



The Governor

**DIRECTIVE N° 4230/2023-00031[613] OF 15/05/2023 GOVERNING DIGITAL
SAVING FACILITATORS**

The National Bank of Rwanda;

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

Pursuant to Law n° 061/2021 of 14/10/2021 governing payment system, especially in Article 45;

Recognizing the ongoing digitization of the Saving and Credit Groups (SCG) operations done by fintech companies; where the fintechs provide a linkage between the SCGs or other individual beneficiaries to the formal financial sector;

Considering a need to Guarantee the safety of the funds of SCGs or individuals and the sustainability of such business model;

ISSUES THE FOLLOWING DIRECTIVE:

CHAPTER ONE: GENERAL PROVISIONS

Article One: Purpose of this Directive

This Directive aims at –

- (a) governing Digital Saving Facilitators abbreviated as “DSF”, wishing to assist saving and credit groups or individuals to digitize their Informal Financial Services as well as accessing the formal financial services; and
- (b) protecting the funds of SCG members or Individual Channelled to DFS platforms or hold by DFS.

Article 2: Interpretation

In this Directive:

- (a) “Central Bank” means the National Bank of Rwanda;

- (b) “Digital Saving Facilitator” means an entity authorized to assist a SCG or any individual to carry out its services through digital channels;
- (c) “Independent Director” means a non-executive member of the Board who does not have any Management responsibilities within the digital saving facilitator and is not under any other undue influence, Internal or External, Political or ownership, that would impede the Board Member’s exercise of objective judgment;
- (d) “trust” means legal arrangement by which an asset is deposited into an account under the trust of a third party called trust agent;
- (e) “trust account” means a separate account opened in a Financial Institution segregated from the digital saving facilitator’s own funds, in which a digital saving facilitator is required to deposit all funds collected from SCG Members or Individuals;
- (f) “Saving and Credit Group” means a small group of people who save together and borrow from their pooled savings;
- (g) “Senior Manager” means the Management personnel which are the high-level decision-making of the Financial Institution, including –
 - (i) Chief Executive Officer (CEO)/Managing Director (MD);
 - (ii) Senior Executives reporting to the Board of Directors or Board Committees;
 - (iii) Senior Executives reporting to the Chief Executive Officer/the Managing Director.
- (h) “Significant Shareholder” means a person whose shareholding in a saving group service provider company, directly or indirectly, whether alone or in conjunction with others, holds at least 5% of the equity capital or voting rights of such Institution or has a holding that enables the person to exercise significant influence in the Management of the Institution.

Article 3: Scope of application

- (1) This Directive applies to entities which provide digital platforms to facilitate SCGs or individuals to manage their funds and accessing digital Financial Services or carrying out financial transactions.
- (2) Digital saving facilitator, abbreviated as “DSF” may facilitate SCGs or Individuals for other Financial Services upon authorisation of the Central Bank.

CHAPTER II: APPLICATION FOR NON-OBJECTION

Article 4: Application requirements for non-objection

- (1) Any person who wishes to provide facilitation of digital financial services to the SCGs or individuals, applies in writing, for non-objection to the Central Bank.
- (2) The application for a non-objection is accompanied with the following information or documents:
 - (a) a certificate of registration as a legal entity issued by the competent authority;

- (b) professional and moral suitability of the persons proposed to manage or control the DSF;
 - (c) declaration of source of funds to be invested in the business;
 - (d) adequacy of the entity's systems, policies and procedures;
 - (e) shareholding structure and Board structure;
 - (f) physical address of the applicant;
 - (g) a tax clearance certificate if started business;
 - (h) proof of payment of non-refundable application fee of FRW 50,000;
 - (i) business plan indicating the business model, products and services to be offered, the pricing model, as well the projected financial statements of next five years;
 - (j) a minimum initiation capital of not less than FRW 30,000,000;
 - (k) a description of the information and communication technology system, including delivery channels to be used together with an independent assurance on the systems;
 - (l) a memorandum of understanding, articles of association, or partnership agreement with partner financial service provider, if applicable;
- a diagram of flow of funds from the SCG members or individual to digital saving facilitator, and from the DSF to its partner financial service provider and how the withdrawal is done if a member applies for a loan.

Article 5: Assessment of the application

The Central Bank assesses the Integrity, Competence, Professionalism and experience of the applicant, Shareholders, Directors and Senior Managers.

Article 6: Granting a non-objection

- (1) If the Central Bank is satisfied with the provided documents and information as well as the sustainability of the business model, it grants the non-objection within 30 days from the date of reception of the completed application.
- (2) The provided non-objection is personal, and cannot be transferable or assigned.

Article 7: Duration of the non-objection

The non-objection is issued for a period of three years, renewable upon the written request of the holder, at least three months before the expiry of the existing non-objection.

Article 8: Publication of non-objection

The Central Bank publishes the name and address of the DSF granted with a non-objection on the Central Bank's website within 30 days of the non-objection.

CHAPTER III: GOVERNANCE OF A DSF

Article 9: Responsibilities of Shareholders

- (1) The Shareholders of the DSF ensure that only persons who are trustworthy and competent are elected as Members of the Board of Directors.
- (2) The Shareholders of the DSF change the composition of the Board of Directors in case of inefficiency or in accordance with the mission of the DSF.

Article 10: Requirements for Shareholders

A Shareholder of the applicant DSF is subject the following requirements:

- (a) not have been convicted of an offence involving a financial transaction by a competent organ within the past ten years;
- (b) not have filed for personal bankruptcy;
- (c) not have been disqualified from practicing a profession by a professional body;
- (d) not have been involved in a past or present managerial function of a body corporate or other undertaking that have been a subject of insolvency or liquidation proceedings;
- (e) the information provided by a shareholder in support of an application should not be false or misleading.

Article 11: Board of Directors

- (1) A DSF must have at least five Directors, three of whom must be Independent Directors. The Board of Directors also act as trustees of the trust account including the Chairperson of the Board.
- (2) A Director of a DSF must meet the fit and proper requirements, Including Competence and Capability, Honesty, Integrity and good reputation.
- (3) A DSF submits to the Central Bank the names and documents, provided in Articles 14 and 15 of this Directive, of Board Members or Senior Managers for their approval.
- (4) The Central Bank reserves a right to disqualify any Director or Member of the Senior Management in case any adverse information later revealed, if he or she acts in any manner contrary to the relevant laws, or acts in any manner detrimental to or not in the best interest of the saving group or individual beneficiary.

Article 12: General Responsibilities of Board of Directors

- (1) The Board of Directors has the overall responsibility for ensuring the proper functioning of DSF and protection of funds of the saving group or individual on trust account.
- (2) In fulfilling this role, the board of directors must:
 - (a) approve the business plans, a diagram of flow of funds, and any other initiatives which would have a material impact on DSF's risk profile;
 - (b) oversee the selection, performance, remuneration and succession plans of the senior management and key personnel by establishing fit and proper standards, to effectively lead the operations of the DSF;
 - (c) oversee the implementation of the DSF governance framework and internal control policies, and periodically review to ensure relevance in light of material changes of the DSF operations;
 - (d) promote a sound corporate culture within the DSF, which strengthens ethical, prudent, professional conduct and behaviour for the efficient and effective governance of the DSF;
 - (e) oversee and approve the business continuity plan and ensure that it is updated.

Article 13: Responsibilities of the Board of Directors Acting as Trustees

The Board of Directors acting as trustees is responsible to –

- (a) ensure that the DSF holds funds in trust on behalf of a SCG members or individual beneficiaries;
- (b) ensure proper management of the funds on trust account by –
 - (i) entering into valid trust account agreement with the partner financial service provider that holds trust fund;
 - (ii) maintaining detailed records on the trust account holders as may be prescribed by the Central Bank on the accounts. These records include cumulative balances and identification of each of the account holders whose money is part of trust funds;
 - (iii) submit to the institution holding trust fund such records on daily basis;
 - (iv) file a statutory declaration certifying the accuracy of the records submitted when required by the institution holding the trust fund.

Article 14: Requirements for the Board of Directors

(1) The Board of Directors acting as trustees of the DSF is comprised of individuals who satisfy the fit and proper criteria and shall not present potential conflicts of interest in relation to Board members' role in the DSF.

(2) An Individual Board Member must:

- (a) hold a Bachelor's degree or a certified professional qualification;
- (b) present a mix of skills and experience suitable for the position;
- (c) understand the DSF's operational structure and its risks.

Article 15: Senior Managers

(1) The DSF is managed by the senior managers that are fit and proper.

(2) The applicant for a non-objection submits the following documents for senior managers:

- (a) certified copies of academic documents and copies of curriculum vitae for directors and senior managers;
- (b) criminal record certificate;
- (c) clean report from Credit Reference Bureau;
- (d) a copy of national identity card or passport.

Article 16: Partners of a DSF

(1) The partners of a DSF monitor the decisions of the Board and provide assistance for effective corporate governance practices. They participate in the funding of projects or initiatives of a DSF.

(2) The DSF avails the following information of its partners:

- (a) the profile of partners indicating respective percentage shareholding, their complete identification and addresses;
- (b) the partners' agreement and copies of share certificate;
- (c) a certificate from a competent authority confirming beneficial owners indicating their share ownership or voting rights;
- (d) the number and profile of Board of Directors, and key management personnel.

CHAPTER IV: PROTECTION OF DSF FUNDS

Article 17: Establishment of trust

- (1) The DSF establishes a trust through a written declaration of trust that:
 - (a) it holds the funds on behalf of the beneficiaries;
 - (b) the funds are managed by the DSF subject to the powers conferred upon by beneficiaries; and
 - (c) withdrawals made from the fund are only made for purposes agreed upon between him or her and the SCG or individual beneficiaries.
- (2) The DSF establishes a trust account in the partner financial service provider through which all savings of the SCG or individuals are kept and channeled.
- (3) The DSF discloses to the SCGs or individual beneficiaries the partner financial institution it is working with.

Article 18: Content of the declaration of trust

The written declaration referred to in Article 17 (1) contains the following information:

- (a) name of the corporate trustee;
- (b) object of the declaration;
- (c) trust fund;
- (d) rights of beneficiaries;
- (e) duties and responsibilities of the board of directors in relation to management of trust fund;
- (f) duration of the trust;
- (g) governing law of the trust;
- (h) handling of trust account in case dormancy or when the saving group is dissolved.

Article 19: Registration of the declaration of trust

The written declaration is registered with the Registrar General of Companies in Rwanda within 30 working days from the date of the acceptance of the trustee commencement.

Article 20: Protection of the Funds

- (1) The SCG or individual funds are managed as funds on trust account and protected in accordance with the provision of the payment system law.

- (2) The balance of the trust account is not subject to attachment, seizure or to any charges, and they cannot at any time be negative.
- (3) Funds on trust account are not available for personal businesses of the DSF.
- (4) The funds cannot in any case be a collateral. They are not paid or taken in execution of a court order.
- (5) Trustees cannot any case invest funds available on the trust account.
- (6) The DSF reconciles, on daily basis, with the partner financial institution the funds held in the trust account against specific SCG or individual.
- (7) In case of platform technical failure for longer than ten days, the DSF must avail the funds of the ultimate beneficiaries and reimburse them within 30 days from the date of technical failure of DSF.

Article 21: Pay off of the DSF user account

- (1) The balances in the trust accounts of all individual customers of DSF are afforded equal protection as deposits held in bank accounts subject that the balance is on the trust account in the contributing bank or contributing deposit taking microfinance institution.
- (2) For the purpose of Paragraph (1) of this Article, the limit on the deposit insurance coverage is calculated on the balances of the individual DSF accounts held by the respective DSF users rather than the single collection account held by the DSF.
- (3) In the calculation of the total payout due to the depositors, balances in trust accounts owned by a given DSF user is treated identically to any named accounts in the same bank or deposit micro finance institution held by the DSF user. The total balances of the user in the trust accounts in a bank or deposit taking micro finance institution is added together with the deposits held by him or her on others accounts in the same bank or deposit taking micro finance institution and the aggregate is covered up to the coverage level prescribed by Deposit Guarantee Fund Regulation.
- (4) In order to give DSF account holders prompt access to their insured funds, the Deposit Guarantee Fund may authorize the transferee bank to enter in agreement with insured depositor in order to hold the reimbursable funds in trust account.
- (5) The trust account specified under the Paragraph (4) of this Article includes only the funds that were held for eligible DSF account holders for reimbursement by the Fund.
- (6) Every DSF is required to provide its collection account to banks or deposit taking microfinance institutions with account data sufficiently regular and detailed for those banks and deposit taking microfinance institutions to fulfil their obligations of reporting and premium calculation associated with their participation in the Fund so as to make such data available with utmost expediency in the event of a payout from the Fund.

- (7) A contributing bank or contributing deposit taking microfinance institution must, at all time, ensure that records on trust accounts are accurate. Records of DFS account holders are regularly submitted to a bank or deposit taking microfinance institution by a DFS.

Article 22: Separation of Funds

- (1) For purposes of separating its funds with the beneficiaries', a DSF –
- (a) ensures that all monies received are held in a trust account;
 - (b) ensures that the balance in the trust account is not at any time less than what is owed to customers;
 - (c) does not transfer the funds to its own account used for normal business operations except for pre-agreed fees specified in a contract;
 - (d) reports on the transfer specified in item (c) of this Paragraph to the Central Bank on weekly basis;
 - (e) does not mix-up the funds of trust account for a saving group with other funds held on behalf of any person or other financial institutions; and
 - (f) employs appropriate risk mitigation strategies to ensure that the funds held in the trust account are sufficiently diversified and placed in financial institution licensed by the Central Bank.
- (2) The Central Bank may establish other safeguarding and isolation measures to protect trust accounts or funds.

Article 23: Interests on saving trust account

The saving trust account can generate saving interests. The interests belong to the SCG members or individual beneficiaries.

CHAPTER V: FUNCTIONNING OF A DSF

Article 24: Customer services agreement

- (1) The DSF enters into a customer service agreement with the saving Group representatives or individual beneficiaries, for digitizing saving transactions and ensuring safety of the funds transacted at all times.
- (2) The DSF partners with a licensed financial institution.

Article 25: Activities requiring prior approval

- (1) A DSF with non-objection may not do the following, without prior written approval of the Central Bank:
- (a) appointing a director, chief executive officer or a senior manager, or a significant shareholder;

- (b) entering into arrangements for transfer of assets and liabilities;
 - (c) switching the trust account to another financial service provider;
 - (d) voluntary liquidation;
 - (e) introducing new products or varying the features of existing products; and
 - (f) changing their pricing model;
- (2) Operations in the digital system are approved by authorized representative of SCG or individual beneficiaries.

Article 26: Responsibilities of a DSF

A DSF has the following responsibilities:

- (a) providing assistance before, during and after the financial transaction;
- (b) to put in place appropriate policies, procedures and systems to ensure confidentiality of customer information and transactions;
- (c) to inform the customers of the terms and conditions of the services to be offered;
- (d) to notify any change to the customer at least 30 days before their effective date;
- (e) to establish and inform the customers of the complaints redress mechanisms;
- (f) to establish systems and processes to minimize disruptions and ensure business continuity.

Article 27: Reporting

- (1) Every performed operation is immediately reported to created platform for transparency.
- (2) A DSF with non-objection is required to –
 - (a) notify the Central Bank of any intended changes in shareholding, board or management structure at least 30 days before the effective date;
 - (b) notify Central Bank at least 30 days before entering into any financing agreement or arrangement with a third party;
 - (c) submit reports in the prescribed format of the Central Bank through Electronic Data Warehouse, and avail its Office, systems, books and records for inspection as may be requested by the Central Bank; and
 - (d) give the Central Bank at least 30 days written notice before opening, relocating or closing a branch or a place of business.
 - (e) report in Credit Reference Bureau.

Article 28: Rights and duties of SCGs or Individual Beneficiaries

- (1) The SCGs or individual beneficiaries are entitled to request receipts of any digital transaction or a comprehensive statement of transactions carried out by them.
- (2) Every SCG member or individual beneficiary must have his or her identification to log in the established platform.

Article 29: Complaints resolution process

- (1) SCGs or individual beneficiaries may lodge a claim to the DSF for any notice regarding the mismanagement of their money or in case of no feedback to their request.
- (2) A complaint lodged to a DSF is handled within 15 days from the day of receipt, and a record of all claims and the outcome of their resolution kept.
- (3) If the SCGs or individual beneficiaries are not satisfied with the decision of DSF or if the time referred to in Paragraph (2) of this Articles elapses with no feedback, they may refer the claim to the Central Bank for a decision.

Article 30: Supervision

The Central Bank supervises the functioning, management and operational activities of the DSF and may undertake onsite visit to the DSF offices.

CHAPTER VI: RISK MANAGEMENT AND DATA PROTECTION

Article 31: Preventive measures

In discharging its duties, a DSF takes necessary steps to prevent and mitigate the risks, by enacting –

- (a) risk and mitigation measures covering operational, liquidity, fraud, legal and credit;
- (b) business impact assessment.

Article 32: Securing data

The DSF is responsible for –

- (a) ensuring that the platform, personal and saving group data and applications are up-to-date and protected;
- (b) avoiding breaches of cybersecurity, anti-money laundering and financing terrorism policy;
- (c) insurance coverage for loss of data.

Article 33: Business Continuity Management

The DSF ensures that operational functions of the platform and other DSF activities continue without any interruption by –

- (a) maintaining proper backup infrastructure;
- (b) setting and implementing a disaster recovery and business continuity plan; and
- (c) periodically test the effectiveness of the backup infrastructure and business continuity plan.

Article 34: Soundness of ICT system

The DSF must have a sound IT system that meets the requirements for data readiness, protection, integrity and quality.

Article 35: Compliance with other legal and regulatory requirements

The DSF complies with other relevant laws and regulations, in relation to consumer protection, business continuity management, anti-money laundering and countering the financing of terrorism, and cyber security.

CHAPTER VII: ADMINISTRATIVE FAULTS AND SANCTIONS

Article 36: Violation of provisions of this Directive

If the DSF contravenes any provision of this Directive; it commits a fault and is liable to administrative fine in accordance with the relevant laws and regulations.

Article 37: Suspension of non-objection

- (1) The Central Bank may suspend a non-objection if the DSF –
 - (a) does not comply with or violates the non-objection conditions; or
 - (b) fails to pay a fine as imposed by the Central Bank.
- (2) The suspension does not exceed six months from the date it was notified to the concerned DSF.

Article 38: Disqualification

The Central Bank may disqualify the non-compliant shareholder, Director or Senior Manager.

Article 39: Revocation of non-objection

The Central Bank may revoke a non-objection if a DSF –

- (a) has provided false information during the application for non-objection or at any time in its activities;
- (b) ceases to carry out the business of a DSF;
- (c) starts a liquidation process or there is an order for its winding-up;
- (d) violates the laws;

(e) carries out its business in a manner detrimental to the interests of its customers or the public.

Article 40: Procedure for suspension or revocation of non-objection

The Central Bank gives the concerned DSF a time to be heard before suspending or revoking its non-objection.

CHAPTER VII: TRANSITIONAL AND FINAL PROVISIONS

Article 41: Compliance with this Directive

The existing DSFs with non-objection have six months from the signing of this Directive, to comply with the provisions of this Directive.

Article 42: Entry into force

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

Done at Kigali, on 15 May 2023.

**RWANGOMBWA John
Governor**