



**DIRECTIVE N° 02/2015 OF 06/11/ 2015 OF THE NATIONAL BANK OF RWANDA ON
EMERGENCY LIQUIDITY FACILITY**

Pursuant to Law N° 55/2007 of 30/11/2007 governing the Central Bank of Rwanda, especially in Articles 5, 6, 9, 17, 52, 56, 58 and 76;

Pursuant to Law N° 007/2008 of 08/04/2008 concerning organization of banking especially in its article 1;

The Governor decides:

Article One: Definitions of terms

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

1. **Bank:** bank and any institution regulated and supervised under the Law concerning organization of banking;
2. **“Central Bank”:** the National Bank of Rwanda;
3. **“Emergency Liquidity Facility (ELF)”:** extraordinary credit support to solvent bank that is facing transitory liquidity needs and of which accepted collaterals to access the Standing Liquid Facility were exhausted.
4. **“Standing Liquidity Facility (SLF)”:** facility with the purpose of supporting settlement in the payments system by providing collateralized overnight loans to direct participants in the payments system that are experiencing temporary shortfalls in their settlement balances.

Article 2: Purpose of the Directive

This Directive aims at establishing the terms and conditions of the banks to qualify for Emergency Liquidity Facility.

Article 3: Scope

The Emergency Liquidity Facility is limited to banks which are experiencing transitory liquidity needs, have no eligible collaterals to access the existing Standing Liquidity Facility (SLF), and that other options to attract liquidity have been exhausted.

Article 4: Accessibility

Only banks which meet conditions provided in article 5 of this Directive are eligible to the Emergency Liquidity Facility. However, the decision whether to grant the Emergency Liquidity Facility and the specific conditions of this facility is at discretion of the Central Bank and is taken on a case-by-case basis.

Article 5: Conditions for eligibility

For a bank, to be eligible to the Emergency Liquidity Facility, the following conditions shall be met:

- a) be adequately capitalized as required by the capital adequacy regulation, unless the Governor decides otherwise;
- b) have no more eligible collateral admitted for the Standing Liquidity Facility;
- c) experiencing transitory liquidity distress, reflected in low and decreasing liquidity ratios as a consequence of, among other, experiencing a deposit run, no renewal of other liabilities, etc.
- d) be below the liquidity ratios as determined in the liquidity ratio regulation;
- e) any other conditions that the Central Bank may deem necessary.

Article 6: Application to the Emergency Liquidity Facility

Application to the Emergency Liquidity Facility shall be submitted to the Governor of the Central Bank in writing by the Managing Director of the applicant bank upon authorization of the Board of Directors. The application shall be accompanied by information evidencing eligibility conditions stipulated in article 5 of this Directive. The application has to include the amount of Emergency Liquidity Facility required, the term and a detailed description of all unencumbered assets available to be used as collateral.

Article 7: Maximum amounts of Emergency Liquidity Facility

The Central Bank shall determine the maximum amount of ELF of the applicant bank taking into account the level of its minimum paid up capital, the liquidity need, the amount and kind of collateral available and other factors that it may need to consider.



Article 8: Terms and renewals of Emergency Liquidity Facility

Terms of Emergency Liquidity Facility are determined by the Central Bank and cannot exceed 120 calendar days in each instance in case of a new application or renewals. The Emergency Liquidity Facility is renewable once, unless the Governor decides otherwise.

Article 9: Interest rate

The Emergency Liquidity Facility is subject to an interest rate above the Standing Liquidity Facility (SLF) Rate which shall be determined by the Central Bank.

Article 10: Collaterals

The Emergency Liquidity Facility shall be collateralized by unencumbered assets and may be registered with the Office of Registrar General. The Central Bank has the right to take collateral at its preference. The valuation shall be done by the Central Bank in case of loans; while in case of fixed assets the valuation shall be done by an independent valuer.

Banks assets, either loan and/or fixed assets securing the Emergency Liquidity Facility shall not be transferred or sold by the bank unless the Emergency Liquidity Facility contract was terminated or the facility amount was reimbursed. The bank remains responsible for managing the collateral and the Central Bank has the right to transfer this management to another bank if it is considered inadequate. The Central Bank has the right to request replacement of the collateral where due diligence reveals a significant gap between the book valuation of the bank and the correct book valuation.

Article 11: Haircuts

Haircuts applicable to Emergency Liquidity Facilities granted to banks are determined by the Central Bank depending on the type and kind of collateral securing the facility.

Article 12: Payment procedures and other duties of parties

Payment procedures and other duties of parties shall be determined in the Emergency Liquidity Facility contract.

Article 13: Restrictions to Emergency Liquidity Facility beneficiary bank

The Emergency Liquidity Facility beneficiary bank is prohibited to:

- a) distribute dividends;
- b) distribute bonuses;
- c) expand bank operations by opening new branches; and



d) refinancing or grant new credit facility to insiders and bank related parties.

The Central Bank may determine any other prohibition on its discretion, as well as any other supervisory measure to restore the liquidity situation of the bank such as requiring the bank for a liquidity recovery plan.

The above prohibitions shall take effect once the bank receives ELF and be terminated once the bank has repaid the ELF in full.

Article 14: Miscellaneous and repealing provision

Penalties provided in the regulation on liquidity ratio are not applicable to a bank under ELF arrangements.

Any prior provision contrary to this Directive is hereby repealed.

Article 15: Commencement

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

Done at Kigali, on 06/11/2015

RWANGOMBWA John
Governor

