

BANK OF GHANA

NOTICE TO BANKS, NON-BANK FINANCIAL INSTITUTIONS AND THE PUBLIC

NOTICE NO. BG/GOV/SEC/2013/05

MICROFINANCE INSTITUTIONS: REVISION OF THE MINIMUM PAID UP CAPITAL AND LIQUIDITY REQUIREMENT

Further to Bank of Ghana Notice No. BOG/GOV/SEC/2011/4 DATED 14th July, 2011 on *Operating Rules And Guidelines For Microfinance Institutions*, the Bank of Ghana hereby directs as follows:

MINIMUM CAPITAL REQUIREMENT

1. The minimum paid-up capital of Microfinance Institutions has been revised as listed below.
 - Tier 2 Microfinance Institutions (deposit-taking) - GH¢500,000
 - Tier 3 Microfinance Institutions (non-deposit taking) - GH¢300,000
2. Microfinance Institutions with 1-5 branches shall attract an additional paid-up capital of GH¢100,000 for each branch.
3. Microfinance Institutions with more than 5 branches shall attract an additional paid-up capital of GH¢200,000 for each branch.
4. New applicants or entrants shall comply with the minimum paid-up capital after the date of publication of this Notice.
5. Not more than 25% of initial paid-up capital or additional capital for branches shall be spent on property, plant and equipment (capital expenditure). That is, at least 75% of all initial paid-up capital and/or additional capital shall be in liquid cash resources to support operations.
6. Evidence of capital contribution shall be subject to verification by Bank of Ghana before inclusion in the paid-up capital and registration with the Registrar-General's Department.

LIQUIDITY REQUIREMENTS

All Tier 2 Microfinance Institutions shall comply with the minimum liquidity reserve requirements as follows:

- i. Primary Liquidity - 10% of total deposits held in a deposit account with a class 1 bank.

- ii) Secondary Liquidity - 20% of total deposits held in Government of Ghana/Bank of Ghana Securities or Certificates of Deposit held with a class 1 bank.
- iii) The amount of a deposit transaction, including the balance on a deposit account at any time shall not exceed 5% of the Institution's paid-up capital.
- iv. No Microfinance Institution shall grant an unsecured loan to any one single obligor which exceeds 5% of its paid-up capital or in the case of a secured facility not more than 10% of the paid up capital. For group loans, the exposure to a single borrower shall not exceed 1% of paid-up capital.

BRANCH OPENING

A Microfinance Institution shall not open a branch without prior authorisation by the Bank of Ghana. Unauthorised or unapproved branches shall be subject to immediate closure by the Bank of Ghana, whether or not the required capital has been raised.

TRANSITIONAL ARRANGEMENTS

- i. All licensed and provisionally approved Tier 2 Microfinance Institutions are to raise their minimum paid-up capital to GH¢250,000 by 30th June 2015 and GH¢500,000 by 30th June, 2016.
- ii. All licensed and provisionally approved Tier 3 Microfinance Institutions are to raise their minimum paid-up capital to GH¢150,000 by 30th June, 2015 and GH¢300,000 by 30th June, 2016.

Microfinance Institutions that fail to comply with the revised capital requirements shall have their operations scaled down through outright closure of branches by the Bank of Ghana or have their operating licences revoked.

Shareholders, Directors and Operators of Microfinance Institutions should particularly note the above and be guided accordingly.

(Sgd.)
ANDREW BOYE-DOE
THE SECRETARY

30th August, 2013