



**Islamic Republic of Afghanistan  
Da Afghanistan Bank**

**Standing Facilities Regulation: Administrative Instructions**

**Part A — General.**

**§ 1.1.1. Authority.**

Da Afghanistan Bank (DAB, the central bank), issued this regulation and administrative instructions pursuant to the authority granted it by the Law on Da Afghanistan Bank, Articles 3.4.a., 69, 70, 87, and 88.

**§ 1.1.2. Purpose and scope.**

This regulation and instructions establish the rules under which DAB extends afghani-denominated credit to banking organizations and accepts interest-bearing afghani-denominated deposits from banking organizations. DAB extends credit with due regard to the basic objectives of monetary policy and the maintenance of a sound and orderly financial system.

**§ 1.1.3. Definitions.**

- a) *Account* – a current account or correspondent account of a banking organization at DAB.
- b) *Advance* – an extension of credit to the Borrower in the form of a loan, including any renewal or extension thereof.
- c) *Advance repayment amount* – the amount of an Advance plus all accrued and unpaid interest.
- d) *Banking organization* – a commercial bank licensed by DAB or branch of a foreign bank permitted by DAB.
- e) *Borrower* – a banking organization that incurs an Obligation to DAB.

- f) *Collateral* – all the borrower’s right, title, and interest in property, including, but not limited to: gold; precious metals and precious stones; banknotes and coins in afghani or freely convertible foreign currency; credit balances payable in freely convertible foreign currency on the books of DAB, foreign central banks or other financial institutions; credit balances payable in afghani on the books of DAB or another banking organization; bills of exchange, promissory notes, and other debt securities that are payable in freely convertible foreign currency; debt securities issued by DAB or the Ministry of Finance denominated in afghani and forming part of a public issue; and warehouse receipts and other documents of title issued in respect of staple commodities or other goods duly insured against risk of loss or damage. Such collateral must be (a) identified on a collateral schedule, or (b) identified on the books or records of DAB; and includes all cash and not-cash proceeds and all amounts paid or payable under or in connection with all of the foregoing, including, but not limited to, interest, dividends, insurance, rents, and refunds.
- g) *Collateral schedule* -- a statement of collateral pledged to secure an obligation.
- h) *Event of default* – the borrower failing to repay or satisfy any obligation when due or whenever DAB deems itself insecure with respect to the financial condition of the borrower or the borrower’s ability to perform its obligations under this regulation
- i) *Indebtedness* – the total of the borrower’s intraday or overnight overdrafts in its account and any penalties and charges thereon.
- j) *In writing* – on paper, by e-mail, or by telex in a form acceptable to DAB. DAB may, at its sole discretion, accept a request by telephone provided this is confirmed in writing at the earliest available opportunity.
- k) *Obligation* – an Advance repayment amount, an Indebtedness, and any other liability of the borrower to DAB, whether due or to become due.
- l) *Overnight deposit* – an interest-bearing balance in afghani held by DAB for a banking organization under Part K of this regulation.
- m) *Policy rate* – the rate of interest set by DAB to reflect the rate for the overnight use of funds that DAB considers to be appropriate for the maintenance of price stability.

## **Part B: Extensions of credit generally**

### **§ 1.2.1. Advances to a banking organization.**

- a) DAB may lend to a banking organization by making an advance secured by acceptable collateral under Part C of this regulation.

- b) A banking organization must secure an advance to the satisfaction of DAB, with collateral of a type listed in §1.1.3 (f) above.
- c) No advance will be made by DAB with an original maturity of greater than 91 days.

**§ 1.2.2. No obligation to make advances.**

DAB shall have no obligation to make, increase, renew, or extend an advance to any banking organization under §1.3.2 or §1.3.3 of this regulation. DAB may refuse to make, increase, renew, or extend an advance to a banking organization under §1.3.1 of this regulation if the banking organization does not satisfy the requirements of DAB for the standing credit facility.

**§ 1.2.3. May require information**

DAB may require any information it believes appropriate or desirable to ensure that assets tendered as collateral for advances are acceptable and that the borrower uses the credit provided in a manner consistent with this regulation.

**Part C — Availability and terms of credit**

**§ 1.3.1. Standing credit facility.**

DAB extends credit on an overnight basis as a backup source of funding to a banking organization that is in generally sound financial condition in the judgment of DAB. Credit ordinarily is extended with minimal administrative burden on the borrower. A banking organization may use credit on 15 days in a given month and may use it on additional days in that month with prior DAB approval. Credit extended under the credit program is granted at the standing facility credit rate. The DAB capital note is acceptable as collateral for the standing credit facility. The DAB may from time to time permit additional classes of collateral to serve as collateral for this facility.

**§ 1.3.2. Lender of last resort.**

In exceptional circumstances, DAB extends credit to a banking organization or for the benefit of a banking organization if:

- a) in the opinion of DAB, the banking organization is solvent and provides adequate collateral, and the request for financial assistance is based on the need to improve liquidity; or
- b) such assistance is necessary to preserve the stability of the financial system and the Minister of Finance has concurred with the commitment within 24 hours after a proposal thereto was submitted to him by DAB. A banking organization seeking support should submit to DAB a description of the program the banking

organization is following to improve its liquidity and to enable the banking organization to return to reliance on market funding sources. Support from DAB as lender of last resort is available for periods not exceeding 91 days. Credit must be secured by collateral acceptable to DAB of a type listed in §1.1.3 (f) above, unless DAB decides that an unsecured commitment would be justified by exceptional circumstances and an acceptable program of remedial measures. The initial period of support may be extended by DAB at its discretion.

### **§ 1.3.3. Overdrafts.**

A banking organization is not permitted to incur a daylight or overnight overdraft in any account at DAB. All credit must be obtained through an advance under §§ 1.3.3 or 1.3.2 of this regulation. If an overdraft does occur in a banking organization's account, the banking organization shall correct the overdraft by depositing to the account as soon as possible and the amount of the overdraft must be shown on the Reserve Requirement Report for that day or days as a negative amount on the current account at DAB. The DAB may reject an instruction that would create an overdraft in an Account and may impose penalties for overdrafts in accordance with other DAB regulations.

## **Part D — Interest rates applicable to credit extended**

### **§ 1.4.1. Standing credit facility.**

The rate for credit provided to banking organizations under §1.3.1 is the rate that is set for that purpose by the Supreme Council of DAB, upon recommendation from its Monetary Policy Committee. DAB may revise the rate from time to time and publish it separately in advance of its effective date.

### **§ 1.4.2. Lender of last resort.**

The rate for support extended by DAB as lender of last resort under §1.3.2 above is determined by DAB in relation to its Standing Facility Rate.

## **Part E — Request for advance and approval of advance**

### **§ 1.5.1. Request.**

A request for an advance should be made to DAB in a timely fashion, and in any case before the close of banking business (15:00) and must be secured by collateral acceptable to DAB of a type listed in §1.1.3 (f) above. DAB reserves the right, in its sole discretion, to require the borrower to apply for an advance under §1.3.1 or §1.3.2 in writing or execute a promissory note and/or additional relevant agreements or documents at any time with respect to an advance.

### **§ 1.5.2. Approval and subsequent funding.**

After an advance is approved, DAB will credit the amount to the account of the borrower with DAB. The credit is made available at the end of the banking day of DAB.

## **Part F — Interest**

### **§ 1.6.1. Accrual.**

Interest accrues from the day an advance is credited to the account of the borrower and is payable at the applicable rate in effect on that day. If the interest rate changes while an advance is outstanding, the new rate applies as of the day on which the rate change is effective. Interest is computed on the basis of 360 days in a year.

### **§ 1.6.2. Interest on delinquent advances.**

If all or any portion of an advance repayment amount is not paid when due (whether by acceleration or otherwise), interest on the unpaid portion of the advance repayment amount is payable at a rate 50 basis points (0.50 percentage points) higher than the applicable rate then in effect until the unpaid advance repayment amount is paid in full.

## **Part G — Repayment of advance**

### **§ 1.7.1. Accrual.**

The borrower promises to pay an advance repayment amount when due in immediately available and finally collected funds. An advance repayment amount is due:

- a) on demand; or
- b) if no demand is made, on the due date and time specified by DAB in writing, except that if no due date and time is specified, then an advance repayment amount is due on the business day following the day the advance was made and at the same time the advance was credited, or
- c) Regardless of whether a demand is made, at DAB's option, upon the occurrence of an event of default.

### **§ 1.7.2. Demand of repayment.**

If DAB demands payment of an advance repayment amount, all indebtedness and other obligations are due immediately, without prior demand or notice.

### **§ 1.7.3. Borrower rights waived.**

If DAB demands payment of an advance repayment amount, the borrower waives any right to presentment, notice of dishonor, protest, and any other notice relating to payment of the advance repayment amount and indebtedness.

### **§ 1.7.4. Prepayment.**

The borrower may prepay an advance under §1.3.1 or §1.3.2 (together with accrued and unpaid interest on the amount being prepaid), in whole or in part, without penalty.

### **§ 1.7.5. Method of repayment.**

DAB will debit the borrower's account for the amount of the advance repayment amount when it is due.

### **§ 1.7.6. Method of repayment in the case of insufficient funds.**

If the borrower knows or should have known that the account has insufficient immediately available and finally collected funds when payment of any advance repayment amount or indebtedness is due, the borrower must make arrangements satisfactory to DAB for repaying the amount.

## **Part H — Grant of security interest**

### **§ 1.8.1. Meaning of grant of security interest.**

For value received and in consideration of DAB permitting the borrower to obtain advances or incur indebtedness, the borrower pledges to DAB a continuing security interest in, lien on, and right of set-off against collateral to secure any obligation, whether now existing or arising in the future.

### **§ 1.8.2. Further security for DAB.**

As further security for any obligation, whether now existing or arising in the future, the borrower pledges to DAB all the borrower's right, title, and interest in property, whether now owned or hereafter acquired, in the possession or control of DAB, including but not limited to, investment property (including securities not previously pledged), items in process of collection and their proceeds, and any balance to the credit of the borrower with DAB.

## **Part I—Collateral**

### **§ 1.9.1. Collateral schedule required.**

An advance repayment amount must be secured by collateral of a type and in an amount acceptable to DAB. If required by DAB, the collateral must be identified on a collateral schedule in the form and manner specified by DAB. Collateral schedules must be kept current and must be updated in accordance with DAB's instructions.

### **§ 1.9.2. Possession of collateral.**

Unless DAB agrees otherwise, the borrower must transfer or deliver collateral to DAB or its custodian in the form and manner specified by DAB. The borrower shall hold any item of collateral not delivered or transferred to DAB or its custodian in trust for DAB until the collateral is delivered or transferred in accordance with DAB's instructions.

### **§ 1.9.3. Borrower to bear risk of loss.**

The borrower bears the risk of loss for any collateral held in the borrower's possession or in transit to or from DAB. The borrower also bears the risk of any accidental loss or damage to collateral in DAB's possession to the extent DAB exercised reasonable care.

### **§ 1.9.4. Over collateralization.**

DAB reserves the right to require collateral whose current market value exceeds the advance repayment amount by a specified percentage at initiation. If, during the term of the advance, the market value of the collateral drops below the value at initiation, DAB reserves the right to demand additional collateral from the borrower. If such collateral is not promptly supplied, DAB reserves the right to demand immediate repayment under Part G, above.

## **Part J – Remedies upon default**

### **§ 1.10.1. Methods to be used by DAB as remedies.**

If an event of default occurs, DAB may pursue any of the following remedies, separately, successively, or concurrently:

- a) Unless an advance repayment amount is immediately due, declare the same immediately payable, without prior notice or demand, and debit the borrower's account accordingly;
- b) Set off any obligation against any amount owed by DAB to the borrower, whether then due or not due;

- c) Exercise any banker's lien or right of setoff provided by applicable law against borrower's property in the possession or control of DAB, including but not limited to items in process of collection and their proceeds and any balance to the credit of the borrower with DAB;
- d) Take possession of any collateral not already in DAB's possession, without demand and without legal process. The borrower grants to DAB the right, for this purpose, to enter into or on any premises where collateral may be located; and
- e) Pursue any other remedy available at law or in equity to collect, enforce, or satisfy any obligation, including exercising its rights as a secured creditor to collect income on collateral whether or not collateral is in DAB's possession.

**§ 1.10.2. Appointment by borrower of DAB as attorney-in-fact.**

The borrower appoints DAB, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the borrower, to endorse, assign, transfer, and deliver collateral to any party, and to take any action deemed necessary or advisable by DAB to either protect DAB's interests or exercise its right under this regulation.

**Part K – Overnight deposit facility**

**§ 1.11.1. Interest rates.**

DAB may accept a deposit denominated in afghani with a one-day maturity. Interest on overnight deposits is credited at the rate determined for this purpose by DAB's Supreme Council, upon recommendation of the Monetary Policy Committee, in effect on the day of deposit.

**§ 1.11.2. Request for transfer into overnight deposit; time of maturity.**

A request for an overnight deposit should be made to DAB in writing by the close of the banking day (15:00). The deposit is considered to have matured at the opening of business of DAB on the next business day. A request for overnight deposits extending over multiple days will be accommodated by renewing the deposit at the close of each business day.

**§ 1.11.3. Overnight deposits not “eligible assets.”**

The amount of a banking organization's overnight deposit is not considered an “eligible asset” in fulfilling the reserve requirement for monetary policy purposes.



**Part L — Effective date of regulation.**

**§ 1.12.1. Passage by the Supreme Council.**

This regulation will become effective upon passage by the DAB Supreme Council. The regulation is published in DAB web site.