

The Reserve Bank of Malawi (RBM) is undergoing a process of developing a framework for the introduction of Community Banks serving a specific geographical location.

Through community banks, the RBM aims to create economic empowerment to local entrepreneurs/investors as well as easier access to banking services for members in a specific community.

Some of the proposed regulatory insights include an application fee of MK1.0 million and capital requirement of MK500M to MK1.0 billion. Restriction on deposit mobilization and lending to specific location to serve intended policy objective.

RBM said only incorporated entities/companies will be licensed as community banks with risk management policies similar to banks but relaxed in terms of thresholds/quantum.

The regulations demand normal MIS systems to be mandatory with almost all products/services offered by main stream commercial banks except investment banking, security brokerage and a few others.

Proposed depositor protection include requirement to hold minimum liquidity ratio, debt financing not allowed as startup capital, caps on lending ratio subject to liquidity management practices and timely recognition and provisioning on bad debts.