



**The Governor**

**DIRECTIVE N°2600/2020-0017[613] OF 22/06/2020 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 especially in its articles 6, 8, 9, 10 and 15;

Pursuant to Law N° 47/2017 of 23/9/2017 governing the organization of banking especially in its articles 40, 41, 43, 44 and 45;

Pursuant to Law N° 40/2008 dated 26/08/2008 establishing the organization of Micro Finance Activities in its articles 20 and 21;

Pursuant to Law N°17/2018 of 13/04/2018 governing companies, especially article 156;

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 bureaus 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 2100 /2018 - 00011[614] of 12/12/2018 of the National Bank of Rwanda governing non deposit taking lending financial institutions especially in its article 22;

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 expressions 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 a holding company, subsidiary and/or 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, 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 its 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. No member of immediate family is so employed;
- 2° Has no business relationship with the financial institution or its related parties:
  - a. is not a director, shareholder or executive officer in a company or firm with a business relationship for which the financial institution or its related parties made 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. has no shares in the financial institution or its related parties;
  - d. has ceased to be a shareholder 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.



- 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 director of an affiliate of the significant shareholder;
    - v. not a non-executive director of an affiliate of the significant shareholder;
    - vi. does not hold cross directorship position(s) within institutions of the same group including the holding company.
- 4° does not represent interests of any shareholder of a 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 a financial institution without a Nomination and Remuneration Committee, the Board shall be responsible for this assessment.

#### **Article 5: Transition period**

A Financial Institution 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**

All prior provisions contrary to this Directive are hereby repealed.

Done in Kigali on 22/06/2020

  
**RWANGOMBWA John**  
**Governor**

