PROHIBITION OF LOANS

PREPARED FOR THE NATIONAL BANK OF ANGOLA

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BACKGROUND

Misconduct and irregular practices in lending by financial institutions typically occur through the extension of loans to administrators, their family members, and their businesses, firms and companies without proper appraisal. Such practices can result in losses to the financial institutions.

To prevent such abuses and irregular practices, banking legislation[1] in Angola prohibits a licensed financial institution from extending credit facilities to its administrators or any members of their undivided families, as well as firms and corporations in which they have an interest and to individuals for whom they are guarantors. The purpose of the banking legislation is to prevent malpractice by administrators of financial institutions and to ensure that administrators do not have an undue advantage over other customers.

Such provisions in the legislation are aimed at tightening discipline and professionalism, and promoting prudent banking practices in the industry.

COVERAGE

The provisions of the legislation referred to above pertain to all types of financial institutions.

PRESCRIPTIONS AND EXPLANATIONS

A. Prohibition on lending to administrators

1. A licensed financial institution is prohibited from granting loans to its administrators in the following situations:
   - (i) to the administrator personally.
   - (ii) to any firm in which the administrator has an interest as a partner, manager, agent or guarantor.
   - (iii) to any corporation in which the administrator is a member (that is, holds even one share), director, manager, agent or guarantor.
   - (iv) to any corporation in which the administrator holds shares, either directly or indirectly.
   - (v) to any individual for whom the administrator is guarantor.

B. Prohibition on lending to shareholders, officers or employees

2. A licensed financial institution is also prohibited from granting loans to its shareholders, officers or employees under the following circumstances:
   - (i) to the shareholder, officer or employee personally.
   - (ii) to any firm in which the shareholder, officer or employee has an interest as a partner, manager, agent or guarantor.
   - (iii) to any corporation in which the shareholder, officer or employee is a director, manager, agent or guarantor.

[1] See the Financial Institutions Law Nr.º 13/05, September 30, Article 66.

(iv) to any corporation in which the shareholder, officer or employee holds shares or has any other material[2] interest as determined by the BNA.

(v) to any individual for whom the shareholder, officer or employee is a guarantor.

C. Exceptions

3. Exceptions may be granted in the following cases:

   (i) loans to administrators, directors and employees that are provided under the financial institution's scheme of service.

   (ii) where the financial institution is satisfied that special circumstances exist. Such loans shall not exceed at any one time the value of 6 months' remuneration of the administrator, director or employee and shall be provided on such terms and conditions as the bank thinks appropriate.

   (iii) loans to a corporation quoted/traded on the stock exchange where no non-executive director of the financial institution has any material interest (defined as an interest held directly or indirectly amounting to 5 percent or more of the voting shares of the corporation).

4. There may be cases where financial institutions have granted loans to parents of administrators, directors and employees for a variety of purposes, such as business loans or housing loans. Such loans may have been granted "without the knowledge" of the administrators, directors or employees in question. These loans shall be repaid within 12 months of these Guidelines coming into effect or such future date as the BNA specifies in particular cases. The BNA shall consider these applications for an extension of time to repay this type of loan on the merits of each case.

[2] Material interest is defined as an interest held directly or indirectly amounting to 5 percent or more of the voting shares of the corporation.