

GOVERNMENT NOTICE NO. 4

**FINANCIAL SERVICES ACT**  
(No. 26 of 2010)

**DIRECTIVE ON DISCLOSURE OF INFORMATION BY BANKING  
INSTITUTIONS (NO. DOI-2010/DR)**

**ARRANGEMENT OF PARAGRAPHS**

**PARAGRAPHS**

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IN EXERCISE of powers conferred by section 34 of the Financial Services Act, the Registrar issues the following Directives—

1. This Directive may be cited as the Directive on Disclosure of Citation Information by Banking Institutions (NO.DOI-2010/DR).

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

Interpretation

“Bank” has the same meaning as in Banking Act, No. 10 of 2010;

“Banking business” means banking business as defined in the Banking Act;

“Banking Institution” means a bank, a leasing company or a discount house licensed under the Financial Services Act;

“Board of Directors” 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 of Financial Institutions 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/she is a director) who effectively manages the institution;

“Financial Statements” for purposes of this Directive, mean—

(a) Statement of Position;

(b) Income Statement;

(c) Statement of changes in equity showing either all changes in equity, or changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;

- (d) cash flow statement; and
- (e) Annexures 1, 2 and 3 attached hereto.

“Insider” includes all of the following—

- (a) Principal Shareholders;
- (b) Members of the Board of Directors;
- (c) Executive Officer; and
- (d) Senior management officials

“Principal Shareholder” means a person who holds (directly or indirectly)—

- (a) ten per cent (10%) or more of either the equity or the voting rights of a banking institution; or
- (b) such other interest in the Banking Institution that enables the person to exercise significant influence over its management or activity.

“Registrar” means the Governor of the Reserve Bank of Malawi;

“Related Party” includes any of the following—

- (a) person who is related to an insider of a banking institution by marriage or consanguinity to the second degree;
- (b) a legal person in which an insider has a business interest, including as a partner, director, manager or guarantor;
- (c) an individual person for whom an insider is a guarantor;
- (d) a subsidiary of the banking institution or of an insider;
- (e) a company in which at least a ten percent (10%) interest is held by the banking institution or by an insider;
- (f) a parent company of the banking institution or of an insider;
- (g) a company that is under common control with the Banking Institution or of an insider;
- (h) a company that holds at least a ten percent (10%) interest of another company in which the banking institution or an insider holds at least a ten per cent (10%) interest;
- (i) company that has common management or common directors with the banking institution, an insider, or another related party of the banking institution; and
- (j) a political party that is controlled by an insider or related party or whose funds or services shall benefit an insider or related party;

“Reserve Bank” means the Reserve Bank of Malawi established under the Reserve Bank of Malawi Act Cap 44: 02 of the Laws of Malawi;

“Senior Management Official” has the same meaning as ascribed to it in the Directive on New Directors and Senior Management Officials.

3. This directive applies to all banking institutions licensed under the Financial Services Act. Application

4. The objective of this Directive is to— Objective

(a) ensure that every banking institution maintains 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.

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

5.—(1) Banking institutions as custodians of public funds have the responsibility to safeguard their integrity and credibility in order to maintain public confidence. Rationale

(2) The market contains disciplinary mechanisms that under appropriate conditions can reinforce supervisory efforts by rewarding institutions that manage risks effectively and penalising those whose risk management practices are imprudent.

(3) Banking institutions are therefore expected to periodically disclose their financial statements and other relevant information to all stakeholders.

The Registrar of Financial Institutions will be expected to enforce disciplinary mechanisms and conduct supervisory efforts for the prudential management of banking institutions.

6.—(1) The Board of Directors and Executive Officer(s) of each banking institution shall be responsible for adherence and compliance with the requirements of this Directive. Responsibility

(2) Every banking institution shall have a formal disclosure policy approved by the Board that addresses the institution’s approach for determining what disclosures to make and the internal controls over the disclosure process.

(3) In addition, every banking institution should implement a process for assessing the appropriateness of their disclosures, including validation and frequency of such disclosures.

(4) Each Executive Officer shall be responsible for full, timely and accurate disclosure of all relevant information.

7. Every banking institution shall be required, within six months after end of each financial year, to publish in at least two newspapers of wider circulation in Malawi, excluding public holidays, the following information— Audited  
Financial  
Statements

(a) A copy of audited financial statements including a summary of its financial performance. The financial statements to be published shall be in the format as presented in ordinary annual accounts.

(b) Other disclosures as listed under Section 10 of this Directive and shown as Annexes 4 to 11 attached to this Directive.

(c) Every banking institution shall in addition to publishing the information in (a) and (b) above in widely circulated newspapers, disclose in detail in its audited annual accounts all the information as required under IFRS 7: Financial Disclosures.

(d) A banking institution shall also publish all the above information on its website.

Unaudited  
Financial  
Statements

8.—(1) Every banking institution shall prepare and publish in at least two newspapers of wider circulation in Malawi, excluding public holidays, its unaudited financial statements and all other disclosures as listed in Section 10 of this Directive.

(2) The unaudited financial statements to be published shall be for the first half of the year i.e. as at 30 June of every year and shall be published within sixty (60) days after 30 June i.e. by 31 August of each year. For the second half of the year, only audited financial statements shall be published as stipulated in Section 8 above. Such financial statements shall however contain all other disclosures as stipulated under Section 10 of this Directive.

(3) The unaudited financial statements to be published shall first be reviewed by internal auditors to ensure that they reflect a true and fair position of the banking institution's financial positions and are reasonably free of any material errors.

(4) The unaudited financial statements shall be signed by the Chief Executive Officer/Managing Director, Financial Controller and one Director of the licensed institution.

(5) The unaudited financial statements to be published shall be in the format as prescribed in Annexes 1 to 3. A banking institution may however disclose additional information, including commentary to the Annexes if such information would enhance disclosure to the general public.

(6) Newly established banking institutions are exempted from publishing unaudited financial statements and their disclosures until after 18 months from the date they commenced their operations.

Other  
disclosures

9.—(1) In addition to publication of financial statements as stipulated in Sections 8 and 9 of this Directive, every banking institution shall be required to publish in at least two newspapers of wider circulation in Malawi, excluding public holidays the following information—

(a) total impairment/credit losses and specific provisions made on such credit facilities by sector;

(b) credit concentrations and their proportion to core capital;

(c) total loans to related parties (including loans to insiders) and their proportion to core capital;

(d) equity holdings/Investments (including those investments held for trading) in other banking institutions, subsidiaries, affiliates or any other entity;

(e) 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;

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

(g) deposit Rates including those on foreign currency deposits (FCDAs); and

(h) fees/charges on all personal banking products/services. These should be itemized to allow for more transparency.

(2) All the disclosures listed in Section 10 above shall be published on semi-annual basis i.e. as at 30 June and 31 December of each year. The disclosures for 31 December shall be published together with the audited financial statements as stipulated under Section 8 of this Directive.

(3) All the disclosures shall be published in the format as per attached Annexes 4 to 11. A banking institution shall however publish additional information pertaining to charges/fees should it have other personal banking products/services that are not reflected on Annexure 11.

(4) Every banking institution shall at all times be required to exhibit copies of its financial statements and disclosures (e), (g), and (h) as listed in Section 10 above in a conspicuous place at its place of business and in all banking halls of its branches and agencies.

(5) Every banking institution shall provide half yearly loan statements to all its borrowers indicating repayments to date, any other charges and balance outstanding.

(6) In addition to the list of disclosures in Section 10 of this Directive, a banking institution shall be required to publish any other information as the Registrar of Financial Institutions may from time to time prescribe.

(7) The Registrar of Financial Institutions may publish any breach or violation of any Directive, Banking Act or any other applicable law by a banking institution including the penalties imposed on such an institution.

(8) The Registrar of Financial Institutions may also publish a consolidated summary of major disclosures for all the banking institutions in any widely circulated newspaper.

10.—(1) Any banking institution that fails to meet the requirements of this directive shall be liable to a penalty of K500,000 (Five Hundred Thousand Kwacha).

Penalties and administrative sanctions

(2) Where the Registrar of Financial Institutions determines that a banking institution has made a misrepresentation in its financial statements, and/or publishes incorrect information, a penalty of K500,000 (Five Hundred Thousand Kwacha) shall be imposed on the concerned institution; provided that the concerned institution shall be notified of the misrepresentation or incorrect information and shall be given an opportunity to be heard.

(3) In addition to imposing a penalty in (1) and (2) above, the subject banking institution shall be required to retract the incorrect financial statements and republish the correct ones. A penalty of K100,000 (one

hundred thousand Kwacha) shall be imposed on the institution for each subsequent day for which the violation continues after being notified as stipulated.

(4) The penalties charged under sub sections 1, 2 and 3 above shall be collected by debiting the main account of the concerned banking institution maintained with the Reserve Bank of Malawi, provided however that the institution shall be notified in writing of the penalty amount before the debit is effected.

(5) Where a banking institution does not maintain an account with the Reserve Bank of Malawi, the Executive Officer(s) of the subject institution shall be notified in writing of the penalty and instructed to make good of the charge within 15 working days from the date of notification.

(6) The monetary penalties stipulated above shall be reviewed by the Registrar of Financial Institutions from time to time. In addition, the Registrar of Financial Institutions reserves the right to waive or apply the penalties either in full or part as he may deem appropriate.

Administrative  
Sanctions

11. In addition to the penalties prescribed in Section 11 above, the Registrar of Financial Institutions may take any or all of the following actions against a banking institution, its Board of Directors or Executive Officer(s)—

- (a) imposition of remedial measures as stipulated under Section 26 of the Banking Act 2009;
- (b) prohibition from declaring/paying dividends;
- (c) prohibition from establishing new branches;
- (d) prohibition from declaring or paying bonuses, salary incentives or other discretionary compensation to directors or executive officers;
- (e) prohibition from access to Reserve Bank of Malawi credit facilities;
- (f) prohibition from lending or engaging in new activities or from expanding existing activities; and
- (g) prohibition from acquiring additional fixed assets.

#### ANNEXURES FOR PUBLISHING FINANCIAL STATEMENTS AND OTHER DISCLOSURES

##### ANNEXURE I—Statement of Position.

ASSETS	<i>Current Year/ Half Year (K'Million)</i>	<i>Previous Year/ Half Year (K'Million)</i>
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
<b>TOTAL ASSETS .. .. .</b>	<b>x</b>	<b>x</b>

LIABILITIES	<i>Current Year/ Half Year (K'Million)</i>	<i>Previous Year/ Half Year (K'Million)</i>
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

## ANNEXURE 2—Income Statement.

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

## ANNEXURE 3—Cash Flow Statement.

	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
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

ANNEXURE 4—Impairment Losses/Non-Performing Credit Facilities and Provisions for Losses by Industry Sector.

	<i>Current Year/Half Year</i>			<i>Previous Year/Half Year</i>		
	<i>Outstanding Amount (K'Million)</i>	<i>Impairment Loss (K'Million)</i>	<i>Specific Provision (K'Million)</i>	<i>Outstanding Amount (K'Million)</i>	<i>Impairment Loss (K'Million)</i>	<i>Specific Provision (K'Millio)</i>
Agriculture ..	x	x	x	x	x	x
Manufacturing ..	x	x	x	x	x	x
Mining ..	x	x	x	x	x	x
Construction ..	x	x	x	x	x	x
Energy/Electricity						
Gas/Water ..	x	x	x	x	x	x
Transport ..	x	x	x	x	x	x
Communication ..	x	x	x	x	x	x
Financial Services ..	x	x	x	x	x	x
Wholesale/Retail ..	x	x	x	x	x	x
Individual/Household	x	x	x	x	x	x
Real Estate ..	x	x	x	x	x	x
Tourism ..	x	x	x	x	x	x
Other ..	x	x	x	x	x	x
TOTAL ..	x	x	x	x	x	x

ANNEXURE 5—Credit Concentrations

Total credit facilities including guarantees, acceptances and other similar commitments extended by financial institution to any one customer or group of related customers where amounts exceed 25% of its core capital. Where concentration exposures comprise of several sectors, indicate "Various" and provide break down note.

<i>Sector of Borrower</i>	<i>Current Year/ Half Year (K'Million)</i>	<i>% of Core Capital</i>	<i>Previous Year/ Half Year (K'Million)</i>	<i>% of Core Capital</i>
1. ....	x	x	x	x
2. ....	x	x	x	x
3. ....	x	x	x	x
4. ....	x	x	x	x

ANNEXURE 6—Loans to Directors, Senior Management and Other Related Parties.

	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
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

	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
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

## ANNEXURE 7—Investments in Subsidiaries (K'Millions).

<i>Name of Subsidiary</i>	<i>Number of Shares</i>	<i>Percentage Holding</i>	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
.....	X	X	X	X
.....	X	X	X	X
.....	X	X	X	X

NOTE: Include a note indicating breakdown of number of shares into two: those held as equity and those held for trading purposes

## ANNEXURE 8—Base Lending Rate.

	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
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

## ANNEXURE 9—Director's Remuneration, Bonuses and Management Fees.

	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
Director's Remuneration .. .. .	X	X
Total Bonuses Paid by licensed institution .. .. .	X	X
Management Fees .. .. .	X	X

## ANNEXURE 10—Deposit Rates.

<i>Type of Deposit</i>	<i>Current Year/ Half Year</i>	<i>Previous Year/ Half Year</i>
1. ....	X	X
2. ....	X	X
3. ....	X	X
4. ....	X	X
5. ....	X	X
6. ....	X	X

## ANNEXURE 11—Charges/Fees on Personal Banking Accounts.

<i>Number</i>	<i>Item/Transaction</i>	<i>Charge/Fee</i>
1.0	Current Accounts	
(i)	Required minimum opening balance .. .. .	X
(ii)	Monthly service fee (breakdown per customer type) ..	X
(iii)	Cheque withdrawal over counter .. .. .	X
(iv)	Fees per ATM withdrawal .. .. .	X
(v)	ATM mini statement .. .. .	X
(vi)	Interim statement per page .. .. .	X
(vii)	Periodic scheduled statement .. .. .	X
(viii)	Cheque book .. .. .	X
(ix)	Dishonoured cheque .. .. .	X
(x)	Special clearance .. .. .	X
(xi)	Counter cheque .. .. .	X
(xii)	Stop payment .. .. .	X
(xiii)	Standing order .. .. .	X
(xiv)	Balance inquiry .. .. .	X
(xv)	New ATM card issuance .. .. .	X
(xvi)	ATM renewal or replacement (indicate costs for different card types) .. .. .	X
(xvii)	Overdrawn account interest charge .. .. .	X
(xviii)	Unarranged overdraft .. .. .	X
(xix)	Interbank transfer .. .. .	X
(xx)	Bill payments through ATM .. .. .	X
(xxi)	Deposit fee .. .. .	X
(xxii)	Other (please specify) .. .. .	X

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

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.

Made this 21st day of January, 2011.

(FILE NO. ST/2/120)

DR. PERKS M. LIGOYA  
*Registrar*