify its unique liquidity needs, based on cash flow requirements over specific time periods, and plan for appropriate funding. It is the responsibility of the board of directors of each bank to:

(a) develop and document liquidity management strategy and relevant policies;

(b) ensure that the strategy and policies are communicated to executive and senior management and all other appropriate staff members for execution; and

(c) review the strategy and policies at least annually to ensure that they remain suitable for the bank's needs and to take account of changing operating circumstances, and to make any changes that the board deems necessary.

5. The BSS may, if it considers it appropriate in the particular circumstances of a bank, and having regard to the risks arising from the activities of the bank and such other factors as the BSS considers relevant, vary the required liquidity ratio applicable to that bank.

6. Each bank's liquidity management policies must at a minimum, address the following:

(a) **Liquidity Management Strategy:** A statement of the bank's longer term approach to liquidity, including management of its liquidity and maturity mismatch positions, in view of the bank's business lines and size of balance sheet.

(b) **Management Structure and Information Systems:** An adequate information system for measuring, monitoring, controlling and reporting liquidity requirements, integrated into the bank's overall management information systems. The system must include an appropriate management reporting structure to effectively execute the liquidity strategy, with the use of appropriate policies and procedures.

(c) **Measuring and Monitoring Net Funding Requirements:** A process for assessing cash inflows against its outflows to identify the potential for any shortfall, and incorporating funding requirements for off-balance sheet items. Assumptions made in making cash flow projections must be clear, well- documented, and subject to frequent reviews to determine the validity of underlying factors. Less frequent, but more in-depth reviews should be carried out to re-examine and refine the bank's liquidity policies and practices in the light of its experience and developments in its business and economic environments.

(d) **Contingency Planning:** Contingency plans to identify potential funding problems, handle liquidity crises, make up liquidity shortfalls in emergency situations, and raise additional funds of the right type and amount if the bank's normal approach to funding operations is disrupted.

(e) **Foreign Currency Liquidity Management:** A system for measurement, monitoring and control for the bank's liquidity positions in major currencies traded, both in terms of aggregate foreign currency needs and for each currency individually.

(f) **Internal Controls for Liquidity Management:** An adequate system of internal controls over its liquidity management process, including provisions for regular, independent reviews and evaluations of the effectiveness of the system. The internal control system for liquidity must be integrated with the bank's overall system of internal control in order to promote effective and efficient operations, reliable financial and regulatory reporting, and compliance with the requirements of the Banking Act and this regulation, and the bank's own policies.

III. Reporting

7. Each bank must provide data on its liquidity on a weekly basis to the BSS in the format set out in Schedule 1. The data must be submitted within two (2) working days after the end of each week.

8. A bank shall provide data on maturity analysis of its assets and liabilities in the format set out in Schedule 2, within ten working days after the end of each month.

9. Maturity analysis of off-balance sheet items that have cash flow implications must also be included in the report specified in section 8. The maturity time band will depend on the management judgment of when the commitments will be likely to be called or drawn down.

10. The BSS may verify the accuracy of the reports required in this regulation and may direct a bank to adjust such reports.

11. A bank must without delay notify the BSS in writing of any situation in which:

(a) it fails to meet the liquidity ratio requirement set forth in section 3 of this regulation, or any other ratio that may be applicable to the bank per the BSS;

(b) it is, or is likely to become, unable to meet its obligations as they fall due;

(c) it has suspended, or is about to suspend payments; or

(d) it is unable to fund its liquidity mismatch.

12. A report under section 11 must include the bank's explanation of the reasons for such situation, and measures being taken to rectify it.

IV. Sanctions and Corrective Measures

13. The BSS may take any or all of the following measures with regard to a bank if it determines that any situation set forth in section 11 is applicable to the bank:

(a) imposition of penalties under relevant sections of the Banking Act;

(b) suspension of lending activities and/or undertaking any new business;

(c) suspension from taking new deposits to retire maturing ones;

(d) recommending suspension from clearing house;

(e) prohibition of acquisition of additional non-core assets;

(f) prohibition from declaring capital distributions, or paying bonuses, salary incentives, and other discretionary compensation to directors and/or officers of the bank; or

(g) prohibition or suspension from any other activity or activities that the BSS perceives to be contributing to liquidity strain in the affected bank.

Made under my hand on

This 5TH day of SEPT. 2012

Koriom

Kornelio Koriom Mayik

Governor
Bank of South Sudan

BANK OF SOUTH SUDAN (BSS)

SCHEDULE 1

LIQUID ASSETS REPORT

Name of Bank ________________________________

For the week ending ___________________________

(SSP '000')	Mon	Tue	Wed	Thu	Fri	Weekly average
I. Required Liquid Assets						
1. Total deposit liabilities						
2. 20% of total deposit liabilities						
II. Liquid Assets held						
1. Notes and coins						
2. Balances with BSS						
3. BSS CDs & RSS Treasury Bills						
4. Other marketable securities						
5. Discountable commercial bills, promissory notes						
6. Net due from banks in South Sudan*						
7. Net due from banks abroad						
8. Total liquid assets held						
III. Excess/deficits (I.2 less II.8)						

**Refers to demand and call deposits held with other banks which should not be committed or earmarked in any way.*

Name of responsible officer ___________________________________

Signature _________________________ Date _________________

BANK OF SOUTH SUDAN (BSS)

SCHEDULE 2

MATURITY ANALYSIS OF ASSETS AND LIABILITIES*

Name of Bank ____________________________________

For the month ending ______________________________

Time bands		0-30 days	31-60 days	61-90 days	91-180 days	6-12 months	Over 12 months
I. ASSETS	TOTAL	Amount in SSP '000					
A. On balance Sheet							
1. Cash & balances from BSS							
2. Due from banks in South Sudan							
3. Due from banks abroad							
4. BSS CDs and RSS Treasury Bills							
5. Other marketable government securities							
6. Investment securities							
7. Loans and advances							
8. Inter-branch-accounts							
9. Others							
B. Off Balance Sheet							
1. Guarantees							
2. Letters of Credit							
3. Other assets							
C. Total							
II. LIABILITIES							
A. On Balance Sheet							
1. Deposits							
1.1 Demand and Call							
1.2 Savings							
1.3 Time							
2. Balances due to banks							
3. Borrowing from BSS							
4. Bills payable							
5. Inter-branch-accounts							
6. Other liabilities							
B. Off-Balance Sheet							
1. Guarantees							
2. Letters of Credit							
3. Others							
C. Total							
III. Net Mismatch (I.C less II.C)							
IV. Cumulative Mismatch							

Name of responsible officer ______________________________________

Signature ______________________________ Date ____________________

** Assets and liabilities should be entered according to the remaining period to maturity.*