THE BANK OF GUYANA

GUYANA ASSOCIATION OF BANKERS INC

COVID 19 RELIEF SUPPLEMENTARY MEASURES

August 2020

SUPPLEMENTARY MEASURES TO ASSIST WITH RELIEF TO HOUSEHOLDS, BUSINESSES AND THE ECONOMY AT LARGE

The COVID-19 pandemic, while posing a global health risk, is also a serious financial threat to the financial sector. In an effort to maintain its commitment to safeguarding and strengthening the resilience of the financial sector, the Bank of Guyana (BOG) and the Guyana Association of Bankers (GAB) has committed to and implemented a series of measures designed to minimise the economic impact of the COVID-19 pandemic on the entire financial system. The BOG at the inception of the pandemic had relaxed a few Supervisory Guidelines and commercial banks were encouraged to also assist with measures to alleviate the burden on borrowers.

The situation has deteriorated both globally and locally as cases continue to rise daily. It is prudent that swift and decisive measures be implemented to ensure that Guyana remains safe and the financial system remains robust.

BOG and GAB have agreed to the following measures to facilitate business continuity by easing the financial burden of borrowers that can positively impact the economy through a reduction in unemployment and increase in earnings. Simultaneously, these measures are also important to help mitigate risk in maintaining the soundness and safety of commercial banks.

1. **The Bank of Guyana will extend the Moratorium to December 2020 to allow banks to further defer payments to end-December 2020.**

Deferral of payments are needed at this time as businesses have indicated that revenues generated are inadequate to meet operational needs and hence the ability to fulfil all regulatory requirements. This accommodation will result in loans not being classified as non-performing and hence will not require loan loss provisioning.

2. The Bank of Guyana will relax Sections 14 & 15 of Supervision Guideline (SG) No. 5 to December 2020. Additionally, a waiver is being given to Section 13 of Supervision Guideline No. 5.

The Bank of Guyana has relaxed Sections 14 & 15 of Supervision Guideline No. 5 to allow banks to operate with more flexibility with clients in this extraordinary period for continuity of businesses.

Section 14 sets out the terms and conditions applicable to renegotiated loans, whereby, (i) a commercial loan can only be renegotiated twice over the life of the loan, and (ii) mortgage or personal loans can only be renegotiated twice in a five-year period. The relaxation of Section 14 will allow banks to provide relief to affected borrowers.

Section 15 sets out the requirement for loans to be written-off three months after being classified as a loss. The relaxing of this section will result in no loans being written-off and hence no need for provisioning during this period.

Section 13 addresses the treatment of the 'Hardcore' of an overdraft facility. Hardcore is a portion of an overdraft where there is little or no activity in the borrower's account over a period of twelve consecutive months and should be converted to a loan. By relaxing Section 13, the Bank of Guyana is permitting banks more flexibility to continue to extend credit through overdrafts to businesses for working capital.

3. The Bank of Guyana will reduce Liquidity Requirements.

In an effort to support commercial banks' ability to lend to businesses, the Bank of Guyana is releasing liquidity on two fronts: lowering of the Reserves Requirement to **10 percent;** and the Liquid Assets Requirement for **Demand deposits to 20 percent** and **Savings & Time deposits to 15 percent**.

- The reduction of Reserves Requirement from 12 percent to 10 percent will result in an additional G$9.4 billion in liquidity.
- The reduction of Liquid Assets Requirements from 25 percent for Demand Deposits and 20 percent for Savings & Time Deposits to 20 percent and 15 percent respectively will release an estimated G$23.3 billion in liquidity.

The combined effect will provide approximately G$33 billion more liquidity to the banking system and therefore more flexibility in banks operations.

4. **Commercial Banks agreed to continue supporting businesses with short term working capital needs to meet payroll and other short-term funding requirements at a concessional rate to encourage businesses to remain open.**

Commercial Banks will extend short-term financing to affected borrowers up to December 31, 2020 at rates between 5% - 6%. The current average short term financing rate ranges from 8% to 11%, making this reduction a significant step towards promoting businesses continuity.

5. **Commercial Banks agreed to offer general concessional reductions of interest rates of 1% and up to 2% on consumer loans below G$10 million until December 31, 2020.**

Commercial banks have agreed to make available concessional reduction of interest rate to affected consumers in an effort to relieve their financial burden. The existing lending rate ranges between 6.5% and 16%.

6. **Commercial Banks have agreed to apply special treatment to the interest accrued during the moratorium period including (but not limited to) no capitalization, term extensions and forgoing of interest in special circumstances.**

Loans with outstanding balances of G$10M & below would be considered in this category to ease the financial burden on small borrowers. At least five banks have agreed to forgo interest accrued during the moratorium period.

7. **Commercial Banks have agreed to waive all bank charges especially ATM / local merchant charges to encourage more out of bank transactions as well as charges for transactions by senior citizens**

These measures will encourage customers to utilise alternative means of payments as well as provide some relief to senior citizens. Waived charges includes ATM fees, Local Merchant Fees, Credit Card and Debit Card Fees/charges and processing of Loans/Other credit arrangements and account management fees.

While some of these measures have already been implemented by some banks, this initiative will allow for some uniformity for relief in the banking system.