



# **OVERVIEW OF THE SIERRA LEONE COLLATERAL REGISTRY AND LESSONS LEARNED**

**BY**

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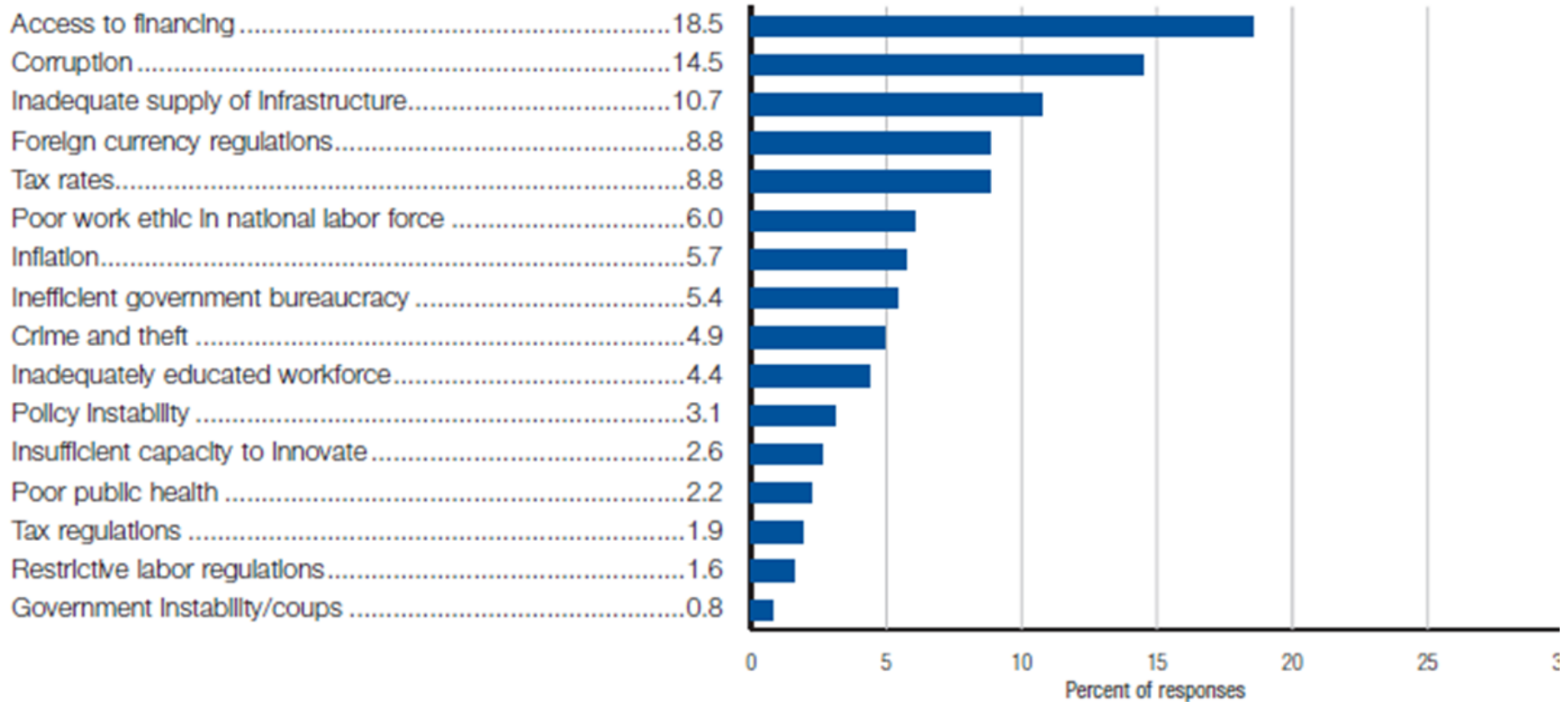
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# TOP CONSTRAINT FOR DOING BUSINESS IN SIERRA LEONE



## The most problematic factors for doing business



Source: Global Competitiveness Index 2014-2015, Country Profile

# **BACKGROUND CONT'D**



**Prior to the establishment of the Collateral Registry, financial Institution were reluctant to accept movable assets as collateral to obtain bank financing.**

**Hence, MSMEs were left out, as most of their assets comprises of movable assets as opposed to fixed assets such as land or building.**



# **WHY WERE FINANCIAL INSTITUTIONS RELUCTANT TO ACCEPT MOVABLE ASSETS AS COLLATERAL?**



- Lack of adequate Legal and Regulatory Framework that govern lending in moveable asset.
- Lack of a system that register security interest in moveable asset.
- High default rates(High NPLs)
- Lack of interest in moving into the unknown(e.g moveable asset)

# **LEGAL AND REGULATORY REFORM**



**The passage of the Borrowers and Lenders Act 2014 paved the way to address some of these challenges. The Act, among others, augments existing legislation governing credit delivery and also seeks to promote a Secured Transactions Regime (STR).**

# **BORROWERS &LENDERS ACT 2014**



**Section 15(1) of the Borrowers and Lenders Act, 2014(ACT No.13 of 2014) empowers the Bank of Sierra Leone to establish and maintain a Collateral Registry within the Bank.**

**In addition to the Borrowers and Lenders Act 2014, the Borrowers and Lenders (Collateral Registry) Regulations 2016 was also enacted to enhance the Borrowers and Lenders Act, 2014 by making special rules regulating the Collateral Registry.**



# **FEATURES OF THE SIERRA LEONE COLLATERAL REGISTRY SYSTEM**



- 1. It is a web based application hosted in the Bank of Sierra Leone data centre and can be access online on a 24/7 basis.**
- 2. Back up is done on an hourly basis in a remote location known as the Disaster Recovery Site**
- 3. The System is running on Microsoft SQL server.**

# **REPEAL OF THE BORROWERS AND LENDERS ACT, 2014**



**With the passage of time, some gaps were identified in the Borrowers and Lenders Act, 2014 with respect to secured transactions standards and international best practices. This prompted the Bank to overhaul the entire Act by replacing it with a new statute.**



# **PURPOSE OF THE NEW BORROWERS AND LENDERS ACT**



**The purpose of the Borrowers and Lenders Act, 2019 is to broaden the scope of the Registry to include the registration of immovable assets (one stop shop), as well as movable assets and also enable individuals who are not licensed and supervised by the Bank of Sierra Leone to be able to register their security interest**

# **LESSON LEARNED**



- 1. The project team should understand the concept of secured transaction from the onset including international best practices. It is appropriate for the software vendors to know what is expected of them. Otherwise there will be many back and forth.**
- 2. There should be a dedicated project team(operational and technical) charged with the implementation.**
- 3. There should be a buy-in from the**



# **LESSON LEARNED CONT'D**



- 4. Selecting a competent software vendor is crucial to the overall success of the project.**
- 5. Effective sensitisation and awareness raising on the legal framework and the operations of the Registry is key towards a successful implementation of the Collateral Registry project.**
- 5. Continuous training of stakeholders/ users of the Registry.**
- 6. Mandatory use of the Registry for credit risk assessment process.**



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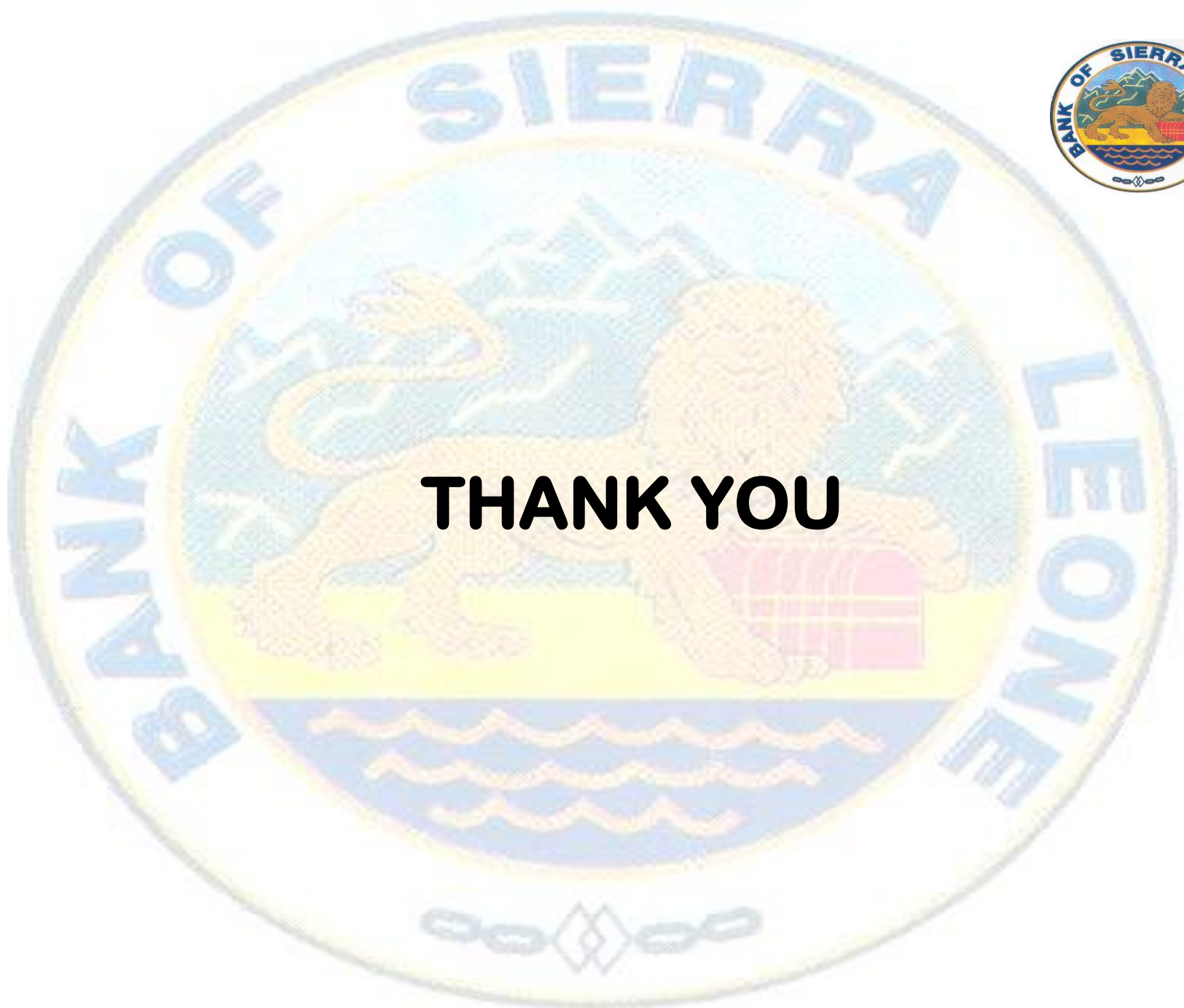
## Purpose of the Collateral Registry

The Collateral Registry provides a platform for searches, so that an interested party may find out if there are prior registrations against the assets offered by the borrower as collateral for a loan.

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## About The Registry

The Collateral Registry of Sierra Leone is an initiative of the Bank of Sierra Leone or BSL (with support from the World Bank Group) to improve



**THANK YOU**