

Credit and money market of the bank of the central Africa States (BEAC)

Njedanem Demtade Nadingar¹, Chen Shuwang yang¹

China University of Geosciences (Wuhan)
388 Lumo Road, Wuhan, P.R. China Postcode: 430074. alafi2004@yahoo.fr

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. [Journal of American Science. 2011;7(1):35-39]. (ISSN: 1545-1003).

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 of November 22nd, 1972 with Brazzaville between 5 countries of central Africa (Chad, Gabon, Congo, R.C.A. Cameroon) and France. Another country, Equatorial Guinea joined this unit on January 1st, 1985. France is member of convention without being in the authorized capital which rises to 88 Billion FCFA distributed in a leveling way between the Member States.

The BEAC is charged to emit on a purely exclusive basis the currency on the territory of the States members 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 open to the French treasure).

The currency in force in the 6 African countries is CFA franc (FCFA) or franc of the financial co-operation 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 community and Monetarist of Africa Central (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 which until 2007 constituted the Government of the bank are added, in 2008, three Managing directors of nationalities Cameroonian, Equato-Guinean and Central African. 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. Centers 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 of 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 that of the credit and money market.

3. Money market and service of the credit

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

The CPM was created in 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 D intervention of the BEAC and the rates of taking away and remuneration of the obligatory reserves,
- The definition of the orientations as regards management of monetary reserves

The CPM consists of 14 members because of 2 members per State and 2 for France. It is chaired by the governor of the Central bank.

The fundamental objective of the money market east 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 Credit and Money market.

The service is capped 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 credit and money market

The service 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 be caused to 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 contest 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 over 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 a preset groundwork by the central bank, it is known as allowed << in agreement of classification >> or << individual authorization of mobilization >>. The central bank pours 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 to only the open in the medium term revocable appropriations in favor of the nationals for the refinancing of the real investments. The in 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 mobilizable to 90% of their nominal.

Generally, the banks always may find it beneficial to constitute at the BEAC a mattress of dimensioned signatures for which they can constantly lodge requests for agreement of classification to obtain liquidities

titrates recall, 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, it is the agreements known as of 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 on 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 the unconditional liquidities 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 invitations to tender (TIAO), 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 placement carried out by the primary banks. These two operations are done by positive invitations to tender (injections of liquidities with 7jrs) and negative (punctures of liquidities to 7.28 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. This counter is, by construction, offered of liquidities.

The characteristics of the counter B have the following ones:

-NR are allowed there that the requests for refinancing presented by the trade 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 and gives place to the perception of the commissions of waiting and of engagement calculated on incur credit. An agreement of medium-term mobilization becomes null and void if the credit did not have a beginning of use after one year (or two years acts of the operations of production or heavy equipment).

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

The duration of in the medium term irrevocable loans lies between 2 years minimum and 7 years maximum

-The rate initial interest of in the medium term irrevocable appropriations is TIAO.it can be revised with the fall semi-annually if the last six months the balanced average TIAO is lower than the initial rate. It can also be re-examined with the rise under the same conditions without being able to exceed the initial rate.

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

-The catch in pension, with a rate D interest higher than that of the invitations to tender. Its duration varies from 2 to 7 days and the commercial bank must subscribe and give in guarantee a total ticket of mobilization.

-Exceptional advance guaranteed by the certificates of placement, with the interest rate of invitations to tender (TIAO) and over one duration not exceeding that of the validity of the certificates.

The advance intra-day laborer: granted for one day to a bank in rupture of liquidity on its account to the BEAC and guarantee by a total ticket of mobilization .I' specific intervention is an exceptional facility which is granted only in the event of going beyond the objective of refinancing (maximum quantity of currency, evaluated during the monetary programming, that the central bank can put at the disposal of L saving in a country)

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

5.3. The obligatory reserves

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

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Reserves are carried out monthly on the whole of the deposits of each bank, namely the sight deposits and the term deposits. Currently, for the banks of Chad, the sight deposits are retained with height of 7.75% and those in the long term to 5.25% (decision CPM March 2009). It should be noted that the variation of the proposals for a taking away between the two types of deposits is explained by the fact why the first are 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, at March 23rd, 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 establish arise as follows:

Table 1, economic situation and coefficients of reserves brackets

	Group I	Group II	Group III	Group IV
Criteria	Location ample liquidity	Location satisfactory liquidity	Location sufficient liquidity	Location insufficient liquidity
Countries	Congo Equatorial Guinea	Cameroon	Chad	RCA

		Gabon		
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 taking away of the obligatory reserves.

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

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

6. The advances counts some running to the Treasury.

The BEAC is also the bank of the Chadian State but this one cannot draw the money there as he wants. Indeed, as he wants. Indeed, as it is known as higher, 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. She 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 threshold of 20% constitutes the ceiling of maximum advances that the Treasury can obtain.

At the time of the determination of the ceiling of advances in the State, if it is that government stock was mobilized with the counter of the institute resignations 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 one twelve months maximum duration. However, it can happen that State tests difficulties of refunding

the advances and this situation can lead to their consolidation in 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 concerning with this way of financing was officially launched in 2008 and will have to come into force on July 1st, 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 trade banks, the other rates applied by the BEAC are fixed by the CPM. The relating to it 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 one after the decisions taken by the CPM the 6/29/2009:

Table 2, The grid of the rates in force

Rates	AIMED OPERATION	Observations
	Debtor rates	
Interest rate of the invitations to offer: TIAO	Injection of liquidities in the banking system	It is the directing Rate of the BEAC : 4.50%
Rate interest of the catches in pensions: TIPP	Injection of liquidities in the banking system	It is equal to the raised TIAO from 1.5 to 3 points (lasted from 2 to 7 days): 6.25% at March 23rd, 2009
rate of penalty at the banks: TPB	Sanction and injection of liquidities in the absence of eligible effect at the money market	12% at March 23rd, 2009
Rate for advances to the treasure inside the statutory ceilings	Monetary financing of the State	4.5% at March 23rd, 2009
Rate for advances to the treasure	Monetary financing of the State	10% at March 23rd, 2009

Table 3, the grid of the rates in force

Rate	AIMED OPERATION	OBSERVATIONS
Beyond the statutory ceilings	State	
Maximum debtor rate	Limitation of wear. Any rate higher than the TDM is liable to pursuit	It is equal to the TPB raised of a margin of 7% fixed by CA of the BEAC on November 24th, 1995. Since July 3rd, 2008. This rate was removed (Decision CP M of July 2nd, 2008)
CREDITORS RATE	TAUX CREDITEURS	CREDITOR RATE
Interest rate on the placements at 7 days: TISP	Puncture of liquidities	1% at March 23rd, 2009
Interest rate on the placements at 28 days : TISP	Puncture of liquidities	1 % raised of 1 /16 point
Interest rate on the placements at 84 days : TISP	Puncture of liquidities	1 % raised of 2 /16 point
Rate of remuneration of the obligatory reserves	Puncture of liquidities	0,10 % at March 23rd, 2009
Interest rate on the public placement under the reserve funds for the future generations : TISPP 0	Placement of the surpluses of the oil States	1,9 % at March 23rd, 2009
Interest rate on the public placement under the mechanism of stabilization of the budget revenue : TISPP 1	Placement of the surpluses of the oil States	1,7 % at March 23rd, 2009
Interest rate on public placement under the special deposits : TISPP2	Placement of the surpluses of the oil States	1,1 % at March 23rd, 2009
Minimum creditor rate : TC M	Encouragement with the public saving, with a ceiling of deposit on booklet has 5 million FCFA	Since July 3rd, 2008, TC M is 3.25% (Decision of the CPM of July 2nd, 2008)

Correspondence to:

Ndjedanem Demtade Nadingar
 China University of Geosciences (Wuhan)
 Department of Economy
 388 Lumo Road, 430074 Wuhan, P.R. China
 Tel: 86-27- 59839740
 Mobile: 86- 15927117251
 Email: alafi2004@yahoo.fr

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