



Reserve Bank of Malawi Policy Responses to the COVID-19 Pandemic

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A. Actions taken by the Reserve Bank of Malawi

1. Reduction of the Lombard Rate from 13.9 percent to 13.7 percent i.e. from 0.4 percentage points above the Policy Rate to 0.2 percentage points above the Policy Rate
2. Reduction of the Liquidity Reserve Requirement (LRR) ratio on foreign currency deposits from 5 percent to 3.75 percent
3. Activated the Emergency Liquidity Assistance Facility on a case by case basis
4. Approved the recapitalization plan under the Prompt Corrective Action (PCA) Directive beyond 90 days in the unlikely event of a bank breaching the Prudential Capital Requirement Directive as a result of COVID-19.
5. Granted relief to banks on the provisioning of restructured loans and loans on moratorium impacted by COVID-19.

B. Actions taken by financial institutions after consultations with the Reserve Bank of Malawi

1. Provided an initial three-month moratorium on interest and principal repayments for loans by borrowers including pay-roll borrowers on a case by case basis in April 2020. This was subsequently extended to six months to December 2020
2. Deferred all payments of dividends until the risk of COVID-19 is under control
3. Suspended all capital expenditure
4. Restructure and refinance or renegotiate loans for all borrowers affected by COVID-19 on a case by case basis;
5. Innovate and encourage customers to utilize digital platforms.
6. Reduce by forty percent fees and charges related to internet banking, mobile payments and any other related services, except for POS and visa and master card related payments

C. Actions taken by Mobile Network Providers after consultations with the Reserve Bank of Malawi

1. Completely removed user fees and charges on person to person transfers on the same network
2. Reduced user fees and charges on person to person transfers across respective networks from a minimum of K120.00 to K20.00 that will accrue to the National Switch Centre
3. Revised upwards daily transaction and account balance limits on nonbank mobile money services