

## **Central Bank of Sudan Policies for the year 2012**

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

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#### **Introduction:**

**The Central Bank of Sudan Policies for the year 2012 based on the guidelines and goals of the Three Year Programme (2012-2014) which has been designed and adopted to cope with the negative consequences owing to exit of resources of the oil produced in South Sudan after secession on the progress of the Sudanese economy; more specifically to deal with :**

- The negative effects on the economy's growth rates.**
- The disequilibrium in the trade balance and the balance of payments.**
- The negative effects on public finance.**

**The Three Year Programme (2012-2014) has identified four pillars for the economic, financial, monetary and social policies which would achieve, at the end of the period, restoration of the internal and external equilibrium to the economy and hence resumption of sustainable economic growth under stability. The pillars are :**

- The financial policies pillar.**
- The monetary policies pillar.**
- The real sector policies pillar.**
- The social stability policies pillar.**

**According to the policies cited in the four pillars mentioned above and in full coordination with the Ministry of Finance and National Economy and the rest of the Economic Sector and the Social Sector ministries, the Central Bank of Sudan issues the following policies for the year 2012.**

**FIRST: Mobilization of National Savings Pillar:**

**This pillar aims at expanding the attraction of national savings in local currency for the purpose of providing the financial resources required for economic activity in general and by concentrating on financing, producing, manufacturing and exporting processes of the commodities mentioned in the programme so as to achieve the objective of import replacement and exports boosting. That would be realized by encouraging the banks and the non-bank tax bases to attract the national savings through the following measures :**

- 1. Abolishing the restrictions on the banks to open new branches so as to allow them to open their branches without making recourse to the Central Bank for approval. However, the authorization of approval for opening the branches should be transferred to the boards of directors of the banks and in light of guidelines of the Central Bank.**
- 2. Simplifying procedures for opening current accounts and savings and investment accounts with the banks so that the process of opening an account shall be concluded just by presentation of the identification document (preferably the national security number) and a token amount of money not exceeding the cost of a cheque book (within SDG 50). The client should be provided with an ATM card**

- but not a cheque book except after being confirmed through his dealing with the bank that he deserves that.
3. Taking the necessary measures to stop using the cheque as a guarantee instrument and activate the Bills of Exchange Act to become a substitute for the use of cheques for deferred payment in accordance with the provisions of the Islamic Sharia provided that this should occur gradually in consideration for preserving the rights in payments operations and guarantees.
  4. Dropping the savings and investment deposit accounts from the process of calculating the legal cash reserve ratio.
  5. Spreading the electronic banking services in all of the cities and rural areas through :
    - Finalization of the Credit Number Project.
    - Expansion in the use of the ATM cards and Points of Sale for goods and service.
    - Development of the payment systems and offering banking services via the mobile phone and the Internet.
  6. Encouraging the establishment of bank and non-bank financial institutions specialized in mobilizing resources, boosting savings rates and developing savings products.
  7. Encouraging the banks to pay the holders of bank deposits remunerative profits.

## **SECOND: Allocation of Resources Pillar:**

**This pillar aims to direct the major portion of the financial resources available to the banks and those attracted from the**

**foreign correspondent banks in favor of financing the agricultural and industrial production, particularly for producing, processing and exporting the following goods :**

**Through:**

- **In the Area of Imports Replacement:**
  - 1. Wheat.**
  - 2. Sugar.**
  - 3. Edible Oils.**
  - 4. Medicines.**
- **In the Area of Production for Exportation:**
  - 1. Cotton.**
  - 2. Animal Resources Products.**
  - 3. Gum Arabic.**
  - 4. Gold and Minerals.**
  - 5. Constitution of finance consortia by the banks for the commodities mentioned above, under the supervision and monitoring of the Central Bank for producing, processing and exporting these commodities along with offering the following incentives to the banks participating in the mentioned consortia :**
    - 1. Maintaining deposits with the participating banks.**
    - 2. Allocating 5 percent of total contributions of each bank to the various consortia from the**

**foreign exchange resources of the Central Bank of Sudan in favor of the contributing bank over and above the usual allocations.**

**3. Additional advantages in respect of the maximum allowed for the banks' investments in securities.**

**6. Encouraging the banks to set up short and medium term investment funds for financing the Programme goods mentioned above.**

**7. Supporting the Sudanese Agricultural Bank and the Industrial Development Bank for providing medium term finance to production.**

- **Micro Finance:**

**Investing 12 percent, at least, of the investment portfolio for each bank, for the year 2012, in financing the projects and programmes of the small finance, micro finance, mini finance and the small finance with a social dimension and encouraging the banks and micro finance extending institutions to reach the targeted segments through the following policies :**

**1. Introducing guarantee services via the insurance companies according to the micro finance insurance policy document in addition to the applicable bunch of guarantees.**

**2. Setting up Kafalat Corporation, with a capital of not less than SDG 200 million to render guarantee services to wholesale micro finance for the purpose of encouraging the banks to extend wholesale finance to**

**the micro finance institutions in the States and to the targeted sectors.**

- 3. Supporting the banks specialized in extending micro finance services and setting up and sponsoring the micro finance institutions in all of the States.**
- 4. Contribution by the Central Bank to the capacity building and training project for the banks and institutions which extend micro finance in addition to provision of training to the micro finance recipients (enabling and employing one thousand graduates to work in the banks as micro finance officers).**
- 5. Granting the graduates' projects first priority of financing from the resources earmarked to micro financing from the banks and setting up special windows for financing the graduate projects in all the micro financing institutions in the States.**
- 6. Bolstering the graduates' projects portfolio and developing it by extra resources, not exceeding SDG 50 million, the resources made available for financing the graduates' projects mentioned in paragraph (5) above.**

**THIRD: Achievement of Economic Stability Pillar:**

**Instruments of Monetary and Financing Policy:**

**FOURTH: Banking, Supervisory, Development of Payment, and Financial and Banking Technology Systems':**

- 1. Financing and Monetary Policy:**

**This pillar seeks to achieve sustainable economic stability**

**through implementing rationalized monetary and fiscal policies in an effort to attain a real growth rate in the Gross Domestic Product (GDP), within 2%, a rate of inflation, within 17%, as planned for in the first year of the Three Year Programme. The above objectives will be achieved by targeting a nominal rate of growth in money supply of 15%, provided that liquidity in the economy should be managed in a balanced manner so as to meet the requirements of economic activity by using financing policy instruments and indirect monetary policies, in the following manner :**

**1. Liquidity Management:**

**1. Statutory Cash Reserve:**

**The banks should maintain cash balance with the Central Bank of Sudan in the form of a statutory cash reserve of 13% of total deposits in local currency and 13% of total deposits in foreign currencies. The deposits include (current deposits and margins), as reflected by the Weekly Position Report on deposits and financing in the Bank, except the investment and savings deposits.**

**2. Internal Liquidity:**

- 1. Banks should maintain 10% (as an indicative rate) of current and savings deposits in local currency in the form of internal cash liquidity for meeting the customers' daily withdrawals.**

**2. Banks may hold liquid assets, at a percent not exceeding 25%, out of the outstanding finance portfolio in the form of the Central Bank Ijarah Certificates (Shihab), Government Musharaka Certificates (Shahama), Khartoum Oil Refinery Ijarah Certificates (Shama), Other Government Institutions Sukuk, except the shares traded in the Khartoum Stock Exchange.**

**3. Inter-Banks Market:**

- 1. The Central Bank of Sudan encourages the banks to form consortia for financing the various economic activities, particularly the productive sectors, along with notifying the Central Bank of Sudan (Banking System Regulation and Development Department) prior to implementation.**
- 2. The Central Bank of Sudan encourages maintaining deposits and financing in the local and foreign currency, sale and purchase of securities (cited in para (b) of Internal Liquidity above) and dealing in foreign exchange among the banks. The Bank will also assist in simplifying the procedures of these transactions.**
- 3. The Central Bank of Sudan encourages the banks to activate the work of the alliance groups through boosting cooperation and**



**coordination in the area of unifying the financing and exchange rate policies among the banks.**

**4. Encouraging the banks to constitute funds for liquidity management.**

**2. In the Area of Uses of Resources:**

- 1. The banks may use their resources for financing all the sectors and activities, except for those which are prohibited from being financed pursuant to this Circular. The banks shall give special attention to the priority sectors in accordance with the nature of economic activity in each State.**
- 2. The banks, when granting finance, have to observe that the total finance granted at any time to the rural areas by any of their operating branches, be at a level of not less than 70% of total deposits attracted from these areas.**
- 3. The Central Bank of Sudan encourages the banks to give due consideration to financing the agricultural and industrial production inputs for boosting exports and replacing imports and to grant priority to provision of the necessary finance in time.**
- 4. The banks may utilize their resources to finance production of gold and other minerals.**

- 5. The banks may allocate 70% of their investment deposits for medium term financing (of more than one year).**
- 6. The Central Bank of Sudan continues to offer incentives to the commercial banks collaborating in financing the productive sectors (agriculture and industry), medium term financing, financing gold and other minerals mining, financing activities with a social dimension, and to the banks which participate in open market operations, in addition to financing through the Musharaka and the other modes, other than the Murabaha and also to the banks which provide financing to exports and their inputs and which constitute the finance consortia for all strategic commodities indicated in the Three Year Programme.**
- 7. The Central Bank of Sudan encourages the banks to make use of the finance windows for the private sector available from the regional and international finance institutions.**

**3. Cost of Financing:**

**The profit margin in case of financing through the Murabaha mode shall be 12% (as an indicative rate) per annum according to the periods for each of the Murabaha installments except for the micro finance operations – and that is applicable to the financing operations in the local and foreign currency.**

**4. Financing Modes:**

## **1. Murabaha Mode:**

- 1. That financing extended via this mode has to be in compliance with the Sharia Guide issued in this regard from the Central Bank of Sudan. The Murabaha is considered to be fictitious if there was no adherence to the texts of that Guide.**
- 2. There has to be adherence to the regulations which govern financing through the Murabaha mode. A circular will soon be issued indicating the collection percentage of the first installment of the Murabaha in respect of financing the various sectors and economic activities.**
- 3. Penalties shall be applied on the banks which do not adhere to the Sharia Guide regarding the Murabaha mode. The Central bank will subsequently issue a circular specifying these penalties.**
- 4. The Central Bank of Sudan, in collaboration with the Banks Union and the Higher Sharia Supervisory Board, will prepare a concerted programme for developing new modes for financing and re-building the banking institutions with respect to institutionalized work and staff capacity building to eliminate ultimately the**

**suspicion of fictitiousness from the legitimate Murabaha mode.**

**2. Musharaka Mode:**

- 1. Banks are encouraged to use the Musharaka mode in financing their clients for all sectors and economic activities.**
- 2. A circular will subsequently be issued, determining the indicators of Musharakat percentages, along with taking into consideration the rules and regulations of banking finance.**

**3. Mudaraba Mode:**

**Each bank is free to determine the Mudarib's percentage share in the profit in case of finance via the Restricted Mudaraba mode. Any financing through the Absolute Mudaraba mode is disallowed.**

**4. Other Modes of Finance:**

**The Central Bank of Sudan encourages the banks to introduce and activate new Islamic modes and to use the other Islamic finance modes such as Salam, Mughawala, Ijarah, Istisna'a and Crop Sharing ... etc.**

**5. Sectors and Purposes for which Financing is Prohibited:**

- 1. Financing to the following purposes and entities is prohibited :**

- 1. Purchase of foreign currencies.**
  - 2. Purchase of shares and securities.**
  - 3. Repayment of outstanding and non-performing financing transactions.**
  - 4. Foreign exchange companies and financial services bureaus.**
- 2. Taking into account permission for the banks to maintain 25% of their financing portfolio as securities.**

**All banks are prohibited to extend finance to the following entities except after 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 public organizations in which the Government holds 2% or more of their.**
- 3. Foreign Exchange Policies:**

**The Central bank of Sudan undertakes to implement the foreign exchange policy which has been set by the Three Year Programme (2012-2014) and which aims at achieving gradually a stable exchange rate, over the programme period, to be determined by the supply and demand factors in a unified market. For achieving this aim, the following measures will be carried out :**

- 1. Confirmation of the freedom of dealing in foreign exchange, liberalization of dealings and freedom of foreign exchange uses in the context of the regulatory guidelines issued by the Central Bank of Sudan.**
- 2. Banks are allowed to deal in foreign exchange at the level of their branches but they are required to notify the Central Bank of Sudan in advance of the branches which the bank will allow to deal in foreign exchange.**
- 3. Re-allocation of the local and foreign exchange resources available to the banking sector for providing financing at the required volume and at the appropriate time for producing, processing and exporting the eight (8) commodities specified in the Three Year Programme for replacement of imports and boosting of exports.**
- 4. Persistence in the policy of rationalizing the demand for foreign exchange through the monetary and trade policies.**
- 5. Rationalization of the government expenditure in foreign exchange.**
- 6. Expansion and continuation in buying and exporting gold provided that the Central Bank of Sudan shall become the sole entity**

**allowed to export gold produced through traditional mining. The companies licensed to operate in accordance with the Investment Act shall carry the exportation of gold pursuant to the stipulations of the Investment Act and the Foreign Exchange Regulation in effect.**

- 7. Operationalization of Sudan Gold Refinery in the first quarter of the year 2012 and toward exporting refined gold instead of exporting unrefined gold.**
- 8. Developing and regulating the gold market in coordination with the other related entities with the aim of establishing a gold exchange in the Sudan.**
- 9. Instituting the necessary banking and commercial arrangements with the relevant entities for regulating and promoting trade with the Republic of South Sudan and encouraging the opening of branches to deal in foreign exchange in the border regions.**
- 10. Encouragement of foreign direct investment flows.**
- 11. Work toward mobilizing foreign exchange savings of Sudanese working abroad through the banking, exchange**

**companies and bureaus of transfer channels.**

- 12. Striving to attract foreign exchange resources [deposits/loans and facilities from the correspondents (cash or commodity)].**

## **6. Banking System Regulation and Development:**

- 1. Continuing in the programme of restructuring and banking reform.**
- 2. Developing the banking alliance groups up to the full banking merger stage.**
- 3. Activating and reinforcing the role of the alliance groups along with focusing its role on cooperation in liquidity management in a satisfactory manner particularly upon application of SRAG (Sudanese Real Time Automated Gross Settlement System).**
- 4. Encouraging banks' geographical spread for attaining a ratio of one branch for 20 thousands inhabitants by the end of the Three Year Programme and by removing restrictions on the establishment of new branches. The banks will be allowed to open branches in accordance with sound banking standards without recourse to the Central Bank, but only to notify the Central Bank about the opening and the location of the branch.**



- 5. Completing the opening of the Central Bank of Sudan branches in all of the States and expanding their functions so as to carry out the Central Bank economic, financing and banking activity functions at the level of the States.**
- 6. Obligating the banks to submit a copy of their plan and operational budget for the year 2012 to the Central Bank after its adoption by the board of directors of the concerned bank.**
- 7. Encouraging the banks to submit proposals of new banking products (embracing the beneficiaries from micro finance) to the Central Bank for the purpose of widening the options, products and banking services to the banks' clients.**
- 8. Continuing the upgrading of the supervision mechanisms in the area of combating money laundering and terrorism financing.**
- 9. Encouraging the banks to constitute investment portfolios jointly with the Sudanese and foreign banks for implementing development projects having economic and social feasibility.**
- 10. Obligating the banks to setup and activate supervision and internal control systems.**
- 11. Promotion of Non-Bank Financial Institutions:**
  - 1. Encouraging the Ijarah companies to expand quantitatively and qualitatively in**

**financing through the Ijarah mode by financing new sectors such as medical instruments, irrigation and agriculture.**

- 2. Building the organizational frameworks for the non-bank financial institutions by issuing regulations and circulars for organizing and developing the work of these institutions.**
- 3. Continuing the application of the corporate governance standards to the non-bank financial institutions.**
- 4. Adjusting the conditions of non-bank financial institutions, giving due care to internal financial resources and strengthening the items of equity ownership.**
- 5. Encouraging the establishment of micro finance institutions in the States and facilitating their licensing procedures within the framework of the Regulation organizing of the micro finance institutions.**

**12. Banking Supervision:**

- 1. Adhering to the standards of supervision issued by the Basel Committee and the Islamic Financial Services Board.**
- 2. Tightening banking supervision to achieve financial soundness of banks, raise their**

**financial efficiency and handle inadequacy and shortcoming, for the purpose of ensuring the rights of depositors and securing best investment and utilization of resources.**

- 3. Persisting in reinforcing and developing the role of internal supervision in the bank and non-bank financial institutions, through activating the role of the boards of directors and strengthening the internal control, audit and compliance officers systems.**
- 4. Activating the adherence of banks and non-bank financial institutions to the regulations and directives of the Central Bank of Sudan.**
- 5. Enhancing and activating desk and prudential supervision mechanisms of the Central Bank.**
- 6. Activating adherence to the Sharia regulations in the banking transactions and encouraging the banks to use Islamic financing modes without concentration on the Murabaha mode.**
- 7. Activating the banking supervision units in branches of the Central Bank of Sudan in the States.**

- 8. Persevering in applying the transparency and financial disclosure standards to the banks and non-bank financial institutions which are subject to supervision of the Central Bank.**
- 9. Continuing in raising the competencies of the employees of the banking system in coordination with the related entities.**
- 10. Activating the supervisory role over the non-bank financial institutions and the micro finance institutions.**
- 11. Activating the relations with the supervisory bodies in the countries to which we are tied by economic and financial relations.**
- 12. Continuing the strengthening and activation of the internal control and risk systems and directorates of the banks in the light of acceptable practices and international standards.**
- 13. Continuing in activating the supervisory measures with respect to adherence to the requirements of combating money laundering and terrorism financing in coordination with the related bodies.**
- 14. Continuing in tackling the problem of insolvent debts and striving to bring down**

**its percentage to the internationally acceptable levels (6%).**

**15. Continuing the activation of the mechanisms of work systems devaluation in the banks.**

**16. Developing the work of the Banks Deposits Insurance Fund.**

**13. Credit Enquiry and Rating:**

**1. Conducting work in accordance with the new system pertaining to the Credit Enquiry and Rating Agency.**

**2. Introducing the credit scoring service to the clients.**

**3. Bringing the non-bank financial institutions in the credit rating service and maintaining the data on clients with the Agency.**

**14. Conducting work in accordance with the new programme for the Black List and Grey List.**

**7. Payment and Banking and Financial Technology Systems:**

**1. Issuing the Payment Systems Act.**

**2. Work toward developing and spreading dealings through the electronic payment systems (ATMs Points of Sale ... etc).**

**3. Completion of apply SRAG (Sudanese Real Time Automated Gross Settlement System).**

- 4. Applying the payment system through the mobile phone and the Internet (the Virtual Bank).**
- 5. Fixating a ceiling on writing cheques that will be collected through the Electronic Clearing System dedicated for retail and net settlement transactions.**
- 6. Upgrading the Electronic Clearing System.**
- 7. Upgrading the National Payments Switch, extending its services along with expanding the regional linkage; work toward perfecting and increasing the ATMs services, increasing the transaction rate via the Points of Sale, and the switch from using the magnetic cards to the secured smart cards.**
- 8. Developing the protection and security systems for the national payments systems network and issuing the policies and standards pertaining to them.**
- 9. Working and coordinating with the relevant entities in authorizing the national payment systems in the governmental financial transactions.**
- 10. Launching the Electronic Portfolio System and authorizing settlement of government payments and salaries through the electronic system.**

- 11. Arranging for the linkage with the regional payment and settlement systems (REPSS) of the Arab and the COMESA countries.**
- 12. Activating the electronic supervision and the electronic inspection regarding the payment and the banking and financial technology systems.**
- 13. Participating, along with the other relevant bodies, in encoding the payment instruments other than cheques for the purpose of electronic dealing and their listing in the national payment systems.**
- 14. Laying down the standards and specifications for the payment systems to ensure their conformity with international specifications and standards.**
- 15. Formulating and developing the necessary policies and guidelines in respect of spreading the use of the payment and banking and financial technology.**

#### **FIFTH: Developing Currency Management Pillar:**

**The Central Bank aims to develop the currency management through :**

- 1. Meeting the needs of the economy in terms of banknotes and coins in accordance with the policies issued in this regard as well as the economic indicators, as follows :**

1. Maintaining the optimal volume of the issue and the optimal hierarchical structure of the currency denominations.
  2. Preserving the currency safety.
2. Continuing the implementation of the clean currency policy and combating forgery and counterfeiting through :
  1. Improving the quality of the banknotes in circulation particularly the smaller denominations.
  2. Obligating the banks to pay their clients in sound and clean banknotes.
  3. Developing rules and mechanisms for counting, sorting, examining, destroying and classifying the banknotes via upgrading the Automatic Sorting Centre.
  4. Expanding and continuing the information awareness campaigns for acquainting the public in the various sectors about the specifications of the clean and genuine currency through the different information media.
  5. Coordinating with the judicial and security bodies in countering currency forgery and smuggling.

**SIXTH: Micro and Mini Finance Policies:**

1. Encouraging micro finance to contribute to achieving economic and social development by increasing the contribution of the micro finance projects to the gross national income, the provision of employment



**opportunities, alleviation of poverty acuteness and achievement of social justice.**

- 2. Providing finance to women, graduates and youth projects, laying down the principles of social justice, distributing wealth between the population groups and segments and the various geographical areas as a stimulus for encouraging a reverse migration to the rural areas and bringing about stability, integration and settlement.**
- 3. Facilitating access of the micro and small finance services to the weak segments incapable of accessing the official financial services, through the electronic transfers, mobile branches, rural agencies and intermediaries; working toward building confidence in the client founded on project quality, credit date, salaries and pensions as a guarantee for financing; in addition to reinforcing the role of small savings as a guarantee for granting and recovering the finance.**
- 4. Stimulating and supporting the establishment of micro finance institutions in the States, encouraging the banks and the micro finance institutions to apply best practices for achieving sustainability of micro finance, and, popularizing the banking culture which enhances the capacities of micro finance and small finance.**
- 5. Striving to create an enabling environment for stimulating small savings and promoting the level of savings and investment through mobilization of capital from individuals, societies and non-government organizations and Endeavour to obtain a special exception from the Taxation Department to exempt the micro finance projects**

**from all Federal and State taxes throughout the repayment period.**

**All operating banks in the Sudan shall work according to this Circular as from the First of January of the year 2012, and consider the Circular on the Central Bank of Sudan Policies for the year 2011, issued on 23<sup>rd</sup> Muharram, 1432H corresponding to 29<sup>th</sup> December, 2010 as cancelled.**

**Dr. Mohamed Khair Ahmed Al-Zubair  
Governor**

**Central Bank of Sudan**