

Central Bank Of Sudan Policies For The Year 2011

In The Name Of Allah, The Most Gracious, The Most Merciful

CENTRAL BANK OF SUDAN POLICIES FOR THE YEAR 2011

Introduction

The Central Bank of Sudan (CBOS) Policies for the year 2011 are introduced herewith in accordance with the Five-year Strategic Plan (2007 – 2011) and in consistence with the pillars of the fiscal policy (Public Budget). These pillars include (1) targeting the appropriate volume of liquidity for meeting the requirements of economic growth and financial and monetary stability, (2) using direct and indirect monetary policy instruments appropriate to the country's dual full system of banking, in order to maintain a sound financial sector. Further, these policies take into account the consequences of the continuing American trade and economic embargo on Sudan.

These policies aim at spreading banking awareness by extending banking services to the rural areas, and by encouraging banks to attract investment and savings deposits for investment in the productive sectors. Moreover, the policies have focused on continuing the support extended the agricultural recovery programmes, encouraging and promoting non-oil exports, reducing unnecessary imports. The policies have also emphasized the introduction of banking technologies continuing the development of the electronic payment and banking technologies systems, the completion of setting up the micro and small social finance sector in an effort to support the weak segments in the society through the relevant institutions.

References, Objectives and Guidelines of the Policy:

- Policy Reference**
 - 1. Article (14) of the Wealth Sharing Protocol, relating to monetary and banking policy and lending.**
 - 2. The Government's Strategy for alleviating poverty so as to achieve the Millennium Development Goals (MDGs)).**

3. **The Government's Five-year Plan (2007 – 2011).**
 4. **The (CBOS) Five-year Strategic Plan (2007 – 2011).**
 5. **Micro Finance Sector Development Strategy in the Sudan.**
 6. **The Government's Public Budget Guidelines for 2011.**
- **Policy Objectives**
 1. **Achieving monetary stability.**
 2. **Reducing the deficit of the external sector.**
 3. **Achieving financial stability for the banking sector.**
 4. **Expanding the scope of monetization.**
 5. **Developing the payment systems.**
 6. **Contributing to the achievement and sustainability of a balanced economic and social development.**
 7. **Supporting the poverty alleviation strategy.**
 8. **Developing and improving currency management.**
 - **Policy Guidelines**

In order to achieve these objectives, the guidelines are represented in the following :

 1. **On Achieving Monetary Stability:**
 1. **Implementation of a flexible monetary policy to achieve the targeted monetary growth.**
 2. **Provision of liquidity to meet the financial requirements of the country's economy in a manner that is compatible with maintaining economic stability and containing economic pressures, so as to contribute to the achievement of the targeted rate of economic growth; in coordination with the Ministry of Finance and National Economy.**

- 3. Provision of incentives to banks who engage in direct financing of the productive sectors and the export sector.**
- 4. Achievement of a sustainable of the stability exchange rate by ensuring harnessing its flexibility within the domain of the Flexibly Managed Exchange Rate Regime (FMERR) .**

2. On Reducing the external sector deficit:

- 1. Encouraging non-oil exports, and working toward increasing other sources of foreign exchange.**
- 2. Reducing the demand for foreign exchange.**
- 3. Encouraging foreign direct investment.**
- 4. Maintaining exchange rate stability, and increase building up the Net International Reserve (NIR).**

3. On Achieving Financial Stability for the Banking Sector:

- 1. Implementing of the financial stability indicators and applying Islamic and international standards.**
- 2. Strengthening the financial positions of the banks.**
- 3. Working toward the mitigation of banking risks.**
- 4. Avoiding banking distress by continuously building up provisions to cover doubtful and bad debts.**

4. On Expanding the Scope of Monetization:

- 1. Achieving an optimal spread for the banking units in support of the development objectives.**
- 2. Expanding the scope of monetization to enable attracting and channeling of savings to finance, and increase investment in the productive sectors.**

3. Spreading the banking culture to boost public confidence in dealing with banks.
5. On Developing the Payment Systems Completion of the Following Banking Technology Projects:
 1. The National Payments Switch.
 2. The Electronic Clearance system.
 3. The Regional Payments and Settlement System (REPSS).
6. On Contributing to Balanced Social and Economic Development:
 1. Channeling finance to the productive sectors.
 2. Innovating banking supervision systems geared to greater contribution of the banks in the development of the country's States.
 3. Prioritizing the financing of activities which are peculiar to each State or Locality.
7. On Supporting the Strategy of Poverty Reduction
 1. Providing the necessary financial resources to the micro finance sector.
 2. Encouraging the establishment of micro-finance at all of the Federal, State and Locality levels.
 3. Enabling the weaker and disadvantaged segments of the society to access the services of micro and small finance, and other services of social finance.
 4. Encouraging micro and small finance and other offered by bank social finance.
8. On Developing and Enhancing Currency Management:

- 1. Determining the appropriate volume of currency issued and its optimal denominational structure.**
- 2. Continuing implementation of the clean currency policy.**

Contents of the Policies of the Central Bank of Sudan for 2011:

- 1. Monetary and finance policies.**
- 2. Foreign exchange policies.**
- 3. Banking supervision, payment systems and banking technology development policies.**
- 4. Currency management policies.**
- 5. Micro and small finance and banking policies on social finance.**

The Central Bank of Sudan Policies for 2011 are introduced in two Chapters:

- 1. Chapter One: Islamic Banking System Policies.**
- 2. Chapter Two: Conventional Bank System Policies.**

Chapter One: Islamic Banking System Policies

The Monetary and Financing Policy

The monetary and financing policy for the year 2011 aims at achieving the macro economic objectives for 2011, represented in attaining a real growth rate of 4.9% in Gross Domestic Product (GDP) and maintaining an inflation rate at 12% on average, through targeting a nominal growth rate in money supply of 17%, as an intermediate target, and maintaining stability and flexibility of the exchange rate.

In order to achieve these objectives, liquidity in the economy applying shall be managed in a balanced manner to meet the requirements of economic activity without creating inflationary pressures, by focusing on the indirect monetary policy instruments of the Islamic banking system, as detailed below.

The Monetary and Financing Policy Instruments:

SECOND: The Foreign Exchange Policies

THIRD: Banking Supervision, Development of Payment Systems and Banking Technology Policies:

FOURTH: Currency Management Policies:

During the year 2011, the Central Bank aims to further develop the currency management through the following Measures

FIFTH: Policies Pertaining to Micro and Small Financing and Bank Financing of a Social Dimension:

General Objectives:

Objectives' Achievement Mechanisms:

1. Liquidity Management:

1. The Statutory Reserve:

Islamic banks should maintain 11% of local currency deposits and 11% of foreign currency deposits as statutory reserves in cash balances with the Central Bank of Sudan. Any excess in the statutory reserves over the deposits in foreign currencies may be settled in local currency. Deposits include current deposits, savings deposits, and margins, as reflected by the weekly return on deposits and finance.

2. The Internal Liquidity:

1. Islamic Banks should maintain 10% (as an indicative rate) of current and similar deposits in the form of internal cash liquidity so as to meet the customers' daily withdrawals.

2. Islamic Banks may hold a maximum of 25% of their existing loanable funds in liquid assets in the form of Central Bank Ijarah Certificates (Shihab), Government Musharaka Certificates (Shahama), Khartoum Oil Refinery Ijarah Certificates (Shama), other Government

Sukouk and non-government institutions' Sukouk; except for the shares traded in the Khartoum Stock Exchange.

3. Obtaining Additional Resources from the Central Bank:

- 1. The Central Bank of Sudan may provide financial support to Islamic banks facing temporary liquidity constraints through the purchase of financial papers (Sukouk) in accordance with the Central Bank policies and discretion in this respect.**
- 2. The Central Bank of Sudan may extend financing through its investment window to the Islamic banks for bridging seasonal financing gaps or for implementing its stated policies.**

4. The Inter-bank Market

- 1. The Central Bank of Sudan encourages conventional banks to establish portfolios to finance various economic activities, particularly the productive sectors, and to notify the Banking System Regulation and Development Department of the Central Bank of Sudan prior to implementation.**
- 2. The Central Bank of Sudan encourages the holding of deposits, financing in local and foreign currency, sale and purchase of financial papers (cited in the 2nd para above) of the Internal Liquidity) and the conducting of foreign exchange dealings among the Islamic banks. The Central Bank may also assist in simplifying the procedures of these transactions.**

5. Uses of Resources:

- 1. The Islamic banks may use their resources to finance all sectors and activities except those prohibited from financing as per this Circular, and they shall give special**

attention to the priority sectors according to the nature of economic activities in each State.

2. The Islamic banks may utilize their resources to finance the production of gold and other minerals.
3. The Islamic banks may direct 70% of their investment deposits to medium term financing (which extends to more than one year).
4. The Central Bank of Sudan continues to extend incentives to the commercial banks collaborating in financing the priority sectors, medium term financing, gold and other minerals finance, social finance, and banks which participate in open market operations. A circular will be issued in due course to explain this.

6. Cost of Financing:

The Murabaha financing margin shall be 9% per annum (as an indicative rate) with the exception of micro-finance, commensurate with the duration for each of the Murabaha installments.

7. Islamic Financing Modes:

1. Murabaha Mode:

1. Financing extended via this mode shall be in accordance with the Sharia Guide for Murabaha, issued by the Central Bank of Sudan. The Murabaha is not observed deemed mock if adherence to the contents of this Guide.
2. There shall be strict adherence to the regulations which govern financing through the Murabaha mode.

2. Musharaka Mode:

Each bank may determine its percentages for the various Musharaka modes and the management

margins taking into consideration the rules and regulations of banking finance.

3. Mudaraba Mode:

Each bank may determine the Mudarib share of profit in case of extending finance via the Restricted Mudaraba mode. Absolute Mudaraba mode should not be used by banks.

4. Other Modes of Finance:

The Central Bank of Sudan encourages banks to use other Islamic financing modes, such as Salam, Mugawala, Istisna'a, crop sharing, ... etc.

5. Prohibited and Activities:

Financing for the following Purposes and Entities is prohibited :

- 1. Purchase of foreign currencies.**
- 2. Purchase of shares and financial papers.**
- 3. Repayment of outstanding or non-performing financial transactions.**
- 4. Foreign exchange companies and financial services bureaus.**

6. All Banks are Prohibited from Extending Direct Finance to the Following Entities Except with the Prior Approval of the Central Bank of Sudan:

- 1. The Central Government, the States' Governments, and the Localities.**
- 2. The Central and State corporations, institutions and organizations in which the Government holds shares of 20% or more.**

8. Persistence in maintaining the stability and flexibility of the exchange rate.

9. Encouraging non-oil exports in collaboration and coordination with the relevant ministries, corporations, and the public and private institutions, as well as reinforcing the role of the National Agency for Insurance and Financing of Non-Oil Exports.

10. Continuation in carefully managing the demand for foreign exchange.

11. Expanding the Bank's correspondence network.

12. In the Area of Banking System Regulation and Development:

- 1. Developing the existing bank group alliances up to the stage of full merger.**
- 2. Organizing the business of banks operating in the Free Zones.**
- 3. Continuation in applying the standards of corporate governance.**
- 4. Continuation in completing the Electronic Coding Programme so as to include all the clients of banks and the establishment of the Credit Information Agency and the Credit Rating Agencies.**
- 5. Strengthening the existing rules of granting finance in all of the banks.**
- 6. Encouraging the establishment of State banks and working toward the spread of bank branches.**
- 7. Completing the establishment of the Darfur Development and Reconstruction Bank.**
- 8. Activating the role of the finance leasing companies and informing about the modality of dealing with them in order to enable them to perform their intended role in the country's economy.**

13. In the Area of Banking Supervision:

- 1. Activating the commitment to implement the standards of supervision of the Islamic Financial Services Board and the standards of Basel II.**
- 2. Reinforcing and developing the role of internal supervision in the banks and the non-bank financial institutions through activating the role of the boards of directors and enhancing the internal audit and control systems.**
- 3. Deepening the banks' adherence to the regulations and directives of the Central Bank of Sudan.**
- 4. Developing off-site supervision mechanisms.**
- 5. Adhering to the Islamic modes in the execution of contracts and granting of finance as well as urging the banks to use modes other than the Murabaha mode in the medium and long terms in the Islamic Banking System.**
- 6. Strengthening the banking supervision units at the branches of the Central Bank of Sudan.**
- 7. Enhancing the implementation of the transparency and disclosure standards.**
- 8. Practicing supervision over the non-bank financial institutions and the micro-finance institutions.**
- 9. Promoting supervisory relations with peers in COMESA and the Arab countries.**
- 10. Continuing work toward activating the role of internal audit and risks divisions of the banks in the light of international practices and standards.**
- 11. Reinforcing the prudential and supervisory measures with respect to adherence to the requirements of anti-money laundering and the finance of terrorism in**

coordination with the Administrative Unit for Anti-Money Laundering and the Finance of Terrorism.

- 12. Exerting efforts to deal with non-performing and reducing its percentage to the internationally acceptable levels.**
- 13. Introducing a special system of bank supervision for the purpose of enhancing banks' performance with respect to the work systems and their soundness.**
- 14. Developing a complaints handling system from the banks to ensure proper performance of the banks and other financial institutions, and to provide better protection for the beneficiaries of the banking and financial services.**
- 15. Continuing coordination with the Bank of Southern Sudan Branch regarding support to and development of, the Banking Supervision Directorate.**

14. In the Area of Payment Systems and Banking Technology:

- 1. Continuation of the work in the Real Time Gross Settlement (RTGS) system.**
- 2. Upgrading the National Payments Switch to accommodate expansion in the regional linkage.**
- 3. Developing and applying modern technology systems that help to protect and secure the banks.**
- 4. Elaborate the work on joining the Regional Payments and Settlements System (REPSS) of the COMESA countries and the Arab countries.**
- 5. Developing and enhancing the current payment systems through endorsement of settlements of government services via the electronic system, perfecting the ATMs and Points of Sale services and**

spreading of awareness regarding banking technology in the area of electronic cards, plastic money and electronic money, on which dealings will be regulated by the Central Bank of Sudan.

- 6. Finalizing the work on the Electronic Clearing to include the Southern States.**
- 7. Encoding the payment instruments other than cheques to enable dealing with them electronically.**
- 8. Introducing an Act on payment systems.**
- 9. Developing security standards and the requirements for the continuity of the payment systems service and reviewing their implementation.**
- 10. Setting up standards and specifications for the banking systems to ensure their conformity with international standards.**

15. General Regulations and Guidelines for the Islamic Banks:

- 1. All Islamic banks shall strictly adhere to the circulars and directives Central Bank of Sudan on the rules and regulations governing extension of banking finance, and to the general banking regulations and guidelines.**
- 2. Banks should ensure that their banking charges are commensurate with the real cost of those services and are displayed in the media periodically beside dispatching a copy thereof to the Banking System Regulation and Development Department of the Central Bank of Sudan**
- 3. Banks should request the presence of the owner personally in the case of real estate mortgage for obtaining financing. They should not accept a proxy agent, and should actually inspect the site of the real estate to be mortgaged.**

- 4. Banks are permitted to accept all types of financial papers as collateral for granting finance to their holders and/or to agents, while taking all the necessary precautions.**
- 5. Working toward expanding the insurance services in the agricultural and industrial sectors by setting up an institution for agricultural and industrial financing insurance and guarantee.**
- 6. Encouraging group financing and finance portfolios for financing projects public budget targeted in the year, 2011.**
- 7. Evaluating the finance portfolios experience in commercial banks, along with considering the possibility of establishing more finance portfolios and providing them with financial and technical incentives.**
- 8. Banks should focus on the feasibility of the project and the financial position of the client, in addition to also focusing on the mortgages and guarantees when granting finance.**
- 9. Upon granting finance, banks should ensure that the total granted finance to the rural areas, by any of their operating branches shall at any time be not less than 70% of the total deposits attracted from these areas.**

16. Satisfying the needs of the economy in terms of banknotes and coins by:

- Determining the optimal volume of the currency issued and maintaining safety of the currency.**
- Determining the optimal hierarchical structure of the denominations of the currency.**
- Working toward the introduction of the Currency Act.**

- **Developing the security marks for the currency.**

17. Continuing the implementation of the clean currency policy through:

- **Improving the quality of banknotes in circulation particularly the smaller denominations.**
- **Urging the banks to pay their clients in clean banknotes.**
- **Developing rules and mechanisms for counting, sorting, examining and classifying banknotes.**
- **Introducing the automatic destruction system for dispensing with the dilapidated currency.**
- **Organizing awareness campaigns through different media to inform the public, at all levels, about the specifics of the clean and valid currency.**

18. Alleviating poverty and reducing economic inequality through increasing economic growth and lowering liquidity percentage.

- 1. Employing graduates and youth in community development projects in accordance with their respective specializations so as to contribute to the provision of work opportunities and thereby help with unemployment relief.**
- 2. Facilitating access to the services of micro and small finance and banking finance of a social dimension to the weak segments of the country's population who are incapable of accessing official financial services.**
- 3. Upgrading the services rendered by the micro-finance institutions to small projects.**

4. Raising the level of savings and investment through mobilization of capital from individuals, societies and non-governmental organizations.
5. Encouraging the spirit of collective interdependence by establishing cooperative societies or any of the civil society organizations pertaining to the small producers.
6. Popularizing the banking culture for reinforcing the capacity of micro and small financing and banking finance of a social dimension.

19. Allocating no less than 12% of the banks' financing portfolio at any time, to the sector of micro and small finance and the bank finance of a social dimension.

20. The above percentage shall be divided equally between the micro finance and the small finance and finance of a social dimension. The banks may utilize this percentage wholly for micro and small finance, but not vice versa.

21. Establishing specialized micro finance units at the branches of the Central Bank of Sudan,.

22. Encouraging the use of non-conventional guarantees, taking into consideration the use of insurance as an accompanying guarantee, through partnership with the Micro Finance Unit and the Sudanese Micro Finance Development Facility.

23. Encouraging the banks with specialized expertise to work jointly with the socio-economic segment related to the specialization of these banks, and approve those projects with developmental characteristics.

24. Working toward the establishment of institutional to provide guarantee to the micro finance institutions, in coordination with the related entities, as well as endeavoring to attract international credit guarantee services.

Chapter Two: Conventional Banking System Policies

The following are details of the policies for the conventional banking system:

FIRST: Monetary and Credit Policy:

The monetary and financial policy for the 2011 aims at achieving the macro-economic objectives for the year, represented in attaining a real growth rate of 4.9% in Gross Domestic Product (GDP) and an inflation rate at 12% on average through targeting a nominal growth rate in money supply of 17%, as an intermediate target, along with maintaining stability and flexibility of the exchange rate.

In order to achieve the monetary policy objectives, liquidity in the economy will be managed in a balanced way to meet the economic activity requirements without creating inflationary pressures. This will be carried out by focusing on the indirect monetary policy instruments of the conventional banking system, as explained below.

1. Monetary and Credit Policy Instruments:

1. Liquidity Management:

1. Statutory Reserve:

The conventional banks should maintain eleven percent (11%) of local currency deposits and eleven percent (11%) of foreign currency deposits as statutory reserves in the form of cash balances with the Bank of Southern Sudan. Any excess in the statutory reserves over the deposits in foreign currencies may be settled in local currency. Deposits include (current deposits, saving deposits and margins) as reflected by the weekly return on deposits and finance. The percentage may be split in such a manner that 9% can be held in cash and the remaining 2% in the form of deposits certificates.

2. Internal Liquidity:

- 1. The banks should maintain 10% (as an indicator) of current and savings deposits in the form of internal cash liquidity.**
 - 2. The banks may hold a maximum of ten percent (10%) of their existing finance portfolio as liquid assets in the form of Central Bank Ijarah Certificates (CICs-Shihab), Certificates of Deposit, Government Bonds issued by the Government of the Southern Sudan provided that these shall not be discounted or rediscounted by the Bank of Southern Sudan (the Branch CBOS), other Government Sukouk and non-Government institutions' Sukouk traded in the Khartoum Stock Exchange (KSE), in order to contribute to financing development in the South.**
- 3. The Financing Windows of the Central Bank:**
- 1. The Bank of Southern Sudan (the Branch) may provide financial support to the conventional banks in Southern Sudan who face temporary liquidity difficulties, through the purchase of papers of such certificates of deposit, and overnight loans at an interest rate for covering the debt clearing account only, and discounting of bankable commercial papers issued by the private sector. However, it is not permissible to discount treasury bonds, bills and other financial papers issued by the Government of Southern Sudan.**
 - 2. The Bank of Southern Sudan (the Branch) may extend financing to the conventional banks for bridging seasonal financing gaps, according to the rules and regulations which are specified by the Central Bank of Sudan.**

3. It is permissible to issue and trade in certificates of deposits (CDs) in Southern Sudan in accordance with the rules and regulations that are set by the Central Bank of Sudan.

4. The Inter-bank Market:

- 1. The Central Bank of Sudan encourages conventional banks to constitute portfolios to finance various economic activities, particularly in the productive sectors. However, the Bank of Southern Sudan (the Branch) should be informed with all such portfolios.**
- 2. The Central Bank of Sudan encourages the holding of deposits, financing in local and foreign currency and sale and purchase of certificates of deposit, Sukouk, government bonds, Treasury bills, foreign exchange dealing and discounting of financial papers among the conventional banks. The Bank of Southern Sudan, (the Branch), may assist in facilitating the procedures of such transactions.**

2. Uses of Resources:

- 1. The banks may use their resources to finance all sectors and activities, particularly the agricultural sector, except those prohibited from financing as per this Circular.**
- 2. The banks may direct 70%, (as an indicator) of the total term deposits as medium term financing for the productive activities, as individual banks or in the form of a portfolio.**

3. The Cost of Finance:

The interest rate shall be 12%, per annum (as an indicator) for financing transactions in local and foreign

currency. However, Microfinance operations are exempted from this requirement.

4. Prohibited Sectors and Activities:

Financing for the following purposes and entities is prohibited.

- 1. Purchase of foreign currencies.**
- 2. Purchase of shares and other financial papers.**
- 3. Repayment of outstanding or non-performing financial transactions.**
- 4. Foreign exchange companies and financial service bureaus.**

All banks are prohibited from financing the following entities except with the prior approval of the Bank of Southern Sudan (the Branch) :

- 1. The Government of Southern Sudan, including the purchase of securities issued by the Government of Southern Sudan, the State Governments, and Localities.**
- 2. The Central and State corporations, institutions and organizations in which the Government holds shares of 20% or more.**

SECOND: Foreign Exchange Policies:

- 1. Persistence in maintaining the stability and flexibility of the exchange rate.**
- 2. Encouraging non-oil exports in collaboration and coordination with the relevant ministries, corporations, and the public and private institutions, reinforcing the role of the National Agency for Insurance and Financing of Non-Oil Exports.**
- 3. Continuation in properly managing the demand for foreign exchange.**

4. Expanding the Banks' correspondence network.

THIRD: Banking Supervision, Development of Payment System and Banking Technology Policies:

1. On Banking System Regulation and Development

- 1. Obligating the banks to raise the minimum paid-up capital to SDG 20 million by the end of the year 2011.**
- 2. Continuation in applying the corporate governance standards.**
- 3. Introducing the Electronic Coding Programme as to include all the clients of banks in the South, and the establishment of a branch to the Credit Information and Credit Classification Agency.**
- 4. Urging the banks to focus on the economic feasibility study for each financed operation and project, as this constitutes the real guarantee for success of a project or operation.**
- 5. Working to enhance banking awareness in Southern Sudan through media campaigns and other awareness programmes.**
- 6. Encouraging the establishment of States banks and proliferation of bank branches.**

2. On Banking Supervision:

- 1. Establishing legal provisions to ensure commitment to implement the standards of Basel II.**
- 2. Reinforcing and developing the role of internal supervision in the banks and in the non-bank financial institutions through activating the role of the Boards of Directors and developing control and internal audit systems.**
- 3. Obligating the banks to apply circulars and guidelines issued by the Central Bank of Sudan.**
- 4. Developing indirect mechanisms of supervision.**

- 5. Developing the banking supervision units at the branches of the Central Bank of Sudan.**
- 6. Continuing with application of the transparency and disclosure standards.**
- 7. Continuing coordination with the Headquarters regarding support and development of the Banking Supervision Directorate in the Bank of Southern Sudan.**
- 8. Developing the supervision role of the non-bank financial institutions and the microfinance institutions.**
- 9. Promoting the supervision relationships with the supervisory entities in the COMESA and the Arab countries.**
- 10. Continuing work toward activation of the role of Internal Audit and Risks divisions of the banks, in the light of international practices and standards.**
- 11. Reinforcing the prudential and supervisory measures in the area of adherence to the requirements of anti-money laundering and terrorism financing, in coordination with the Administrative Unit for Anti-Money Laundering and Terrorism Financing.**
- 12. Continuing the efforts to deal with nonperforming loans and reducing its percentage to the internationally acceptable levels.**
- 13. Developing complaint handling systems from the public dealing with the banks in a manner that will ensure proper performance of the banks and other financial institutions, and provision of protection to the beneficiaries of the banking and financial services.**

3. On Payment Systems and Banking Technology:

- 1. Continuing the development and application of modern technology systems that help to protect and secure the banks**

as well as introducing an updated system of inspection for banks, with the purpose of enhancing the performance of the banks as to the work systems and their soundness.

2. **Completing the work of Electronic Clearing as include the Southern States.**
3. **Encoding the cheques in Southern Sudan and deal with them electronically.**
4. **Setting up standards and specifications for the banking systems so as to ensure their conformity with the international standards.**

4. General Regulations and Guidelines:

1. **All conventional banks shall strictly adhere to the circulars and directives of the Bank of Southern Sudan (the Branch) relating to the rules and regulations on extension of banking finance and to the general banking regulations and guidelines.**
2. **Banks should ensure that their banking charges are commensurate with the real cost of services, and they should post them in the media periodically, and should send a copy to the Central Bank of Sudan - Banking System Regulation and Development Department - and to the Bank of Southern Sudan (the Branch).**
3. **Banks are required to request the presence of the owner personally in the case of mortgaging real estate for the purpose of obtaining financing. Banks should not accept presence of proxy agents and should ascertain the site of the real estate to be mortgaged.**
4. **Banks are permitted to accept all financial papers as collateral for granting finance to their holders or to their agents, while taking the necessary precautions.**

5. **Conventional banks may accept Government Bonds as guarantee for granting finance.**
6. **Working toward expanding the insurance services in the agricultural and industrial sectors by setting up an institution for insurance and guarantee of agricultural and industrial financing.**
7. **Encouraging group financing and finance portfolios for financing the projects and activities targeted in the Public Budget for the year 2011.**
8. **Banks should focus on the feasibility projects, the financial position of clients, in addition to focusing on the mortgages and guarantees when granting finance.**

FOURTH: On Currency Management:

The Central Bank aims, during the year 2011, to develop and improve the currency management system through the following measures.

1. **Determining the optimum volume of the currency issued, maintaining the national currency and protecting it from forgery, counterfeiting and deformation.**
2. **Determining the optimal structure of currency denominations.**
3. **Working toward the introduction of the Currency Act.**
4. **Continuing the implementation of the clean currency policy through:**
 1. **Improving the quality of banknotes in circulation, particularly for the smaller denominations.**
 2. **Urging the banks to pay their clients clean banknotes.**
 3. **Developing rules and mechanisms for counting, sorting, detecting and classifying the banknotes.**
 4. **Developing rules and mechanisms for counting, sorting, examining and classifying the banknotes.**

5. **Introducing the automatic deal with destruction system.**
6. **Organizing awareness campaigns through the different media to inform the public, at all levels, about the specifics of clean and valid currency.**

FIFTH: Policies Related to Micro and Small Financing and Social Financing:

- **General Objectives:**
 1. **Alleviating poverty and reducing economic inequality by achieving economic growth and reducing liquidity.**
 2. **Employing graduates and youth in community development projects, in accordance with their specializations, so as to contribute to the provision of work opportunities and to unemployment relief.**
 3. **Facilitating access to the services of micro and small finance and social finance to the weak and unbankable segments of the country's population for contributing to development.**
 4. **Upgrading the services rendered by the micro finance institutions to the small projects.**
 5. **Raising the level of savings and investment through the mobilization of capital from individuals, societies and non-government organizations.**
 6. **Encouraging collective interdependence by establishing cooperative societies or any other civil society organizations pertaining to the small producers.**
 7. **Popularizing a banking culture that reinforces the capacity of micro and small financing and banking finance of a social dimension.**
- **Objectives' Achievement Mechanisms:**
 1. **Allocating a minimum of twelve percent (12%) from the banks' financing portfolio, at any time, to the micro and small finance and social finance.**

- 2. The specified percentage (12%) shall be divided equally between the micro and small finance (6%) and the mini and social finance (6%). The banks may utilize this percentage wholly for micro and small finance, but not vice versa.**
- 3. Establishing specialized micro finance units at the branches of the Central Bank of Sudan.**
- 4. Encouraging the use of non-conventional guarantees, taking into consideration the use of insurance as an accompanying guarantee through partnership with the Micro Finance Unit and the Sudanese Micro Finance Development Facility.**
- 5. The Central Bank of Sudan encourages the banks with specialized expertise to work together with the population segments related to the specialization of these banks and to approve projects with developmental advantages.**
- 6. Working toward the establishment of a social institution to provide guarantee to the micro-finance institutions in coordination with the related entities, as well as endeavoring to attract international credit guarantee services.**

All banks operating in Sudan shall work according to this Circular as from the first of January of the year 2011, and shall consider the Circular on the Central Bank of Sudan Policies for the Year 2010, issued on 28th December, 2010 (corresponding to 11th Muharram, 1431H) as cancelled.

**Dr. Sabir Mohamed Hassan
Governor,
Central Bank of Sudan**