



د افغانستان بانک

Financial Supervision Department Accounting Circular 85-02 “Late filing of regulatory reports”

26 April 2005 – 06 Sawr 1385

**To: Chief Executive Officers of licensed commercial banks
General Managers of permitted branches of foreign banks**

This Supervisory Circular continues a series of communications between the Financial Supervision Department (Department) of Da Afghanistan Bank (DAB, the central bank) and regulated financial institutions (licensed commercial banks and permitted branches of foreign banks). The purpose of these Circulars is to bring to the attention of the responsible executive (the Chief Executive Officer of a bank or the General Manager of a branch) supervisory matters or requests applicable to financial institutions.

Late filing of regulatory reports not to be tolerated

As you know, banking organizations are required to submit the complete set of required regulatory reports to DAB on or before the 15th of each Gregorian calendar month (approximately the 24th of each solar calendar month). Timely and accurate submission of data is essential for DAB to perform its supervisory and statistical functions, and is also extremely important to the management of the banking organizations themselves.

Unfortunately, however, DAB is continuing to experience a problem with late filing of these reports. The identity of the late filers changes from month to month. When contacted, some banking organizations have cited problems such as the responsible person going on holiday, the requirements of the external audit, and other excuses.

DAB hereby informs you that these practices are unacceptable. It is your responsibility to ensure that the appropriate staff are allocated to the task so that the reports can be filed on time.

Revisions to reports must be submitted promptly

In addition to the problem of late filing, banking organizations have also been slow in submitting necessary revisions to DAB. When DAB informs you that a report must be

revised, you will have two business days to send the revised reports back to DAB. Failure to do so will be considered a late filing, as if the report had never been submitted at all.

Problem of repeated errors of the same type

Another problem experienced by DAB from time to time is the repetition of errors of the same type. For example, even though banking organizations have been instructed repeatedly to report income and expense items calculated on a monthly basis – not on a cumulative, year-to-date basis – some banks are continuing to present their income and expense items on a cumulative basis. These repeated errors are irresponsible, and you must take the responsibility of ensuring that the data are submitted in the correct way.

Enforcement actions to punish late filers

Furthermore, DAB informs you that it has full authority to apply enforcement actions against banking organizations for late or incorrect filing of reports. According to the Law on Banking in Afghanistan, Article 42.8:

“Da Afghanistan Bank may impose sanctions on banks, financial institutions and agents, and their management in the event of incomplete or late reporting, non-reporting, inaccurate reporting, or knowingly filing false or misleading reports.”

DAB interprets this Article as authorizing it to take any and all enforcement actions that are enumerated in Articles 46, 47, and 48 of the Law on Banking in Afghanistan, including the removal of management. Article 123.10 of the DAB Law further elaborates on this issue with specific actions which may be taken by DAB.

“Each person from whom Da Afghanistan Bank may collect statistical information pursuant to this Article, shall promptly at the request of Da Afghanistan Bank provide to Da Afghanistan Bank such information in such form as shall be specified by Da Afghanistan Bank. The failure to do so shall be an offense punishable with imprisonment of not more than six months or payment of a fine of not more than 12,500 afghanis or both.”

When processing approvals for applications (such as to establish a new branch, appoint a new administrator, bring in a new shareholder, engage in equity investments above permitted thresholds, etc.) DAB will take into account the record of the banking organization in submitting its required reports in a timely manner in deciding whether or not to approve the application.

If you have any questions about this circular, please contact Mohammad Zahir,
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Very truly yours,

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