



BANK OF SOUTH SUDAN (BSS)

REGULATION NO. 21, 2012

MINIMUM REQUIRED RESERVES

In accordance with the provisions of sections 12 and 56 of the Bank of South Sudan Act, 2011, I hereby issue the following Regulation on the required reserves of banks operating in South Sudan.

This Regulation shall be cited as Minimum Required Reserves, 2012, and shall come into effect as from the date of its signature.

I. Purpose and Scope

1. This regulation establishes the rules under which banks maintain minimum required reserves, a monetary policy instrument of the Bank of South Sudan for controlling the increase of bank deposits and providing minimum bank liquidity.
2. This regulation applies to branches of foreign banks in South Sudan in the same manner and to the same extent as it applies to South Sudan banks.

II. Definitions

3. In this regulation the following terms shall have the meanings assigned:

- (a) **The Bank** or the **BSS** means the Bank of South Sudan;
- (b) **Currency** means banknotes issued by the Bank that are legal tender in accordance with Article 46 of the Bank of South Sudan Act;
- (c) **Current Account** means the demand deposit balances held by a bank with the Bank.
- (d) **Deposit** means a debt liability of a bank either in account form or evidenced by an instrument issued by the bank. Deposits include borrowed funds and contingent liabilities such as derivatives contracts. Deposits do not include debt that qualifies as capital.
- (e) **Deposit Base** means the average of Reservable Deposits for a Reserve Calculation Period.
- (f) **Eligible Assets** mean a bank's deposits of South Sudanese Pounds in a Current Account at the Bank.
- (g) **Minimum Reserve Requirement** means the amount of eligible reserves a bank is required to maintain on average during a Reserve Maintenance Period.
- (h) **Pounds** mean South Sudanese Pounds (SSP).
- (i) **Reserve Calculation Period** means the semi-monthly period specified in a calendar issued by the Bank during which Reservable Deposits of a bank are recorded.
- (j) **Reservable Deposits** means balances held by a bank for depositors, other than another bank, including deposits in a current, call, savings, or time account in SSP and foreign currency, but excluding the amount of cash items in the process of collection.
- (k) **Reserve Maintenance Period** means the semi-monthly period during which a bank is required to maintain reserves against the Reservable Deposits in the related Reserve Calculation Period.
- (l) **Reserve Ratio** means the proportion of Reservable Deposits that must be maintained as reserves.



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III. Reserve Requirement and Reserve Ratio

4. A bank shall maintain Eligible Reserves during a Reserve Maintenance Period in an amount determined by multiplying the amount of its Deposit Base in the corresponding Reserve Calculation Period by the Reserve Ratio. The result of this calculation is the Reserve Requirement for that bank for that Reserve Maintenance Period.
5. The Reserve Ratio is the amount specified by the Bank in percentage form and may be adjusted at any time by the Bank. The Bank shall announce to the banks the new Reserve Ratio applicable to the next Reserve Calculation Period at least seven calendar days before its effective date. However, a reduction in the Ratio may, at discretion of the Bank, be applied retroactively to the beginning of the period in which it is announced.
6. The Reserve Ratio is 15 per cent.

IV. Eligible Reserves

7. Eligible Reserves, which must be held in the required minimum amounts, consist of its current account balance of South Sudanese Pounds with the Bank.

V. Reservable Deposits and Deposit Base

8. The deposits used to calculate a bank's Reservable Deposits are the deposits the bank holds for customers, private and government, resident or non-resident, other than banks, in current, savings, and fixed accounts in Pounds and foreign currency. The amount of foreign currency deposits is converted to its Pound equivalent at the conversion rate specified daily by the Bank.
9. The Deposit Base for each Reserve Calculation Period is the sum of Reservable Deposits at the end of each calendar day during the period divided by the number of calendar days in the period.
10. The Reserve Calculation Period shall begin and end two calendar days before the beginning and end of the Reserve Maintenance period to which it applies.

VI. Reserve Maintenance Period

11. The Reserve Maintenance Period is a period beginning every first and sixteenth day of each calendar month.
12. A bank shall maintain Eligible Reserves during a Reserve Maintenance Period so that the average of the amount of Eligible Reserves at the end of each day over the period equals the Reserve Requirement for that period. The average amount of Eligible Reserves during a Reserve Maintenance Period is the sum of the Eligible Reserves at the end of each calendar day during the period divided by the number of days in the period.
13. A bank may hold any positive amount on deposit in its Current Account with the Bank on any day as long as the average end of day amount over the Reserve Maintenance Period equals or exceeds the Reserve Requirement.
14. A bank may not permit the balance in its current account with the Bank to fall below zero at any time during the banking day or at the end of the banking day.

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VII. Reporting

15. A bank shall calculate its Reserve Requirement in accordance with this regulation and submit to the Bank the results and the data on which it is based within two working days following the end of each Reserve Maintenance Period (standard Reserve Requirement Report shall be provided to all banks).

VII. Remuneration

- 16. The Bank shall pay interest on the average balances in a bank's current account with the Bank up to the required amount at a rate of interest set by the Bank.
- 17. A bank's remunerated current account balance at the Bank is its average balance over the Reserve Maintenance Period up to its Reserve Requirement over the same period.
- 18. Remuneration will be credited to a bank's current account with the Bank within five working days of the receipt of the bank's Reserve Requirement report after each Maintenance Period.

IX. Penalties

- 19. A bank that fails to maintain Eligible Reserves equal to its Reserve Requirement shall pay the Bank a penalty equal to the Bank Rate applicable to credit balances plus 5 percentage points on the amount that average Eligible Reserves actually maintained is less than the Reserve Requirement. The Bank Rate used is the rate in effect on the last day of the Reserve Maintenance Period. The Bank shall charge this penalty to the bank's current account at any time within 15 calendar days following the Reserve Maintenance Period.
- 20. If a bank incurs penalties for reserve deficiencies for two Reserve Maintenance Periods in a row, the Bank may initiate a supervisory intervention with the aim to resolve the bank's liquidity problems in a structured and timely manner.

Made under my hand on

This 19th day of Sept. 2012

Kornelio Koriom Mayik

Governor

Bank of South Sudan