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## **Banks' Disclosure Guidelines**

In October 2011, the Central Bank of Seychelles (CBS) issued a set of guidelines to banks in order to improve disclosure of information to their clients. This will ensure that clients are informed of the terms and conditions of products and services, including fees and charges. The guidelines address the disclosures that banks are expected to make, the way in which they are to be made, as well as the frequency of such disclosures.

In addition to banks' current practice of publishing their list of fees and charges on a quarterly basis in the newspaper, banks will need to publish changes in their fees and charges as and when these changes are made. This is aimed at ensuring that clients have access to updated information. Banks should also make available at their premises leaflets showing their updated fees and charges, which should be reprinted upon any change.

In view that loans are one of the main services obtained at banks, the guidelines state certain minimum information which should be disclosed on loan agreements. This includes interest rates, arrangement fee, early repayment fee, period of repayment, breakdown of the principal and interest repayable, instalment to be paid and any applicable penalty fee. Loan amortisation schedules which show the information on principal and interest to be paid at each period of repayment for the duration of the loan needs to be provided. For example, if the loan is to be paid monthly for 10 years, the loan amortisation schedule should show the breakdown of payment each month for 10 years. The schedule is to be made available for new loans and upon request for existing loans. The first schedule should be free of charge, as should be those that are provided if the bank initiates a change in the loan contract as agreed by both parties; for example a change in interest rates. Any subsequent request by the client for loan schedules may be subject to a fee.

Banks are also required to provide clients with loan statements and statements of savings accounts at least twice a year, although clients may request for more frequent statements and these should be free of charge. Loan statements show payments towards the loans and any penalty interest if applicable. Savings account statements show deposits and withdrawals on these accounts.

As to the manner in which information is disclosed, banks are required to disclose information in clear and easily understandable language and not in fine print. Each and every charge should also be clearly denoted on bank statements so that clients are aware of what they are being charged for.

Other requirements of the guidelines are for banks to notify the borrower and guarantor if the borrower is not paying his/her loan at least two months after non-payment. Banks should also notify clients when accounts are considered dormant and abandoned, as well as

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the associated fees. In addition, clients need to be clearly informed of fees when the banks' lawyers or any other lawyers are used.

Central Bank expects this set of guidelines to improve the flow of information to banks' clients, increase clients' awareness, assist in better decision making and ultimately reduce dissatisfaction.