The Role of Central Banks in Regulation and Supervision of Secured Lending

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Rabat - 22-25 September, 2014
Session 15 bis
Road Map

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- Secured Lending Regime in Afghanistan
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- Supportive Role of Central Bank of Afghanistan
- Establishment of Research and Development Division
Central Bank of Afghanistan

- Da Afghanistan Bank is the Central Bank of Afghanistan. The primary objective of DAB is to achieve and maintain domestic price stability, foster the liquidity, solvency and effective functioning of a stable market-based financial system, and to promote a safe, sound and efficient national payment system.

- Other objectives include; the formulation and execution of the monetary policy of Afghanistan; managing the official foreign exchange reserves of Afghanistan; issuing Afghani currency; and acting as banker and adviser to the State.
Secured Lending Regime in Afghanistan

- Da Afghanistan Bank is the only public sector organization working for the development of secured lending in Afghanistan. Development of this regime has been supported by World Bank and IFC.
- Da Afghanistan Bank has championed the enactment of the following laws and regulations to pave the legal roadmap for secured lending in the country:
  - Law for Secured Transaction on Movable Property
  - Negotiable Instruments Law
  - Leasing Law
  - Regulation on Registration of Securing Charges
  - Credit Reporting Regulation
Establishment of Collateral Registry Office

- Collateral Registry (Registry of Securing Charges on Movable Property) was established by Central Bank of Afghanistan on 19 Feb 2013.

- The Registry provides electronic means for registration of notice of Securing Charges and liens, and for searching of notices.

- Collateral Registry of Da Afghanistan Bank is the single data source for the registration of security interest in movable properties.

- Entirely Notice based and there is no need for submission of documentation to registry office.

- The Registry platform is web based which runs 24/7.
Current Statistics (Just Banking)

<table>
<thead>
<tr>
<th>Commercial Bank Users</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Supervisors of Central Bank</strong></td>
<td>13 Users</td>
</tr>
<tr>
<td>Total Number of Registered Notices</td>
<td>2677</td>
</tr>
<tr>
<td>Total Value of Registered Notices</td>
<td>670 Million USD</td>
</tr>
<tr>
<td>Public Search</td>
<td>6486</td>
</tr>
</tbody>
</table>

**Movable Assets Registered:**
- Vehicles
- Machinery
- Inventory
- Furniture
- Office Equipments
- Bank Accounts
- Goods in Process
- Industrial and Construction Equipment
Challenges

- Lack of Collateral Management Companies and Warehouses;
- Legal Challenges of enforcement with commercial courts;
- There is no unified system for the registration of vehicles ownership documents;
- Lack of unified system for National IDs;
- Low Capacity of Stakeholders on Movable Lending
- Security challenges.
- Lack of Leasing Companies.
- Other capacity challenges......
  - Stock Monitoring / Field Audit
  - Warehouse Receipt System
  - Commodity Price Risk Management
  - Commodity Quality Risk Management
  - Secured Lending Products
Future Plans

**Legal Framework**
- Amendment of Secured Transactions Law and Regulation
- Amendment of Law on Mortgage of Immovable Property
- Domination of Leasing Regulation

**Secured Lending Products**
- Accounts Receivables
- Inventory
- Handicraft
- Crops

**Capacity Building**
- Stock Monitoring / Field Audit
- Risk Management
- Public Awareness
Collateral Registry Office itself is merely administrative and by registering a notice or refusing to register a notice, the registry does not determine the sufficiency, correctness, authenticity, or validity of any information contained in the notice.

Financial Supervision Department of Central Bank of Afghanistan has taken the following steps and supported secured lending regime in Afghanistan:

1. Mandatory Registration on Securing Charge Notices
2. Securing Charge Agreement
3. Verification and quality control of Notices is part of Supervisory Checklist.
4. Amendment of Credit Policy of Commercial Banks
5. Registration of Security Interest on Secondary Movable Collaterals
6. Establishing Risk Management process for Secured Lending
Supportive Role of Central Bank

- Central Bank of Afghanistan has not only played the supervisory role but also supported the registry office to accomplish the benchmarks of secured lending business delivery model.

- Support of Central Bank includes building the capacity of stakeholders through trainings and workshops.

- Central Bank has also started a public awareness campaign to introduce the role of collateral registry on how to increase access to finance in Afghanistan.

- Coordinating with Chamber of Commerce and Private Sector for the establishment of Collateral Management Companies and formal warehouses.
Supportive Role of Central Bank

- Central Bank as banker of government working with Tax Authorities for the registration of Tax Liens.

- Micro Finance Institutions are the key provincial lending institutions in Afghanistan but they are not under the supervision of Central Bank; however they have been requested for secured lending and use of the registry.

- Minimum Fee for the registration of security interest on immovable is USD 300, but Central Bank of Afghanistan maintained the maximum fee for the registration of security interest on movables to USD 5 to encourage movable lending.
A research and development unit has recently been established by central bank. The primary aim of this unit is to build the capacity of stakeholders on Registry of Securing Charges and Credit Bureau.

This unit will also conduct public awareness campaigns not only in big cities but also in zonal areas and find out the challenges.

Long run objective of this unit is to research and perform surveys on secured lending products and reporting to central bank.
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Thank you