



APR. 22

ANGOLA

NEWS

Granting credit in the real sector of the economy

Angolan Central Bank (Banco Nacional de Angola, “BNA”) recently published Notice 10/22 of 6 April to update the scope of application of Notice 10/20 of 3 April on the granting credit to the real sector of the economy. The new Notice establishes *(i)* the terms and conditions applicable to the this type of credit, *(ii)* the minimum requirements in terms of number and total value and *(iii)* the treatment in the calculation of the reserve requirements.

The illustrative list of essential goods to which the Notice applies underwent minor changes and now includes bee-keeping, pastry and bakery goods, wheat crops and derivatives, and fertilisers and soil correction materials. It no longer mentions cement, clinker, honey and paint for construction.

The Notice provides for the following types of credit: *(i)* medium-long term credit for investment, including to buy machinery and equipment, which must have as its maximum term the payback period of the investment and may include financing with real guarantees and leasing; *(ii)* short-term credit to buy raw materials and other inputs from local suppliers in the domestic market, which must be granted for the maximum estimated period between its acquisition and the sale or payment by the buyer of the finished product; and *(iii)* credit granted as factoring.

Access to credit is now limited to bank customers that meet the following requirements: *(i)* they must be a company incorporated under the law; *(ii)* they must have organised accounts and accounts certified by an accountant or expert accountant registered with the OCPCA; *(iii)* they must have their tax situation in order; and *(iv)* they must have proven experience in the activity they carry on and for which they are applying for credit.

One of the main changes introduced by the Notice concerns the total cost of the credit, which covers the interest rate and commissions. This now varies according to the type of credit, as follows: in investment credit, it cannot exceed 7.5% per year, and in credit to buy raw materials, inputs and factoring, it cannot exceed 10% per year.

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Renata Valenti
José Luquinda
PLMJ Colab Angola
- RVA Advogados

Gonçalo dos Reis
Martins
Joana Marques
dos Reis
PLMJ Advogados

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Another of the main changes in the Notice was in the context of the minimum requirements of the number of credits to be granted by each financial banking institution ("Commercial Bank"), which are now as follows: (i) Commercial Banks with net assets at 31 December of the previous year of AOA (Kwanza) 400,000,000,000: 25 credits; (ii) Commercial Banks with net assets at 31 December of the previous year of AOA (Kwanza) 200,000,000,000: 20 credits; (iii) Commercial Banks with net assets at 31 December of the previous year of AOA (Kwanza) 50,000,000,000: 15 credits; (iv) Commercial Banks with net assets at 31 December of the previous year of AOA (Kwanza) 50,000,000,000: 5 credits. To comply with these requirements, factoring credit and renewals of short-term credit in the year they are granted and renewals in subsequent years, in addition to the first, in each calendar year, are not eligible.

The Notice also amends the amounts deductible from the amount of the reserve requirements, which are now as follows: (i) 100% of the principal falling due and overdue for less than 90 days, in cases of medium and long-term investment credit; (ii) 50% of the principal falling due and overdue for less than 90 days in cases of short-term credit; and (iii) 25% of the principal of credit overdue for more than 90 days and of credit restructured due to financial difficulties of the customer. BNA may exceptionally allow the deduction of amounts referring to restructured credit granted to projects considered to be of importance in the national context, which do not comply with the requirements set out in sub-paragraph (ii) above, and it will determine specific weightings applicable to such cases. The Notice goes on to establish the information that the Commercial Banks must send to the BNA to claim the deductions. It also establishes the duty of information to which the Commercial Banks are bound whenever credit becomes overdue for more than 90 days or is restructured due to the customer's financial difficulties.

Under the duties of assessment and management of credit risk, the Notice determines that the Commercial Banks must assess the possibility a guarantee or agricultural credit insurance being provided to mitigate credit risk. The Commercial Banks must also ensure regular monitoring of their customers to detect in a timely manner financial difficulties or other circumstances that may increase the risk of default, and then take the appropriate measures to prevent or resolve the situation. In turn, under their information duties, the Commercial Banks are required to maintain on their websites information on the requirements for access to credit. This information must include an up-to-date list of the documents and information that must be submitted by customers.

The Notice establishes the obligation for the Commercial Banks to submit to BNA, by 28 February of each year.

The Notice establishes the obligation for the Commercial Banks to submit to BNA, by 28 February of each year, the reasons for non-compliance with the annual targets set out in the Notice. In turn, the BNA decision on the measures/sanctions to be applied must be approved by 31 March of each year.

The Notice comes into force on 7 April 2022. ■