



**The Governor**

**NATIONAL BANK OF RWANDA DIRECTIVE N° 02/2017 OF 30/06/2017 ON  
REFINANCING FACILITY**

Pursuant to Law N° 55/2007 of 30/11/2007 governing the Central Bank of Rwanda, especially in Articles 6 and 76;

Pursuant to the Directive N° 01/2016 of 19/01/2016 on Collaterals;

Whereas the Central Bank wishes to ensure an effective monetary policy implementation by assisting commercial banks, to adequately and actively manage their liquidity;

**The National Bank of Rwanda herein referred to as “Central Bank” decrees:**

**CHAPTER ONE: GENERAL PROVISIONS**

**Article One: Definition of terms.**

In this “Directive”, unless the context otherwise requires, the following terms shall mean.

1. **Central Bank:** The National Bank of Rwanda
2. **RF:** a short term refinancing facility that allows commercial banks to borrow from the Central Bank as a lender of last resort against collaterals.

**Article 2: Purpose**

This Directive aims at establishing the framework for the Central Bank to avail a short term refinancing facility by providing to banks with temporary liquidity as lender of last resort.

**Article 3: Scope**

Under this Directive, the Central Bank shall provide the RF to commercial banks which are under its supervision.

## **CHAPTER II: APPLICATION REQUIREMENTS AND APPLICABLE TERMS**

### **Article 4: Specific criteria of eligibility for RF**

Any bank licensed or governed by the Law N<sup>o</sup>.007/2008 of 09/04/2008 concerning organization of banking, regulatory instruments and their amendments shall be eligible to take part in RF.

### **Article 5: Terms of RF**

The Central Bank provides RF based on the following broad conditions:

- Lender of Last Resort Facility. The bank seeking to utilize the RF must first fully exhaust all alternative market sources;
- Banks shall access RF only on secured basis. Any RF must be fully and adequately collateralized by eligible securities and instruments under Directive N<sup>o</sup> 01/2016 of 19/01/2016 on Collaterals accepted by the Central Bank;
- Access will be available to all commercial banks on a daily basis, at their request, during the Central Bank's business hours, but not later than 5h30 P.M.; and
- The maturity of RF shall not exceed 7 days.

### **Article 6: Calculation of interests**

Within the framework of RF, the Central Bank will charge interests equal to the Key Repo Rate plus a margin of 4% above. The formula to calculate interests will be the **amount requested for  $\text{rate}/364 \times 100$** .

### **Article 7: Borrowing limits**

The Central Bank will place a ceiling on the amount that a bank is permitted to borrow which shall not exceed 25 per cent (25%) of its local currency deposit base, with a maximum of RWF 10 billion per 7 days. As such a bank borrowing under the RF will be required to submit the level of their end of week local currency deposits of residents at the close of the last Central Bank business day of the previous week.

The Central Bank may decide to restrict or close access to this facility on the basis of the monetary policy stance.



## **CHAPTER III: PROCEDURAL INSTRUCTIONS**

### **Article 8: Application to the Facility**

An eligible commercial Bank as specified in articles 3 and 4 of this Directive shall send a request to the Central Bank via Central Securities Depository (CSD) platform by indicating the following:

- i. The participant code provided by Central Securities Depository;
- ii. The requested amount;
- iii. The interest rate which is the KRR plus 4%;
- iv. The list of collaterals;
- v. The code of instruments and the haircut;
- vi. The level of deposit base.

### **Article 9: Collaterals, valuation and calculation of haircut**

Accepted collaterals, their valuation and hair cut calculation shall be referred to the Directive N° 01/2016 of 19/1/2016 on collaterals accepted by the Central Bank.

### **Article 10: Approval**

The Central Bank will make necessary assessment for approval. The facility will be confirmed by crediting the commercial bank's account via Real Time Gross Settlement. The Central Bank will notify the bank, via a report provided by the system if the facility was granted in which case the security pledged should be automatically transferred to the Central Bank via Central Securities Depository.

### **Article 11: Repayment**

On maturity date and no later than 11:00 A.M, commercial bank shall have its current account automatically debited of principal and interests through Real Time Gross Settlement. If the maturity date is falling on public holiday, the repayment date shall be the next business day. The collateral shall be returned automatically to the commercial bank via Central Securities Depository.

### **Article 12: Defaulting in the repayment**

If a commercial bank fails to conclude repayment on the due date, the Central Bank shall remain with the collaterals and may impose a penalty of up to 100 basis points at each additional day. Within the 15 days of default, the Central Bank will go ahead to acquire and eventually liquidate the pledged securities.

**Article 13: Due diligence and Prohibition**

The Central Bank may inquire if the borrower uses the facility provided in a manner consistent with this Directive. In addition, any bank lending in the interbank will not be allowed to access funds through the RF on the same day.

**Article 14: Repealing provision**

All prior provisions contrary to this Directive are hereby repealed.

**Article 15: Commencement**

This Directive shall come into force on the date of signature.

Done at Kigali, on 30/06/2017

**RWANGOMBWA John**  
Governor

