

**INSTRUCTION N°13/2000 OF THE NATIONAL BANK OF RWANDA**  
**ON THE CREDITS INSTRUMENTS ISSUED ON**  
**MONEY MARKET.**

Given the Law N° 11/97 of 26<sup>th</sup> July 1997 on the Statutes of the National Bank of Rwanda, especially in its article 55;

Given the Law N° 08/99 of 18<sup>th</sup> June 1999 regulating banks and others financial institutions, especially in its article 4;

Given the Instruction N° 02/97 of 12<sup>th</sup> August 1997 on the organisation of the monetary market;

Given the Instruction N° 05/98 of 24<sup>th</sup> September 1998 on issuing and negotiation modalities of Treasury bills;

Given the need to promote the mobilisation of savings on the money market and to ensure its liquidity;

The National Bank of Rwanda, herein designated the Bank, stipulates the following provisions regarding the credit instruments issued on the money market.

## **TITLE 1 : GENERAL PROVISIONS**

### **Article 1: Definition**

The credit instruments issued on the money market include Treasury bills of 12 months maximum duration, as well as deposit certificates and treasury bills as defined under articles 9 and 13 of the present Instruction. These instruments may be negotiable or not.

### **Article 2: Form**

Credit instruments specified under article 1 are issued in a materialised or dematerialised form. They are either nominative, or in bearer form and registered in current account maintained with an entitled intermediary as defined in article 6 below.

Credit instruments can be subscribed to by any investor, individual or legal entity, resident or non-resident.

### **Article 3: Issuing Programme**

The issuers provide the Bank with their issuing programme by specifying the maximum total amount to borrow, instruments to be issued and their maturities. For issuing programmes covering more than one year, the related issuing schedules must not exceed a one-year term. Specific conditions to each instrument are specified in modalities particular to the related issuing.

### **Article 4: Application for certification**

For the issuing programme to be approved, the issuers provide the Bank with their application, which should particularly comprise the following elements:

#### **4.1. – Presentation of the issuing programme, with the details on the following elements:**

- The decision of the deliberating bodies authorising the issuing or granting the capacity of issuing to the managers of the issuing institution;
- The ceiling in Rwandan francs of estimated outstanding issuing in the next twelve months;
- The indication of financial characteristics of the instruments, mentioning particularly the volume, duration and maturity;
- The type of planned investment (through mutual agreement or tender), with mention of the authorised intermediary which will manage the issue;
- The identity and quality of the guaranteeing institution, as well as a certified copy conform to the letter of guarantee whenever deems necessary.

#### **4.2. – Book relating to the three previous years:**

- Annual accounts certified by an auditor or an external auditor and, whenever necessary, the group's consolidated accounts;
- Deliberations of the Board of Directors, of the General Assembly of Shareholders and internal or external auditors reports.

#### **4.3. – An information sheet comprising the following information:**

##### **a) General information on the issuer**

- Denomination, head office or main administrative head office in case the latter is different from head office;
- Establishing date;
- Summary of the company's object;
- Registration number in the trade register;
- Legal form, legislation governing the issuer and competent courts;
- Management structure.

##### **b) Information relating to the capital of the issuer**

- Amount of registered capital and numbers of constituting shares with description of main characteristics;
- Amount of unpaid capital;
- Distribution of the capital with indication of shareholders holding at least 5% of the capital.

## **c) Information on the issuer's activity**

### **Industrial and commercial issuers**

- Description of the issuer's main activities, mentioning the main categories of products and services;
- Total amount of the banking loans as well as security loans, spread up following the source of financing and duration (short, medium and long-term);
- Amount of sales turnover collected during the three previous years, per branch of activity and per geographical market;
- Results during three previous years and their allocation.

### **Banks and Financial institutions**

- Breakdown of activities by distinguishing operations of credit to customers according to the duration of financial accommodation (short, medium and long term);
- Total amount of the banking loans and security loans, broken up following the source of financing and duration (short, medium and long term);
- Operating results during the three previous years and their allocation.

The time between the submission of approval dossier and the first issuing must not be less than 60 days nor higher than 90 days.

### **Article 5: Updating the application for certification**

The issuers shall update the files of their issuing programme within two weeks maximum for any change relating to the ceiling of outstanding, to the guarantor identity, the modalities of guarantee or any new element affecting the financial situation or likely to affect the solvency of the issuer and/or the success of the issuing programme.

In addition, the issuers are required to update their issuing programmes' files, within forty five days following the shareholders' general meeting or of the body replacing it, ruling on the previous year accounts.

### **Article 6: Competent intermediaries**

Are considered as competent intermediaries, those institutions specified under article 1 of Law N° 08/99 of 18<sup>th</sup> June 1999 on regulation of banks and other financial institutions, or any other institution approved by the Bank to intervene as holders of securities.

The particular conditions concerning the exercise of holders of securities function are defined in the terms of reference set forth in annexe 1 of the present Instruction.

### **Article 7: Unit nominal value**

The nominal unit value of the credit instruments issued on the money market is fixed at Rwf 100,000 or in multiple of this amount.

## **Article 8: Price and quotation**

### **8.1. Price on the primary market**

#### **a) Price and payment base of interests**

The returns on the credits instruments issued on the money market must be fixed; it is determined through mutual agreement or through tender on the market. These instruments can be issued at a price different from the pair and comprise an issue premium.

The interest rate must be specified at the time of the issuing and be applied all over the period of the instrument maturity. The date for the payment of interests calculated on an annual basis must be indicated.

During the issuing, the issuer must provide the information on the annual yield to maturity.

#### **b) Paying off and maturity**

The issuer must provide precise details on the envisaged terms of payment : issuance to be paid in a single instalment or with the option of repurchase. In the case of an issue with an option of repurchase, the issuer has the right and not the obligation to repurchase the stocks before the due date. In the event of repurchase operations, the issuer must immediately inform the Bank.

### **8.2. Price on the secondary market**

The price of the instrument on the secondary market is fixed by adding to the instrument's current value, the interests over the period under review or accrued interests.

### **8.3. Repurchase Agreement Operations**

The Treasury bills can be negotiated on the secondary market with the stipulation that they will be subject to a retrocession on a future date in accordance with the standard contract appearing in appendix 2 of this Instruction.

### **8.4 – Quotation**

Quotations from the invitations to tender are split into 1/16 points of percentage.

### **8.5 – Value date**

The value date of the operations on the credit instruments issued on the money market is the second working day from the date of transaction.

## **TITLE 2: SPECIFIC PROVISIONS**

### **CERTIFICATES OF DEPOSIT**

#### **Article 9: Definition**

The Certificates of deposit are the instruments of debt issued on the money market by the institutions referred to under article 1 of law n° 08/99 of 18/6/1999 on the regulation of banks and other financial institutions, in order with prudential standards, in particular those relating to the division and covering of risks by own capital stocks, the solvency and working capital ratio.

#### **Article 10: Duration and characteristics**

The certificates of deposit must be made out to the bearer and have a duration extending over 7 days to 1 year maximum.

#### **Article 11: Maximum outstanding certificates of deposit**

The outstanding certificates of deposit cannot exceed the highest of the two following levels :

- 50% of the portion of assets (application of funds) with less than two years to run ;
- 25% of total outstanding assets

The assets referred to in the preceding paragraph are those which are applied in the form of credits to customers, of sales credit financing and leasing operations ( renting with option to buy or just renting).

On every settlement of account, the ratios set forth under paragraph 1 of this article must be transmitted to the Bank which publishes them or keeps them at the disposal of subscribers.

#### **Article 12: Statutory reserves**

The certificates of deposit are subject to the regulations regarding statutory reserves.

### **COMMERCIAL PAPERS**

Commercial papers are debt instruments issued on the money market by enterprises other than the financial institutions referred to under article 1 of Law n° 08/99 of 18<sup>th</sup> June 1999 on regulation of banks and other financial institutions, which fulfil the following conditions :

- a capital whose released part is at least equal to 50 million francs Rwandan ;
- at least three years of existence and have published in the Official Journal of the Rwandan Republic, the statement of accounts (balance sheet) and notes to the accounts relating to the last three fiscal years certified by an auditor approved by the Bank ;
- a guarantee under the conditions specified in article 14 of the present Instruction.

#### **Article 14: Guarantee**

The Bank estimates case by case, the quality and terms of the guarantee presented by the issuer. The guaranteeing establishment can be either an institution specified in the article 1 of Law n° 08/99 of 18<sup>th</sup> June 1999 on banks and other financial institutions regulation, or an enterprise. In this case, the guaranteeing company must be entitled to issue commercial papers and hold directly or indirectly at least 10% of the issuer's capital, or have in its capital, directly or indirectly, at least 10% of the issuer's participation.

#### **Article 15: Duration and characteristics**

The commercial papers must :

- be made out to the bearer;
- have the duration of at least 7 days, and 1 year maximum;
- bear the issuer and the guarantor's signatures.

Commercial papers should not enable the bearer to take commissions, except in case of negotiation on the secondary market.

The authorized intermediary paying agent of commercial papers must :

- make sure that the securities comply with the conditions stipulated under article 13 above, and that the issuer obtained from one or several banks an irrevocable commitment to take over the whole amount of the commercial papers in case the situation of money market does not allow the renewal of the paper ;
- communicate to the Bank on monthly basis and per issuer, the outstanding commercial papers domiciled with its counters by indicating the duration and the rate.

### **TITLE 3: MISCELLANEOUS**

#### **Article 16: Exchange of information**

Authorized intermediaries are bound to inform the Bank about the operations relating to debt instruments issued on the monetary market.

The Bank regularly publishes information on the issuing, outstanding securities and the operations relating to various debt instruments issued on the money market.

**Article 17: Payment - delivery**

Transactions on debt instruments referred to in this instruction that are carried out between the authorized intermediaries specified under article 6 above are settled within the framework of a system of payment-delivery functioning under the Bank's supervision, according to the procedures specified in Appendix 3 of this Instruction.

**Article 18: Exchange regulations**

The issuing of credit instruments and the use of resources collected through these issuing are subjected to the provisions of the exchange regulations.

**Article 19: Entry into force**

The present Instruction enters into force the day of its signature.

Done at Kigali, 14<sup>th</sup> September, 2000

François MUTEMBEREZI  
Governor

# **APPENDIXES**

## **Appendix 1**

### **Terms of reference for authorised intermediary, holder of the money market securities**

The role of the selling agent is to ensure the safe custody of material or immaterial securities in the best conditions possible. In addition to the initial deposit, these securities can be received either as payment, borrowing or loan.

The safe custody of securities is based on the following principles :

- Keeping the customer's total ownership on the securities ;
  - Recording and identification of customer's account, the securities category, the securities identification number and the nature of transaction : purchase, sale, borrowing, loan or *rediscount*, the date of transaction, the operation's value date, the date of payment, the quantity and the value of the titles ;
  - Respect of the limit-position, possibly for the various securities with one procedure of securities sales when the limit-position is reached ;
  - Reconciliation of balances of the ledger held by the agent with the data and documents provided by the customer, holder of the account.
-

## **TERMS AND CONDITIONS OF THE REPURCHASE OPERATIONS**

### **Definitions**

*The pawn* is the operation by which a bank completely sells Treasury bills, at a price agreed upon, where the assignor and the assignee respectively and irrevocably undertake to take back the bills and to retrocede them at price and a date agreed upon.

**The date of transfer** is the starting date of repurchase, when bills placed in pawn are transferred upon payment of the retrocession price to the assignor.

**The retrocession date** is the expiration of repurchase date when bills placed in pawn are transferred upon payment of the retrocession price to the assignee as fixed at the time of conclusion of the repurchase.

**The transfer price** is, for a determined pension, the amount paid by the dealer at the date of transfer against the delivery of goods put in pension by the assignor.

**The retrocession price** is, for a determined pension, the amount paid by the assignor the day of retrocession, against the delivery by the assignee of the goods which he/she had taken in pension.

**The rate of the pension** is the interest rate agreed upon between parties about the conclusion of pension, in application of which the delivery price of the aforementioned pension will be calculated, interests being paid at the date of transfer.

### **Bills maturity and purchase duration**

A pawn can not concern treasury bills falling due during the duration of the pawn

### **Transfer and retrocession of bills**

On the date of transfer, the assignor shall deliver to the assignee, through transfer in current account of bills in the Central Bank books the bills placed in pawn against payment of the transfer price by the latter. On the date of retrocession, the assignee will transfer to the assignor, by transfer in current accounts of bonds in the books of the Central Bank, the bonds placed in pawn against payment, by the assignor, of the price of retrocession.

## **Appendix 2 (continued<sub>1</sub>)**

Any bonds delivery is carried out in such a way the recipient has the freehold of delivered goods : the pawn becomes opposable to the third party immediately after transfer. However, bonds placed in delivered pawn are transferred on the assignee' s specific subsidiary account where they remain inalienable until the date of retrocession.

### **Payment or delivery delays**

- **Delay in payment or delivery at the date of transfer**

In the event of a delayed payment of the delivery price, the pension will be maintained without change, including the retrocession and transfer prices, even if the bonds were not delivered in due time by the assignor because of payment delays. The assignee undertakes to pay immediately and without any prior notice, in addition to the transfer price, the penalty interests which will be calculated on the basis of transfer price, of the date of transfer (included) until the date of its effective payment (excluded).

In case of delayed delivery of bonds put in *pawn*, the pension will be maintained unchanged, including the retrocession and delivery prices, even if the delivery price has not been paid on time by the assignee because of the failure to deliver the bonds. However, if the delivery price has been paid to the assignor, the latter shall, in addition to the bonds delivery, pay immediately and without any prior notice, the penalty interests to be calculated on the delivery price, of the date of its payment (included) until the effective delivery date of the bonds put in pension (excluded).

- **Delays in payment or delivery at the date of retrocession**

In the event of delays in payment of the retrocession price, the retrocession price will be recalculated by including the amount of the interests of the pension over the additional duration of the pension operation. Moreover, the assignor shall immediately and without prior notice, pay penalty interests which will be calculated on basis of the retrocession price thus recalculated, of the date of retrocession as initially specified (included) until effective date of payment (excluded).

In the event of delayed retrocession of bonds put in pawn and assuming that the price of retrocession was not paid on time because of the failure to retrocede the bonds, the retrocession price will not be modified, so that at the date of effective retrocession of bonds in *pawn*, the assignor will only bound to pay the price of the *pension*. Supposing that the price of retrocession was paid to the assignee, the latter shall, in addition to the retrocession of bonds, immediately and without any prior notice the penalty interests, calculated at an interest rate equal to the sum of the rediscount rate plus penalty interests, which will be immediately paid without any prior notice, of the date of its payment (included) until the effective date of retrocession of the bonds put in *pawn*.

- **Penalty Interests rate**

The penalty interests rate is equal to the Central Bank rediscount rate plus 2 points of percentage.

## **Termination of rediscount operations in case of default**

The following constitute the cases of default for either parties (the defaulting part) :

- Failure to comply with the provisions of this convention or the modalities of one rediscount operation which would not have been remedied within 3 working days from the notification of the irregularity of the defaulting party;
- The cessation of activity, the opening of liquidation procedure or any another equivalent procedure.

On simple notification to the defaulting party, the occurrence of default gives to the non-defaulting party the right to suspend the execution of its obligations of payment and delivery, and to cancel the whole of current rediscounts between the parties. This notification will specify the case of default called upon as well as the date decided for cancellation.

When the assignor fails to his/her obligation to pay the price of retrocession, the bonds remain a property of the assignee; and when the assignee fails to fulfil his/her obligation to retrocede the bonds, the amount of the transfer remains a property of the assignor.

---

**Delivered rediscount Agreement**

An agreement of delivered rediscounts referring expressly to the present terms and conditions must be concluded between the assignor and the assignee in order to govern all their operations of delivered rediscounts.

Each operation of delivered rediscounts will have to be followed by an exchange of confirmations by letter, telex or fax between the parties (see administrative references on page 5).

**Accounting aspects**

**THE REMUNERATION OF THE ASSIGNEE CONSTITUTES A CREDIT INCOME, CONSIDERED AS INTERESTS ON THE COUNTABLE LEVEL.**

The rediscount pension entails the assignor to keeping in credit the securities put in pawn, as well as the inscription of their debt vis-à-vis the assignee in the liabilities items of the balance sheet. These securities are individualised under a specific item in the assignor's accounting. Moreover, the amount of bonds put in pawn must appear in the documents annexed with the annual balance sheet accounts.

Rediscount securities are not written in the assignee's balance sheet, which records the amount of his claim from the assignor under the credit item in their balance sheet.

---

**ADMINISTRATIVE PARAMETERS**

**About Bank A**

Address to which the confirmations must be addressed:

Service concerned:

N° telex:

N° fax:

N° telephones:

Name of the people entitled to settle the rediscounts :

Name of the hierarchical person in charge:

**About Bank B**

Address where the confirmations must be addressed:

Service concerned:

N° telex:

N° fax:

N° telephones:

Name of the people entitled to settle the rediscounts :

**Procedure of payment-delivery system of the credit instruments issued on the money market**

**1. Conditions to benefit from the system of payment-delivery.**

Following are the conditions to be fulfilled in order to benefit from the system of payment-delivery :

- To enter into a (sign) a contract with the Bank ;
- To fill in an application form for securities account with the Bank.

**2. Validation and reconciliation**

The validation of operations includes the scrutiny of received instructions in order to make sure of their conformity with the recording and identification elements. The reconciliation enables to make sure that the terms of the transaction concluded between the seller and the purchaser are the same and, once checked, a confirmation note is given to the two parties. Only the confirmation note which was validated and reconciled allows payment to take place.

**3. Payment report**

All participants must be informed on the situation and instructions relating to the payment, details on securities purchased, securities sold, credit accounts and debt accounts and net paid funds. The payment report must also indicate unsettled and pending transactions, and should provide information about any compensation problem (unpaid purchases and non-cashed sales), as well as the requested penalties rates.

This information is transmitted to the entitled intermediaries by telex, fax, ordinary mail or magnetic medium.

**4. Securities borrowing and loan**

In case of failure of payment, the Bank can agree with the defaulter on the operation of securities borrowing and loan intended to temporarily solve the customer's failure while waiting for him/her to catch up with his/her position.

\*

\* \*

