

GUYANA

BILL No. 6 of 2018

BANK OF GUYANA (AMENDMENT) BILL 2018

ARRANGEMENT OF SECTIONS

SECTION

1. Short title.
2. Amendment of section 40 of the Principal Act.
3. Amendment of section 41 of the Principal Act.
4. Amendment of section 42 of the Principal Act.
5. Amendment of section 56 of the Principal Act.

A BILL

Intituled

AN ACT to amend the Bank of Guyana Act.

A.D. 2018 Enacted by the Parliament of Guyana:-

Short title.
Cap. 85:02.

1. This Act, which amends the Bank of Guyana Act, may be cited as the Bank of Guyana (Amendment) Act 2018.

Amendment of
section 40 of the
Principal Act.

2. Section 40 of the Principal Act is amended by substituting for section 40 the following section as new section 40-

“Open
markets and
credit
operations.

40. (1) In order to achieve its objectives, referred to in section 5 and to exercise its functions, the Bank may-

(a) operate in the financial markets by buying and selling outright, either spot or forward or under a repurchase agreement, and by lending or borrowing claims and marketable instruments, as well as precious metals; and

(b) conduct credit operations with banks and other licensed financial institutions which take deposits operating in Guyana, with lending based on adequate collateral.

(2) The Bank may by regulations prescribe the types of instruments and collateral to be used for open market and credit operations and it shall announce the conditions, under which the Bank stands ready to enter into such transactions.

(3) The Bank may issue negotiable debt instruments with a short term maturity, within limits of and in accordance with general terms and conditions adopted by the Board.”.

Amendment
of section 41
of the
Principal
Act.

3. Section 41 of the Principal Act is amended by substituting for section 41 the following section as new section 41-

“Emergency
liquidity
assistance.

41. (1) In exceptional circumstances, the Bank may, on such terms and conditions as the Board determines, grant financial assistance to a bank or other financial institution that takes deposits, against penalty interest rates and for a period not exceeding ninety-one calendar days which period may be renewed following an

explicit decision by the Bank for another period not exceeding ninety-one calendar days.

(2) The Bank in deciding whether to provide such financial assistance shall take into account information provided by its supervisory department on the basis of a programme specifying the remedial measures that the bank or other financial institution that takes deposits concerned will be taking, provided however, that no such commitment shall be made by the Bank unless-

(a) the bank or financial institution that takes deposits in the opinion of the Bank, is solvent and can provide adequate collateral to support the loan, and the request for financial assistance is based on the need to improve liquidity; or

(b) such assistance is necessary to preserve the stability of the financial system and the Minister of Finance has issued to the Bank a legally binding guarantee in writing securing the repayment of the loan.

(3) In all cases, the renewal of credit operations granted under subsection (1) after the initial ninety-one calendar days shall require a government guarantee in writing securing repayment and the maximum renewal period shall be ninety-one calendar days upon which the credit operations shall be repaid.

(4) The Board shall determine the maximum value of the collateral to be deposited to secure credit operations granted or renewed under subsection (1).

(5) Where the collateral for a debt due to the Bank is or is likely to become in the opinion of the Bank inadequate, the Bank may secure the debt on any real property of the debtor and may acquire such real property which shall be disposed of at the earliest suitable opportunity.

(6) If the Bank discovers that the assisted bank or other licensed financial institution which takes deposits did not implement the remedial measures specified in subsection (1), or that these measures did not achieve the results intended, the Bank shall take appropriate measures including administrative penalties as may be prescribed by regulations.”.

Amendment
of section
56 of the
Principal
Act.

5. Section 56(b) of the Principal Act is amended by the inserting after the word “employees” the words “or in accordance with section 41(5)”.

EXPLANATORY MEMORANDUM

The Bank of Guyana (Amendment) Bill 2018 seeks to amend the Bank of Guyana Act, Cap. 85:02, by explicitly giving the Bank of Guyana the power to provide temporary liquidity assistance to deposit taking financial institutions. This is an integral measure which is employed in maintaining the stability of the system.

Clause 2 of the Bill amends section 40 of the Principal Act to expand the open market and credit operations of the Bank to better reflect the monetary operations of a modern Central Bank.

Clause 3 of the Bill amends section 41 of the Principal Act to explicitly allow the Bank to grant, in exceptional circumstances, temporary liquidity assistance to financial institutions which take deposits against a wider range of collateral and for longer periods than what is accepted in the normal liquidity providing facilities. It also gives the Bank the power to grant financial assistance where it is necessary to preserve the stability of the financial system and offers protection to the Bank of Guyana as it prescribes that all assistance in this instance requires a government guarantee.

Clause 4 of the Bill amends section 42 of the Principal Act to remove the rates of interest charged for rediscounting eligible paper under section 40. As section 40 will be substituted for a new section 40, this is a consequential amendment.

Clause 5 of the Bill amends section 56 of the Principal Act to allow the Bank to secure the credit granted to a financial institution on real property and to acquire such real property if the institution defaults, the Bank however, is required to dispose of such property at the earliest suitable opportunity.

Hon. Winston Jordan, MP
Minister of Finance