

BANK OF BOTSWANA

REGULATORY GUIDELINE

Ref: RG 01/09/2009

TITLE: DISCLOSURE FRAMEWORK FOR DEPOSIT AND LENDING INTEREST RATES

PURPOSE: To Provide Guidance on the Required Disclosures Pursuant to the Governor's Letter of March 6, 2009 on Deposit Rates.

CIRCULATION: Chief Executive Officers of Licensed Banking Institutions

EFFECTIVE DATE: 01/04/2008

Notice is hereby served on all licensed banks and similar banking institutions that the Bank of Botswana (Bank) has produced **Regulatory Guideline No. RG 01/09/2009** for adoption by all affected institutions, effective **April 1, 2009**.

In line with the principle and objective of promoting transparent market practices by banks and similar financial institutions, as well as in the interest of public information, the Bank has deemed it necessary to define a minimum set of standards of practice and procedures to guide banking institutions on the disclosure of deposit and lending interest rates.

DISCLOSURE FRAMEWORK FOR DEPOSITOR AND LENDING INTEREST RATES

1. Introduction

- 1.1 The Bank has decided that, with effect from March 6, 2009, the interest rate payable on the 91-day deposit shall be 400 basis points below the prevailing Bank Rate. Accordingly under the new framework, each bank will be required to use the interest rate applicable on the 91-day deposit as the anchor around which all other deposit interest rates will be set. Each bank will be free to price its various deposit products around the 91 day deposit consistent with its own business strategy.
- 1.2 By introducing the deposit rate anchor, the Bank wishes to enable effective price bargaining by banks and their customers, thus intensifying competitive pricing on both sides of the anchor. The minimum threshold for opening and maintenance fees for this 91-day deposit account, as well as any other transaction charges, should not be onerous, as that may discourage depositors from opting for this deposit category. The Bank will closely monitor the level of deposit rates in the market and their associated impact on depositor behaviour.
- 1.3 Each bank will be required to take a number of complementary measures aimed at promoting public awareness about deposit product pricing, in addition to fulfilling some minimum public disclosure requirements and statutory reporting arrangements that will be prescribed by the Bank from time to time.

2. Minimum Public Disclosure and Statutory Reporting Requirements

- 2.1 In order to facilitate effective monitoring, each bank will be required to produce two reports. The first report, to be targeted at the general public, will show at least two deposit products on either side of the 91-day deposit rate anchor. The purpose of this public disclosure report will be to enable the public to meaningfully compare price offerings by various banks and make informed choices. A template of the public report is as shown in Table I in the Appendix. Banks will be required to publish Table I in at least two newspapers widely circulating in Botswana within the first week following the end of each month.

3. Display of Deposit Rates in Banking Halls and Other Place(s) of Business

- 3.1 In addition to publicising the information in newspapers widely circulating in Botswana, each bank will be required to display these interest rates on deposits offered in a prominent place in every banking hall or place of business of the bank.
- 3.2 With regard to the second report, for statutory reporting purposes, each bank will be required to submit a monthly report to the Bank showing interest rates on the four deposit categories, in addition to the 91-day anchor rate, including the respective total deposit values for each deposit category (Table II).
- 3.3 These minimum disclosure and reporting guidelines complement existing statutory reporting requirements and are not intended to abrogate the banks' responsibility to

comply fully with the minimum disclosure requirements set out in the Disclosure of Bank Charges Notice - G.N. No. 41 of 2001.

4. **Effective Date**

4.1 The above disclosure formats and reporting requirements shall apply with effect from April 1, 2009.

Issued this day of, 2009

DIRECTOR
BANKING SUPERVISION DEPARTMENT

Table I - Public Disclosure Template

Type Of Deposit Account	Nominal Interest Rates	Actual Interest Rates	Minimum Opening Balance
	(Lowest - Highest)	(Lowest - Highest)	(Pula '000)
Call			
Savings			
91 days			
6 months			
12 months			
Prime Rate			

Table II - Statutory Reporting Template

Type of Deposit Account	Nominal Interest Rates	Actual Interest Rates	Aggregate Value ¹
	(Lowest - Highest)	(Lowest - Highest)	(Pula '000)
Call			
Savings			
91 days			
6 months			
12 months			
Prime Rate			

⁽¹⁾ The sum of balances for the respective account types for the reporting period.