

Bank of Sierra Leone



RULES FOR ADMINISTERING THE BANK OF SIERRA LEONE'S SPECIAL CREDIT FACILITY FOR THE COVID-19 PANDEMIC

WHEREAS in the Monetary Policy Statement issued on 19th March 2020, the Bank of Sierra Leone (hereafter referred to as "BSL") decided to create a Special Credit Facility of Le500 billion to support the production, procurement, and distribution of essential goods and services in order to soften the expected economic impact of the COVID-19 Global Pandemic on Sierra Leone, the BSL hereby issues the following rules and procedures for administering said Facility:

1.0 The BSL Special Credit Facility (hereafter referred to as Facility)

- 1.1 The Facility (of Le500 billion) is hereby created as part of a set of measures designed to soften the negative economic impact of the COVID-19 Pandemic on Sierra Leone.
- 1.2 The said Facility shall remain in force until it is terminated by the BSL, subject to the proviso that the BSL shall notify the public about its termination three months prior to it being terminated.

2.0 ESSENTIAL COMMODITIES

- 2.1 In consultation with the Ministry of Trade and Industry, the BSL hereby publishes the attached List of Essential Goods that qualify for this Facility.
- 2.2 The List shall be updated monthly to reflect market conditions.

3.0 ELIGIBILITY CRITERIA FOR PARTICIPATION

- 3.1 Only activities that lead to the production, procurement or distribution of commodities on the list shall be financed under this Facility.
- 3.2 Only businesses which generate at least 75 percent of their revenues from operations in Sierra Leone shall be eligible to participate in the Facility.
- 3.3 Loan applicants who have defaulted on loans in the last five (5) years or have existing non-performing loans shall not be eligible to participate in this Facility.
- 3.4 Politically Exposed Persons or entities shall not participate in this Facility.

4.0 RESPONSIBILITIES OF PARTICIPATING COMMERCIAL BANKS

- 4.1 Participating commercial banks shall use their existing underwriting procedures to process loan applications under this Facility.
- 4.2 All applications for funding under this Facility shall be reviewed and approved by the Credit Committees of the participating commercial banks.
- 4.3 Participating commercial banks shall ensure that loans granted under this Facility are backed by adequate collateral, which shall be registered at the Collateral Registry at the BSL.
- 4.4 Participating commercial banks shall submit to the Banking Supervision Department of the BSL all supporting documents used in the evaluation of approved loans under this Facility.
- 4.5 All relevant information on the credit history of approved applicants for loans under this Facility shall be submitted by the participating banks to the Credit Reference Bureau at the BSL for credit information purposes.

5.0 PROHIBITED ACTIVITIES

- 5.1 Funds accessed under this Facility shall not be used for any purpose other than what is stated in the loan application.
- 5.2 More specifically, funds disbursed under this Facility shall not be used to:
 - a) repay any existing loans or loans contracted under any other facility.
 - b) invest in any asset, including but not limited to money market instruments, especially government securities.

6.0 PENALTIES FOR ENGAGING IN PROHIBITED ACTIVITIES

- 6.1 The penal interest rate that existed at the time the loan was approved plus a five (5) percent penalty shall constitute the lending rate for borrowers under this Facility who engage in any of the prohibited activities listed in Paragraph 5 above.

7.0 CREDIT RISK

- 7.1 Participating commercial banks shall bear 100 percent of the credit risk under the Facility.

8.0 FINANCING TERMS

- 8.1 **Floor Interest Rate:** A floor interest rate of 5 percent per annum shall be charged for all funds disbursed under this Facility.

- 8.2 As determined by the auction conducted on 2nd April 2020, the mark-up interest rate for loans under this facility shall be two (2) percent. Consequently, the effective (all-inclusive) interest rate for loans under the Facility shall be 7 percent.
- 8.3 Participating commercial banks shall communicate the effective (all-inclusive) interest rate (of 7 percent) to loan applicants at the outset of the loan application process.

9.0 DISBURSEMENT OF THE SPECIAL CREDIT FACILITY FUNDS

- 9.1 Funds under this Facility shall be disbursed into a designated BSL account created for each participating commercial bank.
- 9.2 Within two business days, all funds made available under this Facility shall be paid by participating commercial banks directly to the supplier of the good or input being procured (not to the borrower).
- 9.3 In the case of imported goods:
- a) The BSL shall endeavor to sell the requisite foreign exchange to participating commercial banks at the spot BSL selling rate to cover the CIF of the goods and other foreign-currency associated costs.
 - b) Participating commercial banks shall pay all foreign exchange resources provided in connection with the Facility directly to the foreign supplier, not the borrower.
 - c) Participating commercial banks shall pay all port levies, clearing charges, and taxes directly to the recipient agencies when the goods arrive in Sierra Leone.
- 9.4 No funds under this Facility shall be paid to the borrowing entities.
- 9.5 One percent (1%) of the mark-up rate shall be forfeited by commercial banks which delay the payment of disbursed funds to suppliers beyond the "two business days" deadline stipulated in Paragraph 9.2.

10.0 LOAN SERVICE

- 10.1 Accrual of interest on funds under this Facility shall commence on the day the procured goods enter Sierra Leone.
- 10.2 Loan service (the payment of principal and interest) shall commence 45 days after the goods procured under this facility arrive in Sierra Leone.
- 10.3 Participating commercial banks shall collect all payments (principal and interest) from their customers, in conformity with the agreed loan amortization schedule.

- 10.4 On a quarterly basis, the BSL shall debit the principal and interest due directly from the participating commercial bank's account in accordance with Paragraphs 10.1 and 10.2 and the approved amortization schedule.
- 10.5 In the event of a loan-servicing default, the penal market rate that obtained when the loan was approved plus a penalty of 5 percent shall apply to all loans granted under this Facility.
- 10.6 Additionally, borrowers who default on loans granted under this Facility shall be blacklisted from accessing credit within the financial sector for a period of five (5) years.
- 10.7 On a case by case basis, the BSL may review the default penalties stipulated in Paragraphs 10.5 and 10.6 if the default is deemed to have been caused by the adverse impact of COVID-19 on the borrower's ability to service the loan.

11.0 REGULATORY REPRIEVE TO PARTICIPATING COMMERCIAL BANKS

- 11.1 To enhance the ability of participating commercial banks to achieve the objectives for which the Facility is created, the BSL may grant the following regulatory reliefs on a case-by-case basis:
- a) Waiver of the Single Obligor Requirement for clients as well as the Aggregate Exposure Limit of 300 percent.
 - b) Suspension of the One Percent Provisioning Requirement.
 - c) Permission to reclassify Non-Performing Loans that are due to adverse impacts of COVID-19 on borrowers' ability to service them.

12.0 REPORTING REQUIREMENTS

- 12.1 Participating commercial banks shall submit the following to the Bank of Sierra Leone on a monthly basis.
- a) Returns of schedules of all loans granted to customers under this Facility.
 - b) Terms of such loans.
 - c) Amounts disbursed and disbursements outstanding.
 - d) Principal and interest amortization on each loan.
 - e) Reconciliation statements of the Facility.
 - f) Such other documents as may be required by the BSL.

13.0 REVIEW AND AMENDMENT

- 13.1 At the discretion of the BSL, these rules may be reviewed and/or amended.

14.0 EFFECTIVE DATE

- 14.1 This Facility shall become effective on the 2nd day of April 2020.

