

Guidelines for the Central Bank of The Gambia Interest Rate Corridor

1. Introduction

These guidelines set out principles on the Central Bank of The Gambia's overnight facilities within the interest rate corridor framework. The main purpose of introducing the interest rate corridor is to limit the short term interest rate volatility around the monetary policy rate.

The overnight facilities comprise the Standing Credit Facility (SCF) and the Standing Deposit Facility (SDF). The SCF is an overnight 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 currently set at 2%. This rate is subject to review by the Monetary Policy Committee (MPC) of the Central Bank.

Interest rates on the two facilities shall 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 for the Standing Facilities

3.1. Access to the Facilities

- I. Access time is set at 14:30 – 15:30 hours on all business days.
- 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 advised on the outcome of any request within one hour after closure of the access window.

3.2. Term of the Facilities

- I. The Central Bank will provide the facilities on an overnight basis.
- II. Transactions will be settled on the same business day the application is made and will mature on the close of the following business day.

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 any of the facilities shall be enclosed in a sealed envelope addressed to the Second Deputy Governor, Central Bank of The Gambia. To prevent delay, it is advisable not to send tenders by post or deliver them to staff of the Central Bank.
- II. All submissions must include details of the bank, choice of facility (SCF or SDF) and the amount with the necessary authorized signatories.
- III. Any submission made 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

- I. 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 after closing of the window.

4.3. Payment upon Maturity

Payment of the principal amount and the interest earned under the facility will be made on the following business day, to the commercial 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 place up to a maximum limit of 25% of its capital and reserves on the SCF facility.

5.2. Collateral Requirements

No collateral is required to access the SCF.

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 closing of the window with the amount specified in the request.

5.4. Payment upon Maturity

- I. The commercial bank's demand deposit account with the CBG will be debited upon maturity with the principal and interest on the following 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.

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