



The Governor

**NATIONAL BANK OF RWANDA DIRECTIVE No 4230 /2020 - 00020[613]
OF 30/06/2020 ON THE REFINANCING FACILITY**

Pursuant to Law N° 48/2017 of 23/09/2017 governing the National Bank of Rwanda, especially in Articles 6 and 46;

Having reviewed the National Bank of Rwanda Directive N° 3250/2019 -- 00012 [613] of 19/05/2019 on Refinancing Facility;

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 of terms

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

1. **Central Bank:** The National Bank of Rwanda
2. **Central Bank Rate (CBR):** The rate set by the Monetary Policy Committee of the National Bank of Rwanda, used to signal its monetary stance.
3. **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 to banks with temporary liquidity issues as lender of last resort.

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Article 3: Scope

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

CHAPTER II: APPLICATION REQUIREMENTS AND APPLICABLE TERMS

Article 4: Criteria of eligibility for RF

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 RF.

Article 5: Terms of RF

The Central Bank provides RF based on the following conditions:

1. Central Bank intervenes as Lender of Last Resort.
The bank seeking to utilize the RF must first exhaust all alternative market sources;
2. RF is granted against eligible collaterals
Any RF must be collateralized by eligible securities and instruments under Directive N° 01/2016 of 19/01/2016 on Collaterals accepted by the Central Bank;
3. RF is available during business hours
Access will be available to the borrowing bank on a daily basis, at their request, during the Central Bank's business hours, but not later than 5:00 P.M.
4. The maturity of RF shall be 30 days
5. An applicant bank is allowed to borrow the amount needed as much as it has sufficient collaterals.
6. The Central Bank may decide to restrict or close access to this facility depending on the monetary policy stance.
7. The Central Bank may set another additional requirement for RF if deemed necessary

Article 6: Calculation of interests

Once the RF is granted, the Central Bank will charge interests equal to the CBR plus a margin of 2%. The formula to calculate interests will be the **amount requested *rate*number of days /364**



CHAPTER III: PROCEDURAL INSTRUCTIONS

Article 7: Application for the RF

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 CSD;
- ii. The requested amount;
- iii. The list of collaterals and CSD code;
- iv. A brief note on the liquidity conditions of the bank.

Article 8: Collaterals, valuation and calculation of haircut

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

Article 9: Repayment

On repayment date, not later than 10:00 A.M, commercial bank shall have its account with Central Bank automatically debited of principal and interests through Real Time Gross Settlement (RTGS). If the repayment date falls on public holiday, the settlement date shall be the next business day.

The collateral shall be returned automatically to the commercial bank via CSD.

Article 10: Event of Default

If a commercial bank fails to repay on the due date, the Central Bank shall retain pledged collaterals and impose a penalty of 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 11: Repealing provision

Any prior provisions contrary to this Directive, and the National Bank of Rwanda Directive N° 3250/2019 – 00012 [613] of 19/05/2019 on the Refinancing Facility, are hereby repealed.



Article 12: Commencement

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

Done at Kigali, on 30/06/2020

RWANGOMBWA John
Governor

