



**The Governor**

**DIRECTIVE N° 3230/2023 - 00035[613] OF 14<sup>th</sup> SEPTEMBER 2023 ON ACCEPTED COLLATERALS AND THEIR MANAGEMENT**

**The National Bank of Rwanda;**

Pursuant to the Law n° 48/2017 of 23/09/2017 governing the National Bank of Rwanda, especially in Articles 6, 6bis, 8, 9, 46 and 56;

Pursuant to the Law n° 047/2017 of 23/09/2017 governing the organization of banking, especially in Article 4;

Having reviewed the Directive n° 01/2016 of 19/01/2016 on collaterals accepted by the National Bank of Rwanda and their management;

Considering that banks and other authorized institutions may need liquidity assistance from the National Bank of Rwanda for various reasons, especially the smooth functioning of repo market;

**ISSUES THE FOLLOWING DIRECTIVE:**

**Article One: Interpretation**

In this Directive:

- (a) "Central Bank" means the National Bank of Rwanda;
- (b) "collateral" means the property or other assets that a borrower offers a lender to secure a loan against the possibility of payment default and if a borrower fails to repay the loan, the lender has the right to seize the collateral;
- (c) "fair value" means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
- (d) "haircut" means the difference between the market value of an asset used as loan collateral and the amount of the loan. The amount of the haircut reflects the lender's perceived risk of loss from the asset falling in value at the market;

- (e) “participant” means any financial institution that is authorized by the Central Bank to participate in the repo market that is subject to reserve requirement.

## **Article 2: Purpose of this Directive**

This Directive aims at determining accepted collaterals and their management by the Central Bank when it provides liquidity assistance to licensed financial institutions.

## **Article 3: Scope of application**

This Directive applies to licensed financial institutions which are authorized to participate in the repo market and are subject to reserve requirements.

## **Article 4: Acceptable collaterals**

The following are accepted collaterals by the Central Bank:

- (a) treasury bills issued by the Government of Rwanda;
- (b) treasury bonds or any debt instrument issued by the Government of Rwanda and listed at the Rwanda Stock Exchange (RSE);
- (c) debt instruments guaranteed by the Government of Rwanda and listed at RSE;
- (d) instruments issued by the Central Bank;
- (e) sustainability linked Bond or sustainability linked debt instrument issued by a local licensed bank and listed at RSE;
- (f) corporate bonds or any other debt instrument issued by a corporate and listed at RSE.

## **Article 5: Determination of the Current Market Value**

The determining factor of the Current Market Value for each accepted collateral is as follows:

- (a) for treasury bills issued by the Government of Rwanda: treasury bills are valued based on weekly updated market prices as published by the Central Bank;
- (b) for treasury bonds or any debt securities issued by the government of Rwanda and listed on RSE: T-Bonds and any other Government security listed at RSE are valued at Fair Value (FV);
- (c) for debt instruments with full guaranteed by the Government of Rwanda and listed at RSE: debt instruments issued by an institution that is guaranteed by the Government of Rwanda and listed at RSE are valued at Fair Value (FV);
- (d) for Instruments issued by the Central Bank: the Central Bank instruments are valued based on weekly updated market prices as published by the Central Bank;
- (e) for sustainability linked bond or sustainability linked debt instrument issued by a local licensed bank: the sustainability -linked bond or sustainability-linked debt instrument

issued by a local licensed bank, if listed at RSE are valued at Fair Value (FV) and if not listed at the stock exchange, are valued at net book value;

- (f) for corporate Bonds or any other corporate debt instrument listed at the RSE: the corporate bonds any other corporate debt instrument listed at RSE are valued at Fair Value (FV).

#### **Article 6: Applied haircuts**

- (1) The following are the applied haircuts set by the Central Bank:

<b>Instruments</b>	<b>Haircut</b>
Treasury Bills, Treasury Bonds or any debt securities issued by the government of Rwanda and listed on RSE	0%
Debt instruments guaranteed by the Government of Rwanda and listed at RSE	0%
Instruments issued by the Central Bank	0%
Sustainability linked Bond or sustainability linked debt instrument issued by a local licensed bank	0%
Corporate Bonds or any other corporate debt instrument listed at the RSE with long term rating from AAA to Rwanda country rating by one of the three major international rating agencies; S and P, Fitch and Moody's or their equivalent rating authorized by national, regional or international regulatory body.	0%

- (2) Other corporate bond or debt instrument, below the minimum sovereign credit rating of AAA or Rwanda Country rating the applied haircuts is the following:

<b>Maturity</b>	<b>Haircuts for debt instruments issued by corporate</b>
2 years	10%
3 to 5 years	15%
6 years and above	20%

#### **Article 7: Collaterals revaluation**

- (1) If the Central Bank has accepted collateral and set the relevant haircut, it continues monitoring the collateral market value throughout the life of the transaction.
- (2) The Central Bank may, if necessary, request further revaluation on the basis of the prevailing economic and market condition and any other factors it considers to be relevant. When the market value of counterparty's collateral falls below the value of the funds or securities lent, the counterparty is required to provide additional collateral.

#### **Article 8: Repealing provision**

Directive n° 01/2016 of 19/01/2016 on collaterals accepted by the National Bank of Rwanda and their management and all other prior provisions contrary to this Directive are repealed.

#### **Article 9: Entry into force**

This Directive comes into force on the date of its signature.

**Done at Kigali, on 14<sup>th</sup> September 2023**

**RWANGOMBWA John  
Governor**