

# ENHANCED CREDIT EXPOSURES POLICY

Version 1.0

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## 1. INTRODUCTION

YieldRock Micro-credit Services (hereinafter called “YieldRock”), as guided by Bank of Ghana’s Risk Management Directive, 2021, has developed this policy document to guide all internal persons, and counterparties in matters regarding transactions described as Enhanced credit exposures.

### 1.1. DEFINITIONS

- ⇒ **“Enhanced credit exposures”** means credit exposures, whether individual, or group of connected persons or related parties, in aggregate, falls within 10-20 percent of the institution’s risk tolerance limit.
- ⇒ **“Red Line”** means the benchmark trigger for identifying a credit exposure as Significant.
- ⇒ **“Material Risks”** means risks that could have a material impact, both financial and non-financial, on YieldRock’s financial performance or position, reputation and/or relationship with other stakeholders.
- ⇒ **“Risk Limits”** means the regulatory limits on single counterparty credit exposures as contained in Rules 41 of the Business Rules and Sanctions for MFIs.
- ⇒ **“Customer”** means an individual, a group or a firm that uses, has used, or may be contemplating using, any of the products or services provided by a financial service provider.
- ⇒ **“Connected Person”** means an individual, a group or persons, or a firm that may transact with YieldRock, for or on behalf of an existing customer.
- ⇒ **“Enhanced Due Diligence”** means processes and procedures for identifying, and measuring material risks related to credit exposures above the Red Line.
- ⇒ **“Enhanced Facility Agreement”** means a credit agreement issued on a facility defined as Significant Credit Exposure.
- ⇒ **“Enhanced Monitoring”** means processes, procedures and tools to monitoring and controlling material risks associated with Enhanced credit exposures.

## 2. POLICY OBJECTIVES

The objectives of this policy are:

1. To streamline processes and procedures for administering, monitoring and controlling credit exposures that are above the Red Line.
2. To ensure an alignment of the credit team’s expectations and customer performance obligations under an Enhanced Credit Agreement.
3. To promote consistency and clarity in how transactions that are categorized under the Enhanced Credit Exposures bucket are handled.

## 3. RISK LIMITS

The following risk limits shall apply:

- Amount (Secured)
  - Business Account – GH¢20,000
  - Personal Account – GH¢20,000
  - Connected Person Account – GH¢20,000
  - Aggregate exposure on connected person’s account must be equal to or less than 15 months on borrower’s income, if the latter is a salaried employee.
- Tenor
  - 12 months max for all account types.

- Collateral
  - Business Account – 120 percent of aggregate exposure
  - Personal Account – 80 percent of aggregate exposure
  - Connected Person Account – 80 percent of aggregate exposure
- Debt-Equity Ratio: Not more than 500 percent of net own funds on pre-funding basis, and 700 percent on post-funding basis.
- Delinquency
  - Non-delinquent credit assets or receivables (PAR = Current) must NOT be less than 80 percent of total portfolio.
  - Delinquent credit assets or receivables (PAR>1-30) must NOT be more than 10 percent.
  - Delinquent credit assets or receivables (PAR>31-90) must NOT be more than 5 percent.
  - Delinquent credit assets or receivables (PAR>91-150) must NOT be more than 5 percent.
- Debt-Service Coverage Ratio (DSCR)
  - Debt service coverage ratio, on a monthly basis (interest + principal), should not be less than 150 percent on pre-funding basis, and not less than 100 percent on post-funding basis.
  - DSCR calculation uses net operating income and monthly interest + principal commitment as basis.
  - Net Income calculation takes into account impairment loss provisions on financial assets, but excludes depreciation and amortization on non-current, and intangible assets respectively.
- Other Limits
  - Connected person must be either a salaried employee or business owner.

## 4. RED LINE

The amount established as trigger for Significant Exposure treatment shall be reviewed on monthly basis and communicated via customer circular from time to time. Information related to same may be found on YieldRock Community web portal (<http://community.yieldrockgh.com>). Red Line for May 2022 – GH¢40,000.

## 5. FACILITY REQUEST PROCEDURE

An existing customer who may be interested in accessing loan amounts, which in aggregate exceeds GH¢40,000, shall send an email to YieldRock Loan Desk ([loan.application@yieldrockgh.com](mailto:loan.application@yieldrockgh.com)), stating the amount and tenor. New customers, who may be applying as connected persons (spouse, business associate or board member), shall follow the standard application process for new customers, and shall be evaluated on their individual merits, independent of circumstances related to the existing customer on whose behalf they may be transacting.

## 6. ENHANCED DUE DILIGENCE

Following receipt of loan request under the Significant Credit Exposure regime, the applicant will be notified of next steps, which shall include the following:

- Provision of documents
- Customer visit
- Off-site business risk review

## 7. ENHANCED MONITORING

As part of the borrower's performance obligations under an Enhanced Credit Agreement (ECA), the following information shall be furnished to YieldRock ([compliance@yieldrockgh.com](mailto:compliance@yieldrockgh.com)) on a **monthly** basis:

- a) Portfolio Ageing Report
- b) Top 10 Arrears Report
- c) Market Borrowings Report
- d) General Incidence Report

**\*All reports as stated above, shall be provided using a standard all-in-one template, to be supplied by YieldRock. The reports shall be submitted not more than 7 days after the end of each month.**

- e) In addition to the above, the customer shall supply the following corroborating documents on a **quarterly** basis:
  - o Bank Statement (business bank account)
  - o Mobile Money Statement (Personal Wallet)
  - o Mobile Money Statement (Business Wallet)
  - o Prudential Report (past quarter)
  - o Unaudited Financial Statements (Income Statement, Balance Sheet)

**\*All reports as stated above, shall be supplied in formats as the Borrower's MIS may allow (Doc., Docx, PDF, Excel, etc.). The reports shall be submitted not more than 7 days after the end of each quarter.**

- f) Quarterly market sentiment survey (to be completed by loan collection or field officers).

## 8. SANCTIONS

Stage	Violation	Sanction Type		
		1 <sup>st</sup> Violation	2 <sup>nd</sup> Violation	3 <sup>rd</sup> Violation
Assessment	Failure to disclose material risks. Undocumented transactions, market borrowings, proprietor drawings, etc.	Upon discovery, facility request will be DECLINED, if intentional non-disclosure can be established beyond reasonable doubt.	N/A	N/A
	Provision of inaccurate business and/or financial information.	Upon discovery, facility request will be DECLINED, if the error of omission or commission poses a MATERIAL RISK, and can be reasonably described as intentional.	N/A	N/A
Post-Disbursement	Contracting additional market borrowing without prior written notice to YieldRock.	Notice of Breach of Contract – 1 <sup>st</sup> warning, with remedial actions	Notice of Breach of Contract – 2 <sup>nd</sup> warning with remedial actions	Notice of Breach of Contract – Final Demand Notice

Stage	Violation	Sanction Type		
		1 <sup>st</sup> Violation	2 <sup>nd</sup> Violation	3 <sup>rd</sup> Violation
	Failure to submit all monthly reports.			
	Failure to submit documents on a quarterly basis, as required.			

Other sanctions may vary depending on severity of violations. This may range from non-renewal of credit facilities to total and complete severance of customer relationship.