



NATIONAL BANK OF RWANDA

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**RWANDA CENTRAL SECURITIES
DEPOSITORY**

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Core values: Integrity, Accountability, Efficiency and Effectiveness



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Introduction

- The process of establishing Rwanda Capital Market started in 2005;
- Rwanda Stock Exchange was established in 2010 and officially launched in 2011;
- Owned by brokers (60%), Government (20%) and others shareholders (20%).
- Listed securities : 4 equities (2 cross listed) and 3 debt instruments (2 Government bonds)

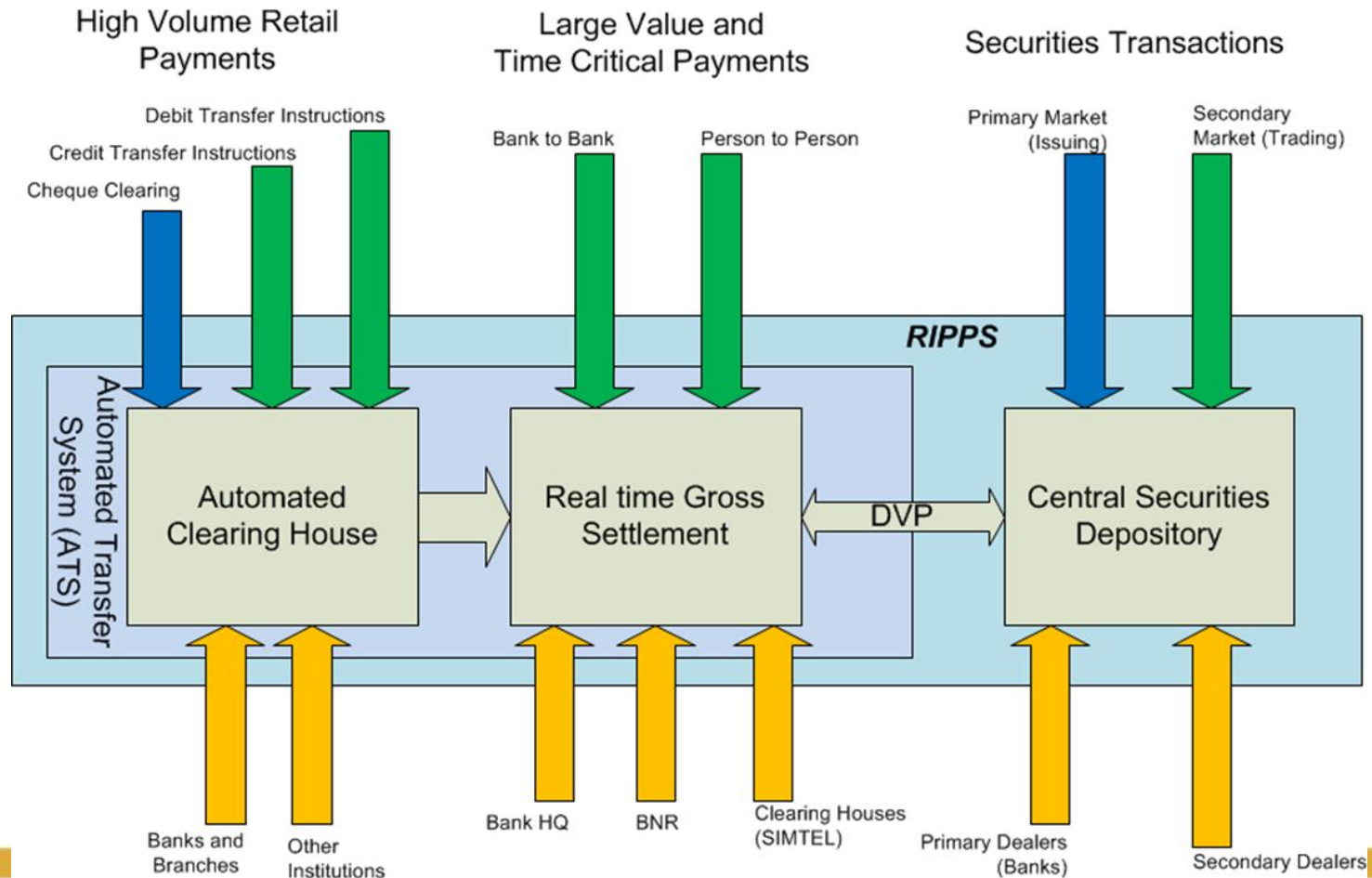


Introduction (con't...)

- Holding and transfer services were outsourced to CDSC Kenya until the Rwanda Central Securities Depository was established in 2011;
- Rwanda CSD is an integral part of Rwanda Integrated Payment Processing System (RIPPS);
- RIPPS comprises the RTGS, ACH and CSD;
- Unlike to most of countries in East African Regional, there is only one CSD for both private and public securities



Introduction (con't...)



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Ownership, Governance and Structure

- Rwanda CSD is owned and operated by the Central Bank of Rwanda (BNR) under the Payment System Department.
- The rationale behind this ownership structure is:
 - *The Rwanda Capital Market is dominated by public securities;*
 - *The policy of one CSD at the national level;*
 - *As the RSE is at nascent stage, the Central Bank supports all administrative costs that an independent entity could not afford at this stage;*
 - *Built as public Utility service;*
 - *At the maturity, Rwanda CSD could be located out of the Central Bank as an independent entity.*
 - *Economies of scales from the Integrated platform (RIPPS)*
- An MOU exist between the Capital market Authority and Central on supervision of the CSD

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Legal Framework

- based on international best practices, the law governing the holding and circulation of securities (law N°26/2010 of 28/05/2010) sets out a legal framework for the CSD :
 - Establishment of the CSD and regulates the holding and circulation of Book-entry Securities
 - The Rwanda CSD acts as the Central Depository both for public and private securities;
 - Mandate the Central Bank to operate the CSD but creation of a separate entity to act as the CSD is envisaged in the future as well.
 - Services to be provided by the CSD;
 - **Segregation of Securities Accounts:** Participants to segregate in the books of the CSD Book-entry Securities held for their own account from those held for Securities Holders

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Legal Framework, cont'd

- Listed securities, Debt securities and those issued by Financial institutions shall be only in book entry (immobilised or dematerialized) form;
- **Prohibition of Attachments:** Securities held by the Participants in the books of the CSD;
- Collateralization of Book-entry Securities in complementarity to the payment system law;
- **In case of conflict of laws:** applicable law is the law of the country in which the Relevant Account is maintained
- Regulation on the licensing requirements for CSD participants in central securities depository and protection of securities holders : (regulations N° 08/2010 of 27/12/2010)

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CSD participants and their roles

- **Banks :**

- Primary Dealer on primary market for Debt Securities,
- Act as custodians for Institutional investors
- Settlement agents with a cash account in RTGS

- **Brokers :**

Assist investors in terms of CSD operations : opening accounts, securities transfer, accounts statement....

- **Rwanda Stock Exchange (RSE):**

- For the trading transactions and sending Settlement instructions to CSD.



CSD infrastructure

- Use SWIFT-based messaging structure
- Use a web application through a secure VPN
- Integrated to RTGS to provide DVP 1;
- Linked to the Auction system to provide STP for primary auction
- In near future (December 2013) will be linked to the Automated Trading System to provide STP
- Compliance with a number of ISO including SWIFT ISO 15022, ISIN-ISO 6166; Security ISO-17799; BIC-ISO 9362; Country code-ISO 3166; Currency Code List ISO 4217.



Services offered by the CSD

- **Securities Administration**
 - *issuance of dematerialized public securities*
 - *Opening of securities accounts*
 - *transfer of Ownership in Off Exchange Transactions*
 - *Pledge other collateral entry or release of securities*
 - *Freeze of Securities after a Court Order or in terms of any other legal restrictions*
 - *Services to Investors such as: Statement of Account, information for investors' account*



Services offered by the CSD

Pre-Settlement Services

- Brokers Block the shares for trading through CSD;
- RSE Matches the trades in the CSD and send instructions to CSD for settlement;
- Any trading errors correction only up to one day before settlement date for proper DVP.



Services offered by the CSD (con't...)

Settlement services

- Real time irrevocable DVP for debt instruments and equities;
- Settlement times vary based on instruments :
 - T+0 for REPOs: Repurchase Agreement operations,
 - T+1 : T-bill and T-bond on primary market,
 - T+2: For RSE secondary transactions



Short and Medium term Initiatives

- The CSD will be linked to the Automated Trading Systems (CSD).
- Rwanda is working with CDSC Kenya and the rest of the EAC Securities Exchanges on the inter-depository transfer mechanism to allow smooth settlement of cross listed securities in the near future;
- Provision of online services to investors through SMS services.



THANK YOU

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