



CENTRAL BANK OF THE GAMBIA

Operational Guidelines for Standing Facilities

Amended March 2023

1. Introduction

The Central Bank of the Gambia introduced the interest rate corridor for short-term liquidity management purposes to limit short-term interest rate volatility around the monetary policy rate. These guidelines set out the principles on the overnight facilities within the corridor framework.

The overnight facilities comprise the Standing Credit Facility (SCF) and the Standing Deposit Facility (SDF). The SCF is an overnight collateralized lending facility that provides funds to commercial banks at a predetermined interest rate of the monetary policy rate (MPR) plus 1 percent (MPR + 1%) to cover end-of-day liquidity shortfalls that may arise in the daily settlement of payments. The SDF is an overnight deposit facility that allows commercial banks to place excess funds at the Central Bank for remuneration at a predetermined rate set by the Monetary policy Committee (MPC) of the Bank and subject to periodic review.

Interest rates on the two facilities serve as a corridor around the monetary policy rate. The interest rate charged on the SCF forms the upper bound and the interest rate paid on the SDF represents the lower bound of the corridor.

The Central Bank of The Gambia reserves the right to amend any of the provisions in these guidelines to reflect the direction of its monetary policy stance and market conditions. Commercial banks will be notified of any change in advance.

1.1 AUTHORITY

Under Section 46 (managing the monetary and banking system) subsection (e) of the Central Bank of The Gambia Act 2018 states that "the Bank may for the purposes of monetary management, expand or contract credit facilities to the banks".

2. Eligibility for the Standing Facilities

- I. Only commercial banks are allowed to make use of these facilities.
- II. Commercial banks shall access these facilities when there are unforeseen factors that result in liquidity surpluses or shortages relative to their minimum reserve and/or settlement requirements in/during the day that cannot be covered via the normal money market transactions.
- III. To ensure active interbank trading, commercial banks shall use these facilities only as last resort.
- IV. Access will not be granted to make use of both the SCF and SDF within the same business day.

3. Procedural Instructions

3.1. Access to the Facilities

- I. Access time is set at 09:00 – 15:20 hours from Monday to Thursday and 09:00 – 12:30 on Fridays.
- II. The Central Bank may change the access time and/or the duration of the access window. In this case, sufficient notification will be made in advance.
- III. Participating commercial banks shall be notified (through either telephone call or by an email) on the outcome of any request within one hour after receipt of the application.

3.2. Term of the Facilities

- I. The Central Bank will provide the facilities on an overnight basis. Participants can opt for an automatic rollover over the desired term (number of days) by checking the option on the application form.
- II. Transactions will be settled on the same business day the application is made and mature on the maturity date.

3.3. Interest Rate on the Facilities

- I. The interest rates on the facilities shall be published on the Central Bank's website and through the MPC publications.
- II. The Central Bank shall make an official announcement of revisions to the interest rates on any of the facilities following decision by the MPC at its quarterly meetings.

3.4. Application for the Facilities

- I. Request for the facility shall be on the prescribed form sent via email to omo@cbg.gm or hand-delivered to the Director of Banking and Payment Systems Department.
- II. All submissions must include full details of the bank, the amount, two authorized signatories and official stamp.
- III. Any correct submission is considered final.

4. Procedural Instructions for the Standing Deposit Facility (SDF)

4.1. Limit

There shall be no limit on the amount a commercial bank can place on the SDF.

4.2. Settlement

Upon approval of the request, the commercial bank's demand deposit account held at the Central Bank will be debited through the Real Time Gross Settlement (RTGS) system with the amount of the facility within one (1) hour of receipt of the application.

4.3. Payment upon Maturity

Payment of the principal amount and the interest earned under the facility will be made on the maturity date, to the bank's demand deposit account held at the Bank.

If the maturity date falls on a non-business day, payment shall be effected on the following business day without any additional interest or charges in respect of such.

5. Procedural Instructions for the Standing Credit Facility (SCF)

5.1. Limit

A bank can borrow any amount through this window. However, enough collateral must be provided in the form of treasury bills, Sukuk bills or Gambia Government bonds the amount and terms of which must be specified on the application form.

5.2. Collateral Requirements

The value of the collateral shall constitute the discounted or book value of the pledged security. This must be equal to or more than the loan amount. Pledged security must be unencumbered.

5.3. Settlement

Once the request for credit is approved, the account of the commercial bank will be credited through the RTGS within one (1) hour after the receipt of the application with the amounts specified in the request.

5.4. Payment upon Maturity

- I. The commercial bank's demand deposit account with the CBG will be debited with the principal and interest on the maturity day.
- II. If the maturity date falls on a non-business day, payments will be effected on the following business day without any additional charge.

6. Reservations

The Central Bank reserves the right to accept or reject any or all requests submitted under these rules. The Central Bank also reserves the right to award more or less than the amount specified in the request. The Central Bank may from time to time amend these Guidelines. The Central Bank will endeavor to give reasonable notice of any amendments but reserves the right to introduce any amendment with immediate effect, if necessary.