



The Governor

DIRECTIVE N° 4230/2021-00027[613] OF 18/11/2021 DETERMINING CHARACTERISTICS OF AN INDEPENDENT DIRECTOR OF A FINANCIAL INSTITUTION

Pursuant to Law N° 48/2017 of 23/09/2017 governing the National Bank of Rwanda as amended to date, especially in its articles 6, 6 bis, 8, 9, 10 and 15;

Pursuant to Law N° 007/2021 of 05/02/2021 governing companies, especially in its article 158;

Pursuant to Law No 072/2021 of 05/11/2021 governing deposit-taking microfinance institutions, especially in its articles 25 and 28;

Pursuant to Regulation N° 01/2018 of 24/01/2018 on corporate governance for Banks. especially in its articles 2, 13, 14, 15 and 17;

Pursuant to Regulation N° 11/2017 of 23/11/2017 on corporate governance, Risk Management and internal controls requirements for Insurance Business, especially in its articles 1, 8, 11, 12 and 16;

Pursuant to Regulation N° 05/2018 of 27/03/2018, governing payment services providers especially in its article 9;

Pursuant to Regulation N° 2310/2018-00015 [614] of 27/12/2018 of the National Bank of Rwanda governing Foreign Exchange bureaux, especially in its article 24;

Pursuant to Regulation N° 27/2019 of 09/09/2019 relating to credit reporting system, especially in its article 17;

Pursuant to Regulation No 2100 /2018 - 00011[614] of 12/12/2018 of the National Bank of Rwanda governing non deposit taking lending Financial Institutions in its article 22;

Having reviewed the Directive N° 3160/2021-00023[613] of 13/07/2021 determining characteristics of an Independent Director of a Financial Institution;

Considering the role of Independent Directors in the maintenance of sound and stable Financial Sector in Rwanda, the National Bank of Rwanda decrees:

Article 1: Purpose of this Directive

This Directive sets characteristics of an Independent Director of a Financial Institution.

Article 2: Definitions

In this Directive, the following terms and expression have the following meanings:

- 1° **Affiliate of the significant shareholder:** any entity, incorporated or unincorporated, where five per cent (5%) but less than 50% of equity is owned or controlled by the significant shareholder;
- 2° **Related party:** corporation that is the holding company, subsidiary and affiliate of a Financial Institution;
- 3° **Financial Institution:** a Bank, a Private Insurer, a Deposit Taking Microfinance Institution, a Payment Service Provider, a Forex Bureau, an operator of a credit bureau, a Non Deposit Taking Lending Financial Institution and any other financial service provider that the Central Bank may require to comply with the requirements of this Directive;
- 4° **Immediate family member:** a spouse, Family Member on Direct line and collateral line up to the second degree of any of the significant shareholder, a Director and a Senior Manager of a Financial Institution and its related parties;
- 5° **Senior Manager:** High-level/Key Executives or Management Personnel of Financial Institutions. These are:
 - a) the Chief Executive Officer (CEO)/Managing Director (MD);
 - b) Senior Executives reporting to the Board or to Board Committees and
 - c) Senior Executives reporting to the Chief Executive Officer (CEO)/Managing Director (MD).

Article 3: Independent Director of a Financial Institution

An independent Director is one who:

- 1° Has no Management relationship with the Financial Institution and related parties:
 - a. is not employed in the Financial Institution and its related parties and has not been so employed in the three (3) years preceding the appointment;
 - b. has no Member of immediate family employed by the Financial Institution and its related parties in a Senior Management position and has not been so employed in the three (3) years preceding the appointment;



2° Has no business relationship with the Financial Institution or its related parties:

- a. is not a Director, Shareholder or Senior Manager in a company or firm with a business relationship for which the Financial institution or its related parties made material payments during the directorship tenor and in three (3) years preceding the appointment;
- b. is only compensated by the financial institution through sitting fees or board allowances;
- c. does not own more than two per cent (2%) of shares in a financial institution;
- d. has ceased to be a shareholder who exceeds two per cent (2%) of the shares of the financial institution or its related companies in the last three (3) years;
- e. has no financial relationship with the financial institution or its related parties that could or could reasonably be perceived to materially affect the exercise of his independent judgement. The level of materiality rest with the financial institution and the director. In assessing the materiality , the following elements shall be taken into account like:
 - i. a relationship that might reasonably affect a director's judgement or decision;
 - ii. strategic importance of the relationship;
 - iii. Contribution of the relationship to the directors' personal wealth;

3° Is not connected to a significant shareholder;

- a. in the case where the significant shareholder is an individual;
 - i. not a member of the immediate family of the significant shareholder;
 - ii. not employed by the significant shareholder;
 - iii. not executive nor non-executive director or employee of an affiliate of the significant shareholder;
- b. in the case where the significant shareholder is a corporation:
 - i. not employed by the significant shareholder;
 - ii. not employed by an affiliate of the significant shareholder;
 - iii. not a director of the significant shareholder;



- iv. not an executive nor non- executive director of an affiliate of the significant shareholder;
- v. Is not a director at the holding or parent company of a financial institution. In case of cross directorship within institutions of the same group, crosscutting independent directors shall not exceed 50% among all independent directors of the financial institution and such directors shall not serve as chairperson of the board.

4° does not represent interests of any shareholder of the financial institution or its related companies;

Article 4: Role of the Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee is responsible for assessing the criteria of an independent director as stated in Article 3 of this Directive in the appointment process and continually during his/her tenure and advise the Board accordingly.

For financial institutions without a Nomination and Remuneration Committee, the Board shall be responsible for this assessment.

Article 5: Transition period

Financial Institutions with directors approved by the Central Bank as independent but who do not meet the requirements stated in Article 3 of this Directive are given a period of one (1) year from the date of signature of this Directive to comply with them.

Article 6: Commencement

This Directive comes into force on the date of signature.

Article 7: Repealing provisions

The Directive N° 2600/2020-0017[613] of 22/06/2021 determining characteristics of an independent director of a financial institution and prior provisions contrary to this Directive are hereby repealed.

Done in Kigali on 19/11/ 2021.



RWANGOMBWA John
Governor

