



The Governor

**NATIONAL BANK OF RWANDA DIRECTIVE N° 4230 /2020 - 00021[613]
OF 30/06/2020 ON REPO AND REVERSE REPO TRANSACTIONS**

Pursuant to Law n° 48/2017 of 23/09/2017 governing the National Bank of Rwanda (NBR), especially in articles 6 and 46;

Having reviewed the mechanism of BNR's intervention on money market using REPO as revised on February 29, 2012 by the National Bank of Rwanda;

Whereas the Central Bank wishes to ensure successful implementation of the price based monetary policy framework by assisting commercial banks to effectively manage liquidity;

The National Bank of Rwanda herein referred to as "Central Bank" decrees:

CHAPTER ONE: GENERAL PROVISIONS

Article one: Definition.

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

1. **Central Bank Rate (CBR):** The rate set by the Monetary Policy Committee of the National Bank of Rwanda, used to signal its monetary stance.
2. **Event of Default:** any event when a fund borrower fails to repay the borrowed amount and/or interest on the due date
3. **Repurchase Agreement or Repo:** is a form of short-term borrowing initiated by Central bank against a sale of security with the commitment to reverse the transaction at the maturity. It is done with the objective of liquidity mop up from banking system
4. **Reverse Repurchase Agreement or Reverse Repo:** A short-term lending to banks against a buy of security with the commitment to reverse the transaction at the maturity. The transaction aims at injecting liquidity in the banking system

Article 2: Purpose

This Directive aims at establishing a framework that directs the issuance of Repo and Reverse Repo instruments by the Central Bank and conditions to participate.

Article 3: Scope

Under this Directive, commercial banks, which are under NBR supervision and subject to the reserve requirement, shall be eligible to Repo and Reverse Repo of the Central Bank. The central bank can decide on any other participant that may qualify under this directive

Article 4: Criteria of eligibility for Repo and Reverse Repo

Any commercial bank, which is subject to reserve requirement, licensed or governed under the Law N° 47/2017 of 23/09/2017 governing the organization of banking, and regulatory instruments on the date of commencement of this Directive and their amendments shall be eligible to Repo and Reverse Repo.

Article 5: Responsibilities of the Central Bank

The Central Bank shall act professionally, ethically, with integrity and fairness.

In case of a repo transaction, the Central Bank has responsibility to pledge for a collateral or sell security and to repay back the borrowed amount from bank (s) plus interest at maturity and get its security back.

On other hand, in case of a reverse repo, the Central Bank has the responsibility to release the security at the maturity of the loan after repayment from the borrower.

Article 6: Responsibilities of Banks

Eligible banks shall also act professionally, ethically, with integrity and fairness.

In the event of repos, any commercial bank lending to the Central Bank has the responsibility to release the pledged collateral/security at the maturity after repayment of the borrower.

For reverse Repos, any borrowing bank has the responsibility to pledge a collateral or to sell security during the period of loan and pay principal plus interest at the maturity.

Article 7: Repo and Reverse Repo announcement and maturity

If a need arises, Repo or Reverse Repo is announced by the Central Bank at least by 10:00AM on business day and for maturity of 7 days. However, depending on monetary policy objective, the central bank can conduct Repo/Reverse Repo for a period of less than seven (7) days.

Article 8: Day conventions and interest calculations

Repo and Reverse Repo are concluded at CBR; and the day convention used both for repo and reverse repo is actual /364. The formula to calculate interests will be the repo /reverse repo amount *CBR*number of days /364.



Article 9: Bidding and allotment

For Repo operations, the Central Bank will accept and retain all the amount received from eligible banks.

However, for reverse repo operations, the Central Bank will announce an amount to be injected in the banking system and eligible banks will place amount they want to borrow from the Central Bank.

In case of an oversubscription, the Central Bank will allocate participant banks on prorata basis.

Article 10: Repo or Reverse Repo repayment

On repayment date, the bank that lent money to the Central Bank will have its account at Central Bank automatically credited with the due amount and security transferred back to the National Bank of Rwanda.

In case of a reverse repo, a bank that borrowed money from the Central Bank shall have its account with Central Bank automatically debited with the due amount and security transferred back to the bank.

If the repayment date falls on public holiday, it shall take place the next business day.

Article 11: Results announcement

Summary results of Repo or Reverse Repo operations are published on NBR website. Individual bank results will be sent also to each participant bank through appropriate channels of communication.

Article 12: Repealing provision

Any prior provisions contrary to this Directive; and revised mechanism of BNR's intervention on money market using REPO as revised on February 29, 2012, are hereby repealed.

Article 13: Commencement

The Directive shall come into force on 1st July 2020.

Kigali, 30/06/2020

RWANGOMBWA John
Governor

