

Credit and money market of the bank of the central Africa States(BEAC)Ndjedanem Demtade Nadingar^{1,*}, shuwang yang¹

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Abstract: In a context of world economic crisis, our article on the credit and money market aim to emphasize the influence of the bank of the States of Africa on the saving in each one of its members in general and on Chad in particular through the service of credit and money market. [Report and Opinion 2010;2(4):79-84]. (ISSN:1553-9873).

Key words: BEAC, Credit, Money Market, Interbank market, obligatory reserves

1.Introduction

The bank of the central Africa States (BEAC) is a multinational financial institution created by a monetary cooperation agreement on 22 November 1972 in Brazzaville between 5 countries of central Africa (Chad, Gabon, Congo, Rca, Cameroon) and France. Another country, Equatorial Guinea joined this group on 1 January 1985. France is member of convention without being in the authorized capital which rises to FCFA 88,000,000,000 distributed between the Member States.

The BEAC is charged to emit on a purely exclusive basis the currency on the territory of the members States and to guarantee stability of it. It is also charged to lead the policy of exchange and the management of monetary reserves (through an account opened to the French treasure).

The currency used in the 6 Central African countries is CFA franc (FCFA) or franc of the financial cooperation in Africa. The convertibility of this currency is guaranteed by France and the backing of the FCFA to the French franc was deferred on the Euro at the time of the advent of this currency common to several European countries.

Nowadays, countries having the BEAC as issuing house belong to the Monetary Union of central Africa, which in its turn is integrated in the Economic and Monetary community of Central Africa (CEMAC).

2. Framework of the BEAC.

Yaoundé is the head office of the BEAC. It is directed by a Governor (Gabonese) assisted of a Vice-governor (Congolese) and a General secretary (Chadian). With these three personalities who until 2007 constituted the Government of the bank are added in 2008, three Managing directors of Cameroonian, Equato-Guinean and Central African nationalities. Since July 2008 the government consists of 6 leaders. The government of the central bank is based on 12 operational central managements decisional framework of the seat thus counts 18 personalities named by the governments of the States members.

On the level of each State, the BEAC is represented in each capital by a National management directed by a National director who is appointed by the Board of trustees, on a proposal from the governor and after approval of the local government. Head offices are set up through each country according to the level of economic activity. In France, the bank is represented by a delegate of the Governor named by this last among the senior officers.

In Chad, the BEAC is presented inside the country in the towns : Moundou and Sarh. A deposit of tickets and currencies are placed under the management of the departmental treasure of abéché, city where it is envisaged to build an office of the central bank. National management currently counts 12 services of which the credit and money market.

3. Money market and service of credit

The service of credit and money market is the basic operational structure of the BEAC charged to apply the decisions of monetary policy made by the monetary policy committee.

The service of credit and money market was created on November 2007 at the time of reforms institutions of the CEMAC. It is governed by articles 38 to 45 of the statutes of the BEAC and its principal roles concern:

- The definition of the monetary policy;
- The fixing of the Rates intervention of the BEAC and the rates of taking and remuneration of the obligatory reserves;
- The definition of the orientations as regards management of monetary reserves.

The service of credit and money market consists of 14 members: 2 members by State and 2 for France. It is chaired by the governor of the Central bank.

The fundamental objective of the money market is to slow down the exit of the capital, while seeking to retain the financial resources on the ground of the States members of the BEAC and to direct them towards the financing of the producing and profitable operations, so as to support economic development.

4. Flow chart of the Service of Credit and Money market.

The service is led by a person in charge named by the National director and who ensures the supervision and the coordination of the activities which are reserved for him. The departmental manager has under his orders three agents: an Assistant of Direction in charge of the section Money market and Capital, a countable Assistant in charge of the Section Credit and a Private secretary.

5. Activities of the service of credit and money market

The service of Credit and money market manage three shutters of the monetary policy: the credit; the money market and obligatory reserves.

5.1 Credit

The BEAC can lend money in the short or medium term to the primary banks to enable them to conclude their activities of financing of the economy. This loan of the central bank is called the refinancing.

It often arrives that a primary bank receives from a customer a request for financing of a very important amount. If it does not have enough resources to satisfy this request immediately, it can in this case be turned towards the central bank to borrow the requested amount and to lend it to the customer. But the primary bank must assemble a complete record on its petitioning customer, according to the central bank groundwork, it is known as allowed an agreement of classification or individual authorization of mobilization. The central bank pays all to him or part of the amount desired by the customer, condition of giving as a preliminary in guarantee of the commercial drafts subscribed by the aforementioned customer.

The files admitted in agreement of classification can be of short or medium term. the agreements of medium-term classification relate only the opening in the medium term revocable appropriations in favor of the nationals for the refinancing of the real investments. The medium term revocable appropriations, granted for one duration ranging between 2 years and 10 years, are refinanced by the issuing house to a total value of 80%, the remainder representing the personal capital contribution of the borrower. The effects subscribed on these appropriations and deposited in guarantee are available to 90% of their nominal.

Generally, the banks always may find it beneficial to constitute at the BEAC a some of signatures for which they can constantly lodge requests for agreement of classification to obtain liquidities, all the branches of industry, except for the research departments, are eligible with the agreement of classification.

The refinancing on agreements basis of classification is done only through level 2 of the money market.

Beside the agreements of classification, there are the agreements known as mobilization which relate to only the refinancing of the

medium-term appropriations (7 years maximum) requested on signature of the companies engaged in operations of productive investments and thus creators of wealth and employment. The eligible files for this reason are refinanced with the counter B and the agreements of mobilization given by the BEAC are irrevocable.

5.2. The money market.

The money market have two levels : Level 1 is called the interbank market and the second level relates to the interventions of the central bank.

5.2.1 The interbank market

It is the level of the money market where the banks exchange between them liquidities in conditions of amounts, rate, of duration and freely discussed guarantees. The BEAC does not intervene in these negotiations between primary banks. These last however have the obligation to inform the institute resignation of the characteristics of the transactions made within this framework.

It is necessary however to relativize the freedom which exists on the interbank market because if the interbank rates are too high or too low, the central bank will intervene directly or indirectly, either while injecting or by puncturing liquidities, or while lowering or by raising its rate which is the rate interest of intervention, in order to support the economic activity.

5.2.2. The interventions of the central bank.

According to its monetary policy, the BEAC can intervene to inject or withdraw the liquidities in the banking system. The injection and the puncture of liquidities obey very precise rules and borrow two channels:

1) The counter A or principal channel which makes it possible the central bank to control the liquidity of the trade banks by injecting the money complement necessary or by withdrawing (while puncturing) liquidities when there is too much in the banking system. The injection of liquidities is an advance made by the central bank, while the puncture is a investment carried out by the primary banks. These two

operations are done by positive interventions (injections of liquidities during 7 days) and negative (punctures of liquidities to 7 or 84 maximum days).

2). The counter B or special channel is intended only for the granting of the loans and advanced in the medium term irrevocable at the primary banks for the refinancing of the productive investments. The characteristics of the counter B have the following ones:

-allowed the requests for refinancing presented by the commercial banks for the companies engaged in productive investments of wealth and employment.

-When the BEAC gives its agreement of refinancing under the counter B on a file, this agreement is called individual authorization of medium-term mobilization.

-The agreement of the central bank is irrevocable. An agreement of medium-term mobilization becomes invalid if the credit did not have a beginning of use after one year (or two years for the operations of production or heavy equipment).

-The refinancing of the BEAC is reached a maximum 60% of the capital cost and the effects representative of these appropriations are available 100% of their nominal.

The duration of the medium term irrevocable loans is between 2 years and 7 years.

- The operations of counter A are initiated by the BEAC. But a commercial bank can be also addressed its request to the central bank to require a contest. In this case, three types of facilities can be granted to him :

- Rate interest is high for money in pension, duration varies from 2 to 7 days and the commercial bank must subscribe and give in guarantee a total ticket of mobilization.

-Exceptional advance is guaranteed by the certificates of investment, with the interest rate of duration not exceed the validity of the certificates.

All the advances of the central bank are guaranteed by commercial drafts (certificates of placement).

5.3. The obligatory reserves

The obligatory reserves consist of part of the deposits of the commercial banks that the

central bank retains authority in its trunks. It is an additional tool of regulation of the liquidity of banks .It acts to prevent the primary banks from having too much cash which they would be tempted to place in a bad way through easy loans at the private individuals and the companies. It is known that only a precious good has value. Few money thus should be made so that it keeps its value and that he does not cause inflation by his abundance.

The decision to subject the banks to the constitution of obligatory reserves was cancelled in 1999 and it reinstated on 23August 2001.

Reserves are carried out monthly on the whole of the deposits of each bank, namely the short term deposits and the long term deposits.

Currently, for the banks of Chad, the short term deposits are retained to 7.75% and those in the long term to 5.25% (decision March 2009). It should be noted that the variation of taking between the two types of deposits is explained by the fact that the first is increasingly more important in the banks.

Besides their differentiation by type of deposit, the minimum reserve ratios are also differentiated by groups from country constitute according to the similarity of the liquidity of their economies. Thus, on 23 March 2009, the monetary policy committee set up four groups of State according to their economic situation and the coefficients of reserves brackets at the banks which are there established as follows:

	Group I	Group II	Group III	Group IV
Criteria	<i>Location ample liquidity</i>	<i>Location satisfactory liquidity</i>	<i>Location sufficient liquidity</i>	<i>Location insufficient liquidity</i>
Countries	Congo Equatorial Guinea	Cameroon Gabon	Chad	RCA
Coefficients of deposits	14,0%	11,75 %	7,75 %	0 %
Coefficients for time deposits	10,50 %	9,25 %	5,25 %	0 %

Exceptionally and taking into account the socio-economic situation of RCA, the banks in activity in this country are exempted of the obligatory reserves.

The obligatory reserves are remunerated. The rate credit interest is 0.10% (decision 23 March 2009).

Only the banks in serious cash shortage or situation of reorganization or liquidation can be exempted constitution of obligatory reserves.

6. The advances to the Treasury account.

The BEAC is also the bank of the Chadian State but this one cannot draw the money as it wants. Indeed, the BEAC belongs to six countries and this characteristic implies very rigorous rules of management to guarantee the value of the currency.

Each State can secure loans from BEAC. They are reached a maximum to 20% of the annual budget revenue ordinary of national

origin, which excludes the receipts coming from the gifts, of the subsidies, loans and of the former exercises. The tax threshold of 20% constitutes the maximum advances that the Treasury can obtain.

At the time of the determination of the ceiling of advances in the State, government stock was mobilized by the primary banks on the signature of this State, the amount of this mobilization is deduced from the new ceiling.

The advance is granted for twelve months maximum duration. However, it can happen that a State has difficulties of refunding the advances and this situation can lead a medium-term loan.

In the near future, the recourse in advance of the Central Bank, whom one calls also monetary financing of the State, will disappear. Indeed, to finance their operation and their investments, the States of the CEMAC decided to resort from now on to the emission of the public titles for raising funds on the market.

The project concerned was officially launched in 2008 and will have to come into force on 1 July 2009.

7. Formation of the interest rates .

Apart from the rates of the interbank compartment of the money market which are freely discussed by the commercial banks, the other rates applied by the BEAC are fixed by the

Committee. Relating to its decisions are based on criteria such as the level of the economic activity, the tendency of the rates external to zone CEMAC, the level of the liquidities of the banking system, the position of the account of operations near the French treasure, etc

The grid of the rates in force is the following after the decisions taken by the Committee on 29/6/2009:

Rates	OPERATION	Observations
	Rate of debtor	
Interest rate of TIAO	Injection of money in the banking system	BEAC mainly rate: 4.50%
Rate interest of TIPP	Injection of money in the banking system	TIAO + (1.5 to 3) between 2 or 7 days: 6.25% , March 2009
rate of penalty : TPB	Withdraw of money	12% , March 2009
Rate of advances to the treasure	State monetary financing	4.5% ,March 2009
CREDITORS RATE	CREDITOR RATE	CREDITOR RATE
Interest rate on the investment at 7 days: TISP	withdraw of money	1% , March 2009
Interest rate on the investment at 28 days : TISP	Withdraw of money	1 % + 1 /16 March 2009
Interest rate on the investment at 84 days : TISP	Withdraw of money	1 % +2 /16 March 2009
Rate of remuneration of the obligatory reserves	Withdraw of money	0,10 % , March 2009
Interest rate on the public investment : TISPP 0	Investment of oil revenue excess	1,9 % , March 2009
Interest rate on the public investment under the mechanism of stabilization of the budget revenue : TISPP 1	Investment of oil revenue excess	1,7 % , March 2009
Interest rate on public investment under the special deposits : TISPP2	investment of the surpluses of the oil States	1,1 % ,2009
Minimum creditor rate	saving,	3.25% 2008

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