BANKIGA DHEXE EE SOOMAALIYA

البنك المركزي الصومالي

CENTRAL BANK OF SOMALIA

REGULATION FOR DEVELOPMENT FINANCE BUSINESS, 2026

CBS/LCR/REG/05

Contents

PART I — PRELIMINARY

PART II —LICENSING OF DEVELOPMENT FINANCE INSTITUTIONS

PART III — PERMISSIBLE AND PROHIBITED ACTIVITIES

PART IV — PRUDENTIAL REQUIREMENTS

PART V — GOVERNANCE AND MANAGEMENT

PART VI — ACCOUNTS, AUDIT AND REPORTING

PART VII — SUPERVISION AND ENFORCEMENT

PART VIII — GENERAL PROVISIONS

SCHEDULES

First Schedule —Application Forms

Second Schedule — Fees

Third Schedule — Periodic Reporting Returns

PART I: PRELIMINARY

IN EXERCISE of the powers conferred by Article 142, of the Financial Institution Law, 2025, the Central Bank of Somalia makes the following Regulations—

1. Citation

These Regulations may be cited as the Financial Institutions (Development Finance Business) Regulations, 2026

2. Application and Scope

(1) These Regulations apply to every person carrying on, or intending to carry on, development finance business in Somalia.

(2) These Regulations do not apply to—

(a) any other financial institution licensed under the Financial Institutions Law, 2025, except where such institution establishes or operates a development finance business;

(b) donor-funded, humanitarian or development projects that do not engage in financial intermediation; or

(c) a ministry, department, agency, or other public body implementing government programmes that do not involve financial intermediation.

(3) A person exempted under sub regulation (2) who subsequently undertakes development finance business shall apply for a license before commencing such activities. .

(4) Where any question arises as to whether an activity constitutes development finance business requiring licensing under the Act, the determination of the Bank shall prevail.

3. Purpose and Objective

The objects of these Regulations are to—

(a) provide a framework for the licensing, regulation, supervision, and oversight of development finance business;

(b) promote access to affordable and priority financing for priority sectors of the economy in support of national development goals;

(c) ensure that development finance business is conducted in a prudent, transparent, and responsible manner; and

(d) encourage the use of innovative financing mechanisms to mobilize public and private capital for development.

4. Commencement Date

1) These Regulations shall come into force immediately upon approval by Central Bank of Somalia Board of Directors and on publication in the Central Bank of Somalia Website.

5. Interpretations

In these Regulations, unless the context otherwise requires—

1. “Act” means the Financial Institutions Law, 2025;
2. “Bank” means the Central Bank of Somalia;
3. “Core capital” means paid-up share capital, disclosed reserves, and such other capital components as the Bank may recognize;
4. “Development finance business” or “DFB” means the business of providing financing, guarantees, risk-sharing instruments, concessional finance, project finance, or other development-oriented financial services for the purpose of supporting economic and social development priorities;
5. “Fit and proper” has the meaning assigned under Articles 45–50 of the Act, and includes assessments of integrity, competence, financial standing, and governance record;
6. “license” means a license granted by the Central Bank under this regulation;
7. “Financial intermediation” means the aggregation of funds from one or more sources for the purpose of providing financing to third parties, whether through financing, guarantees, equity investment, risk-sharing, or related instruments” ;
8. “Project finance” means financing structured primarily on the projected cash flows of a specific project rather than the balance sheet of the borrower;
9. “Related party” includes directors, senior officers, significant shareholders, affiliate, associate, or any other person having a relationship with a DFB; and

10. “Risk-sharing instrument” means a financial arrangement that distributes credit, investment or project risk between two or more parties, including guarantees, co-financing agreements, or blended-finance structures.

PART II: LICENSING OF DEVELOPMENT FINANCE BUSINESS

6. Requirement for Licence

1) A person shall not carry on, or hold itself out as carrying on, development finance business in Somalia unless that person holds a valid license issued by the Bank under these Regulations

2) A person who contravenes subsection (1) commits an offence and is liable to the penalties provided under the Act.

7. Eligibility for Licensing

(1) A person shall be eligible for licensing as a development finance business if that person—

(a) is a company incorporated, registered or recognised under the laws of Somalia;

(b) has as one of its principal objects the provision of development finance;

(c) has transparent and lawful sources of capital and funding;

(d) has adequate governance and management structure appropriate to the proposed business; and

(e) satisfies the requirements of the Act and these regulations.

8. Minimum Capital requirement

1) An applicant for a development finance business license shall maintain minimum paid-up capital of not less than United States Dollars 2,000,000.
2) The Bank may review the minimum capital requirement from time to time having regard to market conditions, inflation, systemic risk, and the development of the financial sector.
3) A licensed development finance business shall maintain unimpaired paid-up capital at all times .
4) For purposes of this regulation, capital shall consist of such instruments and components as may be recognised by the Bank.

9. Application for a Licence

1) An application for a license may be made to the Bank in the form set out in the First Schedule, and application fee of US$ 1,000.

2) An application form shall be accompanied by—

(a) the applicant's certificate of incorporation;

(b) its constitutional documents;

(c) a tax compliance certificate issued by the competent authority;

(d) particulars of its shareholders, beneficial owners, directors, and senior officers

(e) fit and proper declarations for directors, senior officers, significant shareholders, and beneficial owners;

(f) a business plan containing—

(i) the proposed development finance mandate;

(ii) proposed products and services;

(iii) target sectors and market segments;

(iv) projected financial performance;

(v) proposed sources of funding;

(vi) governance arrangements; and

(vii) risk management framework;

(g) policies relating to credit administration; risk management; internal controls; consumer protection; AML/CFT compliance; and complaints handling;

(h) evidence of the required paid-up capital;

(i) organisational structure and particulars of senior management;

(j) the prescribed application fee; and

(k) information technology and management information systems arrangements;

(l) such other information as the Bank may reasonably require.

(3) The Bank may require an applicant, its directors, shareholders, beneficial owners, or senior officers to provide further information or clarification.

(4) An application shall not be considered complete until all required information has been submitted.

(5) Upon acceptance of a complete application, a DFB shall pay a license fee of US$ 3,000.

10. Consideration of Application

(1) In considering an application, the Bank shall have regard to—

a) the financial soundness, integrity, and suitability of the applicant and its shareholders;
b) the competence and integrity of proposed directors and senior officers;
c) adequacy of capital and funding plans;
d) viability of the proposed business model;
e) adequacy of governance and risk-management systems; and
f) the applicant's ability to comply with the Act and these Regulations.

11. Grant of Licence

(1) Where the Bank is satisfied that the applicant meets the requirements of the Act and these Regulations, the Bank may grant a license within ninety days of receiving a complete application.

(2) The Bank may impose such conditions as it considers necessary on a license for the protection of clients, investors, or the public.

(3) Where the Bank refuses an application, it shall notify the applicant and provide reasons for the refusal in writing.

(4) A license shall specify —

(a) the name of the licensee;

(b) the authorised activities;

(c) the validity period; and

(d) any conditions attached to the license.

12. Change in ownership control

(1) A person shall not acquire, directly or indirectly, twenty per cent (20%) or more of the shareholding or voting rights of a licensed DFB without prior written approval of the Bank.

(2) The Bank may approve, approve subject to conditions, or refuse a proposed acquisition.

(3) In considering an application under this regulation, the Bank shall have regard to—

(a) the fitness and propriety of the proposed acquirer;

(b) the source of funds;

(c) financial soundness;

(d) transparency of ownership; and

(e) the interests of depositors, customers, and the financial system.

13. Validity and Renewal of a License

(1) A license issued under these Regulations shall remain valid until 31st December each calendar year, unless suspended, revoked, or surrendered.
(2) An application for renewal of a DFB license shall
 (a) be submitted to the Central Bank no later than 1st October of the year in which it expires;
 (b) be made in writing in the form prescribed by the Central Bank in the Schedules to these Regulations;
 (c) be accompanied by all required supporting information and documents as specified in these Regulations; and d. be accompanied by the prescribed license renewal fee described in the Fees Schedule.
(3) The Central Bank may require any other information from the DFB that it deems necessary to complete its assessment of the application for renewal.
(4) The Central Bank will renew the license for a DFB with or without amendments or restrictions, when it is satisfied that the DFB has complied with the Financial Institutions Law, 2025, and the regulations of the Central Bank, and the annual license fee has been paid.
(5) Within 90 days, the Central Bank shall either renew the DFB license with or without amendments or restrictions, or notify the DFB of the Central Bank's intent to revoke the license.
(6) Failure to renew the license within the period specified in sub-regulation (2) or submission of an incomplete application shall be subject to a penalty of US$ 500

and an additional US$ 100 for each day of operating without a renewed license, up to a maximum penalty US$ 6,000.

(7) A licensed development finance business shall pay the same fees for license renewal.

14. Non-Commencement of Business

(1) Where a licensed development finance business fails to commence operations within twelve months after the grant of a licence, the Bank may revoke the license.

(2) The Bank may, on application, extend the period referred to in paragraph (1).

15. Variation or Restriction of License

1) The Bank may vary, restrict, or impose additional conditions on a license where—

(a) such variation is necessary to protect clients or the public;

(b) the DFB expands or alters its business model; or

(c) directed by international or domestic supervisory standards.

2) The Bank shall give the DFB at least fourteen days' written notice of the proposed variation and shall consider any representations made.

3) A variation shall take effect on a date specified in the notice after the Bank has considered any representations made under paragraph (2), unless the Bank determines that immediate effect is necessary to protect clients or the financial system.

16. Suspension of Licence

(1) The Bank may suspend a license where a DFB—

(a) breaches these Regulations or any condition of its license;
(b) fails to maintain minimum capital or liquidity;
(c) faces temporary financial or operational distress;
(d) submits false or misleading information; or
(e) conducts business in a manner that poses imminent risk to clients or the financial system.

(2) A suspension may be imposed pending completion of corrective measures.

(3) During suspension, a DFB shall not initiate new business but may undertake such activities as the Bank permits for orderly management.

(4) The Bank shall lift a suspension upon satisfactory implementation of corrective actions.

17. Revocation of Licence

1) The Bank may revoke a license where a DFB—

(a) engages in persistent or serious violations of these Regulations;

(b) becomes insolvent or unable to meet obligations as they fall due;

(c) is involved in fraud, mismanagement, or unsafe practices;

(d) repeatedly fails to comply with directives of the Bank; or

(e) is wound up or dissolved under applicable laws.

2) Before revoking a license, the Bank shall—

(a) give written notice of at least fourteen days; and

(b) consider any representations made by the DFB.

(3) The Bank shall publish and publicise any revocation of a license.

(8) A DFB whose license is revoked shall immediately cease all regulated activities.

(9) Upon revocation, the Bank may give directions for the orderly winding down of the development finance business, including the settlement or transfer of its assets, liabilities and outstanding obligations and the protection of affected clients and counterparties

PART III PERMISSIBLE AND PROHIBITED ACTIVITIES

18. Permissible Activities

(1) Subject to the Act, these Regulations and any conditions of license, a Development Finance Business may—

(a) provide financing for economic and social development activities;

(b) provide project finance and structured finance facilities;

(c) provide credit guarantees, partial risk guarantees, partial credit guarantees, and other risk sharing instruments;

(d) provide equity, quasi-equity, or venture capital or similar development finance investments,

(e) wholesale financing to financial institutions or other eligible intermediaries for on lending to targeted sectors; ;

(f) participate in blended finance arrangements, including co-financing with public, private, and development partners;

(g) issue sukuk, notes, or other permitted securities for mobilising capital;

(h) provide advisory, technical assistance, capacity-building, and business development services incidental to development financing activities;

(i) manage development funds, climate-finance facilities, guarantee schemes, and other development finance programmes; and

(j) undertake such other related development finance activities.

(2) A Development Finance Business may conduct its business directly or through participating financial institutions, intermediaries, or other arrangements approved by the Bank.

19. Ancillary Activities

(1) A Development Finance Business may undertake ancillary services necessary for the conduct of its business including, on—

(a) credit information sharing and participation in credit reference systems;

(b) administration of guarantees programmes and value-chain finance systems;

(c) participation in securitization or structured-finance transactions;

(d) administration of donor or government-funded programmes; or

(e) use of digital delivery channels for the delivery of development finance services.

20. Prohibited Activities

(1) A Development Finance Business shall not engage in—

(a) acceptance of deposits from the public, except where separately licensed by the Bank to do so;

(b) foreign exchange trading, money remittance, or payment services, unless separately licensed;

(c) speculative trading in commodities, derivatives, virtual assets , or other speculative instruments;

(d) activities unrelated to development finance objectives;

(e) real estate development or property trading for speculative purposes, except where such activity is necessary for the recovery or protection of assets;

(f) funding political parties, political organisations, or political activities;

(g) any activity that is unsafe, unsound practice; or

(h) any activity prohibited under the Act or other applicable law.

(2) A Development Finance Business shall not provide credit facilities to directors, senior officers, significant shareholders, or related parties except in accordance with these Regulations and any limits approved by the Bank.

21. New Products and Activities

(1) A DFB shall notify the Bank before introducing a material new product, financing instrument, service, or delivery channel.

(2) The Bank may require prior approval where the proposed activity—

(a)introduces material prudential, operational, legal, technological, environmental, social, or reputational risks; or

(b) falls outside the scope of activities previously undertaken by the Development Finance Business.

(3) The Bank may approve, approve subject to conditions, or reject a proposed product or activity.

22. Sustainability Requirements

(1) A DFB shall conduct its business in a manner consistent with its approved development finance mandate.

(2) A DFB shall establish policies and procedures for identifying, assessing, monitoring, and managing environmental, social, governance, and climate-related risks associated with its financing activities.

(3) The Bank may—

(a) issue guidelines on development impact measurement, environmental and social risk management, and sustainable finance practices; and

(b) establish a common risk-classification framework to be applied by Development Finance Businesses to facilitate consistent assessment and supervision of their portfolios.

PART IV — PRUDENTIAL REQUIREMENTS

23. Capital Adequacy

(1) A Development Finance Business shall maintain, at all times—

(a) a minimum capital adequacy ratio of twelve per cent (12%) of risk-weighted assets; and

(b) a core capital ratio of not less than eight per cent (8%) of risk-weighted assets.

(2) The Bank may require a Development Finance Business to maintain higher capital ratios where warranted by its risk profile, business model, scale of operations, or systemic importance.

(3) A DFB shall immediately notify the Bank upon becoming aware of any actual or anticipated breach of capital requirements.

24. Liquidity Requirements

(1) A DFB shall maintain adequate liquidity to meet its obligations as they fall due.

(2) A DFB shall establish and maintain a liquidity management framework.

(3) The liquidity management framework shall include—

(a) cash-flow projections;

(b) liquidity risk monitoring;

(c) contingency funding arrangements; and

(d) stress-testing procedures.

(4) The Bank may require higher liquidity ratios for DFBs without stable funding sources.

25. Leverage and Funding Structure

(1) A DFB shall manage its leverage, funding concentrations, and maturity mismatches in a prudent manner having regard to the nature, scale, and risk profile of its business.

(2) A DFB shall ensure that its borrowing, guarantee, and funding arrangements do not impair its financial soundness or ability to meet its obligations as they fall due.

26. Asset Classification and Provisioning

(1) A DFB shall classify its credit exposures and make provisions for expected losses in accordance with the standards set out in the Schedule.

(2) Income shall not be accrued on non-performing assets except in accordance with standards approved by the Bank.

(3) A DFB shall maintain an expected credit loss methodology consistent with IFRS, or such other accounting standards recognised by the Bank.

27. Exposure Limits

(1) A DFB shall establish prudent limits for borrower, sectoral, geographic, and portfolio concentrations.

(2) A Development Finance Business shall not expose more than twenty per cent of its core capital to a single borrower or group of connected borrowers without the prior approval of the Bank.

28. Related-Party Transactions

(1) A DFB shall not extend credit, provide guarantees, make investments, or enter into any other financial commitment with a related party except—

(a) on arm’s-length terms;

(b) in the ordinary course of its business; and

(c) in a manner that does not prejudice the interests of the Development Finance Business.

(2) A director or officer who has an interest in a proposed related-party transaction shall disclose that interest and shall not participate in the consideration or approval of the transaction.

(3) All related-party transactions shall be disclosed to the Bank and reported in the annual audited financial statements of the Development Finance Business.

29. Foreign-Currency and Market-Risk

(1) A DFB shall establish and implement procedures for the identification, measurement, monitoring, mitigation and reporting of foreign currency and market risk, which shall as a minimum address —

(a) foreign exchange risk;

(b) profit-rate risk;

(c) commodity price risk, where material to its operations; and

(d) risks arising from cross-border financing or funding activities.

(2) A Development Finance Business shall ensure, so far as practicable, that its foreign-currency liabilities are matched by foreign-currency assets, future revenue streams denominated in the same currency, or other arrangements that adequately mitigate foreign-currency risk

(3) A DFB shall not maintain foreign-currency exposures that may materially impair its financial soundness.

30. Concentration and Portfolio Quality

(1) A DFB shall maintain a diversified portfolio consistent with its development finance mandate and risk profile.

(2) A Development Finance Business shall monitor the quality of its assets and take appropriate measures to identify, manage, and recover non-performing exposures.

(3) The Bank may, during the initial period of operations of a newly licensed Development Finance Business, restrict or impose conditions on its exposure to high-risk projects.

31. Risk-Management and Internal Control Requirements

(1) A DFB shall establish a risk-management framework to manage—

(a) credit risk;

(b) liquidity risk;

(c) operational risk;

(d) informational and cybersecurity risk;

(e) compliance risk including AML/CFT obligations;

(f) environmental and social risk; and

(g) reputational, strategic risks and macroeconomic risks

(2) A Development Finance Business shall maintain effective internal controls to ensure—

(a) the safety and soundness of its operations;

(b) the integrity of its financial and operational records;

(c) compliance with applicable laws and regulatory requirements; and

(d) the safeguarding of its assets.

(3) A Development Finance Business shall maintain an independent internal audit function and adequate business continuity arrangements.

32. Stress Testing and Reporting

(1) A DFB shall periodically assess the resilience of its business to adverse financial, economic, operational, and market conditions and shall take appropriate measures to address any material vulnerabilities identified.

33. Breaches of material Notification

(1) A Development Finance Business shall promptly notify the Bank of any actual or anticipated breach of the Act, these Regulations, prudential requirements, or licence conditions and shall provide the Bank with the reasons for the breach and the measures proposed to remedy it.

PART V — GOVERNANCE AND MANAGEMENT

34. Governance Requirements

(1) A Development Finance Business shall—

(a) at all times have in place a governance framework that ensures sound, prudent, and responsible management of its affairs;

(b) ensure a clear separation of responsibilities between shareholders, the board of directors, and senior management.

(2) The board and senior management shall act in the best interests of the Development Finance Business and shall exercise their functions with due care, skill, diligence, and integrity.

35. Board Composition and Qualifications

(1) A DFB shall have a board of directors consisting of not fewer than five and not more than nine members.

(2) At least one-third of the board shall be independent directors.

(3) A person shall not be appointed or continue to serve as a director unless that person is fit and proper.

(4) A director shall not serve more than two consecutive terms of three years each, unless the Bank approves an extension for exceptional reasons.

(5) A person who has served two consecutive terms as a director may only be eligible for a fresh appointment after a cooling-off period of at least two (2) years from the date that person ceased to hold office.

(6) The board shall establish a documented rotation policy to ensure that—

(a) not more than one-third of board members retire in any given year; and

(b) the rotation maintains an appropriate balance of skills, experience, and institutional memory.

(7) A director appointed to fill a casual vacancy shall serve only for the remainder of the term of the vacating director.

(8) The chairperson shall be an independent director and shall not serve as chairperson for more than two terms of three years.

36. Functions of the Board

(1) The board shall be responsible for—

(a) providing strategic direction to the Development Finance Business;

(b) overseeing its affairs and ensuring its safety and soundness;

(c) approving major financing, investment, and funding strategies;

(d) ensuring compliance with the Act, these Regulations, and other applicable laws;

(e) approving annual budgets and financial statements;

(f) overseeing risk management and internal controls; and

(g) safeguarding the assets, reputation, and development mandate of the Development Finance Business.

37. Senior Management

(1) A DFB shall appoint suitably qualified senior management responsible for the day-to-day operations of the institution.

(2) The appointment of the chief executive officer, and such other key senior officers shall be subject to the prior approval of the Bank.

(3) Senior management shall be responsible for implementing the decisions of the board and ensuring compliance with the Act and these Regulations.

38. Board Committees

(1) A DFB shall establish at least the following board committees—

(a) audit Committee;

(b) risk and Credit Committee; and

(c) governance and Nominations Committee.

(2) The committees shall be chaired by independent directors.

39. Conflicts of Interest

(1) A director, officer, or significant shareholder who has a direct or indirect interest in any matter being considered by a Development Finance Business shall disclose the nature of that interest as soon as practicable.

(2) A person who has disclosed an interest under paragraph (1) shall not participate in the consideration, deliberation, or decision relating to that matter.

40. Internal Controls and Compliance

(1) A DFB shall maintain an effective internal controls sufficient to —

(a) ensure the orderly conduct of its business;

(b) segregation of duties;

(c) procedures for approval and monitoring of transactions; and

(d) ensure compliance with applicable laws and regulatory requirements.

(2) A DFB shall appoint a Compliance Officer responsible for monitoring compliance with the Act, these Regulations, and other applicable laws.

(3) The DFB appointment or removal of a Compliance Officer shall be notified to the Bank within seven days.

41. Internal Audit Function

(1) A DFB shall establish and maintain an independent internal audit function that reports to the Audit Committee of the board.

(2) The internal audit unit shall evaluate—

(a) internal controls;

(b) risk-management and governance processes; and

(c) compliance with these Regulations and other applicable laws.

42. Remuneration and Incentives

(1) A DFB shall ensure that remuneration arrangements for directors, officers, and employees are consistent with its long-term sustainability and do not encourage excessive risk-taking, while having due regard to the cost of attracting and retaining suitably skilled and experienced management and staff.

43. Outsourcing

(1) A DFB may outsource functions provided that the outsourcing—

(a) does not impair its ability to meet regulatory obligations;

(b) does not impede supervision by the Bank; and

(c) does not prejudice the interests of customers or stakeholders.

(2) A DFB shall not outsource its credit approval, risk-management, or internal audit without prior approval of the Bank.

PART VI — ACCOUNTS, AUDIT, AND REPORTING

44. Financial Year and Accounting Records

(1) The financial year of a Development Finance Business shall be the period of twelve months ending on 31 December, unless otherwise approved by the Bank.

(2) A DFB shall prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) or any other accounting standards recognised by law

(3) A DFB shall maintain proper books, records, and accounts sufficient to—

(a) accurately reflect its operations and financial condition;

(b) enable the preparation of reliable financial statements; and

(c) facilitate supervision by the Bank.

45. Annual Financial Statements

(1) A DFB shall prepare annual financial statements within ninety(90) days after the end of each financial year.

2) The statements shall include—

(a) statement of financial position (balance sheet);

(b) income and expenditure statement;

(c) cashflow statement;

(d) statement of changes in equity; and

(e) explanatory notes to the financial statements.

(3) A Development Finance Business shall disclose material contingent liabilities, off-balance-sheet commitments, and significant exposures.

46. External Audit

(1) A DFB shall appoint an independent and suitably qualified external auditor.

(2) The appointment, resignation, removal, or replacement of an external auditor shall be notified to the Bank within seven days.

(3) The external auditor shall audit the annual financial statements of the Development Finance Business and express an opinion on whether those statements fairly present the financial position and performance of the institution in accordance with the applicable accounting standards.

(4) The audited financial statements and auditor's report shall be submitted to the Bank on 30th April, after the end of each financial year.

47. Periodic Returns to the Bank

(1) A Development Finance Business shall submit to the Bank such returns, and information as may be required under these Regulations.

(2) Without limiting paragraph (1), a Development Finance Business shall submit—

(a) monthly prudential returns;

(b) quarterly portfolio quality and risk reports;

(c) semi-annual development finance performance and profitability reports; and

(d) such other returns as may be required under these Regulations.

(3) Returns shall be submitted in the form and manner specified in the Schedule.

48. Reporting of Material Events

(1) A DFB shall notify the Bank in writing within seven (7) days upon becoming aware of—

(a) any material deterioration in its financial condition;

(b) any breach of prudential requirements;

(c) any fraud or operational incident likely to affect its operations;

(d) any legal proceedings that may materially affect its operations;

(e) any significant cybersecurity incident; or

(f) any other event that that may materially impair its ability to meet its obligations.

(2) Failure to notify the Bank within the period specified in this regulation constitutes a contravention and is subject to the administrative sanctions provided under these Regulations.

49. Submission of Audited Financial Statements

(1) A DFB shall submit its audited annual financial statements to the Bank within thirty (30) days of completion.

50. Record Keeping

(1) A DFB shall maintain proper records of all transactions for at least five (5) years.

(2) Records may be maintained in electronic form.

PART VII — SUPERVISION AND ENFORCEMENT

51. Supervisory Mandate of the Bank

(1) The Bank shall supervise licensed DFBs in accordance with the Act for purposes of—

(a) promoting the safety and soundness of Development Finance Businesses;

(b) monitoring compliance with the Act, these Regulations, and other applicable laws; and

(c) safeguarding the stability and integrity of the financial system.

52. Supervisory Approach

(1) The Bank shall apply a risk-based and proportionate approach in the supervision of Development Finance Businesses.

(2) In conducting supervision, the Bank may have regard to—

(a) the nature, scale, and complexity of the business;

(b) the risk profile of the institution; and

(c) any other matter relevant to its safety and soundness.

53. Inspections

(1) The Bank may conduct inspections of a Development Finance Business in accordance with the Act.

(2) For purposes of an inspection, the Bank may require access to the premises, records, systems, officers, and employees of a Development Finance Business.

(3) Following an inspection, the Bank may communicate its findings and require appropriate corrective measures.

54. Corrective Measures

(1) Where the Bank determines that a Development Finance Business has contravened the Act or these Regulations, or is conducting its affairs in an unsafe or unsound manner, it may require the DFB to—

(a) implement a corrective action plan;

(b) strengthen its governance, risk management, or internal controls;

(c) restrict or suspend specified activities;

(d) increase its capital or liquidity; or

(e) cease any activity that is contrary to the Act or these Regulations.

(2) A Development Finance Business shall comply with a directive issued under this regulation within the period specified by the Bank.

55. Intervention in Distressed DFBs

(1) Where a DFB —

(a) is insolvent or is likely to become insolvent;

(b) is unable to meet its obligations as they fall due;

(c) is experiencing serious governance or management failures; or

(d) poses, or is likely to pose, a material threat to financial stability, the interests of its creditors, or the public interest, the Bank may take intervention measures in accordance with Part VIII of the Act.

(2) Without prejudice to the generality of paragraph (1), intervention measures the Bank may —

(a) appoint an administrator;

(b) restrict the activities of the DFB;

(c) facilitate restructuring of its operations, management, or ownership;

(d) take any other measure authorised under the Act.

56. Administrative Sanctions

(1) The Bank may impose administrative sanctions on a DFB, its directors, officers, or employees for—

(a) contravention of the Act or these Regulations;

(b) providing false or misleading information to the Bank;

(c) obstructing supervision or inspection; or

(d) failure to comply with a lawful directive of the Bank.

(2) An administrative sanction may include—

(a) a warning or reprimand;

(b) an administrative penalty;

(c) suspension of specified activities;

(d) removal or disqualification of a director or officer; or

(e) any other measure authorised under the Act

(3) Before imposing a sanction, the Bank shall afford the affected person an opportunity to be heard.

PART VIII — GENERAL PROVISIONS

57. A Compliance with AML/CFT Requirements

(1) A Development Finance Business shall comply with—

(a) the Anti-Money Laundering and Countering the Financing of Terrorism Act and any regulations, directives, or orders issued under that Act; and

(b) the Targeted Financial Sanctions Act and any regulations, directives or other orders issued under that Act; and

(c) any applicable requirements of the Bank relating to anti-money laundering, countering the financing of terrorism, counter-proliferation financing, and targeted financial sanctions.

58. Fair Treatment of Clients

(1) A DFB shall conduct its business fairly, transparently, and in good faith, and shall have due regard to the interests of its clients.

59. Disclosure and Transparency Requirements

(1) Before entering into a financing arrangement, a Development Finance Business shall provide the client with clear and accurate information regarding —

(a) the applicable profit rates, fees, charges, and other costs;

(b) repayment terms;

(c) collateral or security arrangements ;

(d) the consequences of default

(2) A Development Finance Business shall notify a client of any material change to the terms of a financing arrangement before the change takes effect.

60. Responsible Lending

(1) A DFB shall make financing decisions on the basis of a reasonable assessment of-

(a) the viability of the proposed activity or project; and

(b) the applicant's capacity to meet its obligations.

(2) A Development Finance Business shall not knowingly provide financing in a manner likely to result in over-indebtedness or material financial distress.

(3) A Development Finance Business shall maintain appropriate arrangements for monitoring material risks associated with financed projects.

61. Complaints Handling and Dispute Resolution

(1) A DFB shall establish and maintain procedures for receiving, investigating, and resolving client complaints.

(2) A complaint shall be addressed within a reasonable period.

(3) Where a complaint is not resolved internally, the complainant may refer the matter to the Bank.

62. Protection of Client Data and Confidentiality

(1) A DFB shall maintain the confidentiality of information relating to its clients and their transactions and shall not disclose such information except with the consent of the client, where required by law, or for purposes of supervision by the Bank or compliance with legal obligations.

63. Transitional Provisions

(1) A person carrying on development finance business immediately before the commencement of these Regulations shall apply for a licence within six months of commencement.

(2) The Bank may extend the period referred to in paragraph (1) by not more than three months where the applicant demonstrates substantial progress towards compliance.

(3) A person who fails to comply with paragraph (1) shall cease carrying on development finance business.

(4) Any authorisation, approval, exemption, or direction lawfully issued before the commencement of these Regulations shall remain in force until amended, revoked, or otherwise replaced.

FIRST SCHEDULE

(Reg 5, 6 and 7)

FORM DFB–1

APPLICATION FOR A DEVELOPMENT FINANCE BUSINESS LICENCE

1. Name of Applicant: ______________________________________
2. Legal Form of Applicant:
   ☐ Company
   ☐ State-owned enterprise
   ☐ Public-private partnership vehicle
   ☐ Other (specify): _______________________
3. Certificate of Incorporation/Registration Number:_______________________
4. Registered Office Address: _______________________
5. Postal Address: _______________________
6. Principal Place of Business: _______________________
7. Ownership Structure
   (Attach details of shareholders, beneficial owners, and ownership interests.)
8. Capital Structure
   (a) Paid-up Capital: USD ___________________
   (b) Authorised Capital: USD ________________
   (c) Source of Capital: _____________________
9. Proposed Activities
   (Attach description of proposed development finance activities, products, and target sectors.)
10. Business Plan
   (Attach business plan covering at least three years.)
11. Governance and Management
   (Attach details of directors, senior management, organisational structure, and fit-and-proper declarations.)
12. Supporting Documents
   Attach—
   (a) certificate of incorporation or registration;
   (b) constitutional documents;
   (c) evidence of capital;
   (d) business plan;

(e) governance structure;
(f) fit-and-proper declarations; and
(g) any other information required by the Bank.

13. Declaration

I/We declare that the information provided in this application is true, complete, and accurate.

Name: ______________________

Position: ____________________

Signature: ___________________

Date: _______________________

SECOND SCHEDULE

(Reg. 6)

FEES

1. Application for a Development Finance Business License– US$ 1,000.
2. Grant of Development Finance Business License -US$ 3,000
3. Annual License Renewal Fee for a Development Finance Business – US$ 3,000.
4. Special Examination or Investigation Fee – Actual cost incurred by the Bank.
5. Any other fee approved by the Bank and published in accordance with applicable law

THIRD SCHEDULE

(Reg. 4)

PERIODIC REPORTING RETURNS

Quarterly Returns

1. Statement of financial position.
2. Statement of profit or loss.
3. Capital adequacy computation.
4. Liquidity position.
5. Portfolio quality report, including non-performing exposures.
6. Large exposures report.
7. Related-party transactions report.
8. Funding structure and maturity profile.
9. Risk management summary.

Annual Returns

1. Audited financial statements.
2. External auditor's report.
3. Annual governance statement.
4. Updated business profile and organisational structure.
5. Any additional information required by the Bank.