



# SME Asset and Liability Products

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# SME Asset and Liability Products

## Table of contents

- Current Account
- Term Deposit Account
- Asset and Vehicle Finance
- Bank Guarantee
- Commercial Mortgage
- Residential Mortgage
- Stock Loan
- Overdraft
- Contract Finance
- Letter of Credit
- Factoring

# SME Liability Products

## ACCOUNT OPENING- CURRENT ACCOUNT

### MINIMUM DOCUMENTATION REQUIRED

- ▶ Application letter for opening current account mentioning the authorised signatories, the letter must be duly signed by a representative appointed by Memorandum and articles of Association;
- ▶ Or Board resolution authenticated by a public notary.
- ▶ Company Registration Certificate and form of memorandum and articles of association or full registration information from Rwanda Development Board (RDB).
- ▶ Copies of identity cards of authorised signatories and shareholders+ small size pictures in colour photos of authorised signatories
- ▶ Minimum deposit of RWF10,000 or equivalent in foreign currency
- ▶ Sign bank application form, specimen signature and general conditions of the bank

**Current account**, is an account that allows normal daily transactions for deposit and withdrawals without restriction on local and foreign currency

### Features

- ▶ Minimum account opening required (indicate prevailing amount required)
- ▶ Monthly ledger fee (indicate the prevailing monthly ledger amount)
- ▶ No minimum daily balance
- ▶ Access to Internet Banking
- ▶ Access to Visa & MasterCard based on eligibility criteria
- ▶ Access to cheque books and payment order

### Benefits

- ▶ Segregation of business finances from personal finance
- ▶ Professionalism in business as the company is able to issue cheque in the company's name
- ▶ Ability to prove credit worthiness
- ▶ Request for loans through the account
- ▶ Ease in banking transactions

# SME Asset Products

## Asset and Vehicle Finance

### MINIMUM DOCUMENTATION REQUIRED

- ▶ Latest 6 months Bank statement
- ▶ Cash flow statement
- ▶ ID for owners
- ▶ Initial call report
- ▶ Tax certificate
- ▶ RDB Full registration
- ▶ Pro forma invoices of the asset to be financed
- ▶ Existing contracts or any justification for purchase of Assets

Asset and Vehicle Finance is a fixed contract with the customer to purchase motor vehicles, Plant, Machinery and other assets that are identifiable through a serial number.

### Features

- ▶ Monthly/quarterly repayment
- ▶ Requires a minimum of 20% customer equity contribution (New Vehicle)
- ▶ Requires a minimum of 30% (used vehicle, 7 years and below)
- ▶ Requires a minimum of 50% (machinery finance, 5 years and below)
- ▶ 100% financing for schools
- ▶ Maximum tenor of 48 months for new vehicles,
- ▶ Maximum of 36 months for Pre-owned Vehicles/Assets

### Benefits

- ▶ Repayment spread over an extended period, matching the life of the asset financed or cash flow providing repayment
- ▶ Simple documentation
- ▶ Repayment up to 25% of monthly turnover
- ▶ Tenor: up to 4 years (Depending on the asset to be financed)
- ▶ Personalized relationship management
- ▶ Quick turnaround time
- ▶ No requirement for additional collateral besides the asset being financed

# SME Asset Products

## Commercial Mortgage

### MINIMUM DOCUMENTATION REQUIRED

- ▶ Application letter
- ▶ Construction permit
- ▶ ID for applicants (registration certificate and IDs)
- ▶ Audited or unaudited financial statement covering a period of 3 years
- ▶ Provisional sale agreement where applicable and Bills of Quantities for work to be done
- ▶ Details of collaterals pledged (Title documents, valuation report by approved BK valuers)
- ▶ Provision of fire and allied Perils insurance upon completion

Commercial Mortgage is a facility advanced to buy (or refinance), build, improve or equity release any land or property for business purposes.

### Features

- ▶ Requires a contribution of 30% (plot value included)
- ▶ Grace period of 12 months (with possibility of extension to 24 months on exceptional case)
- ▶ Tenor of up to 10 years subject to a periodic review every 5 years
- ▶ Financing is for primary business premises and property being financed is the primary collateral
- ▶ Additional collateral to reinforce the primary collateral is accepted
- ▶ If property being financed is for investment purposes, then customer's contribution required is 50%
- ▶ Disbursement done in tranches if it is a construction purposes
- ▶ Direct payment to the supplier/contractor
- ▶ Collateral insurance and contractors' insurance
- ▶ Repayment: Monthly, quarterly, semi-annual or annually depending on the nature of the business

### Benefits:

- ▶ Capital gains, as property price rise over time
- ▶ Generating additional income
- ▶ Interest paid is tax deductible

# SME Asset Products

## Residential Mortgage

### MINIMUM DOCUMENTATION REQUIRED

- ▶ Application letter
- ▶ Construction permit
- ▶ ID for applicants (registration certificate and IDs)
- ▶ Audited or unaudited financial statement covering a period of 3 years
- ▶ Provisional sale agreement where applicable and Bills of Quantities for work to be done
- ▶ Details of collaterals pledged (Title documents, valuation report by approved BK valuers)
- ▶ Provision of fire and allied Perils insurance upon completion

A residential Mortgage is a facility advanced to buy (or refinance), build improve or equity release on any residential property for the company's shareholders.

### Features

- ▶ Tenor of up to 7 years
- ▶ Primary property as collateral, however, additional collateral to reinforce the primary collateral value is accepted
- ▶ Requires a contribution of 30% (plot value included)
- ▶ Disbursement done in tranches in the case of construction
- ▶ Direct payment to the supplier
- ▶ Collateral insurance
- ▶ Maximum amount is RWF500,000,000
- ▶ Repayment: monthly, quarterly, semi-annual, annually, depending on the nature of the business

### Benefits

- ▶ House ownership
- ▶ You can convert your home equity to cash
- ▶ House value appreciation

# SME Asset Products



## Stock Loan

### Minimum Documentation required

- Request letter
- Latest 6 months Bank statements for non BK customers
- Audited or unaudited financial statement for the past 2 years for large and Medium Enterprises. Management account for the past 2 years for Small and Micro Enterprises
- ID for owners
- Initial call report
- Tax Clearance
- Patent for Micro Businesses
- RDB full registration
- Valuation report (done by the approved BK Valuers)

A stock loan is a facility advanced to the business to assist to increase stock level or for working capital finance.

### Features

- ▶ Financed up to 50% of the customer's average monthly turnover
- ▶ Minimum experience of 2 years in the business with track record
- ▶ Evidence of the stock purchased or credit sales
- ▶ Maximum tenor of 3 years, with annual reviews on both tenor and price
- ▶ Cash conversion cycle of not more than 120 days

### Benefits

- ▶ Predictability of repayment obligations
- ▶ Form of working capital finance
- ▶ Enables the customer to save on one off big cash flow
- ▶ Repayment: monthly, quarterly, bullet depending on the business cycle

# SME Asset Products

## Cash Credit Line (CCL)

### MINIMUM DOCUMENTATION REQUIRED

- Request letter
- Latest 6 months Bank statements for non BK customers
- Audited or unaudited financial statement for the past 2 years for large and Medium Enterprises
- Management account for the past 2 years for Small and Micro Enterprises
- ID for owners
- Initial call report
- Tax Clearance
- RDB full registration
- Certificate of Business registration
- Valuation report (done by the approved BK Valuers)

An overdraft is a flexible short term/self-liquidating facility authorized on current account up to 12 months and repayable on demand. It is intended to finance fluctuating working capital of a business.

### Features

- ▶ No minimum loan amount
- ▶ Maximum of up to 50% of the average monthly account turnover
- ▶ Tenor up to 12 months
- ▶ Business cash conversation cycle must not exceed 4 months/120 days

### Benefits

- ▶ The facility is processed and disbursed quickly
- ▶ Flexible access to fund especially when the line is already in place
- ▶ Helps the customer to avoid fees on bounced or returned payment due to unavailability of funds.



# SME Asset Products



## MINIMUM DOCUMENTATION REQUIRED

- ▶ The LPO issuer to be an approved target name and the LPO confirmation from the obligor.
- ▶ Borrower must have been in existence for the last two years and should have undertaken at least two similar contract
- ▶ Irrevocable domiciliation of proceeds in place
- ▶ Call report
- ▶ Profitability analysis for the contract and LPO
- ▶ Valuation report (done by the approved BK Valuers)

Contract/LPO Finance is designed to provide relief for SMEs in urgent need of cash injection. They are typically repaid within a period of 1 year.

## Features

- ▶ Finance up to 70% of the contract value or
- ▶ 90% of the cost of executing the contract
- ▶ Track record of similar contract in the last 3 years
- ▶ Source of repayment is contract receivables
- ▶ Tenor: maximum of 6 months for LPO and 12 months for contracts

## Benefits

- ▶ Quick processing and disbursement
- ▶ Ability to invest fund in business while waiting payments
- ▶ Reduce risk to your business

# SME Asset Products

## Receivables/Invoice Discounting

### MINIMUM DOCUMENTATION REQUIRED

- ▶ The invoiced customer to be among the approved target name and confirmation from the obligor.
- ▶ Borrower must have been in existence for the last two years and should have undertaken at least two similar contract
- ▶ Irrevocable domiciliation of proceeds in place
- ▶ Call report
- ▶ Profitability analysis for the invoice
- ▶ Valuation report (done by the approved BK Valuers)

Receivables/Invoice Discounting is designed to provide relief for SMEs in urgent need of cash injection.

### Features

- ▶ Finance up to 70% of confirmed invoice
- ▶ Source of repayment is contract receivables
- ▶ Tenor: maximum 6 months counted from the time the invoice was approved for payment/received

### Benefits

- ▶ Quick processing and disbursement
- ▶ Ability to invest fund in business while waiting payments
- ▶ Reduce risk to your business

# SME Asset Products



## Factoring

### MINIMUM DOCUMENTATION REQUIRED

- Request letter
- Latest 6 months Bank statements for non BK customers
- Audited or unaudited financial statement for the past 2 years for large and Medium Enterprises
- Management account for the past 2 years for Small and Micro Enterprises
- ID for owners
- Initial call report
- Tax Clearance
- RDB full registration
- Certificate of Business registration
- Tripartite agreement between the Bank, customer and the obligor

Factoring is a type of trade finance where the credit extended is based on the value of the client's account receivables; that is the payment owned by the client's buyer of goods and/or services.

The receivables are purchased by the factor (in this case the bank) rather than used as collateral in a loan. As such, under factoring, the title and ownership of the receivables shift from the seller or supplier to the factor.

### Features

- ▶ It is a domestic transaction: the scope of the transaction is local
- ▶ In factoring, there are three parties: the seller, the debtor and the factor.
- ▶ It helps to generate an immediate inflow of cash.
- ▶ Here the full liability of the debtor has been assumed by the factor
- ▶ Factor has right to take any legal action required to cover the debts
- ▶ Factor (Bank) finance up to 90% of the invoice
- ▶ Tenor: 1 to 24 months

### Benefits

- ▶ Gain predictable higher liquidity and a greater portion of equity
- ▶ Adjust your financing needs to your sales
- ▶ Use the cash discounts and rebates offered by our suppliers
- ▶ Enjoy security against bad debt losses
- ▶ Does not need additional collateral

# SME Asset Products



## Bank Guarantee

### MINIMUM DOCUMENTATION REQUIRED

- ▶ The entity should demonstrate that that have at least completed 2 similar trade deals in the past by presenting documentation like contracts, Corresponding delivery notes and Bank Statement
- ▶ Domiciliation of proceeds from principal should be in place
- ▶ Latest 6 months Bank statements
- ▶ Financial statement for the past 2 years
- ▶ ID of the Business owners
- ▶ Tax certificate
- ▶ RDB Full registration

Bank Guarantee is a commitment from the Bank on behalf of the customer, whereby the Bank undertakes to make payment of a specified sum to a specified beneficiary on the specified date provided the set conditions are met

### Features

- ▶ Bank guarantee will be issued against 100% cash cover or legal charge on property. Exception will be where the customer is enjoying other facilities which are secured against fixed charge and there is room to cover guarantee against the forced sale value.
- ▶ Legal Mortgage covering 120% (for guarantees issued in foreign currency)
- ▶ At least 2 years of experience in the market with a clean record
- ▶ Nil cash margins for bid bonds of up to RWF50M
- ▶ For bid bonds above 50million Rwf, 50% cash margin or collateral covering 50% at forced sale value is required.
- ▶ Tenor: 12 months

### Benefits

- ▶ Less documentation
- ▶ Quick turnaround time
- ▶ Less expensive/ low fees (2% p.a for 100% cash cover and 4% p.a for 50% cash cover or secured by landed property)

# SME Asset Products



## Letter of Credit

### MINIMUM DOCUMENTATION REQUIRED

- ▶ The entity should demonstrate that that have at least completed 2 similar trade deals in the past by presenting documentation like contracts, Corresponding delivery notes and Bank Statement
- ▶ Purchase contract with the seller
- ▶ LC form to be filled by the customer
- ▶ Domiciliation of proceeds from principal should be in place
- ▶ Latest 6 months Bank statements
- ▶ Financial statement for the past 2 years
- ▶ ID for owners
- ▶ Tax certificate
- RDB full registration

A Letter of Credit is an instrument issued by a Bank to a seller/supplier which substitute the credit worthiness of the buyer with that of the Bank.

### Features

- ▶ Requires a collateral with at least 80% of the LC amount
- ▶ An invoice and contract with terms and conditions from the supplier
- ▶ Requires 20% customer contribution of the invoice or contract amount
- ▶ Minimum experience of 2 years in the business with track record
- ▶ Tenor is guided by invoice and contract terms, but not more than 12 months

### Benefits

- ▶ Savings on cash flow before goods arrive
- ▶ Guarantee of receipt of goods from supplier
- ▶ Savings on interest if payment were made from the line of credit
- ▶ Allows to safely expand business internationally
- ▶ Shift credit risks from customer to the issuing Bank

# SME Asset Products

- ▶ **1. Revocable LC.** This LC type can be cancelled or modified by the Bank (issuer) at the customer's instructions without prior agreement of the beneficiary (Seller). The Bank will not have any liabilities to the beneficiary after revocation of the LC.
- ▶ **2. Irrevocable LC.** This LC cannot be cancelled or modified without consent of the beneficiary (Seller). This LC reflects absolute liability of the Bank (issuer) to the other party.
- ▶ **3. Stand-by LC.** This LC is closer to the bank guarantee and gives more flexible collaboration opportunity to Seller and Buyer. The Bank will honor the LC when the Buyer fails to fulfill payment liabilities to Seller.
- ▶ **4. Confirmed LC.** In addition to the Bank guarantee of the LC issuer, this LC type is confirmed by the Seller's bank or any other bank. Irrespective to the payment by the Bank issuing the LC (issuer), the Bank confirming the LC is liable for performance of obligations.
- ▶ **5. Unconfirmed LC.** Only the Bank issuing the LC will be liable for payment of this LC.

# SME Asset Products

- ▶ **6. Transferable LC.** This LC enables the Seller to assign part of the letter of credit to other party(ies). This LC is especially beneficial in those cases when the Seller is not a sole manufacturer of the goods and purchases some parts from other parties, as it eliminates the necessity of opening several LC's for other parties.
- ▶ **7. Back-to-Back LC.** This LC type considers issuing the second LC on the basis of the first letter of credit. LC is opened in favor of intermediary as per the Buyer's instructions and on the basis of this LC and instructions of the intermediary a new LC is opened in favor of Seller of the goods.
- ▶ **8. Payment at Sight LC.** According to this LC, payment is made to the seller immediately (maximum within 7 days) after the required documents have been submitted.
- ▶ **9. Deferred Payment LC.** According to this LC the payment to the seller is not made when the documents are submitted, but instead at a later period defined in the letter of credit. In most cases the payment in favor of Seller under this LC is made upon receipt of goods by the Buyer.
- ▶ **10. Red Clause LC.** The seller can request an advance for an agreed amount of the LC before shipment of goods and submittal of required documents. This red clause is so termed because it is usually printed in red on the document to draw attention to "advance payment" term of the credit.

# SME Asset Products

- ▶ **Below are the minimum requirements to process CCL, Stock Loan and Occasionally on TOD**
- ▶ Application Letter requesting for the loan and mentioning the collateral (s)/Security (ies) to be pledged
- ▶ Financial statements of the company for the last Three (3) years
- ▶ Bank statements from other banks for the last 2 years
- ▶ Value of Stock with the list giving details of the items as per below format
- ▶ BBM or RO to take and share Photos of the customer's stock/Shop
- ▶ Valuation Report of the property (ies) to be pledged
- ▶ Valid Tax Clearance Certificate of the customer
- ▶ Marriage/Celibacy certificate of the pledged property (ies) owner (s)
- ▶ ID/Passport copy (ies) of company shareholder (s) & pledged property (ies) owner (s)
- ▶ Company Registration Certificate of the company issued by RDB (Full information)
- ▶ Copied of contract completion certificates
- ▶ Account Receivables
- ▶ Account Payables
- ▶ List of key clients/Off takers
- ▶ List of main suppliers
- ▶ Customer profile where possible
- ▶ Completed/Signed UBO form
- ▶ Any other information/Documents to support the customer Request. Eg. Information on the borrowing relationship with other banks



# SME Asset Products

- ▶ Below are the minimum requirements to process AOC, IDF and Guarantee Line
- ▶ Application Letter requesting for the loan and mentioning the collateral (s)/Security (ies) to be pledged
- ▶ Financial statements of the company for the last Three (3) years
- ▶ Bank statements from other banks for the last 2 years
- ▶ List of Executed contracts/LPOs; ongoing contracts/LPOs and possibly those under negotiation (if any)
- ▶ Valuation Report of the property (ies) to be pledged
- ▶ Valid Tax Clearance Certificate of the customer
- ▶ Marriage/Celibacy certificate of the pledged property (ies) owner (s)
- ▶ ID/Passport copy (ies) of company shareholder (s) & pledged property (ies) owner (s)
- ▶ Company Registration Certificate of the company issued by RDB (Full information)
- ▶ Copied of contract completion certificates
- ▶ Account Receivables
- ▶ Account Payables
- ▶ List of key clients/Off takers
- ▶ List of main suppliers
- ▶ Customer profile where possible
- ▶ Completed/Signed UBO form
- ▶ Any other information/Documents to support the customer Request. Eg. Information on the borrowing relationship with other banks.



# Thank you