SUPERVISORY GUIDANCE UNDER SECTION 62 OF ACT 930 – ELIGIBLE COLLATERALS

POLICY PAPER

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Contents

1. Introduction

Collateral in the lender-borrower relationship serves as a mechanism for mitigating the lender's exposure to credit risk arising from information asymmetry that exists between the lender (creditor) and the borrower (also referred to as the obligor) by securely binding the obligor to agreed repayment schedules. Collateral also conveys a positive signal to creditors, helping to alleviate problems that may arise from adverse selection and issues of moral hazard inherent in lending.

The heightened demand for collateral in recent years is largely driven by regulatory developments that prescribes a greater preference for secured transactions following the 2007/08 global financial crisis. However, the nature, quality, and substance of what qualify as acceptable collateral continue to evolve as risk management practices by financial institutions continue to improve in response to market developments, regulatory requirements, and financial innovations.

Consequently, the Bank of Ghana (BOG) seeks to broaden the scope of eligible instruments that may be considered for collateral purposes as outlined under Section 62 subsections (8) and (9) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), to enhance credit growth. This discussion paper seeks to provide guidance and outline the eligible financial instruments that may be held as collateral for *deduction* for the purposes of computing financial exposure limit of a single counterparty as well as other collaterals for prudential purposes within the financial sector. It also sets out BOG's expectations relative to the principles that should underpin each Regulated Financial Institution's (RFI's) approach to the management of these collaterals.

This paper shall be read in conjunction with **Part 2 "Management and Measurement of Credit Risk"** of the Capital Requirement Directive (CRD) issued in 2018.

SECTION A

2. Expansion of Collaterals under Section 62(8) of Act 930 for Purposes of Computing Financial Exposure for Single Obligor Limit (SOL)

2.1 Background

Developments in the banking industry coupled with the expansion in the economy has necessitated the need to broaden the range of instruments acceptable as collaterals under Act 930, for the purposes of computing Single Obligor Limit (SOL). The growth in the use of Credit Risk Mitigation (CRM) techniques by banks, and the improvements in financial system policies and infrastructure have all led to the development and introduction of a number of financial instruments that are liquid and tradable. These financial instruments could be used as collaterals in the computation of financial exposure limit in order to create credit opportunities for businesses and households.

Section 62(1) of Act 930 provides that, a bank or Specialised Deposit-taking Institution (SDI) shall not take financial exposure in respect of a person or a group of connected persons which constitutes in aggregate, a liability amounting to more than twenty-five percent (25%) of the net owned funds of that bank or SDI, or a lower percentage that the Bank of Ghana may prescribe. Furthermore, section 62(2) of Act 930 prescribes that an unsecured financial exposure shall not exceed 10% of the net owned funds of a bank or an SDI.

In furtherance, Section 62(8) stipulates that, in computing the financial exposure of a bank, SDI, or FHC, the following assets that may be held as collateral shall be deducted before computing the SOL:

a. cash deposit;
b. lien on term deposit with the bank or SDI;

c. market value of treasury bills;
d. Government securities and Bank securities; and
e. any other security of a similar nature approved by the Bank of Ghana.

Consequently, subsection (8)(d) of Section 62 of Act 930, enjoins the Bank of Ghana to determine other securities of a similar nature that can be considered deductibles in determining financial exposure limit for single obligor purposes.

Credit Risk Mitigation Techniques

In principle, the main types of credit risk mitigation techniques as prescribed by Basel regulations and other supervisory authorities are: (i) Collateralised Transactions, (ii) On-Balance Sheet Netting (Netting Agreements), (iii) Guarantees, and (iv) Credit Derivatives, with each technique having its own set of operational requirements. Acceptability of these techniques rests on their effectiveness in reducing counterparty credit risk. Collateralised transactions and netting agreements are the main credit risk mitigation techniques prescribed under Section 62 of Act 930 for the determination of SOL of banks and SDIs. Financial institutions in principle are not allowed to use the approaches interchangeably, they are to be treated differently.

Section 62(8) of Act 930, as being discussed in this paper, makes specific reference to the use of *highly liquid collaterals* in determining the *net exposure* of banks and SDIs. In this regard, Guarantees, Credit Derivatives and On-balance sheet netting arrangements other than cash and near cash items do not qualify as instruments in determining net exposure.

To further expand the collateral space under section 62(8) to accommodate other eligible collaterals of similar nature, the use of less liquid collaterals (lower quality) shall attract appropriate supervisory or own haircuts to take into account the collateral quality, volatility, and mismatches (where applicable).

Definition of financial exposure: Under section 156 of Act 930, financial exposure in relation to a bank, an SDI, or Financial Holding Company (FHC) with respect to a **person** is the aggregate of:

a. the loans, advances, placements, and credit facilities including off-balance sheet obligations given to that person; and
b. the value of the holdings by that bank, SDI or FHC of shares and debentures and other debt securities issued by that person.

On the basis of Section 62(8) (d), this paper proposes additional eligible collaterals for the purposes of computing limits on financial exposure of a counterparty under section 62 of Act 930 (SOL), after meeting certain qualifying criteria as defined in **appendix 1**.

2.2 Additional Eligible Collateral for Computing Financial Exposure for SOL Purposes

Where a regulated financial institution takes eligible financial collateral (e.g. cash or securities as specifically defined in Section 62 of Act 930), Act 930 permits banks/SDIs to reduce their credit exposure to a counterparty when calculating their financial exposure limit, by taking into account the risk mitigating effect of the collateral.

The two (2) key principles underpinning supervisory consideration of collaterals under section 62(8) of Act 930, are *liquidity* and *legal certainty*, if it is to be accepted. Therefore, eligible collaterals under subsection 62(8) is restricted only to instruments that can easily (or quickly) be disposed off (that is easily realizable) or converted into cash at no additional cost.

Accordingly, the following additional financial instruments held as collaterals shall also be eligible for purposes of computing net exposure in determining SOL for counterparty or a group of connected counterparties under Section 62(8) (d) after meeting the standards set out in **appendix 1.**

Financial Instruments

i. ESLA bonds;
ii. Other Fixed Income Securities listed on the Ghana Fixed Income Market (GFIM)

SECTION B

3. Eligible Collaterals for Prudential/ Impairment Purposes

Under Section 62(9) of Act 930, a financial exposure shall not be considered secured unless it is adequately secured by collateral having a market value of at least one hundred and twenty percent (120%) of the outstanding amount of the exposure throughout the term of the financial exposure.

A regulated financial institution shall at all times hold adequate collateral to protect itself against the risks associated with lending. The amount of collateral accepted for lending shall, therefore, be in line with Section 62(9) of Act 930 for the underlying exposure to be considered secured.

For prudential purposes, the additional collaterals indicated below that are pledged by a counterparty for loans and other credit facilities in addition to the defined collaterals for SOL purposes shall be accepted by an RFI and may be used for capital purposes in line with the requirements of the CRD.

These collaterals must always have a market value of at least one hundred and twenty percent (120%) of the outstanding financial exposure. However, RFIs shall consider robust risk management practices including the risk characteristics of the collateral in arriving at the market value.

Accordingly, the following acceptable collaterals shall **NOT** be eligible for the purposes of computing net exposure in determining SOL under section 62(8) (d) but shall be considered under section 62(9) of Act 930 after meeting the requirements as set out in **appendix 2.**

i. Landed Property;
ii. Motor Vehicles (floating charge);
iii. Plant & Equipment
iv. Stocks in bonded warehouse (floating charge);
v. Foreign sovereign debt securities in convertible currency;
vi. Securities issued by Multilateral Development Banks (MDBs) in convertible currency;
vii. Eurobonds issued by foreign governments/corporates in a convertible currency;
viii. Debt securities issued by foreign financial institutions other than affiliates of the bank in convertible currency;
ix. Debt securities issued by non-financial corporates (other than affiliates of the corporates) domiciled in Ghana;
x. Debt securities issued by a listed bank. The listed bank shall maintain at all times regulatory requirements above the minimum as BOG may determine; and
xi. Guarantees from Multilateral Development Banks (MDBs).

SECTION C

4. General Operational Control-Requirements

4.1 Principles

Whereas the use of credit risk mitigation technique reduces or transfers credit risk, it at the same time may increase other risks such as legal, liquidity, operational, and market risks. It is, therefore, imperative that regulated financial institutions employ robust processes and procedures to control these risks, including strategy; consideration of underlying credit; policies and procedures; systems; valuation methods; management of concentration risk that may arise from the institution's use of credit risk mitigation (CRM) techniques, and its interaction with the bank/SDI or FHC overall credit risk profile.

All regulated financial institutions shall establish collateral management systems and operational procedures and processes throughout the establishment that observe principles of purpose, documentation, consistency, legal certainty, risk identification, valuation, verification, and reporting. The principles governing the collateral management policies and practices shall be applied consistently throughout the establishment, but the implementation process may vary within and among financial institutions. Bank of Ghana's supervisory process will include a review and compliance to the principles indicated below.

For the purposes of this document, Collateral Management Systems (CMS) shall refer to all the systems, methods, processes, controls, data collection, and IT systems that are used in the management, valuation, maintenance, and realization of collateral held for credit risk mitigation purposes.

Regulated financial institutions shall use various systems and processes to manage acceptable collaterals and shall demonstrate to the BOG that they have established effective collateral management policies and procedures. Where risks as stated above are not adequately managed, BOG may take appropriate supervisory actions under Act 930.

4.1a Purpose

In order for these financial instruments to be accepted for purposes of computing financial exposure limit for a counterparty, banks/SDIs would be expected to meet all of the requirements as set out under **Appendices 1 and 2,** and further demonstrate adherence to the under-stated collateral management systems principles. At a minimum, RFIs shall espouse practices appropriate to their conditions, risk profiles and their risk assessment, and business strategies.

4.1b Robust Risk Management Policies and Documentation

Regulated financial institutions (RFIs) shall have collateral management policies in place to control, monitor, and report among others, the concentration risk to particular types of collateral. Comprehensive collateral management principles, procedures, and processes shall be incorporated into the institutions documented risk management policies. Regulated financial institutions shall establish and maintain fully documented practices, policies, and procedures surrounding the scope, purpose, and use of the collateral management systems.

4.1c Consistency of Collateral Characteristics

An RFI's policies shall ensure consistency of collateral characteristics throughout the establishment to provide sufficient clarity and promote the consistent treatment of collaterals thereby avoiding variances across different business units of the institution.

4.1d Comprehensive Assessment of Risks

A regulated financial institution shall have policies and procedures to manage applicable and material risks that may arise from the use of the acceptable collateral to mitigate credit risk. Institutions shall have clear definitions of the types of risks that arise in respect of collateral management and the associated processes and procedures used to manage these risks.

The RFIs shall demonstrate to the Bank of Ghana that the instruments being used as acceptable collateral can be easily realised.

4.1e Legal Certainty

An RFI's collateral management system shall ensure that all necessary steps or processes are taken to fulfill legal requirements to protect an institution's interest in the collateral. Financial institutions shall have operational procedures and risk management processes in place and ensure that relevant and material documentation used in the collateralising of a transaction is binding on all parties and legally enforceable in all relevant jurisdictions. Financial institutions shall conduct sufficient legal reviews as required, to ensure continued legal enforceability. An institution's documentation and policies should ensure that it has the right to legally take control, liquidate or deal with the collateral in a timely manner.

4.1f Valuation and Verification

A regulated financial Institutions' policy shall explicitly define how and when to value, re-value, and verify collateral. Mark-to-market policies and procedures for financial collateral must be explicit and incorporate suitable control mechanisms.

4.1g Operational requirements

Regulated Financial Institutions shall examine all relevant material data to ensure a complete collateral data set for the purposes of assessing the risk-mitigation benefits of the collateral and developing internal loss estimates. The examination of relevant and material data should include a review of a variety of data such as the collateral type, the loan to value parameters, the historical collateral values by obligor, and the valuation and revaluation criteria.

4.1h Reporting and Analysis

RFIs shall ensure that the internal reporting and analysis capability of the collateral management systems supports key risk identification and mitigation and can, therefore, be used to inform risk management.

4.1i Haircuts for all the proposed financial instruments

RFIs shall compute their net exposure or the 120% market value on the outstanding financial exposure based on the haircuts assigned to the collateral. The Discounted Collateral Value (DCV) is deemed as current value of an asset, based on an appraisal or estimate of its current fair market value discounted by a percentage (haircut).

DCV = (100% - Haircut) * Current Fair Market Value of Collateral

DCV shall determine the adequacy of the collateral to secure the financial exposure and for net exposure purposes in computing SOL.

Other eligible collaterals indicated in this paper shall attract appropriate haircuts in line with robust risk management practices.

RFIs shall also develop their own haircuts policy, other than the supervisory haircuts prescribed in this paper, depending on the liquidity, marketability, credit quality of issuers among others, and shall be subject to the Bank of Ghana's review.

5. Conclusion

Section 62(8) (a-c) of Act 930 lists eligible collateral that could be deductible for the purposes of calculating financial exposure limit (SOL) to a counter party or group of connected counterparties. Section 62(8) (d), however, gives potential scope for Bank of Ghana to prescribe other securities/collaterals of similar nature to serve the same purpose.

Regulatory consideration to widen the security types to the existing regulatory framework, through additional eligible collaterals will provide banks and SDIs with sufficient scope to support the Ghanaian economy. In addition, introducing a wide range of eligible collaterals within the system will help support large borrowings on secured basis among other reasons.

6. Appendices

Appendix 1

Additional Acceptable Financial Collaterals under Section 62(8) for Purposes of Computing Financial Exposure Limit (SOL)

S/N	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
1	**ESLA Bonds**	Liquid and tradable	Central Securities Depository (CSD) Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992	Assignment: Evidence of ownership Plus cover letter from the borrower's broker/bank/custodian bank to CSD copy to the bank/SDI. Collateral Agreement dated and Executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Confirmation of registration of collateral in favor of the bank/SDI with unique reference number from the CSD system Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	20

S/N	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
2	**Other Fixed Income Securities listed on the Ghana Fixed Income Market (GFIM)** Securities issued in domestic currency by Central/Non-Central Government Public Sector Entities (PSEs) with revenue raising powers and guaranteed by the Government of Ghana. Issuance of such securities and the specific revenue raising powers of the PSE shall be backed by an Act.	Liquid and tradable	Central Securities Depository (CSD) Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Assignment: Evidence of ownership Plus cover letter from the borrower's broker/bank/custodian bank to CSD copy to the bank/SDI. Confirmation of registration of collateral in favor of the bank/SDI with unique reference number from the CSD system Collateral Agreement dated and Executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992).	20

Appendix 2

Acceptable Collaterals for Prudential/ Impairment Purposes

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
1	**Landed Property**	Property registered in the name of the mortgagor in accordance with the Land Act, 2020 (Act 1036).	Land Commission Collateral Registry Office of the Registrar of Companies where the Mortgagor is an entity registered under the Companies Act, 2019 (Act 992)	Evidence of Ownership: Land Title Certificate or Registered Lease Agreement (where the property is not in a compulsory registration district) Credit Agreement detailing Lender, Borrower and Collateral information. Mortgage Agreement adequately executed by the Mortgagor (Borrower or third party owner of the collateral) and the bank/SDI Mortgage Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Land Title Certificate endorsed with the Mortgage Interest; or Mortgaged Agreement stamped as registered with the Lands Commission (where the mortgaged property is not in a compulsory registration district)	20

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
				Acknowledgement of registration issued by the Registrar of the Collateral Registry Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
2	**Motor Vehicles**	Comprehensively insured. Motor vehicles not more than four (4) years from the year of manufacture. Bank/SDI shall use their internal depreciation policy as well as an Independent Certified Valuers for guidance	DVLA Collateral Registry Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Evidence of ownership: All registration papers and certificates by the DVLA Insurance Certificate Credit Agreement detailing Lender, Borrower and Collateral information. Collateral Agreement dated and executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Acknowledgement of registration issued by the Registrar of the Collateral Registry	30

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
				Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
3	**Plant and Equipment**		Collateral Registry Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Evidence of ownership Credit Agreement detailing Lender, Borrower and Collateral information. Collateral Agreement dated and Executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Acknowledgement of registration issued by the Registrar of the Collateral Registry. Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	40

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
4	**Stocks (Floating Charge**) RFIs shall seek approval before accepting this as collateral.	Stocks must be from Government-approved bonded warehouses or Certified warehouses by Ghana Grains Council (GGC) or Ghana Commodity Exchange (GCX) as well as other Certified warehouses. Tripartite agreement**:** Stock financed shall be under the care of an appointed independent collateral manager agreed by both parties.	Ghana Commodity Exchange Collateral Registry Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Evidence of ownership: Certificate from the warehouse Credit Agreement detailing Lender, Borrower and Collateral information. Collateral Agreement dated and executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Acknowledgement of registration issued by the Registrar of the Collateral Registry Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	40-100
5	**Foreign sovereign debt securities in convertible**	Liquid and tradable Rated by a reputable rating	Relevant international Securities Depository	Evidence of ownership Confirmation of debt securities from the	20

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
	currency (USD, GBP,EUR, JPY) *The sovereign issue in its own currency.*	agency with ratings of: **S&P:**A-1 / AAA to AA **Moody's:**P-1 / Aaa to Aa3: **Fitch:**F-1 / AAA to AA-	Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Foreign country's Central Bank Collateral Agreement dated and executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
6	**Securities issued by Multilateral Development Banks (MDBs) in convertible currency (USD, GBP,EUR, JPY)**	Liquid and tradable Rated by a reputable rating agency such as: S&P, Moody's, and Fitch.	Relevant international Securities Depository Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Evidence of ownership Collateral Agreement dated and Executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689)	5%

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
				Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
7	**Eurobonds issued by foreign governments/ corporates in a convertible currency (USD, GBP, EUR, JPY)**	Liquid and tradable Rated by a reputable rating agency with ratings of: S&P:A-1 / AAA to AA Moody's:P-1 / Aaa to Aa3: Fitch:F-1 / AAA to AA-	Relevant international Securities Depository Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Evidence of ownership Collateral Agreement dated and Executed by the Chargor (Borrower or third party owner of the collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	20
8	**Debt securities issued by foreign financial institutions other than affiliates of**	Liquid and tradable Rated by a reputable rating agency with ratings of: S&P:A-1 / AAA to AA	Relevant international Securities Depository Office of the Registrar of Companies where the	Evidence of ownership Collateral Agreement dated and executed by the Chargor (Borrower or third party owner of the	25

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
	the bank (issued in convertible currency) **(USD, GBP,EUR, JPY)**	Moody's:P-1 / Aaa to Aa3: Fitch:F-1 / AAA to AA-	Chargor is an entity registered under the Companies Act, 2019 (Act 992)	collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
9	**Debt securities issued by listed non-financial corporates (other than affiliates of the corporates) domiciled in Ghana (GHS).** RFIs shall seek prior approval from BOG before accepting this instrument.	Liquid and tradable on the Ghana Fixed Income market (GFIM)	Central Securities Depository (CSD) Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Assignment: Evidence of ownership Plus cover letter from the borrower's broker/bank/custodian bank to CSD copy to the bank/SDI. Confirmation of registration of collateral in favor of the bank/SDI with unique reference number from the CSD system. Collateral Agreement dated and executed by the Chargor (Borrower or third party owner of the	40-50

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
				collateral) and the bank/SDI. Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
10	**Debt securities issued by a listed bank other than the lender.** The listed bank shall maintain at all times above the minimum regulatory requirements as BOG may determine Prior approval from the BOG would be required before accepting this instrument.	Liquid and tradable on the Ghana Fixed Income market (GFIM)	Central Securities Depository (CSD) Ghana stock exchange Office of the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	Assignment: Evidence of ownership and cover letter from the borrower's broker/bank/custodian bank to CSD copy to the bank/SDI. Confirmation of registration of collateral in favor of the bank/SDI with unique reference number from the CSD system. Collateral Agreement dated and executed by the Chargor (Borrower or third party owner of the	30-40

No.	Instruments	Characteristics	Relevant Registry	Required Documentations in Respect of the Collateral	Haircut (%)
				collateral) and the bank/SDI Collateral Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689) Certificate of registration issued by the Registrar of Companies where the Chargor is an entity registered under the Companies Act, 2019 (Act 992)	
11	**Guarantees from Multilateral Development Banks (MDBs) e.g. IFC, AfDB, etc** .	Rated by a reputable rating agency. Such as S&P, Moody's, Fitch: Rated by a reputable rating agency with ratings of: S&P:A-1 / AAA to AA Moody's:P-1 / Aaa to Aa3: Fitch:F-1 / AAA to AA-		Confirmation letter and Undertaking from the MDB Guarantee Agreement dated and Executed by the Guarantor in favour of the bank/SDI. Guarantee Agreement adequately stamped under the Stamp Duty Act, 2005 (Act 689)	15

Multilateral Development Banks (MDBs) whose securities and guarantees shall be considered as eligible collateral for prudential/ impairment purposes are as follows:

a. World Bank Group comprising the International Bank for Reconstructions and Development (IBRD) and the International Finance Corporation (IFC);
b. Asian Development Bank (ADB),
c. African Development Bank (AfDB);
d. European Bank for Reconstruction and Development (EBRD);
e. Inter-American Development Bank (IADB);
f. European Investment Bank (EIB);
g. European Investment Fund (EIF);
h. Nordic Investment Bank (NIB);
i. Caribbean Development Bank (CDB);
j. Islamic Development Bank (IDB); and
k. Council of Europe Development Bank (CEDB).