

# **Application for a Banking Authority**

## **Locally Incorporated Banks**

The following information should be provided by an applicant for an authority to operate as a locally incorporated bank in Vanuatu:

### **1. Ownership, Board and Management**

- name of proposed bank;
- a brief history of the applicant and an outline of any existing operations;) and key senior management;
- proposed initial capital (authorised, paid-up, classes of shares, etc) and capital ratios;
- names of substantial shareholders (direct and ultimate) and their respective shareholdings;
- board structure, including names of directors, their qualifications, principal business associations and detailed curriculum vitae;
- outline of organisational framework, including names and descriptions of the responsibilities of senior management along with their qualifications and curriculum vitae; and
- evidence of the capacity of substantial shareholders to provide additional capital, if necessary, during the initial years of the proposed bank's operations. Substantial shareholders (including foreign bank parents) should provide a written undertaking to provide any additional capital, if required, and that their involvement in the bank will be more than temporary.

### **2. Structure of Business**

- outline of proposed activities and scale of operations including details of any specialised services proposed and of any relevant expertise;

- outline of the potential contribution to competition in Vanuatu and the economic benefits to be brought to the Ni-Vanuatu community by the proposed bank;
- details of borrowing and lending activities to be undertaken;
- details of proposed off-balance sheet activities;
- location of head office and outline of branch network envisaged and the time frame over which the network will be established;
- other intended means of "distribution";
- estimate of total staff complement envisaged; and
- proposed date for commencement of operations.

### **3. Prudential Management**

- a written undertaking by the applicant that it will adhere to the prudential requirements of the Reserve Bank and will consult with and be guided by the Reserve Bank on prudential matters and in respect of new business initiatives. This undertaking should include a commitment to provide the Reserve Bank with any information which it may require for its prudential supervision of the bank (and its consolidated group);
- in the case of a subsidiary of a foreign bank, an acknowledgment by the applicant that the Reserve Bank may discuss the applicant's conduct and status with its parent and its parent's supervisor(s);
- details of the management systems and procedures to be used to control and monitor risks, including:
  - credit policies, including policy on loans to shareholders, directors and associated interests and in respect of exposures to individual clients and groups of related clients;
  - policy on monitoring asset quality, loan grading and providing for doubtful debts;
  - liquidity management, including funding and maturity mismatching;
  - procedures for controlling risk, particularly market risk, in trading activities, including derivatives; and

- control of operational risk.
- details of information and accounting systems and "back-up" facilities;
- evidence that, from the commencement of operations, information and other systems will be capable of producing all required statutory and prudential returns in an accurate and timely fashion; and
- evidence that arrangements have been established for the prospective bank's external auditors to report to the Reserve Bank as required.

#### **4. Subsidiaries**

- details of existing or proposed subsidiaries and associates; the nature and scale of their business; and their proposed business relationship with the proposed bank; and
- an indication whether it is intended to transfer any assets from subsidiaries and associates to the proposed bank.

#### **5. Financial Projections**

- detailed balance sheet and earnings projections (including assumptions) for the proposed bank's first three years of operations; and
- separate projections for the proposed bank and for the bank and its subsidiaries on a consolidated basis, including key financial and prudential ratios (e.g. capital ratios, liquidity ratios, etc).

#### **6. Other**

- certificate of incorporation of the corporate vehicle to hold the banking authority;
- certified copies of Memorandum and Articles of Association;
- external auditor's certificates verifying the level of capital and capital ratios of the applicant; and
- foreign bank parents should also provide:
  - an outline of supervisory arrangements which it is subject to in its country of origin;

- a statement from its home supervisor that: the foreign bank is of good financial standing and has the supervisor's consent to apply for a banking authority for a locally incorporated subsidiary in Vanuatu; it supervises the parent bank and its subsidiaries on a consolidated basis in accordance with the principles contained in the Basle Concordat; and that it is willing, in terms of the Concordat, to co-operate in the supervision of the subsidiary;
- an undertaking to keep the Reserve Bank informed of any significant developments adversely affecting its financial soundness and/or reputation globally, and to provide promptly to the Reserve Bank copies of its published financial accounts and any significant media releases (with translations where appropriate);
- a brief history and an outline of its operations, substantial shareholders (direct and ultimate), directors (including principal business associations);
- balance sheet, profit and loss and off-balance sheet data for the last three years (plus any available current year data), including information on impaired loans and Basel risk based capital ratios;
- an undertaking to co-operate in the supervision of its subsidiary, including the provision of information required by the Reserve Bank to assure itself of the prudential standing of the proposed banking subsidiary; and
- an outline of proposed reporting lines from the banking subsidiary to the parent.