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Changes to credit financing service rules for Belarusian banks

On July 12, 2023, the President of Belarus signed Law No. 282-Z "On Amendments to Laws Regarding Banking Activities". This act comes into effect in parts and makes amendments to the Banking Code of the Republic of Belarus as follows:

- ▶ On July 12, 2023, amendments were made to the Banking Code norms that regulate credit agreements.
- ▶ On January 1, 2024, changes related to the competence of state authorities in the banking sector and requirements for bank activities will come into force.
- ▶ On January 1, 2025, norms governing reporting on banking activities and other matters will take effect.

The new provisions of the Banking Code, which address matters concerning early loan repayment, interest accrual on loans, and the specifics of credit financing to individuals, have already been enacted. The Code now includes a list of situations in which early loan repayment can occur:

- ▶ late repayment (settlement) of the loan and/or payment of interest for its use;
- ▶ non-fulfillment of collateral conditions under the credit agreement;
- ▶ inability of the lender to monitor the condition of pledged property and other assets;
- ▶ non-targeted use of the loan;
- ▶ inability of the lender to monitor the targeted use of the loan;
- ▶ display of financial instability by the borrower;
- ▶ other cases stipulated by legislation.

These amendments are aimed at enhancing the protection of both lenders and borrowers, ensuring clearer and fairer regulation.

A significant innovation in banking legislation is the prohibition of determining an increased (penalty) rate for the use of loan in case of its repayment with delay. In the loan agreement, such an interest rate must be defined uniformly. To safeguard the interests of lenders, the Banking Code grants the right to demand penalties for improper fulfillment of the loan agreement. The amount of these penalties is also limited by the new Law:

- ▶ The maximum amount of penalty for non-repayment (delayed repayment) of the loan will be determined by the formula:

$$\text{Max penalty} = \text{unpaid loan amount} \times 1,5x \text{ interest rate for loan use} \times \text{number of days of the loan non-payment}$$

- ▶ Penalties for other obligations under the credit agreement cannot exceed 10% of the provided loan amount (for loans with a repayment term of up to 1 year), 5% of the loan amount (for other loans).

- ▶ The amount of accrued penalty in case of overdraft credit or credit under a renewable credit line cannot exceed the maximum amount of the provided loan.
- ▶ These limitations do not apply to loans involving foreign banks, foreign and international financial organisations for specific projects, multi-bank financing of a single borrower's project (consortium or syndicated credit financing), external state loans, and external loans under Government guarantees.

The full text of the Law "On Amendments to Laws Regarding Banking Activities" is available at the following [link](#)

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