



APR. 23

ANGOLA

NEWS

Regulation on Microcredit Companies and Microcredit Operators

The Regulation on Microcredit Companies and Microcredit Operators was approved by Presidential Decree 89/23 of 31 March. It repeals Presidential Decree 28/11 of 2 February and entered into force on 1 April.

The Regulation lays down the rules for the operation of microcredit institutions and applies to institutions engaged in microcredit activities, namely:

- microcredit companies, defined as non-bank financial institutions engaged in microcredit activities and authorised to grant low and medium value loans to small and medium-sized enterprises; and
- micro-credit operators, defined as non-financial commercial enterprises whose purpose includes the granting of micro-credit on a non-exclusive basis, such as NGOs, associations and foundations.

For the purposes of the Regulation, "microcredit" means credit granted to micro and small enterprises, which may be natural persons or legal entities, on the basis of joint or individual liability, to carry out an economic activity, the amount of which is determined by the Banco Nacional de Angola ("BNA").

Operating as a microcredit provider is subject to authorisation by the BNA, in accordance with the provisions of the Law on the General Framework of Financial Institutions and complementary regulations.

The Regulation defines the positive and negative elements that constitute the basic own funds of microcredit institutions in order to cover the risks or losses they may incur. It also establishes the possibility of using the following means of financing in the event that the resources of microcredit institutions are insufficient to meet their obligations: (i) reserves from the revaluation of fixed assets; (ii) other positive revaluation reserves; (iii) subordinated loans with a maturity of more than 5 years, the terms of which are approved by the BNA, which may constitute up to 50% of the basic own funds; and (iv) hybrid capital and debt instruments.

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The Regulation also provides that microcredit companies may invest their available resources in low-risk financial operations in a diversified manner.

The Regulation establishes the principle of free negotiation of interest rates, with the exception of the possibility for the BNA to set and publish, from time to time, maximum limits on the interest rate that credit institutions may charge in situations that may constitute usury.

As provided in the previous legislation, microcredit institutions may not receive deposits, except for (i) loan payments made by borrowers before the due date by way of amortisation and (ii) the possible transfer of monetary values by the borrower as a guarantee for the loan to be granted.

The Regulation also provides that microcredit companies may invest their available resources in low-risk financial operations in a diversified manner. ■

