National Bank of Rwanda
Banki Nkuru y'u Rwanda

KN 6 Av.4 / P.O. Box 531 Kigali - Rwanda
Tel: (+250) 788199000 /
Website: www.bnr.rw /
E-mail: info@bnr.rw /
Swiftcode: BNRWRWRW /
Twitter: @CentralBankRw

DIRECTIVE N° 04/2018 OF 15/02/2018 ON TREATMENT OF COLLATERALS AND GUARANTEES BY BANKS

Pursuant to Law n°48/2017 of 23/09/ 2017 governing the Central Bank of Rwanda, especially in Articles 6, 8, 9, 10 and 15;

Pursuant to Law n° 47/2017 of 23/09/ 2017 governing the organization of banking, especially in Articles 34, 37, 38 and 117;

Pursuant to regulation n°12/2017 of 23/11/2017 on credit classification and provisioning in its article 25;

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

Article One: Purpose of this Directive

This directive aims at :

a) determining the value of collaterals to be deducted when provisioning and
b) determining the procedures related to the treatment of collaterals that have been taken over or acquired in by banks in the auctioning.

Article 2: Treatment of collaterals when provisioning

Before determining specific provisions, collateral and guarantee value must be deducted from the outstanding balance of a credit facility in "**Watch**"," **Substandard**", "**Doubtful**" and "**Loss**" categories.

The value of collaterals or guarantees must be taken off the books of accounts when the respective loans are written off.

Article 3: Required deductions

The value of the collateral to be deducted when provisioning are as follows:

(a)Up to **100%** of the value of:

(i) Cash-back securities;
(ii) Lien on deposits;
(iii) Other funds or cash with the licensed bank ;

(iv) Securities issued by the Government or the Central Bank;
(v) Guarantees received from the Government ;
(vi) Guarantees issued by a bank operating in Rwanda;
(vii) Guarantees issued by an international bank with credit rating of BBB- or higher, as assessed by a recognized credit rating agency.

(b) Up to **70%** of the market value of duly registered residential mortgages;

(c)Up to 50% of the market value of:
(i) Dully registered commercial mortgages;
(ii) Securities regularly traded on the Rwanda Stock Exchange. The securities accepted in calculating specific provisions must be marked to market at least quarterly, taking into account the price volatility and the liquidity of the instrument.

(d) Up to **30%** on the market values of the moveable properties covered by an insurance policy.

Article 4: Deductions required by the Central Bank

Notwithstanding the above general guidance, the Central Bank may require banks to further discount the value of the collateral or guarantee based on the prevailing economic and business conditions and any other factors it considers to be relevant.

Article 5: Treatment of collaterals taken over or acquired through auctioning

Any collateral that has been taken over or acquired through auctioning by a bank (available for sale) must be disposed off within a period of one (1) year from the date of the effective takeover or acquisition. The value of asset to be treated in the books of account must be the latest market value of the asset after deducting the applicable haircuts.

Article 6: Repealing provisions

All prior provisions inconsistent to this Directive are hereby repealed.

Article 7: Commencement

This Directive come into force on the date of its signature

Done at Kigali, on 15/02/2018

NATIONAL BANK OF RWANDA: THE GOVERNOR
REPUBULIKA Y'U RWANDA
UBUMWE - UMURIMO - GUKUNDA IGIHUGU

RWANGOMBWA John

Governor