

IN THE NAME OF ALLAH,
THE MOST GRACIOUS, THE MOST MERCIFUL



**CENTRAL
BANK OF SUDAN**

CENTRAL BANK OF SUDAN POLICIES

FOR THE YEAR, 2010

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Central Bank of Sudan Policies
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Introduction:

The Central Bank of Sudan Policies for the year, 2010 have been introduced in consistence with the pillars of fiscal policy (General Budget) and in accordance with the Five Years Strategic Plan of the Central Bank (2007 – 2010). These policies target an optimum volume of liquidity that will conform with the requirements of economic growth and financial and monetary stability. Indirect instruments appropriate to the dual banking system will be utilized, aiming to maintain soundness of the financial sector, boost its efficiency and continuing combat of the money laundering operations.

Also, the policies aim at diffusing banking awareness, increasing banking spread in the rural area, stimulating savings, mobilizing medium term resources, through encouragement of banks to attract investment and savings deposits and working toward the reduction of financing cost in collaboration with the relevant entities. Moreover, the policies strive to secure coordination and continued cooperation between the monetary and financial policies and the other related policies.

Furthermore, the policies have accommodated the partial recovery of the Sudanese economy from the impact of the international financial crisis, the influence of this recovery on the general budget and the banking and private sectors and the importance of reviewing the policies which were adopted in this respect in order to contribute for improving performance of the macro economy.

Policy Guidelines:

The Central Bank Policies have been issued according to the following guidelines :-

- 1) Continuation in implementing Article (14) of the Wealth Sharing Protocol, pertaining to the monetary, banking and lending policy.
- 2) The Five Years Strategic Plan of the Central Bank (2007 – 2011).

- 3) The Government General Budget for the year, 2010.
- 4) Coping with the internal developments (Non-performing loans, micro and mini finance) and the international developments (effects of the inter-national financial crisis).
- 5) Guidelines of the Government's strategy for alleviating the severity of poverty, for the purpose of achieving the developmental objectives.

Policy Objectives:

In the context of these guidelines, the objectives of the Central Bank Policies for the year, 2010 are represented in :-

- 1) Maintaining monetary and financial stability by achieving a one-digit inflation rate, by targeting a balanced growth in money supply.
- 2) Provision of adequate liquidity for the economy in a manner that achieves the targeted growth in the Gross Domestic Product (GDP).
- 3) Increasing the contribution of the private sector to the GDP through increasing banking finance to the sector.
- 4) Provision of financing to the productive sectors and provision of medium term finance.
- 5) Achieving durable stability of the exchange rate by enhancing its flexibility within the framework of the managed flexible exchange rate regime and considering the shift from pegging of the national currency exchange rate to a single foreign currency to pegging to a basket of currencies.
- 6) Continuation in the rationalization of demand for foreign exchange, rationalization of importation, increase of supply by focusing on promoting non-oil exports, as well as working toward the encouragement of direct foreign investment flows and building of the reserves.
- 7) Development of the Islamic finance modes.
- 8) Improvement of the efficiency and reinforcement of the soundness of the dual banking system (Financial positions, performance and

assets of banks, dealing with non-performing loans and protection of the sector from the impact of the international financial crisis).

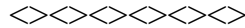
- 9) Continuation in activating micro-finance policies and programmes and financing with a social dimension for mitigation of poverty.
- 10) Lower the percentage of banks' non-performing loans to internationally recognized limits.
- 11) Continuation in the banks restructuring programme by encouraging banking merger operations.
- 12) Setting up the credit information agency for building a data base on banks' clients.
- 13) Initiation of classification for the financial institutions (Ratings).
- 14) Continuation in implementing the policies, regulations and measures relating to corporate governance and good governance.
- 15) Activation and development of the indirect instruments of control over the banking system.
- 16) Reinforcement of the role of the National Agency for Insurance and Financing of Exports in the promotion of non-oil exports.
- 17) Development and promotion of the payment and settlement systems through application of the Real Time Gross Settlement (RTGS) system and joining the Regional Payment and Settlements System (REPSS) of the COMESA countries and the Arab countries.
- 18) Completion of work with regard to the protection and security programmes.
- 19) Continuation in redressing the adverse consequences of the international financial crisis, taking advantage of the lessons learned therefrom and offering the Islamic banking system as an ideal alternative and option for dealing with crises.

Based on these guidelines and for achieving these objectives, the Central Bank of Sudan policies have been pursued up for implementation through the Islamic window in the North, in accordance with the Islamic banking standards and, via the conventional window in the South

according to the conventional banking practices under the supervision of the Bank of Southern Sudan – the Branch.

The Central Bank of Sudan policies for the year, 2010 include the following:-

- 1) Monetary policy.
- 2) Credit and foreign exchange policies.
- 3) Banking and supervision policies and development of payment systems and technology :-
 - a) Regulation and development of the banking system policies.
 - b) Supervisory policies.
 - c) Payment systems and technology policies.
- 4) Currency management policies.
- 5) Micro and mini-finance and banking finance policies with a social dimension.



Chapter One

Islamic Banking System Policies

FIRST: The Monetary and Financing Policy:

The monetary and credit policy for the year 2010 aims at achieving the macro economic objectives for 2010, represented in attaining a real growth rate of 6% in Gross Domestic Product (GDP) and maintaining an inflation rate in the range of 9% on average through targeting a nominal growth rate in money supply of 22.5%, as an intermediate target, along with maintaining stability and flexibility of the exchange rate. For achieving the monetary policy objectives, liquidity in the economy will be managed in a balanced manner so as to meet the economic activity requirements without generating inflationary pressures, by focusing on the indirect monetary policy instruments of the Islamic banking system, as follows :-

1) The Monetary and Financing Policy Instruments:

a) Control and Regulation of Liquidity:

i) The Statutory Reserve:

The Islamic banks have to maintain cash balances with the Central Bank of Sudan in the form of a statutory reserve in local and foreign currency of the ratio of 8% of total deposits in local currency and 8% of total deposits in foreign currencies. These deposits include (Current deposits, savings deposits, other deposits as reflected by the weekly report on deposits and finance in the bank, excluding the investment and similar deposits).

ii) The Internal Liquidity:

- Banks shall 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 resulting from settlement of transactions.
- Banks may hold liquid assets in the form of Central Bank Ijarah Certificates (Shihab), Government Musharaka Certificates (Shahama), other

Government Sukouk and non-Government institutions' Sukouk traded in Khartoum Stock Exchange, of a ratio not exceeding 25% of the loanable fund.

iii) The Financing Windows of the Central Bank:

- The Central Bank of Sudan may provide financial support to the Islamic banks facing temporary liquidity difficulties through purchasing of the financial papers (Sukouk), and in accordance with what the Central Bank may determine.
- The Central Bank of Sudan may extend financing through its investment window to the Islamic banks for bridging seasonal financing gaps or for implementation of its announced policies.

iv) The Inter-bank Market:

- The Central Bank of Sudan encourages conventional banks to establish portfolios for financing various economic activities, particularly the productive sectors, and to notify the Central Bank of Sudan (Banking System Regulation and Development Department) prior to the implementation.
- The Central Bank of Sudan shall encourage holding of deposits, financing in local and foreign currency, sale and purchase of financial papers (Cited in Para (2-b) of the Internal Liquidity) and performing foreign exchange dealings among the Islamic banks. The Bank also will assist in facilitating the transactions procedures.

b) The Usages of the Banks' Financial Resources:

- i) The banks may use their resources for the financing of all sectors and activities except those banned from financing according to this Circular, along with giving special attention to the priority sectors according to the nature of

economic activity in each State. The Central Bank of Sudan will issue a detailed circular later on.

- ii) The banks may direct 70% of the investment deposits for medium term financing (more than a year).
- c) The Central Bank of Sudan incentives for the collaborating commercial banks in financing the priority sectors, medium term financing and financing with a social dimension, are represented in the following :-
 - i) Liquidity pumping.
 - ii) Foreign exchange dealings.
 - iii) Reduction of cost of financing extended by the Central Bank.
 - iv) Participation in finance portfolios.
 - v) Preference in sale and purchase of Sukouk and other financial papers.
 - vi) Presentation of guarantees to the concerned banks in accordance with the rules specified by the Central Bank.
 - vii) Reduction of the statutory reserve ratio.

2) Cost of Financing:

The Murabaha financing margin shall be around 9% as an indicator per annum for the financing transactions in the local and foreign currency with the exception of Murabaha operations in micro finance; the Central Bank of Sudan will issue a circular subsequently on how to calculate the Murabaha profits.

3) Islamic Financing Modes:

a) Murabaha Mode:

- i) Financing extended via this mode shall be in accordance with the Sharia Guide for Murabaha, issued in this regard by the Central Bank of Sudan. The Murabaha is reckoned

to be fictitious if there was no adherence to the contents of this Guide.

- ii) A detailed circular will be issued, indicating the modality of financing via the Murabaha mode, quantitatively and qualitatively.

b) Musharaka Mode:

It is optional for each bank to determine the percentages for the various Musharaka modes and the management margins taking into consideration the rules and regulations of banking finance.

c) Mudaraba Mode:

It is optional for each bank to determine the share of the Mudarib in the realized profit in case of extending finance via the Restricted Mudaraba mode and it is not permissible for banks to use the Absolute Mudaraba mode in financing.

d) Other Modes of Finance:

The Central Bank of Sudan shall encourage banks to apply other Islamic financing modes, such as Salam, Mughawala, Istisna'a, crop sharing, ... etc.

4) Sectors and Activities Banned from Financing:

a) Financing for the following Purposes are Prohibited:

- i) Purchase of foreign currencies.
- ii) Purchase of shares and financial papers.
- iii) Repayment of outstanding or non-performing financing transactions.
- iv) Foreign exchange companies and financial services bureaus.

- b) All banks are prohibited to extend direct finance to the following entities except with the prior approval of the Central Bank of Sudan :-

- i) The Central Government and the States and Local Governments.
- ii) The Central and State corporations, institutions and organizations in which the Government holds shares of 20% or more.

SECOND: The Foreign Exchange Policies:

- 1) Persistence in maintaining the exchange rate's stability and flexibility.
- 2) Continuation in managing the official reserves centrally in accordance with the guidelines issued by the Board of Directors including the priorities of soundness, liquidity, return and meeting the needs of the economy.
- 3) Work toward pegging the pound to a basket of the major foreign currencies.
- 4) Maintaining the stability of the foreign exchange market.
- 5) Activating the inter-banks market.
- 6) The gradual implementation of the plan to switch from using the US dollar as a main currency for external transactions to the Euro or any other stable currencies.
- 7) Encouraging the exchange companies to provide other sources for foreign exchange instead of their reliance on the Central Bank of Sudan.
- 8) Non-permissibility of presenting financial papers issued locally as a guarantee for any external financing or mortgages in favour of non-residents.
- 9) Promoting and activating non-oil exports through the provision of finance resources and reduction of commissions and profit margins.
- 10) Re-consideration of financing Saloon Cars, Rakshas and unnecessary consumer goods.

- 11) Development of the foreign correspondents relationships network by focusing on countries of East Asia and South America.
- 12) Hedging against the American embargo when conducting external transactions.

THIRD: Banking and Supervision Policies and Development of Payment and Technology Systems in Banking Business:

1) In the Area of Banking System Regulation and Development:

The policy in this area aims to :-

- a) Developing the existing banking alliances groups up to the full phase of banking merger stage.
- b) Working toward organizing business of banks operating in the Free Zones so that their activities do not contradict with Banking Business Organization Act, for the year 2003.
- c) Obliging the banks to raise the minimum paid-up capital from SDG 60 million to SDG 100 million by the end of 2011, that is by SDG 20 million per annum.
- d) Expanding the Electronic Coding Programme to include all the clients of banks.
- e) Persisting of the efforts to deal with the problem of non-performing loans so as to bring down its percentage to internationally acceptable levels.
- f) Urging the banks to focus on conducting a feasibility study for the financed operations and projects as this constitutes the real guarantee for success of the project.

2) In the Area of Banking Supervision:

- a) Activating adherence to implementing the standards of supervision of the Islamic Financial Services Board and the standards of Basel II.

- b) Reinforcing and developing the role of internal supervision in the banks through activating the role of boards of directors and enhancing the internal audit and control systems.
 - c) Strengthening and fostering the banking supervision through application of recommendations of the Technical Missions of the International Monetary Fund.
 - d) Obliging the banks to apply the circulars and guidelines issued by the Central Bank of Sudan.
 - e) Expanding umbrella of transparency and disclosure in banks' financial statements.
 - f) Coordination with the Bank of Southern Sudan Branch regarding the supporting and development of the Banking Supervision Directorate in the Branch and exchange of information between the two departments.
 - g) Developing the supervisory role of the non-bank financial institutions and the micro-finance institutions.
 - h) Promoting supervision relationships with the supervisory entities in countries with which we have economic and financial relations such as the COMESA countries and the Arab countries.
 - i) Continuation of work toward activating the role of internal audit and risks divisions of the banks in the light of international practices and standards.
- 3) In the Area of Payment Systems and Technology:
- a) Continuation of the work with respect to the Real Time Gross Settlement (RTGS) system.
 - b) Joining the Regional Payment and Settlements System (REPSS) of the COMESA countries and the Arab countries.
 - c) Developing and perfecting the present payment systems through endorsement of settlement of Government services via electronic cards, perfection of the ATMs and Points of Sale services and spread of awareness regarding banking technology

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

- d) Expanding the coverage of electronic clearing services to include the rest of States.
 - e) Encoding of the payment instruments other than cheques to enable dealing with them electronically.
 - f) Introducing of an Act pertaining to payment systems.
 - g) Developing security standards and the requirements for the continuity of the payment systems service and reviewing their implementation.
 - h) Setting up standards and specifications for the banking systems to ensure their conformity with the international standards.
- 4) General Regulations and Guidelines for the Islamic Banks:
- a) All Islamic banks shall strictly adhere to the Central Bank of Sudan circulars and directives relating to the rules and regulations on extension of banking finance and to the general banking regulations and guidance.
 - b) Banks must observe that their banking tariffs charges are commensurate with the real cost of those services, along with adherence to showing them in the media periodically beside dispatching a copy thereof to the Central Bank of Sudan and the Bank of Southern Sudan.
 - c) Banks are required to request the presence of the owner personally in the case of real estate mortgage for the purpose of obtaining financing. Banks should not accept the proxy and should ascertain the existence of the real estate to be mortgaged.
 - d) Banks are permitted to accept Government Musharaka Certificates (GMCs) and Government Investment Certificates (GICs) as collateral against granting finance only for the holder of the Certificates.

- e) Islamic banks may accept Government bonds as guarantee for granting finance.
- f) Working toward expanding the insurance services in the agricultural and industrial sectors so as to set up an institution for agricultural and industrial financing insurance and guarantee.
- g) Directing methods of group financing and finance portfolios for financing the targeted projects in the general budget for the year, 2010.
- h) Evaluation of the finance portfolios experience in the commercial banks, along with considering the possibility of establishing more finance portfolios and granting financial and technical incentives for them.
- i) Restructuring the Industrial Development Bank in the context of the Central Bank encouragement for medium-term development financing besides the specialized banks.
- j) Banks have to focus on the feasibility of the project and position of their clients instead of focusing on the mortgages and guarantees when they grant finance.
- k) Banks are required, upon granting finance, to ensure that the total granted finance to the rural areas, at any time, by any of their branches shall be by a percentage of not less than 70% of the total deposits collected from these areas.

FOURTH: Currency Management Policies:

The Central Bank aims during the year 2010 to develop and improve the currency management system through :-

- 1) Adequately securing the economic needs in terms of banknotes and coins.
- 2) Determining the optimal hierarchical structure of the denominations and maintaining them upon issuance.
- 3) Gradual substitution of the pound note for a coin denomination.

- 4) Issuance of a regulation for the Sudanese currency and working toward the introduction of the Currency Act.
- 5) Continuation in implementing the clean currency policy through :-
 - a) Improving the quality of the banknotes in circulation particularly for the smaller denominations.
 - b) Urging the banks to pay their clients clean banknotes.
 - c) Developing rules and mechanisms for counting, sorting, detecting and classifying the banknotes.
 - d) Setting up an automated currency sorting centre.
 - e) Introducing the automatic destruction system for the unfit currency.
 - f) Working toward the protection of the currency from forgery, counter-feiting, deformation, and tampering in collaboration with the concerned entities.
 - g) Informing the public, at all levels, about the characteristics of a clean and genuine currency through launching media awareness campaigns.

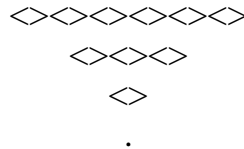
FIFTH: Micro – and – Mini Financing and Banking Financing with a Social Dimension Policies:

These policies have been designed for the purpose of activating the role of the banking system in contributing to the activities with a social dimension in the areas of agricultural development, micro and mini finance, economic housing, water and electricity, health and education. Hence, the guidelines, policies, and rules and regulations for achieving these objectives were formulated as follows :-

- 1) The banking system shall work toward allocating 12%, as a minimum, from the finance portfolio, at any time, to the sector of micro and mini-finance and financing with a social dimension in the context of directing more resources to mitigate the severity of poverty and in stimulation of development, according to the circulars which will be issued.

- 2) Banks have to work toward submitting the plans and commitments regarding finance with a social dimension to the Banking System Regulation and Development Department and to set an appropriate timetable for their implementation, in accordance with the guidelines and circulars issued by the Central Bank of Sudan.
- 3) Coordination and collaboration with the Chamber of Zakat for the purpose of developing micro finance.
- 4) Activating the role of banks in financing of the micro-finance sector in order to create windows for micro-finance in banks, develop micro-finance units or the branches or the institutions which the banks strive to establish and provide them with systems, structures and qualified and trained manpower in the area of micro-finance.
- 5) The banking system shall work toward establishing a fund for guaranteeing micro and mini finance in collaboration with the entities concerned for financing with a social dimension such as the Ministry of Finance, Zakat and donor organizations.
- 6) The Central Bank of Sudan encourages the setting up of guarantee funds and service providing firms which contribute in assisting the micro finance clients to have access to the banks and institutions which extend micro and mini finance.
- 7) Banks have to work toward simplifying the procedures, introducing flexibility in the guarantees, searching for alternatives for the conventional guarantees, expanding the scope of using guarantees of the civil society organizations, workers' societies and unions and micro finance guarantee networks, by sharing with them the financing risks.
- 8) Encouraging the establishment of micro finance institutions and in which the banks, social funds and civil society organizations shall participate. The Sudanese Micro-finance Development Fund, as an arm of the Central Bank of Sudan to carry out its vision for developing the micro finance sector, shall work toward organizing and supporting these institutions.
- 9) The Central Bank of Sudan encourages banks operating in micro-finance should not restricted their activities in micro-finance, but diversifying financial products to include saving and remittances.

10) The Central Bank of Sudan encourages banks with specialized expertise to serve the segments and sectors related to its specialization, and also encourage it to select and approve the projects of development advantages.



Chapter Two

Conventional Banking System Policies

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

FIRST: Monetary and Credit Policy:

The monetary and credit policy for the year 2010 aims at achieving the macro economic objectives for 2010, represented in attaining a real growth rate of 6% in Gross Domestic Product (GDP) and maintaining an inflation rate in the range of 9% on average through targeting a nominal growth rate in money supply of 22.5%, as an intermediate target, along with maintaining stability and flexibility of the exchange rate. For achieving the monetary policy objectives, liquidity in the economy will be managed in a balanced way so as to meet the economic activity requirements without generating inflationary pressures, by focusing on the indirect monetary policy instruments of the conventional banking system, as follows :-

1) Monetary and Credit Policy Instruments:

a) Control and Regulation of Liquidity:

i) Statutory Reserve:

The conventional banks have to maintain cash balances with the Bank of Southern Sudan, the Branch in the form of a statutory reserve in local and foreign currency of 8% of total deposits in local currency and 8% of total deposits in foreign currencies. These deposits include (Current deposits, other deposits as reflected by the weekly report on deposits and finance in the bank, except saving and time deposits). The percentage may be split such that 6% can be held in cash and the remaining 2% in the form of certificates of deposits.

ii) Internal Liquidity:

- The banks have to 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 resulting from settlement of transactions.

- The banks may hold liquid assets in the form of Central Bank Ijarah Certificates (CICs), certificates of deposit, Government Musharaka certificates (GMCs), Government bonds issued by the Government of the South provided that they shall not be discounted or rediscounted by the Bank of Southern Sudan (The Branch), other Government Sukouk and non-Government institutions' Sukouk traded in Khartoum Stock Exchange, of 10% of the existing finance portfolio in order to contribute to financing of development in the South.

iii) The Financing Windows of the Central Bank:

- The Bank of Southern Sudan may provide financial support to the conventional banks in Southern Sudan which are faced with temporary liquidity difficulties through the purchase of papers including certificates of deposit, overnight loans at an interest rate for covering the debit clearing account only and discounting of bankable commercial papers issued by the private sector. And it is not permissible to discount bonds, Treasury Bills and other financial papers issued by the Government of Southern Sudan.
- The Bank of Southern Sudan, the Branch may extend financing to the conventional banks via the Investment Window for bridging the seasonal financing gaps, according to the rules and regulations which are specified by the Central Bank of Sudan.

vi) The Inter-bank Market:

- The Central Bank of Sudan encourages conventional banks to establish portfolios for financing various economic activities, particularly the productive sectors, and to notify the Bank of Southern Sudan prior to implementation.

- The Central Bank of Sudan encourages 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, will assist in facilitating the transactions procedures.
- It is permissible to issue certificates of deposit in Southern Sudan and trade in them in accordance with the rules and regulations set by the Central Bank of Sudan.

b) Uses of Resources:

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

2) The Cost of Financing:

The interest rate shall be set at 9%, as an indicator, per annum for financing transactions in local and foreign currency. Excepted from this are the micro finance operations.

3) Sectors and Activities Banned from Financing:

- a) Financing for the following purposes and entities is prohibited :-

Purchase of foreign currencies.

Purchase of shares and financial papers.

Repayment of outstanding or non-performing financing transactions.

Foreign exchange companies and financial service bureaus.

- b) All banks are prohibited to extend direct finance to the following entities except with the prior approval of the Bank of Southern Sudan, the Branch :-
 - i) The Government of Southern Sudan, including the securities issued by the Government of Southern Sudan, the State Governments, and Localities.
 - ii) The Central and State corporations, institutions and organizations in which the Government holds shares of 20% or more.

SECOND: Foreign Exchange Policies:

- 1) The persistence in maintaining the exchange rate stability and flexibility.
- 2) The continuation in managing the official reserves centrally in line with the guidelines issued by the Board of Directors, including the priorities of soundness, liquidity, return and meeting the needs of the economy.
- 3) Working toward pegging the Sudanese pound to a basket of major foreign currencies.
- 4) Maintaining the stability of the foreign exchange market.
- 5) Activating the interbank market.
- 6) The gradual implementation of the plan to switch from using the US dollar as the main currency for external transactions to the Euro or any other stable currencies.
- 7) Encourage the banks and exchange companies to provide other sources for foreign exchange instead of their reliance on the Central Bank of Sudan.
- 8) Non-permissibility of presenting financial papers issued locally as a guarantee for any external financing or mortgages in favour of non-residents.
- 9) Promoting and activating non-oil exports through the provision of finance resources and reduction of commissions and profit margins.

- 10) Re-consideration of financing Saloon Cars, Rakshas and unnecessary consumer goods.
- 11) Development of the foreign correspondents relationships network by focusing on countries of East Asia and South America.
- 12) Hedging against the American embargo when conducting external transactions.

THIRD: The Banking and Supervisory Policies and Development of Payment and Technology Systems in the Banking Business:

- 1) In the Area of Banking System Regulation and Development:

The policy in this area aims to :-

- a) Developing the existing banking alliances groups up to the full banking merger stage.
- b) Working toward organizing business of banks operating in the Free Zones so that their activities do not run against with Banking Business Organization Act, for the year, 2003.
- c) Obliging the banks to raise the minimum paid-up capital from SDG 60 million to SDG 100 million by the end of 2011, that is by SDG 20 million per annum.
- d) Expanding the Electronic Coding Programme to include all the clients of banks.
- e) Persisting in the efforts to deal with the problem of non-performing loans so as to minimize its percentage to internationally acceptable levels.
- f) Urge the banks to focus on conducting a feasibility study for the financed operations and projects as this constitutes the real guarantee for success of the project.
- g) Working toward enhancing banking awareness in Southern Sudan through media campaigns and other awareness programmes.

- 2) In the Area of Banking Supervision:
- a) Activating adherence to implementing the standards of supervision of the standards of Basel II.
 - b) Reinforcing and developing the role of internal supervision in the banks through activating the role of boards of directors and developing the control and internal audit systems.
 - c) Obliging the banks to apply the circulars and guidelines issued by the Central Bank of Sudan.
 - d) Strengthening and fostering the banking supervision through application of recommendations of the Technical Missions of the International Monetary Fund.
 - e) Expanding the umbrella of transparency and disclosure in banks' financial statements.
 - f) Coordination with the Bank of Southern Sudan, the Branch regarding support and development of the Banking Supervision Directorate in the Branch and exchange of information between the two departments.
 - g) Developing the supervisory role of the non-bank financial institutions and the micro-finance institutions.
 - h) Promoting supervision relationships with the supervisory entities in countries with which we have economic and financial relations such as the COMESA countries and the Arab countries.
 - i) Continuation of work toward activating the role of internal audit and risks divisions of the banks in the light of international practices and standards.
- 3) In the Area of Payment Systems and Technology:
- a) Continuation of the work with respect to the Real Time Gross Settlement (RTGS) system.
 - b) Joining the Regional Payment and Settlements System (REPSS) of the COMESA countries and the Arab countries.

- c) Developing and perfecting the present payment systems through endorsement of settlement of Government services via electronic cards, perfection of the ATMs and Points of Sale services and spread of awareness regarding banking technology in the area of electronic cards and plastic money and electronic money, on which dealings will be regulated by the Central Bank of Sudan..
 - d) Expanding the coverage of electronic clearing to include the rest of States.
 - e) Encoding of the payment instruments other than cheques to enable dealing with them electronically.
 - f) Introducing of an Act pertaining to payment systems.
 - g) Developing security standards and the requirements for the continuity of the payment systems service and reviewing their implementation.
 - h) Setting up standards and specifications for the banking systems to ensure their conformity with the international standards.
- 4) General Regulations and Guidelines for the Conventional Banks:
- a) All conventional banks shall strictly adhere to the Bank of Southern Sudan, the Branch circulars and directives relating to the rules and regulations on extension of banking finance and to the general banking regulations and guidance.
 - b) Banks must observe that their banking tariffs charges are commensurate with the real cost of those services, along with adherence to showing them in the media periodically beside dispatching a copy thereof to the Central Bank of Sudan (Banking System Regulation and Development Department) and to the Bank of Southern Sudan, the Branch.
 - c) Banks are required to request the presence of the owner personally in the case of real estate mortgage for the purpose of obtaining financing. Banks should not accept the proxy and should ascertain the site of the real estate to be mortgaged.

- d) Banks are permitted to accept Government Musharaka Certificates (GMCs) and Government Investment Certificates (GICs) as collateral for granting finance and only for the holder of the Certificates.
- e) Conventional banks may accept Government bonds as guarantee for granting finance.
- f) Working toward expanding the insurance services in the agricultural and industrial sectors so as to set up an institution for agricultural and industrial financing insurance and guarantee.
- g) Directing methods of group financing and finance portfolios for financing the targeted projects in the Government general budget for the year, 2010.
- h) Evaluation of the finance portfolios' experience in the commercial banks, along with considering the possibility of setting more finance portfolios and granting financial and technical incentives for them.
- i) Banks have to focus on the feasibility of their project and position of their clients instead of focusing on the mortgages and guarantees when they grant finance.
- j) Banks are required, upon granting finance, to ensure that the total granted finance to the rural areas, at any time, by any of their operating branches shall be by a percentage of not less than 70% of the total deposits collected from these areas.

FOURTH: Currency Management Policies:

The Central Bank aims, during the year 2010, to develop and improve the currency management system through :-

- 1) Adequately securing the economic needs in terms of banknotes and coins.
- 2) Determining the optimal hierarchical structure of the denominations and maintaining them upon issuance.
- 3) Gradual substitution of the pound note for a coin denomination.

- 4) Issuance of a regulation for the Sudanese currency and working toward the introduction of the Currency Act.
- 5) Continuation in implementing the clean currency policy through :-
 - a) Improving the quality of the banknotes in circulation particularly for the smaller denominations.
 - b) Urging the banks to pay their clients clean banknotes.
 - c) Developing rules and mechanisms for counting, sorting, detecting and classifying the banknotes.
 - d) Setting up an automated currency sorting centre.
 - e) Introducing the automatic destruction system for the unfit currency.
 - f) Working toward the protection of the currency from forgery, counterfeiting, deformation, and tampering in collaboration with the concerned entities.
 - g) Informing the public, at all levels, about the characteristics of a clean and genuine currency through launching media awareness campaigns.

FIFTH: Micro – and – Mini Financing and Banking Financing with a Social Dimension Policies:

These policies have been designed for the purpose of activating the role of the banking system in contributing to the activities with a social dimension in the areas of agricultural development, micro and mini finance, economic housing, water and electricity, health and education. Hence, the guidelines, policies, and rules and regulations for achieving these objectives were formulated as follows :-

- 1) The banking system shall work toward allocating 12%, as a minimum, from the finance portfolio, at any time, to the sector of micro and mini-finance and financing with a social dimension in the context of directing more resources to mitigate the severity of poverty and in stimulation of development, according to the circulars which will be issued.

- 2) Banks have to work toward submitting the plans and commitments regarding finance with a social dimension to the Banking System Regulation and Development Department and to set an appropriate timetable for their implementation, in accordance with the guidelines and circulars issued by the Central Bank of Sudan.
- 3) Coordination and collaboration with the relevant entities for the purpose of developing micro finance.
- 4) Activating the role of banks in financing the micro-finance sector, in a bid to create banking windows for micro-finance in banks, develop micro-finance units or the branches or the institutions which the banks strive to establish and provide them with systems, structures and qualified and trained manpower in the area of micro-finance.
- 5) The banking system shall work toward establishing a fund for guaranteeing micro and mini finance in collaboration with the entities concerned for financing with a social dimension such as the Ministry of Finance, the relevant entities and donor organizations.
- 6) The Central Bank of Sudan encourages the setting up of guarantee funds and service providing firms which contribute in assisting the micro finance clients to have access to the banks and institutions which extend micro and mini finance.
- 7) Banks have to work toward simplifying the procedures, introducing flexibility in the guarantees, searching for alternatives for the conventional guarantees, expanding the scope of using guarantees of the civil society organizations, workers' societies and unions and micro finance guarantee networks, by sharing with them the financing risks.
- 8) Encouraging the establishment of micro finance institutions and in which the banks, social funds and civil society organizations shall participate. The Sudanese Micro-finance Development Fund, as an arm of the Central Bank of Sudan to carry out its vision for developing the micro finance sector, shall work toward organizing and supporting these institutions.
- 9) The Central Bank of Sudan encourages banks operating in micro-finance should not restricted their activities in micro-finance, but diversifying financial products to include saving and remittances.

- 10) The Central Bank of Sudan encourages banks with specialized expertise to serve the segments and sectors related to its specialization, and also encourage it to select and approve the projects of development advantages.
- 11) The Central Bank of Sudan is considering, through the Bank of Southern Sudan, the Branch, the establishment of an institution for guaranteeing the financing of small sectors and work toward luring the international credit guarantee services.

All operating banks in the Sudan shall work according to this Circular as from the first of January of the year 2010, and consider the Circular of the Central Bank of Sudan Policies for the year, 2009 issued on 26th December, 2008 corresponding to 18th Thelhija, 1430H as cancelled.

Issued under my signature on 28th December, 2009 corresponding to 11th Muharam, 1431H.

Dr. Sabir Mohamed Hassan
Governor,
Central Bank of Sudan

