CENTRAL BANK OF NIGERIA

MONETARY, CREDIT, FOREIGN TRADE AND EXCHANGE POLICY GUIDELINES FOR FISCAL YEARS 2020/2021

(MONETARY POLICY CIRCULAR NO. 43)

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SECTION ONE

1.0. INTRODUCTION

The Central Bank of Nigeria (CBN) in 2020/2021 will continue to conduct monetary policy anchored on the Medium-Term Expenditure Framework (MTEF) of the Federal Government, with the objective of achieving price and financial stability. The rationale for the aforementioned is that monetary policy impacts its ultimate goal with a lag. In consonance with the MTEF, the CBN is able to anchor expectations, deliver time consistent policies and react to temporary shocks including those associated with frequent changes in fiscal policy. The 2020/2021 Monetary, Credit, Foreign Trade and Exchange Policy Guidelines reviews circulars issued from the 2018/2019 edition till end December 2019 to cover the period January 2020 to December 2021.

This document outlines the monetary, credit, foreign trade and exchange policy guidelines applicable to banks and other financial institutions supervised by the CBN in 2020/2021. On account of new developments in the domestic and global economies in the period, the guidelines may be fine-tuned by the CBN without prior notice. Such amendments shall be communicated to the relevant institutions/stakeholders in supplementary circulars.

This document is organized in Five Sections. Section One is the introduction. In Section Two, developments in the global and domestic economies in 2019 are reviewed to provide a background to the policy measures in 2020/2021. The monetary and credit measures are enumerated in Section Three. In Section Four, the applicable foreign trade and exchange policy measures are presented. Lastly, Section Five discusses consumer protection issues. The annexures to the guidelines contains prudential guidelines, relevant reporting formats and referenced circulars.

SECTION TWO

SECTION TWO

2.0. REVIEW OF THE POLICY ENVIRONMENT AND MACROECONOMIC DEVELOPMENTS IN 2019

2.1. Policy Environment

Global output growth was 2.9 per cent in 2019 and projected at -3.0 per cent in view of rising uncertainties and high possibilities of a global recession due to the COVID-19 pandemic (World Economic Outlook, April 2020). Growth in the advanced economies was projected to slow to 1.7 and -6.1 per cent in 2019 and 2020, while emerging market and developing economies were projected to experience a growth downtick from 3.7 per cent in 2019 to -1.0 per cent in 2020. The sub-Saharan African (SSA) economies continued to witness slowdown, reflecting declining commodity prices and weak economic activity in Nigeria and South Africa. Growth in the region was estimated at 3.1 per cent in 2019 and projected to drop to -1.6 per cent in 2020.

2.2. Domestic Macroeconomic Developments

The Nigerian economy maintained its recovery path in 2019, as real output grew by 2.3 per cent, compared with 1.9 per cent in 2018. From a production perspective, the growth was driven, largely, by the services, agriculture and industry sectors, which contributed 1.2, 0.6 and 0.5 per cent, respectively. Generally, output growth was attributed to a number of factors, namely: the relatively stable macroeconomic environment following the successful completion of the 2019 elections; the effective implementation of the 2019 budget, increased capital inflows, which helped to stabilise the foreign exchange market; increased lending to the real sector, following CBN's directive to Deposit Money Banks (DMBs) to maintain a minimum Loan-to-Deposit Ratio (LDR) of 60.0 per cent in July 2019 and 65.0 per cent by end-2019; and sustained interventions in the real sector by the Federal Government.

Consequently, inflationary pressure generally moderated for most of 2019, albeit, headline inflation exceeded the Bank's indicative benchmark (6-9%) during the period under review. Specifically, headline inflation (year-on-year) declined to 11.02 per cent, at end-August 2019 from 11.39 per cent at end-January and later rose to 11.98 per cent at end-December 2019. This development was on account of higher food Consumer Price Index (CPI), shortage in supply of goods, as well as the effect of the Federal Government border protection policy during the review period.

Crude oil production, including condensates and natural gas liquids, averaged 1.87 million barrels per day (mbpd), or 682.55 million barrels (mb) in 2019, indicating a marginal decrease of 0.5 per cent, below the 1.88 mbpd or 686.20 mb in the preceding year (Bloomberg 2019). The drop in output was attributed to production disruptions, arising from activities of vandals on oil infrastructure in the review period.

The external sector experienced pressure during the review period, leading to overall balance of payments and current account deficits of 0.6 and 2.7 per cent of GDP, respectively, in contrast to surpluses of 0.8 and 1.3 per cent of GDP in 2018. This development was due to the slowdown in global trade, arising from weak demand and decline in crude oil prices.

Furthermore, the capital and financial account recorded a net financial asset of 0.6 per cent of GDP, in contrast to a net financial liability of 0.2 per cent of GDP in 2018. The stock of external reserves at end-December 2019 was US$38.09 billion, compared with US$42.59 billion at end-December 2018 and could finance 8.4 months of current import commitments, which was higher than both the international benchmark and that of the West African Monetary Zone (WAMZ) convergence criterion of three (3) months. The naira exchange rate remained relatively stable in the interbank, Investors & Exporters FX Window (I&E) and Bureau de Change (BDC) segments of the foreign exchange market. This development was supported by the CBN's exchange rate management policies.

Nigeria's fiscal policy thrust in 2019, was aimed at ensuring economic diversification, inclusive growth and sustainable development. The consolidated revenue and expenditure of the Federal Government were ₦10,146.6 billion (7.0% of GDP) and ₦15,617.2 billion (10.7% of GDP), respectively, resulting in an overall deficit of ₦5,470.6 billion (3.8% of GDP). The Government also implemented a well thought out debt-strategy as the consolidated Federal Government debt stock, at end-December 2019 was ₦27,401.4 billion, or 18.8 per cent of GDP, compared with ₦20,533.6 billion or 15.9 per cent of GDP in 2018. Despite the rising debt profile, the debt stock remained within the international threshold of 40.0 per cent of GDP. The increase in debt stock was attributed to the additional disbursement of FGN Bonds, promissory notes, multilateral and bilateral loans. Domestic debt constituted 62.7 per cent, while external debt accounted for the balance.

Monetary policy was non-expansionary in 2019. The Monetary Policy Committee (MPC) at its March, 2019 meeting, reduced the Monetary Policy Rate (MPR) by

50 basis points, while the asymmetric corridor of +200/-500 basis points around the MPR was retained. Also, the Cash Reserve Ratio and Liquidity Ratio were retained at 22.5 and 30.0 per cent, respectively. The Bank also raised banks' Loan-to-Deposit Ratio to 65.0 per cent. Consequently, growth in broader money supply (M3) expanded by 6.22 per cent at end-December 2019 driven by 27.3 per cent increase in the aggregate domestic credit. Narrow money supply (M1) increased by 1.28 per cent, reflecting an increase of 4.8 and 28.3 per cent in currency outside banks and demand deposit, respectively. Growth in aggregate credit was driven by expansion in net claims on the Federal Government and claims on the private sector. Claims on the core private sector rose by 13.6 per cent.

Key monetary aggregates trended upwards in the review period but were lower than their indicative targets for the year. Consequently, the broad measure of money supply (M_3), grew by 6.2 per cent at end–December 2019, compared with 14.9 per cent at end-December 2018. The growth in M3 was on account of the 38.6 per cent rise in net domestic assets, offsetting the decline of 51.0 per cent in net foreign assets of the banking system. Aggregate credit grew by 27.2 per cent at end-December 2019, compared with 9.6 per cent at end-December 2018.

This was driven by a 93.0 per cent growth in net claims on the Federal Government on account of significant holdings of net claims by the CBN and DMBs, and growth in claims on other private sectors of 13.4 per cent, compared with 32.4 and 5.8 per cent, respectively, at end-December 2018.

Macroeconomic Issues and Policy Challenges in 2018/2019

2.2.1. Policy Challenges

Subdued global growth arising from trade disputes, geopolitical tensions, increased macroeconomic uncertainties associated with the BREXIT negotiations, monetary policy normalization and weakening international cooperation were among the global challenges to domestic economic policy in 2018/2019. These resulted in weak global business and consumer confidence; weaker growth in external demand and a drawdown of global inventories reflecting weak industrial production.

In the domestic economy, inflationary pressures was a major challenge owing to rising food prices, high electricity and other energy costs. Other constraints were the poor state of infrastructure, weak institutions and insecurity. The weak state of manufacturing compared with the rising demand for imported goods also impacted negatively on GDP growth.

2.3. Outlook for the Domestic Economy in 2020/2021

The outlook for the Nigerian economy is mildly optimistic, as its growth trajectory is expected to slow-down in 2020 on account of the tepid global demand, resulting from the COVID-19 pandemic, depressed global aggregate demand and supply, and the oil price war which has resulted in supply glut and decline in crude oil prices. In this regard, output growth is expected to lie between -3.1, -1.0 and 0.24 per cent in 2020, predicated on low oil price between US$10 pb, US$20 pb and US$30 pb.

To ameliorate the impact of slow economic activities arising from the COVID-19 pandemic, fiscal and monetary policy responses were put in place to neutralize the adverse effects on growth-inducing sectors of the economy. On the real sector, the measures include the credit interventions in the health sector (N100bn), Micro, Small and Medium Enterprises (MSMEs) (N50bn) and manufacturing sector (N1 trillion). These initiatives are expected to encourage and expand domestic production, improve productivity as well as generate employment opportunities. Additionally, growth in consumer credit by DMBs, propelled by the CBN policy to raise the Loan-to-Deposit Ratio from 60.0 per cent to 65.0 per cent and Global Standing Instruction (GSI) clause, would improve credit delivery to households and MSMEs as well as moderate unemployment and sustain the growth trajectory.

Although these measures are commendable, there are headwinds that may undermine these expectations. These include: increased Federal Government deficits, which may narrow fiscal space and crowd-out private investment; underutilization in the labour market due to weakened aggregate demand; and a build-up in inflationary pressures resulting from the increase in Value Added Tax (VAT) and border protection. Specifically, headline inflation is expected to hover around 13.97 and 14.15 per cent at end-December 2020, owing to: supply shocks which may likely happen due to decline in economic activities, globally as a result of COVID-19 pandemic that started in China in Q4:2019; demand shocks emanating from domestic and international lockdowns; food supply shocks associated with non-tariff border protection; and effect of the implementation of the new budget and minimum wage.

Sequel to the COVID-19 pandemic, the viability of the external sector in 2020 is expected to deteriorate, given the present worsening current account balance and depletion of external reserves driven, largely, by decelerating export receipts, particularly oil. Specifically, the degree of external reserves accumulation is expected to decelerate, as outflows are expected to outweigh inflows. As a result, external reserves are expected to lie between US$29.9 billion and US$34.3 billion at end-December 2020 (predicated on current declining oil price between US$20 and US$40). This development, in addition to exchange market pressures, emanating from speculative activities in the BDC and I & E segments of foreign exchange market, is expected to exert pressure on the naira exchange rate. In addition, increased risk aversion behaviour by investors may negatively impact on capital inflow, as they flee to safe-haven assets.

Also, it is projected that the fiscal space may be limited in 2020, given escalated vulnerability, as a result of sharp decline in oil prices, occasioned by weak global oil demand and price wars between Russia and Saudi Arabia. This development would undermine the implementation of Government's capital programmes, impede public investment on infrastructural development and could culminate to higher debt profile and attendant debt service obligations of the Government. If the COVID-19 pandemic effects became severe, Government may increase fiscal policy responses to ameliorate the impact on the populace.

The financial sector is expected to remain resilient in 2020, on account of the accommodative monetary policy stance, continued efforts by the Bank towards ensuring financial system stability and credit expansion policies. Furthermore, the renewed policies aimed at enhancing the payments system and cash-less initiative are expected to sustain efficiency, safety and confidence in the Nigerian payments system.

Against this background, policymakers are expected to nurture the fragile phase of the economy with caution and employ appropriate policy instruments to tackle the likely adverse effects that may emanate as a result of the COVID-19 pandemic. The fiscal space should be optimally utilized, along with the implementation of structural policies to boost growth and welfare over the medium-term. Furthermore, harmony between fiscal and monetary policy remain crucial to sustain and strengthen growth in the future. Finally, structural reforms, particularly executing the much-delayed power sector recovery plan, implementing the financial inclusion strategy, and addressing infrastructure gaps remain essential to boosting inclusive growth.

SECTION THREE

3.0. MONETARY AND CREDIT POLICY MEASURES FOR 2020/2021

3.1. Objectives and Strategy of Policy

In 2020/2021, the primary objective of monetary policy remains the maintenance of price and financial system stability. With the upward trend in inflation from the first half of 2019, lingering uncertainties from the external environment would exert pressure on monetary tools. The CBN in 2020, will continue to sustain measures to abate the level of rising inflation through effective liquidity management measures. The aim is to curtail the level of inflation to a level that is conducive for inclusive and sustainable growth. The Bank shall continue to be proactive in its oversight function of the banking system to continue to ensure financial system stability. Furthermore, it will maintain sound, stable and efficient payment systems to support the conduct of monetary policy. The monetary targeting framework remains the monetary policy strategy in 2020/2021 fiscal year with implicit inflation targeting. Consequently, the growth in broad money supply (M3) will be closely monitored in line with the projections for 2020 and 2021.

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3.2. Policy Measures

The CBN would continue to take appropriate measures to promote internal and external balance of the economy, as such it would constantly review developments and effective use of monetary policy tools. These are meant to anchor inflation expectations, manage liquidity, ensure appropriate exchange rate regime and anchor short term rates.

Open Market Operations (OMO) shall continue to be deployed as the major instrument for managing system liquidity. Other orthodox tools available to the CBN are cash reserve requirements, discount window operations and foreign exchange interventions. In addition, the Bank shall continue to accept eligible Government securities for its discount window operations.

3.2.1. Open Market Operations

The Bank shall sustain the sale and purchase of CBN Bills through the OMO auctions to maintain banking system liquidity at levels consistent with the Bank's monetary policy stance. The auction is opened to all authorised money market dealers, commercial, merchant and non-interest banks. Discount window operations, including repurchase agreements (repo) and reverse repurchase agreements (reverse repo) shall be used to complement OMO.

3.2.2. Reserve Requirements

Cash Reserve and Liquidity Ratios shall continue to be deployed as prudential and liquidity management tools.

3.2.2.1. Cash Reserve Ratio

The Cash Reserve Ratio for deposit liabilities which stood at 22.50 per cent in 2019 shall continue to apply, subject to review by the CBN in line with prevailing economic and liquidity conditions. The maintenance period for the Cash Reserve Ratio shall be as prescribed from time to time.

3.2.2.2. Liquidity Ratio

The minimum liquidity ratio for commercial, merchant and non-interest banks shall be retained at 30.0, 20.0 and 10.0 per cent, respectively, subject to review from time to time. In the 2020/2021 fiscal years, the ratio of loans to deposits ratio shall be a maximum of 80.0 per cent.

3.2.2.3. Net Open Position

The Net Open Position (NOP) limit, long or short, of the overall foreign currency assets and liabilities, inclusive of on and off-balance sheet items, shall not exceed

10.0 per cent of shareholders' funds unimpaired by losses using the gross aggregate method.

The aggregate foreign currency borrowing of a domestic bank, excluding inter-group and inter-bank borrowing, shall not exceed 125.0 per cent of shareholders' funds unimpaired by losses. Banks are expected to adopt the following risk mitigation strategies, amongst others:

i. All borrowings should be hedged using financial market tools acceptable to the CBN;
ii. Borrowings must be subordinated debts with prepayments allowable only at the instance of the bank and subject to prior approval of the CBN; and
iii. All debts, with the exception of trade lines, shall have a minimum fixed tenor of five (5) years.

3.2.2.4. Net Foreign Currency Trading Position

The maximum Net Foreign Currency Trading Position of Authorized Dealers that shall be allowed is between 0.5 and -10.0 per cent of their shareholders' funds unimpaired by losses. This limit is to be maintained at the close of business each day and subject to periodic review.

3.2.3. Foreign Exchange Interventions

Subsequent to the Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market of June 15, 2016 and the supporting circulars, the CBN shall sustain efforts at enhancing efficiency, liquidity and transparency in the market. To achieve these goals, the Bank shall participate through intervention, by buying and/or selling foreign exchange in approved foreign currencies as and when necessary.

3.2.4. Foreign Exchange Interventions in Renminbi

In a continued drive to deepen the Nigerian foreign exchange market, the Central Bank of Nigeria released the Regulation for the Transaction on Renminbi on June 7, 2018. With effect from the date of the released Regulation, the CBN commenced the conduct of bi-weekly auctions for the sale of Renminbi on trade-backed transactions to Authorised Dealers. Authorised Dealers in the CBN bi-weekly auctions shall comply with the following:

a. All Authorised Dealers shall open Renminbi accounts with a correspondent bank and advise accounts details to the CBN;

b. Importers intending to import from China shall obtain proforma invoice denominated in Renminbi;

c. FX purchased from the Renminbi auctions are strictly for payment to beneficiaries resident in the People's Republic of China;

d. Authorised Dealers are not allowed to open domiciliary accounts denominated in Renminbi; and

e. Authorised Dealers for the operationalization of Renminbi sales are strictly commercial and merchant banks.

3.2.5. Over-the-Counter Futures Trade Transactions – N1.0 Billion Pledge by DMBs

The revised Guidelines for the operationalization of the Nigeria foreign exchange market released on June 15, 2016, introduced the Naira Settled Over-the-Counter (OTC) futures as a hedging product for FX transactions in the Nigerian foreign exchange market. Consequently, in an effort to enhance efficiency in trade and post-trade activities and build confidence in the financial markets, all participating banks are mandated to pledge collateral of N1.0 billion worth of Government/CBN securities for OTC settlement.

3.2.6. Discount Window Operations

The CBN makes available its standing windows where all eligible market players may borrow from or lend funds to the Bank on short-term basis to meet temporary shortages of liquidity or place excess funds overnight. The windows, through the Standing Lending Facility (SLF) and the Standing Deposit Facility (SDF), shall continue to be accessible at a stipulated time at the end of the business day to enable the deposit banking institutions square up their positions overnight at appropriate interest rates anchored to the Monetary Policy Rate.

Repurchase (Repo) and reverse repo shall, in addition, avail the eligible institutions of tenured facilities to raise short-term funds. The CBN reserves the discretion to grant approval for outright rediscounting of eligible securities. The Bank shall also admit, at the discount window, designated instruments as collateral, as may be approved from time to time. Discount window activities shall continue to be guided by relevant circulars and guidelines.

3.2.7. Intra-day Liquidity Facility

All eligible commercial and merchant banks shall continue to have access to the Intraday Liquidity Facility (ILF) to meet their intra-day liquidity shortfalls within stipulated time frame during the business day. In line with the relevant provisions, circulars and guidelines, liquidity levels in the individual institutions is enhanced continuosly to forestall queues and gridlocks on the Real Time Gross Settlement System (RTGS) and ensure its smooth operation.

The CBN Bills, Federal Government securities and other securities that CBN may prescribe from time to time, shall continue to serve as collateral for the ILF. Where participating institutions failed to liquidate the facility at the stipulated time before the end of the business day, this will result in the pledged securities being discounted or converted to SLF at a penal rate with the pledged securities serving as collateral.

3.2.8. Standing Deposit Facility

With reference to relevant provisions, circulars and guidelines on the operationalisation of the Standing Deposit Facility window, and in particular, the Circular referenced FMD/DIR/GEN/CON/OGC/12/019 dated July 10, 2019, titled 'Guidelines on Accessing the CBN Standing Deposit Facility', the following review shall apply:

a. The remunerable daily placements by banks at the SDF shall not exceed N2.0 billion. Any deposit in excess of N2.0 billion shall not be remunerated; and

b. SDF deposit not exceeding N2.0 billion shall be remunerated at the interest rate prescribed by the MPC from time to time.

3.2.9. Non-Interest Financial Products

To further deepen the non-interest financial markets and aid their liquidity management process, the following instruments shall remain accessible by the Non-Interest Financial Institutions (NIFIs):

3.2.9.1. CBN Safe Custody Account

The CBN Safe Custody Account (CSCA) is an instrument based on a contract of safe custody of funds between a depositing financial institution with surplus funds and the CBN, with the Bank serving as the custodian. The tenors for the placement shall be overnight, three-day or seven-day, subject to a roll-over on maturity for the same term, either by the participating institution or by the CBN.

3.2.9.2. CBN Non-Interest Note

The CBN Non-Interest Note (CNIN) is a financial instrument issued by the CBN, evidencing an interest-free loan between an authorised non-interest financial institutions (NIFI) (lender) and the CBN (borrower), which entitles the institution to raise a corresponding interest-free loan from the CBN at a later date.

3.2.9.3. CBN Non-Interest Asset Backed Securities

CBN Non-Interest Asset Backed Securities (CNI-ABS) are instruments involving the securitization of CBN's holdings in International Islamic Liquidity Management (IILM) securities and/or Sukuk issued by a multilateral organization of which Nigeria is a member. The underlying assets shall be short to medium term to avoid tenor mismatch and must be tradeable in the secondary market.

3.2.9.4. Funding for Liquidity Facility

Funding for Liquidity Facility (FfLF) is a liquidity facility provided by the CBN on overnight basis only and to be terminated on the next business day. Authorized NIFIs are to provide eligible securities to the CBN, as collateral for the facility. The FfLF shall continue to enable the CBN play its role as lender of last resort to the NIFIs during the 2020/2021 fiscal years.

3.2.9.5. Intra-day Facility

Intra-day Facility (IDF) is an instrument that enables the NIFIs meet temporary liquidity shortfalls during the business day. Repayment of the funds borrowed shall take place before the end of the business day. The IDF shall be provided against eligible securities including the CSCA, CNIN, CBN-ABS, Sukuk instruments with liquidity status and any other collateral designated by the CBN that do not contravene the guidelines for NIFIs operations. The Bank shall also admit acceptable non-interest instruments as approved from time to time.

3.2.10. Interest Rate Policy

Interest rates in the 2020/2021 fiscal years shall continue to be market-driven. The CBN shall continue to influence interest rates indirectly, through the adjustment of its anchor rate, the MPR. Accordingly, interest rates used by banks in the 2020/2021 fiscal years shall comply with the following guidelines:

a. Banks shall continue to pay negotiated interest rates on current account deposits at the instance of the customer.

b. Where special purpose deposits (such as deposits held as collateral or other similar deposits) are held, banks shall pay interest at a rate negotiated with the customer, subject to a minimum of 30.0 per cent of MPR per annum for naira denominated deposits. A special purpose deposit, as used in these Guidelines, is a deposit made by, on behalf of, or transferred from the customer's account, which is not accessible to the customer, for more than seven (7) days.

c. The applicable interest rate on foreign currency denominated deposits held as collateral shall be negotiated in line with the applicable term deposit rate prevailing in a referenced foreign exchange market or as set by the appropriate monetary authority for the foreign currency.

d. The reducing balance method shall be employed for calculating interest charged on loans repayable in instalments. The use of any other method for calculating interest on loans payable in agreed instalments, such as the discount method or the simple interest straight line method that would result in the payment of higher effective rates of interest than the contracted rate is not allowed.

e. A statement of account shall be rendered promptly, to each account holder, minimally, on a monthly basis free of charge and shall include:

i. Rates of interest on over-drawn accounts, the amount and the period; and ii.Details of operation of the account during the month.

f. Interest on savings deposit shall be accrued on daily basis and credited to the customer's account at the end of each month.

g. The balance on a personal savings account on which interest is payable is not subject to any threshold.

h. Each bank shall continue to ensure the correctness of its charges and interest payable on deposit accounts.

i. Where the bank discovers a non-payment or under-payment of interest on deposits, other entitlements, excessive interest and/or bank charges, the bank shall refund the charges and/or excessive interest to the customer within two weeks of the discovery/customer complaint, with simple interest at the bank's prevailing maximum lending rate from the date of such non-payment, underpayment and/or excessive interest up to the date of refund, along with a letter of apology to the customer. Where necessary, the customer's account should be reconstructed. Any bank that fails to comply with this provision shall, in addition to the refund to the customer, be liable to a penalty as may be prescribed by the CBN.

j. Where the bank discovers a non-payment or underpayment of interest in foreign currency denominated accounts, other entitlements, excessive interest and/or bank charges, the bank shall refund the charges and/or excessive interest to the customer within two weeks of discovery/customer complaint, with simple interest at the bank's maximum lending rate for foreign currency denominated loans, along with a letter of apology to the customer. Any bank that fails to comply with this provision shall, in addition to the refund to the customer, be liable to a penalty as may be prescribed by the CBN.

k. Banks shall, in accordance with the provisions of BOFIA 1991 (as amended) and amendments to Monetary Policy Circular No. 30 of 1996, continue to display daily at their offices, current lending and deposit rates, as well as publish such applicable rates daily on their websites and weekly in national newspapers as contained in the Circulars *BSD/DIR/GEN/CIR/02/019 dated January 29, 2009 and*

BSD/DIR/GEN/CIR/01/023 dated October 14, 2009 (http://www.cenbank.org).

3.2.11. Determination of Banks' Cost of Funds

In the 2020/2021 fiscal years, banks shall continue to employ the weighted average cost of funds methodology in the computation of their cost of funds. The applicable cost items shall include interest cost on the different types of deposit liabilities, borrowings from the inter-bank funds market, payments in respect of deposit insurance premium and costs due to reserve requirements. It should be noted that overhead costs are excluded from this computation.

3.2.12. Framework for the Implementation of Risk-Based Interest Pricing Model

Banks are expected to seek profitability by driving down costs and charging competitive rates instead of charging excessive rates of interest. Therefore, banks shall develop and implement a Risk-Based Pricing Model in line with the provisions of CBN circular referenced BSD/DIR/GEN/RPN/04/120 on "The Need for Banks to Develop and Implement a Risk-Based Pricing Model" issued in

October 2011. To ensure that the MPR is an effective tool for driving lending rates, banks are expected to disclose their prime and maximum lending rates as a fixed spread over the MPR.

3.2.13. Opening of New Accounts

As part of its effort towards promoting greater financial inclusion in the country, the Bank shall continue to encourage banks to intensify deposit mobilisation during the 2020/2021 fiscal years. Accordingly, banks shall allow zero balances for opening new bank accounts and simplify their account opening processes, while adhering to Know-Your-Customer (KYC) requirements. Banks are also encouraged to develop new products that would provide greater access to credit.

3.2.14. Issuance of Nigerian Treasury Bills and Federal Government of Nigeria Bonds

The Federal Government through the Debt Management Office (DMO) and in partnership with the CBN shall continue to determine the amount, volume of issue, as well as, re-issue of various tenor of Nigerian Treasury Bills (NTBs) to meet the short-term fiscal operations of government. The quarterly issue programme of the Federal Government of Nigeria debt instruments, thereof, shall be determined collaboratively by the DMO and CBN. The NTBs, ranging from 91 days to 364-day tenors, would support the FGN funding needs and ensure the orderly development of debt instruments in the Nigerian financial markets. The full management of the issuance of FGN Bonds for and on behalf of the FGN is under the purview of the DMO.

3.2.15. Ways and Means Advances

Ways and Means Advances shall continue to be available to the Federal Government, to finance deficits in its budgetary operations to a maximum of 5.0 per cent of the previous year's actual collected revenue. Such advances shall be liquidated as soon as possible, and shall in any event be repayable at the end of the year in which it was granted.

Consistent with the banking arrangement of Treasury Single Account (TSA), Ways and Means Advances would now be determined after recognizing the sub-accounts of the various MDAs, which are now linked to the Consolidated Revenue Fund (CRF) to arrive at the FGN consolidated cash position. This would continue in the 2020/2021 fiscal years.

3.2.16. Treasury Single Account

The Treasury Single Account (TSA) forms part of the government's public financial management reform programme, through which all Federal Government of Nigeria (FGN) accounts are harmonized into a single account and linked to the Consolidated Revenue Fund (CRF). The Bank will continue to collaborate with the Office of the Accountant General of the Federation (OAGF) to ensure improvement in the scheme's process. To improve the operation of the TSA, the Central Bank of Nigeria Internet Banking (CIB) was developed for the use of external customers. Furthermore, the Bank adopted an Aggregator Model through routing of transaction details to the Transaction Query System (TQS), as part of its efforts to improve the efficiency of TSA collections and allow participation of multiple Payment Solution Service Providers (PSSPs) in the e-Collection segment of the scheme. The initiative allows eligible licenced PSSPs to transmit collection through the Nigerian-Interbank Settlement System (NIBSS) for settlement at CBN, thus promoting competition and efficient service delivery, which would ultimately reduce e-Collection charges.

The CBN would continue to develop effective models for e-Payment and the e-Collection segments under the TSA scheme.

The Bank envisages to interface directly with the Government Integrated Financial Market Information System (GIFMIS) Platform as well as make the TSA payments instant within the fiscal years of 2020/2021.

3.2.17. The Payments System

The Bank shall continue to enhance the efficiency and security of the National Payments System, through various initiatives, collaboration, as well as formulation and enforcement of guidelines and policies.

(a) Payments System Vision

Payments System Vision (PSV) 2020 has largely achieved its objective of creating a payments system that is nationally utilised and internationally recognised. To further consolidate the gains of PSV 2020, the Bank will champion the launch of PSV 2030 to facilitate economic activities by providing safe and efficient mechanisms for making and receiving payments with minimal risks, while extending the availability and usage to all sectors and locations.

(b) Security of the Payments System

The Bank shall require all regulated entities in the payments system to conduct their operations in line with global industry standards, including PA DSS, PCI PED, PCI DSS, Triple DES, Europay, MasterCard and Visa (EMV) standards, or as may be stipulated from time to time. All card issuers and financial institutions shall ensure that all cards produced and issued in Nigeria, are chip-based.

The CBN shall continue to ensure that entities in the payments system strictly comply with all existing guidelines including circulars on:

i. Guidelines on Operations of Electronic Channels in Nigeria https://www.cbn.gov.ng/Out/2016/BPSD/Approved%20Guidelines%20on%20Operations%20of%20Electronic%20Payment%20Channels%20in%20Nigeria.pdf
ii. Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria https://www.cbn.gov.ng/Out/2018/BPSD/Regulation%20on%20Instant%20Payment.pdf
iii. Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria https://www.cbn.gov.ng/Out/2019/PSMD/Regulation%20on%20Electronic%20Payments%20and%20Collections.pdf
iv. Operation of Mobile Money wallets by Deposit Money Banks https://www.cbn.gov.ng/out/2019/psmd/circular%20on%20the%20operation%20of%20mobile%20money%20wallets%20by%20deposit%20money%20banks.pdf
v. Regulatory Framework for BVN Operations and Watch-List for the Nigerian Financial System

https://www.cbn.gov.ng/out/2017/bpsd/circular%20on%20the%20regulatory%20framework%20for%20bvn%20%20watchlist%20for%20nigerian%20financial%20system.pdf

vi. Circular on Statement of Payments Finality for the Nigerian Payments Schemes https://www.cbn.gov.ng/Out/2017/BPSD/Circular%20on%20Statements%20of%20Payment%20Finality%20for%20the%20Nigerian%20Payments%20Schemes.pdf

(c) Operation of the Bank Verification Number

In the 2020/2021 fiscal years, the Bank shall continue to implement the requirements of the Bank Verification Number (BVN) operations, designed to provide unique identifiers in the financial system and improve KYC documentation, as contained in the "Regulatory Framework for BVN Operations and Watch-List for the Nigerian Financial System", and as may be amended from time to time.

(d) Cash-less Policy

In the 2020/2021 fiscal years, the Bank shall continue to implement the cash-less policy aimed at reducing the amount of cash circulating in the economy and encourage the use of electronic means of payment for goods, services and transfers. This initiative shall be extended beyond the pilot locations of Lagos, Ogun, Kano, Abia, Anambra, Rivers States and the Federal Capital Territory.

Accordingly, the following charges shall apply on deposit/withdrawal above the prescribed limits or as may be reviewed from time to time:

ACCOUNT TYPE	WITHDRAWAL/ DEPOSIT LIMITS	PROCESSING FEES FOR WITHDRAWALS	PROCESSING FEES FOR DEPOSIT
INDIVIDUAL	ABOVE N500,000	3%	2%
CORPORATE	ABOVE N3,000,000	5%	3%

(e.) Shared Agency Network Expansion Facility

The Shared Agency Network Expansion Facility (SANEF), established to enhance the provision of financial services access points in under-served and unserved locations and drive financial inclusion through agent banking, shall continue in the 2020/2021 fiscal years. Banks, mobile money operators and super-agents shall continue to render returns in the prescribed formats and frequency to the CBN.

(f.) Fees and Charges

The Bank shall continue to ensure that entities involved in the payments system adhere strictly to the charges and fees as prescribed in the Guidelines on Operations of Electronic Channels in Nigeria, as well as the Guide to Charges by Banks and Other Financial Institutions.

(g.) Sanctions on Erring Banks/E-payment Service Providers for Infractions of Payments System Rules and Regulations

The Bank shall continue to enforce applicable sanctions to erring banks and payments system service providers for infringements of extant rules and regulations on all forms of electronic payments, including withdrawal of licences and letters of no objection.

(h.) Cheque Processing

An enabling environment for efficient cheque processing and other paper-based payments instruments, through complete application of new and already adopted technologies shall be sustained.

i. Cheque Clearing

The Bank shall continue to improve the clearing infrastructure to increase the efficiency of the system. The cheque truncation system shall continue to be used for the exchange of images of the instruments and Magnetic Ink Character Recognition (MICR) data. The cheque clearing cycle remains T+1 and maximum cap on cheque at ₦10.0 million. The Bank will continue to take necessary steps to achieve a clearing cycle of T+0.

ii. Cheque Standards and Cheque Printers Accreditation Scheme

The Bank has approved the revised Nigeria Cheque Standards (NCS) and Nigeria Cheque Printers Accreditation Scheme (NICPAS), to improve the safety and efficiency of the clearing system. Notable changes in the revised Standards include introduction of Quick Response (QR) Code for faster verification of cheque details, expiry date of printed cheque booklet and clear zone at the back of the cheque. The new and old cheque standards would run concurrently till September 1, 2020. Thereafter, only cheques that conform with the new standards would be allowed in the clearing system.

The Bank shall continue to conduct annual accreditation of the Nigeria cheque printers and cheque personalizers, in line with the provisions of the revised NICPAS.

iii. Authorized Signatory Verification Portal

The Authorized Signatory Verification (ASV) Portal, developed by NIBSS, shall continue to be used as a secure electronic-based shared service solution for authorized signatory management in the Banking System. The Bank shall adopt the ASV for verification of Deposit Money Bank's mandate.

(i.) Real-Time Gross Settlement System

The Bank shall continue to maintain and upgrade the Real-Time Gross Settlement **(**RTGS) System for settlement of inter-bank fund transfers and time-critical payments. The RTGS system shall operate between the hours of 8.00 am and 6.30 pm on week days. During the 2020/2021 fiscal years, the following changes on the RTGS System shall be implemented, to improve its operational efficiency:

i. Change of RTGS System configuration to accommodate all schemes/instruments in each of the four (4) net settlement sessions.

ii. Even spacing of the four (4) net settlement sessions with the cut-off time for sessions 0, 1, 2 and 3 amended to 9am, 12 noon, 3pm and 6pm, respectively.

iii. Renaming of sessions 0, 1, 2 and 3 to sessions 1, 2, 3 and 4, respectively

iv. Extension of cut-off time for external users on the RTGS system from 4:30pm to 6:30pm.

(j.) Settlement and Non-Settlement Banks

The Bank shall continue to categorize banks into settlement and non-settlement banks for the purpose of clearing and settlement. Settlement banks participate directly in the clearing houses and receive their net clearing positions in their settlement accounts with the CBN, while non-settlement banks receive their net clearing positions through the settlement accounts of their settlement banks.

Any bank applying for direct participation as a settlement bank shall be required to meet the following conditions:

i. Possess the capacity to provide the required clearing collateral of ₦15.0 billion, subject to periodic review;

ii. Ability to offer agency facilities to other banks and to clear and settle on their behalf; and

iii. Adequate branch network, in all the CBN locations.

However, the Bank shall continue to review the existing arrangement to enhance the efficiency of the clearing system.

3.2.18. Publication of Annual Financial Statements

In accordance with the provisions of BOFIA 1991 (as amended), banks are required, subject to the written approval of the CBN, to publish not later than four (4) months after the end of each financial year, their audited financial statements (statement of financial position and statement of comprehensive income) in a national daily newspaper printed and circulated in Nigeria. To facilitate the implementation of consolidated supervision, all banks and their subsidiaries shall continue to adopt December 31, as their accounting year end. The CBN shall continue to hold the Board Chairman and Managing Director/Chief

Executive Officer (MD/CEO) of a defaulting bank directly responsible for any breach and impose appropriate sanctions which may include the following:

a. Barring the MD/CEO or his/her nominee from participating in the Bankers' Committee and disclosing the reason for such suspension;

b. Suspension of the foreign exchange dealership licence of the bank and its name sent to the Nigerian Stock Exchange (in the case of a public quoted company); and

c. Removal of the Chairman and MD/CEO from office if the accounts remain unpublished for twelve (12) months after the end of the bank's financial year.

3.2.19. Implementation of International Financial Reporting Standard (IFRS 9) - Financial Instruments in Nigeria

In line with the recommendations of Basel Committee on Banking Supervision (BCBS) on transitional arrangement on treatment of expected credit loss for regulatory purposes and the CBN Circular referenced BSD/DIR/GEN/LAB/11/027 dated October 18, 2018 banks may amortise the additional loan impairment loss resulting from the implementation of IFRS 9 on January 1, 2018 over a period of four (4) years ending December 31, 2021 to cushion the impact on banks' capital. Banks are, however, required to first apply the balance in their Regulatory Risk Reserve (RRR) to reduce the additional Expected Credit Loss (ECL) provisions to be recognized in the opening retained earnings on January 1, 2018. The amount to be deducted from RRR shall be limited to the excess of ECL provisions over IAS 39 provisions on the transition date.

3.2.20. Shared Services Arrangement between Nigerian Banks and Related Entities

The Bank shall issue guidelines to regulate the shared service arrangement between Nigerian banks and related entities. Such shared services may include provision of legal services, human resources, IT services, internal control/audit and risk management.

3.3. Other Policy Measures

3.3.1. Development Finance Policies

As part of efforts to address the persistent financing gaps in the real sector, the CBN shall continue to proactively evolve policy measures to stimulate the flow of low-cost financing to key sectors of the economy and improve access to finance by the priority segments – micro, small and medium enterprises (MSMEs); women; and youth in 2020/2021 fiscal years. To enhance uniformity in the implementation of its development finance initiatives, the interest rate of all CBN's real sector intervention programmes shall be at an all-inclusive rate of 9 per cent per annum. However, facilities under the Agricultural Credit Guarantee Scheme (ACGS) shall continue to be granted at the prevailing market rate and banks encouraged to apply for guarantee to the CBN as per the ACGSF operating guidelines during the 2020/2021 fiscal years.

A. Financing the Development of Agricultural Value Chain

The CBN shall continue to collaborate with relevant stakeholders in the agricultural sector to develop initiatives that would strengthen the linkages between farmers and agro-processors/manufacturers, as well as unlock capital flows from financial institutions to the sector. In this regard, the Bank will consolidate on the gains of the Anchor Borrowers' Programme (ABP), through the implementation of the Commodity Development Initiative (CDI) in 2020/2021 fiscal years. The CDI is aimed at boosting agricultural productivity and self-sufficiency in ten (10) commodities, namely: cassava, cocoa, cotton, fish, livestock/dairy, maize, oil palm, poultry, rice and tomato.

The Bank is also collaborating with the Bankers' Committee in the implementation of the Export Facilitation Initiative (EFI), which is to provide short-term financing to enterprises engaged in the export of identified agricultural commodities with high-revenue potential. The commodities are cashew, cocoa, oil palm, sesame seed and shea. Implementation of the initiative shall be intensified in the 2020/2021 fiscal years to enhance the contribution of non-oil export to economic growth.

Other initiatives of the Bank targeted at the development of agricultural value chain include:

a. Anchor Borrowers' Programme

The Anchor Borrowers' Programme (ABP) was established to finance smallholder farmers and create economic linkages between smallholder farmers and agro-processors/anchors. The CBN shall sustain and improve on the Programme in 2020/2021 fiscal years.

b. Accelerated Agricultural Development Scheme

The Accelerated Agricultural Development Scheme (AADS) is an initiative designed to support the Federal Government's efforts at promoting agriculture as a vehicle for food security, employment generation and economic growth. The Scheme, which is in collaboration with state governments and the FCT, has strong focus on commodities where the states have comparative advantage and the target groups are Nigerian youths aged between 18 years and 35 years. The Scheme shall be sustained in 2020/2021 fiscal years to promote increased youth engagement in agriculture.

c. Commercial Agriculture Credit Scheme

The Commercial Agriculture Credit Scheme (CACS) is focused on the financing of large ticket projects along the agricultural value chain, with particular emphasis on seven (7) focal commodities that contribute significantly to the nation's agricultural import bill. These commodities are rice, wheat, oil palm, fish, sugar, cotton and dairy. The Scheme has a non-interest window that aligns with the principles of Islamic Finance. Monitoring of projects financed, under the Scheme, will be intensified, while financing of high-impact projects shall be sustained in 2020/2021 fiscal years to boost agricultural value chain development.

d. Paddy Aggregation Scheme

The Paddy Aggregation Scheme (PAS) is a short-term working capital facility, introduced under the Commercial Agriculture Credit Scheme, to finance the purchase of home-grown paddy by integrated rice millers. The purpose of the Scheme is to reduce the high cost of local rice, thereby making the price of local rice affordable and competitive. The Phase 2 of the Scheme (PAS II) was introduced in 2018 and its implementation shall be sustained in 2020/2021 fiscal years.

e. Maize Aggregation Scheme

The Maize Aggregation Scheme (MAS) is a short-term working capital facility for millers, under the Commercial Agriculture Credit Scheme. The Scheme is designed to enhance maize production and processing capacity across the country. The Scheme shall be sustained in 2020/2021 fiscal years.

f. National Food Security Programme

The National Food Security Programme (NFSP) was introduced to ramp up food production and job creation across the country with the participation of large-scale farms that have numerous farmers as out-growers. The Programme also provides financing for identified agro-enterprises to mop up and procure grains, such as soya, corn/maize, sorghum and millet to support the Federal Government's Strategic Food Reserve initiative. The Bank shall continue to support the Programme in 2020/2021 fiscal years.

g. Presidential Fertilizer Initiative

The Presidential Fertilizer Initiative (PFI) was established to support the Federal Government's effort, through the Nigerian Sovereign Investment Authority (NSIA), to increase the production of Nitrogen, Phosphorus and Potassium (NPK) fertilizer by local blending plants. The initiative is aimed at enhancing domestic fertilizer availability and affordability, with a view to improving farmer productivity and creating jobs. The Bank shall continue to partner with the NSIA on the initiative in 2020/2021 fiscal years.

h. Agricultural Credit Guarantee Scheme

The Agricultural Credit Guarantee Scheme (ACGS) was designed to stimulate finance to the agricultural sector by providing up to 75.0 per cent guarantee to banks that grant loans for eligible agricultural purposes, in the event of default. In the 2020/2021 fiscal years, the Bank will sustain the Scheme to enhance access to credit for agricultural purposes. Complementary to the scheme, the Bank shall continue the operation of the Interest Drawback Programme (IDP) under which ACGS loan beneficiaries that repay their loans as and when due are eligible to be paid interest rebate, at a rate determined by the CBN at the beginning of each financial year.

B. Financing the Development of Micro, Small and Medium Enterprises

The Bank shall continue to encourage and collaborate with other stakeholders to evolve initiatives that would facilitate the development of micro, small and medium enterprises (MSMEs) in the 2020/2021 fiscal years. This is in recognition of the importance of MSMEs to the development and transformation of the economy. The initiatives targeted at the development of MSMEs include:

i. Real Sector Support Facility

The Real Sector Support Facility (RSSF) was introduced, as part of the Bank's effort, to unlock the potential of the real sector to stimulate output growth, value added productivity and job creation. The Facility supports large enterprises with financing needs subject to a maximum of ₦10.0 billion. The real sector activities targeted by the Facility are manufacturing, agricultural value chain and selected service sub-sectors. The CBN shall sustain the Facility in the 2020/2021 fiscal years.

ii. Real Sector Support Facility through Differentiated Cash Reserve Requirement and Corporate Bonds

The Real Sector Support Facility (RSSF) through Differentiated Cash Reserve Requirement (DCRR) and Corporate Bonds (CBs) was introduced to increase the flow of credit to the real sector in order to consolidate and sustain economic recovery. The Facility was designed to incentivise banks to lend out of their cash reserve requirement with the CBN to greenfield and brownfield projects in agriculture, manufacturing and other sectors considered to be employment-elastic and growth-stimulating. The CBN shall sustain the Facility in the 2020/2021 fiscal years.

iii. SMEs Credit Guarantee Scheme

The SMEs Credit Guarantee Scheme (SMECGS) is a credit enhancement mechanism to encourage banks' lending to productive sectors of the economy, by providing 80.0 per cent guarantee on loans granted to MSMEs engaged in manufacturing, agricultural value chain, education and any other activity as may be specified from time to time. The CBN shall sustain the Scheme in the 2020/2021 fiscal years.

iv. Micro, Small and Medium Enterprises Development Fund

The Micro, Small and Medium Enterprises Development Fund (MSMEDF) provides liquidity support to banks and non-bank financial institutions for on-lending to MSMEs. The Fund prescribes 50:50 ratio for on-lending to micro enterprises and SMEs, respectively by the participating financial institutions. Sixty (60.0) per cent of the Fund's commercial component is committed to women entrepreneurs, while two (2.0) per cent and ten (10.0) per cent are earmarked for Persons Living With Disabilities (PLWDs) and start-ups, respectively. The Fund shall be sustained in the 2020/2021 fiscal years.

v. Agri-Business/Small and Medium Enterprises Investment Scheme

The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) is an initiative of the Bankers' Committee to support the FGN's efforts and policy measures for the promotion of agricultural businesses, as well as small and medium enterprises as vehicles for sustainable economic development and employment generation. Commercial and merchant banks are required to set aside five (5.0) per cent of their profit after tax (PAT) annually to fund the Scheme. In order to fast track the nationwide implementation of the Scheme, the CBN is collaborating with NIRSAL Microfinance Bank Limited to coordinate and manage on-lending to viable enterprises. The CBN shall sustain the implementation of the Scheme in the 2020/2021 fiscal years.

vi. Youth Entrepreneurship Development Programme

The Youth Entrepreneurship Development Programme (YEDP) was established to deepen credit delivery to address the challenges of youth unemployment, by harnessing the entrepreneurial capacity of the Nigerian youth. Term loans accessed, under the Programme, are for a maximum tenor of 36 months and limited to ₦3.0 million for individuals and ₦10.0 million for groups of 3 – 5 entrepreneurs. To incentivise banks to lend to start-ups and youth entrepreneurs, the Programme stipulates a 50:50 risk sharing ratio between the CBN and the lending bank. The Bank shall sustain its implementation in the 2020/2021 fiscal years.

vii. Non-Oil Export Stimulation Facility

The Non-Oil Export Stimulation Facility (NESF) was introduced to diversify the revenue base of the economy and expedite the growth and development of the non-oil export sub-sector. The Bank shall continue to sustain the Facility in the 2020/2021 fiscal years to reposition the sub-sector to increase its contribution to economic development.

viii. National Collateral Registry

The National Collateral Registry (NCR) is an institutional initiative aimed at deepening financial inclusion, as it facilitates the use of movable assets as collateral for either business or consumer credit. The NCR provides a public web-based system that allows lenders to determine any prior security interest, as well as establish security interest in movable assets pledged as collateral. The CBN shall continue to support the activities of the Collateral Registry in the 2020/2021 fiscal years to substantially enhance access to credit through the diversification of eligible assets for collateral purposes.

ix. Creative Industry Financing Initiative

The Creative Industry Financing Initiative (CIFI) was designed to improve access to long-term and low-interest finance by entrepreneurs and investors in the Nigerian creative industry and information technology sub-sector. Activities eligible for financing include: fashion, information technology, software development, movie and music production and distribution. The initiative was designed to substantially tackle the daunting challenges of unemployment. The Bank shall intensify the implementation of the Initiative in the 2020/2021 fiscal years.

C. Infrastructure Financing

a. Power and Airline Intervention Fund

The Power and Airline Intervention Fund (PAIF) was introduced to fast-track the development of electric power projects and the aviation sector of the Nigerian economy with the objective of improving power supply, generating employment, and enhancing the standard of living of Nigerians. The Fund shall be sustained in 2020/2021 fiscal years.

b. Nigeria Electricity Market Stabilization Facility

The Nigeria Electricity Market Stabilization Facility (NEMSF) was established to provide liquidity to the electricity supply industry to enhance economic development. The Facility was conceived to settle the revenue shortfalls that accrued during the Interim Rules Period (IRP) up to end-December 2014 and the legacy gas debts of the Power Holding Company of Nigeria (PHCN) successor generation companies owed to gas suppliers prior to November 1, 2013. The provisions of CBN circular referenced FPR/DIR/GEN/CIR/01/004 dated March 4, 2015 shall continue to apply.

D. Financial Inclusion Strategy

The National Financial Inclusion Strategy (FIS) was launched to leverage existing bank branches, agent banking, mobile money agents and digital financial services to deliver financial services to Nigerians. The Strategy was revised in 2018 with focus on five targets, namely: female gender; youth within the age bracket of 18 to 25 years; rural dwellers; North-West and North-East regions; and MSMEs. The Bank shall intensify the implementation of the revised Strategy in 2020/2021 fiscal years to reduce the share of financially excluded to 5.0 per cent of the adult population by 2024.

3.3.2. Orderly Development of the Banking System

i. Bank Credit Expansion

Banks shall meet the following criteria in order to be allowed to grant new credit facilities in the 2020/2021 fiscal years:

a. Minimum capital adequacy ratio

b. Specified liquidity ratio

c. Provisions of the Prudential Guidelines

d. Minimum shareholders' funds

e. Specified cash reserve requirement

f. Sound corporate governance

ii. Prudential Guidelines for Licensed Banks

The provisions of the Prudential Guidelines shall continue to apply in the 2020/2021 fiscal years, subject to review based on developments in the industry. The differences resulting from the comparison of expected losses determined under International Financial Reporting Standards (IFRS) with all losses determined under the Prudential Guidelines shall continue to be adjusted under the statement of changes in equity, through the non-distributable regulatory reserve.

iii. Capital Adequacy

The minimum ratio of total qualifying capital to total risk-weighted assets shall remain at 10.0 per cent for regional and national commercial banks, and 15.0 per cent for international commercial banks in the 2020/2021 fiscal years. Not less than 75.0 per cent of banks' capital shall comprise paid-up capital and reserves. Banks shall also maintain a ratio of not more than one to ten (1:10) between adjusted capital funds and total credit net of provisions. They are encouraged to maintain a higher level of capital commensurate with their risk profile.

Banks and banking groups are required to comply with the appropriate guidelines for the measurement and calculation of capital requirements.

iv. Responsibilities of Banks' External Auditors to the Supervisory Authorities

The requirement that banks and other financial institutions should instruct their external auditors to forward two (2) copies of their audit reports to the CBN, not later than three (3) months after the end of banks' financial year, shall remain in force in the 2020/2021 fiscal years.

The external auditors of all banks and other financial institutions are expected to comply with the provisions of Rule 9 *[Application of International Standard on*

Auditing (ISA) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report] of the Financial Reporting Council of Nigeria for audit of financial statements for period ending on or after June 30, 2017.

The report on fraud and forgeries committed during the accounting year under review shall also accompany the audited reports. Moreover, each bank shall continue to communicate the appointment, re-appointment, termination, and resignation of its external auditors to the CBN, stating the reasons for such action. Where a bank fails to comply with this requirement, the CBN reserves the right to withhold the approval for publication of such accounts and apply the appropriate sanction. Banks are required to ensure that their external auditors are in attendance at the presentation of Examination Reports by the Supervisory Authorities to their Boards of Directors. The tenure of the external auditors in a given bank shall be for a maximum period of ten (10) years, after which the audit firm shall not be reappointed in the bank until after a period of another ten (10) years.

Banks are required to submit to the CBN, on a quarterly basis, progress reports on the implementation of the recommendations of the External Auditors in Management letters. External auditors shall also:

a. Issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system, in their audit reports, in line with the provisions of Section 63 of the Investment and Securities Act 2007;

b. Devote a portion of their report to the review of the bank's implementation of the preceding year's audit recommendations.

v. Returns from Banks

All banks shall render, in a timely manner and in the prescribed format, accurate reports of their activities for the daily, weekly, monthly, quarterly and semi-annual returns. The returns shall be rendered through the Financial Analysis (FinA) System and any other medium, as may be required. Daily returns shall be submitted by 10.00 a.m. of the next working day, while monthly, quarterly and semi-annual returns shall be submitted on or before the 5th day of the subsequent month. Where the 5th day is a weekend or a public holiday, returns shall be submitted on the previous working day.

During the period, banks shall continue to render weekly returns on deposit and lending rates to the Banking Supervision Department. The rates shall include all charges, commissions, and fees, annualized and added to the base lending rates to arrive at the all-inclusive rate.

vi. Penalties for Default

The CBN shall continue to enforce the stipulated penalties for non-compliance with regulatory guidelines, as well as the provisions of the CBN Act 2007 and the BOFIA 1991 (as amended), in the 2020/2021 fiscal years. Any financial institution that fails to comply with extant guidelines and other directives that may be issued by the CBN, shall be sanctioned accordingly.

vii. Transparency in Financial Transactions

Financial institutions shall continue to observe the following financial transparency standards in the 2020/2021 fiscal years:

a. Know-Your-Customer

Banks and other financial institutions shall continue to apply the Know-Your-Customer (KYC) principle and Customer Due Diligence (CDD) as specified in the CBN (AML/CFT in Banks and Other Financial Institutions in Nigeria) Regulations, 2013. Financial institutions are required to continue to observe the restrictions and limits on levels I and II of the Tiered KYC accounts as contained in the CBN circular referenced FPR/DIR/CIR/GEN/06/012 of July 1, 2016 (http://www.cenbank.org).

b. Compliance with Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Laws and Regulations

Banks and other financial institutions shall continue to observe high ethical standards and ensure compliance with the relevant laws and regulations governing their operations. The CBN shall continue to enforce the provisions of the Money Laundering (Prohibition) Act, 2011 (as amended), the CBN (AML/CFT in Banks and Other Financial Institutions in Nigeria) Regulations, 2013 and other relevant regulations. Banks and OFIs are required to strengthen their governance systems and enhance the identification, monitoring and reporting of money laundering and terrorism financing. All institutions are also required to upscale their platforms for the efficient and timely rendition of Suspicious Transactions Reports (STRs) on ML/FT in line with CBN circular referenced FPR/DIR/GEN/CIR/06/022 dated June 21, 2017 (http://www.cenbank.org).

c. Trafficking of Foreign Currency Cash Across Nigerian Borders

Cross border currency movement involves the transfer of foreign currencies through financial institutions and the physical movement of cash across a country's border. A framework shall be developed to enable enforcement of sanctions and penalties against individuals and entities that contravene the provisions of the extant laws relating to trafficking of foreign currency cash across Nigerian borders.

d. Co-operation with Law Enforcement Authorities

Banks and other financial institutions are required to cooperate with law enforcement authorities within limits of the rules governing confidentiality. In particular, where financial institutions are aware of facts that lead to a reasonable presumption that funds lodged in an account or transactions being entered into, are derived from criminal activity or intention, they should observe the stipulated procedures for disclosure of the suspicious transactions consistent with extant reporting procedures. Any financial institution that contravenes these requirements shall attract appropriate penalties as stipulated in the BOFIA 1991 (as amended) and other relevant regulations. The CBN in collaboration with the Office of the Attorney General of the Federation has developed a robust administrative sanction regime that has been gazetted to give it legal effect and ensure compliance with Financial Action Task Force (FATF) and Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA) requirements as contained in the CBN circular referenced FPR/DIR/GEN/CIR/07/001 dated April 9, 2018 (http://www.cenbank.org).

e. Risk-Based Supervision

The CBN would continue to adopt the risk-based supervisory (RBS) approach in the supervision of institutions under its regulatory purview. The objective of the RBS approach is to provide an effective process to assess the safety and soundness of banks and other financial institutions.

f. Consolidated Supervision of Nigerian Banks

During the 2020/2021 fiscal years the CBN, under the auspices of the Financial Services Regulation Coordinating Committee (FSRCC), shall continue to use the consolidated supervision approach in the oversight of financial holding companies.

g. Cross Border Supervision

The CBN shall grant approval, where appropriate, only to commercial banks with international authorization to establish off-shore subsidiaries. In addition, qualifying banks would only be allowed to establish off-shore subsidiaries in countries with which the CBN has signed a Memorandum of Understanding. The Framework for Cross Border Supervision of Nigerian Banks issued in 2011 (as well as any subsequent amendments made to it) shall continue to be the basis for the supervision of Nigerian banks that have presence outside the country.

h. Macro-Prudential Regulation and Stress Testing

The CBN shall sustain the use of macro-prudential regulation, and top-down quarterly solvency and liquidity banking industry stress testing in assessing the health of banks. Similarly, banks shall continue to conduct and submit to the CBN their quarterly bottom-up solvency stress testing report.

i. Risk Weights for Risked Weighted Assets Computation

The appropriate risk weights for various credit exposures shall be as contained in the Revised Guidance Notes on the Calculation of Capital Requirements for Credit Risk.

j. Risk Management, Corporate Governance and Whistle blowing

The revised Code of Corporate Governance and Whistle blowing guidelines, issued in May 2014 and the guidelines for the development of a risk management framework for individual banks issued in July 2007, shall remain in force in the 2020/2021 fiscal years. They shall be continually reviewed in line with best practice. As part of initiatives to strengthen financial stability and reposition the OFI sub-sector for greater effectiveness in the financial sector landscape, CBN issued the Code of Corporate Governance for OFIs referenced FPR/DIR/GEN/07/017 dated October 26, 2018 (*www.cbn.gov.ng*). The Code is expected to enhance good governance practices, engender public confidence to attract investments and promote efficiency and transparency in the sub-sector.

k. Credit Risk Management System

Banks shall continue to comply with the requirements of the Credit Risk Management System (CRMS) as stipulated in the CBN circular referenced FPR/DIR/GEN/CRM/06/012 of February 27, 2017 *(http://www.cenbank.org).* Further to the redesigned CRMS in February 2017 and release of regulatory guidelines for same, the CBN in a circular referenced FPR/DIR/GEN/07/007 dated

September 10, 2018 issued additional guidelines to address some areas in the rendition requirements and to ensure full compliance with the operations of the CRMS.

I. Private Credit Bureaux

During the 2020/2021 fiscal years, the operations of private credit bureaux shall be guided by the provisions of the Credit Reporting Act, 2017 and the National Credit Reporting System Regulation, 2019.

All banks and other financial institutions shall, during the 2020/2021 fiscal years, continue to:

a. Have data exchange agreements with at least two (2) licensed credit bureaux;

b. Obtain credit reports from at least two (2) licenced credit bureaux in addition to the CBN CRMS before granting any new credit facility, or when reviewing, renewing or restructuring an existing facility;

c. Obtain credit reports for quarterly credit reviews on all existing facilities from at least two (2) licensed credit bureaux;

d. Upload loan data on all its existing credit customers to credit bureaux with which it has executed data exchange agreements;

e. Update any change in the data submitted to a credit bureau pursuant to relevant provision of the Act, at least on a monthly basis or more frequently, or in accordance with a schedule provided by the credit bureau.

m. Credit Scoring Regime

In order to improve the credit space and unlock access to consumer and retail loans, the Bank shall require all identified data controllers to provide data to a central depository.

n. Additional Disclosures by Banks

Banks shall continue to publish additional disclosure statements to strengthen the incentives regime for maintaining sound banking practice. To enhance transparency, all banks shall continue to comply with the IFRSs.

o. Supervisory Intervention Framework for the Banking Industry

During the 2020/2021 fiscal years, the CBN's policies, guidelines and processes for the prevention, management and containment of bank systemic distress and crisis shall continue to apply.

p. Regulation and Supervision of Domestic Systemically Important Banks in Nigeria

The Framework for the Regulation and Supervision of Domestic Systemically Important Banks (D-SIBs) in Nigeria and other supporting guidelines and directives, shall continue to apply during the 2020/2021 fiscal years. All D-SIBs shall ensure compliance with the Guideline on the Minimum Content for Recovery Plans and Requirements for Resolution Planning issued in November 2016.

q. Basel II and III Implementation

To reduce the risk of a build-up of excessive leverage in the banking system and provide a safeguard against excessive concentration, the CBN shall commence a phased implementation of Basel III standards and revise the existing Basel II guidelines on Regulatory Capital and Supervisory Review Process in 2020/2021 fiscal years. To this end, the Bank will issue guidelines to cover the following standards, amongst others: Liquidity Coverage Ratio (LCR), Liquidity Risk Management (LRM) and Internal Liquidity Adequacy Assessment Process (ILAAP), Large Exposures and Regulatory Capital definition.

r. Cross-Border Supervision

To further strengthen the regulation and supervision of cross-border banks, the CBN shall commence the conduct of country risk assessment in respect of banks embarking on cross-border expansion during the 2020/2021 fiscal years. To this end, guidelines on country risk assessment shall be issued to the industry and all banks with international authorisation shall be required to comply. The Guidelines aims at setting supervisory expectations regarding the management of country risk by banks and is applicable to all banks with international activities and exposure to country and transfer risk. The supervisory authority shall apply to this Guidelines based on the nature of a bank's international activities and cross-border exposures, as well as the risk in countries where the bank has or plans to have operations. The review of banks management of country risk by the CBN will be aimed at assessing the level of risk arising from their international activities and exposures and the effectiveness of their internal governance and controls for the management of exposure to country and transfer risk.

s. Basel Core Principles' Self-Assessment and Financial Sector Assessment Programme

To determine its level of compliance with the Basel Core Principles for Effective Banking Supervision (BCPs) the CBN shall carry out a self-assessment of compliance with the BCPs preparatory to the Financial Sector Assessment Programme (FSAP).

t. Cyber Security Surveillance

To combat the increasing cyber security threat in the banking industry, the Bank issued the risk-based cyber security framework and guidelines for Deposit Money Banks (DMBs) and Payment Service Providers (PSPs) on October 10, 2018. The document specifies the minimum cyber security baseline to be put in place by DMBs and PSPs, and guidelines for the implementation of cyber security programmes. It mandates all DMBs and PSPs to appoint a Chief Information Security Officer (CISO) to oversee the cyber security issues.

u. Cyber Security Fund

The CBN shall continue to enforce payment of the mandatory levy of 0.005 per cent on all electronic transactions by banks and OFIs, pursuant to the Cybercrime (Prohibition, Prevention, etc.) Act, 2015.

v. Lending to the Real Sector

As part of measures to increase banks' lending to the real sector of the economy, particularly to the MSMEs, the CBN mandated banks vide a Circular BSD/DIR/GEN/LAB/12/049 dated September 30, 2019 *(http://www.cenbank.org)* to increase their loan-to-deposit ratio (LDR) to not less than 65.0 per cent effective December 31, 2019 subject to periodic review. The measure is also intended to minimize the crowding out effect of bank's preference to hold government securities at the expense of loans creation.

w. Charging of Penalty by Non-Interest Financial Institutions

The Financial Regulation Advisory Council of Experts (FRACE) resolved that charging of penalty is only permissible when the customer wilfully delays payment that is due. However, any income derived from the imposition of such penalty must be given to charity. Under no circumstance shall the bank, its shareholders or staff benefit therefrom. All Non-Interest Financial Institutions shall comply with the following guidelines:

a. Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services In Nigeria
b. Guidelines for the Operation of Non-Interest Financial Instruments by the Central Bank of Nigeria. *(www.cenbank.org)*
c. Guidelines on Shariah Governance for Non-Interest Financial Institutions in Nigeria.

http://www.cenbank.org/OUT/2011/CIRCULARS/FPR/FINAL%20GUIDELINES%20ON%20SHARIAH%20GOVERNANCE.PDF

d. Guidelines on the Governance of Advisory Committee of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria. http://www.cenbank/Out/2015/fprd/ACE%20GUIDELINES%203.pdf

e. Guidelines on the Governance of Financial Regulation Advisory Council of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria https://www.cbn.gov.ng/out/2015/2015/fprd/frace%20cog.pdf

f. Circular to All Non Interest (Islamic) Financial Institutions on the Treatment of Hamish Al Jiddiyya (Earnest Deposit) https://www.cbn.gov.ng/out/2015/fprd/circular%20on%20non-interest.pdf

g. Guidelines on the Regulation and Supervision of Non-interest (Islamic) Microfinance Banks in Nigeria https://www.cbn.gov.ng/Out/2017/FPRD/GUIDELINES%20FOR%20REG.%20AND%20SUP.%20OF%20NIMFB.pdf

xxvii. Curbing the Activities of Illegal Fund Managers

The Bank shall continue to take measures to curb the activities of Illegal Fund Managers (IFMs) in the Nigerian financial system. These measures would include public enlightenment and collaboration with law enforcement agencies in effecting closure of the IFMs. In order to curtail the activities of Ponzi Schemes in Nigeria, the FSRCC resolved that the Dedicated Police Unit of the Securities and Exchange Commission (SEC) should be used to conduct further investigations and prosecute identified operators of the Ponzi Schemes in the country.

xxviii. National Roadmap on Sustainable Finance

All entities in the financial system shall continue to imbibe the sustainability principles as enshrined in the National Road Map on Sustainable Finance Principles (NSFP) in the 2020/2021 fiscal years.

xxix. Competency Framework and Approved Persons' Regime

The Bank shall continue to enforce the Competency Framework for the Nigerian Banking Industry and the Revised Assessment Criteria for Approved Persons' Regime for Financial Institutions, as may be amended from time to time.

3.3.3. Regulation and Supervision of Other Financial Institutions

The CBN shall continue to supervise Other Financial Institutions (OFIs) to ensure the safety and soundness of the sub-sector. Accordingly, the following regulatory guidelines shall apply in 2020/2021 fiscal years:

a. Supervisory Methodology

The CBN shall continue to supervise OFIs using the risk-based supervision methodology. Accordingly, OFIs are required to implement appropriate Enterprise Risk Management (ERM) framework.

b. Liquidity Ratio

The liquidity ratio of primary mortgage banks (PMBs) and microfinance banks (MFBs) remains at 20.0 per cent.

c. Capital Adequacy Requirements

All OFIs shall maintain at all times a minimum ratio of qualifying capital to risk-weighted assets of not less than 10.0 per cent.

d. Limit on Foreign Currency Borrowings

The aggregate foreign currency borrowing of an OFI shall not exceed 125.0 per cent of its shareholders’ funds unimpaired by losses or as may be prescribed by the CBN from time to time.

e. Uniform Accounting Year-end and Compliance with International Financial Reporting Standards

All OFIs shall continue to maintain a uniform accounting year-end of December 31, and prepare financial statements based on IFRS. They are required to submit their audited financial statements not later than four (4) months after the end of the financial year.

f. Supervisory Intervention Framework

In accordance with the extant supervisory intervention framework for OFIs, deposit taking OFIs are required to develop and implement comprehensive contingency funding plans that define the manner in which they would maintain liquidity in the event of crisis. The plan must be reviewed annually and approved by their respective Board of Directors.

g. **Other Policy Measures**

To further deepen the OFIs sub-sector, the following requirements/initiatives shall apply in 2020/2021 fiscal years:

(a) Finance Companies

(i.) Permissible and Non-permissible Activities

Finance companies shall only engage in permissible activities specified in the revised guidelines (http://www.cenbank.org). Finance companies shall not engage in non-financial activities such as trading, construction, project management and other financial services such as deposit taking, stock brokerage, registrar and issuing house businesses. Also, leasing companies that engage in finance lease are required to apply for finance company licence.

(ii) Minimum Capital Requirement

The minimum capital requirement for finance companies (FCs) shall be ₦100.0 million or as may be prescribed by the CBN.

(iii) Borrowing and Lending Limits

The minimum amount that a finance company can borrow from any individual or corporate body shall be ₦50,000.00 and ₦2,000,000.00, respectively.

The maximum loan that a finance company may grant to any person or the maximum investment a finance company may make in any venture shall be 20.0 per cent of its shareholders' funds unimpaired by losses.

(b.) Primary Mortgage Banks

a. Permissible and Non-permissible Activities

Primary Mortgage Banks (PMBs) shall continue to engage in permissible activities as stipulated in the revised guidelines on the operation of PMBs. PMBs shall not engage in leasing, real estate development, estate agency or facilities/project management business. Newly licenced PMBs shall be required to seek written approval from the CBN to access the National Housing Fund Facility.

b. Minimum Capital Requirement

The capital requirement for PMBs is as stipulated below or as may be reviewed by the CBN:

Category	Capital Requirement	Operational Location
State	₦2.50 billion	Statewide
National	₦5.00 billion	Nationwide

c. Lending Limit

All PMBs shall maintain a minimum ratio of 60.0 per cent of mortgage assets to total assets, 75.0 per cent of which must be residential mortgages. A minimum of 70.0 per cent of PMBs' loanable funds, defined as total deposits plus on-lending loans, shall be devoted to the creation of mortgage assets. The maximum loan from a PMB to an individual and a corporate body shall not exceed 5.0 and 20.0 per cent respectively of its shareholders' funds unimpaired by losses, respectively. The maximum loan-to-value ratio, which determines the equity contribution of the borrower, shall be 80.0 per cent. In essence, the borrower's contribution must not fall below 20.0 per cent.

The non-performing loans of a PMB shall not exceed 10.0 per cent of total loans and advances. All PMBs shall be required to comply with the uniform underwriting standards for mortgages and commercial real estate financing.

d. Publication of Annual Financial Statements

All PMBs shall submit their annual audited financial statements and the abridged version of the accounts to the Director, Other Financial Institutions Supervision Department before publication. Subject to the written approval of the CBN, a PMB shall, not later than 4 months after its financial year end:

a. publish the abridged version of its approved financial statements in a daily newspaper printed in and circulating in Nigeria and approved by the Bank; and

b. exhibit same in a conspicuous position in each of its offices and branches in Nigeria.

e. Cash Reserve Requirement

All PMBs shall continue to maintain a cash reserve requirement (CRR) of 2.0 per cent of their adjusted deposit liabilities with the CBN on a monthly basis as stipulated in the Circular referenced OFI/DIR/GEN/CIR/01/009 of August 25, 2014.

(c) Mortgage Refinancing Companies

Mortgage Refinancing Companies (MRCs) are established to enhance liquidity within the mortgage sub-sector, increase the availability of mortgages, reduce mortgage and related costs, and make residential housing more affordable. MRCs shall support mortgage originators such as PMBs and commercial banks to increase mortgage lending by refinancing their mortgage loan portfolios. It shall also act as an intermediary between originators of mortgage loans and capital market investors who typically are looking for long-dated high quality securities.

(i) Non-permissible Activities

MRCs shall not grant consumer or commercial loans; originate primary mortgage loans; accept demand, saving and time deposits, or any other type of deposits. Also, it shall not finance real estate construction, undertake estate agency or facilities management and other businesses NOT permitted in the Guidelines.

ii. Minimum Capital Requirements

The minimum capital for establishing an MRC is ₦5.0 billion. In addition to the capital adequacy requirement for all OFIs, every MRC shall maintain, at all times, a minimum ratio of core capital to total assets (leverage ratio) of not less than 5.0 per cent.

(d) Microfinance Banks

a. Minimum Capital Requirements

Effective April 2021, the minimum capital requirements for Microfinance Banks (MFBs) shall be as stated below or as may be prescribed by the CBN from time to time.

Classification of Microfinance Banks		
Category	**Capital Requirement**	**Operational Location**
Unit (Tier I) Unit (Tier II)	₦200.00 Million ₦50.00 Million	One Location (Urban) One Location (Rural/ Unbanked / Underbanked)
State	₦1.00 Billion	Statewide
National	₦5.00 Billion	Nationwide

b. Government Ownership of MFBs

The CBN shall continue to encourage state and local government's equity participation in MFBs as allowed under the revised guidelines to facilitate financial inclusion. However, all such investments shall be gradually divested to private-sector investors within a maximum of five (5) years from the date of the initial investment.

c. Lending Limits

The loan portfolio of MFBs shall, at all times, comprise a minimum of 80.0 per cent micro-loans. The maximum loan by an MFB to any individual borrower, director or related borrower shall not exceed 1.0 per cent of the shareholders' funds unimpaired by losses, while a maximum of 5.0 per cent is prescribed for corporate/group borrowers.

As part of efforts at promoting effective credit risk management and corporate governance, aggregate insider-related loans shall not exceed 5.0 per cent of the shareholders' funds unimpaired by losses.

d. Branch Expansion

In addition to the Head Office, the CBN will continue to encourage Unit MFBs that intend to have not more than one (1) branch within the Local Government Area approved for their operations. This is subject to the availability of free funds (shareholders' funds unimpaired by losses, less fixed assets and long-term investments) and maintenance of the prescribed minimum prudential requirements.

e. Operational Requirements

(i) To manage available resources and to enhance the liquidity of MFBs, the aggregate value of equity participation of an MFB in all permissible enterprises shall not be more than 7.5 per cent of its shareholders' funds unimpaired by losses.

(ii) Total investment in fixed assets shall not be more than 20.0 per cent of shareholders' funds unimpaired by losses.

(iii) Investment in treasury bills is compulsory and shall not be less than 5.0 per cent of total deposit liabilities subject to a ceiling of 10.0 per cent.

(e) Development Finance Institutions

The CBN shall continue to encourage Development Finance Institutions (DFIs) to implement appropriate operational models. The categorization of DFIs into Wholesale and Retail DFIs shall continue in 2020/2021 fiscal years. All DFIs are required to apply to the CBN for their choice of DFI licence in line with the extant regulations.

i. Minimum Capital Requirements

The minimum capital requirement for a Wholesale DFI shall be ₦100.00 billion payable over a maximum period of four (4) years, out of which a minimum of ₦20.00 billion shall be paid before grant of Approval-in-Principle (AIP).

A Wholesale DFI shall plough back all its profit after tax to reserves unless it has met the regulatory minimum capital of ₦100.00 billion or such other amount as the CBN may specify from time to time.

The minimum capital requirement for a Retail DFI shall be ₦10.00 billion.

A DFI shall maintain at all times a minimum ratio of Tier I capital to total assets of 5.0 per cent. Tier II capital, which comprises the DFI's qualifying loan capital, shall not exceed 33.33 per cent of Tier I capital.

ii. Establishment and Operations of Subsidiaries

To ensure transparent financial reporting and focus on core mandate, all DFIs shall provide comprehensive disclosure on all subsidiaries and operations of their special purpose vehicles, while also reporting on a solo and consolidated basis as required by circular referenced OFI/DIR/CIR /GEN/20/349 of September 3, 2019.

iii. Limit on Non-performing Loans

The limit of DFIs non-performing loans shall be as prescribed in the Guidelines for Development Finance Institutions or other extant regulations.

(f) Bureaux De Change

The CBN shall continue to ensure the emergence of well-capitalised and structured entities that can effectively perform the role of Bureaux de Change (BDCs).

i. Minimum Capital Requirement

The minimum capital requirement for a BDC shall be ₦35.00 million, while the requirement for a mandatory deposit has been suspended. Multiple ownership of BDCs is **NOT** permitted and the CBN shall impose appropriate sanctions when detected.

ii. Rendition of Returns

BDCs shall render accurate and timely reports of their daily, weekly and monthly activities in the prescribed format. The returns shall be rendered through electronic channel(s) as may be prescribed by the CBN from time to time.

Daily and weekly returns shall be submitted by 12.00 noon of the next working day, while monthly returns shall be submitted on or before the 5th day of the following month. Where the 5th day is a weekend or public holiday, returns shall be submitted on the preceding working day. Non-compliance with this requirement shall be seen as a regulatory breach which shall attract appropriate regulatory sanctions.

iii. Use of Bank Verification Number for All Foreign Exchange Transactions

All customers desiring to purchase foreign exchange through all available channels in Nigeria must provide their Bank Verification Number (BVN), which must be validated by a CBN Authorised Foreign Exchange dealer through NIBSS platform before the transactions are consummated.

Any Authorised Foreign Exchange dealer that fails to provide the required information in its returns or provide wrong BVN shall be penalised and this shall include withdrawal of its authorized dealership license. (FPR/DIR/CIR/GEN/05/013)

iv. Operating Guidelines

The revised operating guidelines for BDCs issued vide circular referenced FPR/DIR/GEN/CIR/01/030, dated November 30, 2015 shall continue to apply during the 2020/2021 fiscal years.

v. Foreign Exchange Sales to BDCs

BDCs would continue to source their foreign exchange from members of the public and any other source as may be prescribed by CBN from time to time. CBN shall, however, continue to monitor the activities of the BDCs to ensure that no operator is in violation of the anti-money laundering laws.

(g) Other Financial Institutions (OFIs)' Returns to Credit Bureaux

To enhance the quality of credit information available, the CBN shall continue to monitor and enforce the rendition of credit reports by lending-OFIs to the Credit Reporting System in the 2020/2021 fiscal years.

(h) Rendition of Returns on Anti-money Laundering (AML)/ Combating the Financing of Terrorism (CFT)

In the 2020/2021 fiscal years, OFIs shall continue to render returns mandated under the CBN AML/CFT Regulations, as well as returns on fraud and forgeries.

(i) Payment Service Banks

The key objective of setting up Payment Service Banks (PSBs) is to enhance financial inclusion by increasing access to deposit products and payment/remittance services to small businesses, low-income households and other financially excluded entities through high-volume low value transactions in a secured technology-driven environment.

i. Operating Guidelines

The operating guidelines for PSBs was issued vide circular referenced FPR/DIR/GEN/CIR/07/018 dated October 26, 2018 (http://www.cenbank.org)

ii. Permissible and Non-permissible Activities

PSBs shall engage only in permissible activities specified in the guidelines. PSBs shall not grant any form of loan, accept foreign currency deposit, deal in foreign exchange, provide insurance underwriting, accept any closed scheme electronic value as a form of deposit or payment, and establish any subsidiary.

iii. Minimum Capital Requirements

The minimum capital requirement for a a PSB shall be N5.00 Billion or as may be prescribed by the CBN from time to time.

iv. Participation in payments and settlement system

PSBs shall participate in the payments and settlement system and have access to the inter-bank and the CBN collaterised repo window for its temporary liquidity management.

(j) Guide to Charges by Banks and Other Financial Institutions

All regulated entities shall continue to comply with the Guide to Charges by Banks and OFIs. The CBN shall continue to monitor and enforce compliance with its provisions.

To address the concerns of stakeholders, the interest rate cap placed on mortgage finance, has been removed to allow for negotiations between PMBs and their customers as contained in the circular referenced OFI/DIR/GEN/CIR/07/033 dated September 5, 2019.

SECTION FOUR

4.0. FOREIGN TRADE & EXCHANGE POLICY MEASURES

4.1. New Policy Measures

I. To enhance efficiency and transparency in the trade process, the CBN introduced the automated Form 'NXP' (e-NXP) with effect from October 31, 2019. Consequently, all authorised dealers and the general public are required to comply with the provisions of circular referenced TED/FEM/FPC/GEN/01/003 dated October 28, 2019 (http://www.cenbank.org).

II. All foreign shipping companies/local agents shall maintain disbursement accounts with Authorized Dealers into which inflows from their principals shall be lodged for the purpose of payment of statutory fees and other related charges to Nigerian Ports Authority (NPA), Nigerian Maritime Administration & Safety Agency (NIMASA) and other local shipping charges that are foreign currency (FCY) denominated.

Accordingly, foreign shipping companies with local agents shall not be allowed to access the interbank market to pay statutory charges/fees, as provided for in the Foreign Exchange Manual.

III. For the purpose of Customs clearance, small and medium enterprises (SMEs) intending to import goods shall process e-Form "M" through any Authorized Dealer as provided in Memorandum 9 of the Foreign Exchange Manual.

IV. Where transfers are to be made to third parties from ordinary domiciliary accounts, the purpose for the transfer should be provided by the account holder as provided for in Memorandum 25 of the Foreign Exchange Manual.

V. Only hotels registered as authorized buyers of foreign exchange shall receive payment of hotel bills in foreign currency. However, the payment of such bills in foreign currency shall be at the discretion of the foreign visitor. In addition, the hotels are allowed to buy foreign currency, subject to a limit of $5,000.00 (Five thousand dollars) only, per approved transaction. They can also exchange into foreign currency any unused naira balance received from guests, subject to evidence of the initial conversion.

4.2 POLICY MEASURES RETAINED

4.2.1. FOREIGN EXCHANGE MARKET

I. The Foreign Exchange Market (FEM) shall continue to operate under the provisions of relevant laws and guidelines during the 2020/2021 fiscal years.

II. Banks shall continue the processing of Certificate of Capital Importation (CCI) in respect of foreign currency inflow to the country via the electronic Certificate of Capital Importation (eCCI) system.

III. Exporters are required to register e-Form NXP with an Authorized Dealer of their choice prior to shipment. Consequently, Bills of Lading in respect of exports from Nigeria shall carry the e-Form NXP number of the underlying cargo.

IV. Timeline for processing e-Form NXP is 48 hours from receipt of the application, while documentation requirements for import and export remain eight (8) and seven (7) documents, respectively, as stipulated in the circular referenced TED/FEM/FPC/GEN/01/004 of April 19, 2017 (http://www.cenbank.org).

V. Payment for eligible imports by SMEs valued at not more than USD20,000.00 per customer per quarter can be effected by Telegraphic Transfer (TT) subject to completion of Form "Q" and supported with Proforma Invoice and importer's BVN.

VI. Authorized Dealers are not allowed to sell foreign exchange to BDCs and other authorized buyers.

VII. Allowable limit of International Money Transfer Operators (IMTO) outbound money transfer per transaction per person shall be US$1,000.00 or its equivalent per quarter, subject to review from time to time. Applicable charges by the operator shall be in compliance with the money transfer charges as may be prescribed by the CBN from time to time.

VIII. Authorized Dealers shall utilize interbank funds strictly for funding of Letters of Credits (LC), Bills for Collection and other invisible transactions, subject to appropriate documentation as provided by extant regulation.

IX. Funds purchased from the interbank shall be utilized within 72 hours from the value date failing which such funds must be returned to the CBN for re-purchase at the Bank's buying rate.

X. Payment for goods and services provided in Nigeria by resident companies and individuals shall not be made in foreign currency. The general public is to note that it is a punishable offence as stipulated in Section 20(5) of the CBN Act, 2007 for any person or body corporate to refuse the acceptance of naira as legal tender currency for payment for goods and services in Nigeria.

However, agencies of Government and operators permitted by law to carry out business transactions in foreign currency are exempted. Accordingly, payment of port charges to the Nigeria Ports Authority (NPA), Nigerian Maritime Administration & Safety Agency (NIMASA), etc by oil companies can be done using Form “A”. The CBN shall advise the list of exempted government agencies and operators from time to time.

In addition, the above provisions are without prejudice to foreigners, visitors and tourists who are encouraged to use their cards for payments or exchange their foreign currency at any of the Authorized Dealers outpost including hotels.

XI. The importation of foreign currency banknotes by Authorized Dealers shall be with prior approval of the CBN. Any Authorized Dealer intending to import foreign currency cash is required to submit an application, stating the amount and purpose, to the Director, Trade and Exchange Department, CBN, Abuja for consideration.

XII. Pursuant to the provisions of Memorandum 10 of the Foreign Exchange Manual in respect of the repatriation of export proceeds, all Authorized Dealers are required to note that:

a. Proceeds of oil and non-oil exports are to be repatriated into the export proceeds domiciliary accounts of the respective exporter's accounts within 90 days for oil exports and 180 days for non-oil exports, failing which the collecting bank shall be liable to a fine of 10 per cent of the free-on-board (fob) value including other penalties as provided in BOFIA 1991 (as amended).

b. Where an exporter fails to repatriate the proceeds into the export proceeds domiciliary account within the stipulated period, the exporter shall be barred from participating in all segments of the Foreign Exchange Market.

XIII. Holders of export proceeds domiciliary accounts shall continue to use their proceeds for the following:

a. To finance eligible transactions supported with appropriate documentation.

b. Sell to Authorized Dealers at the Investors' & Exporters' (I & E) window.

XIV. CBN Foreign exchange intervention funds shall neither be tradable in the inter-bank Foreign Exchange Market nor sold to BDCs.

XV. The list of goods and services "Not valid for foreign exchange" as contained in the Bank's circulars referenced TED/FEM/FPC/GEN/01/010 dated June 23, 2015 and TED/FEM/FPC/GEN/01/006 dated December 10, 2018 (http://www.cenbank.org) remains applicable and as may be reviewed from time to time. For the avoidance of doubt, items listed in the Circulars are not banned from importation, however, importers are required to use their own funds without recourse to the Nigerian Foreign Exchange Market.

XVI. Recipients of proceeds of International Inward Money Transfers shall henceforth be paid in Naira only. The applicable exchange rate for conversion of the proceeds shall be the prevailing interbank rate on the day of payment by the Authorized Dealer.

XVII. Authorized dealers are required to conspicuously display the prevailing Naira exchange rate in their banking halls.

XVIII. Retirement benefits of foreign nationals who contributed to the pension scheme shall continue to be eligible for remittance subject to the following documentation requirements:

a. Duly completed Form 'A'

b. Resident permit and/or expatriate quota

c. Retirement savings account statement

d. National Pension Commission's (Pencom) approval

XIX. Insurance premium remittances on oil and gas and special risks, which are handled by foreign brokers/insurers shall be undertaken in the foreign exchange market. The documentation requirements are:

a. Duly completed Form 'A'

b. Demand Note/Debit Note from foreign broker/insurer

c. Letter of attestation from the National Insurance Commission (NAICOM).

XX. Travelers entering/leaving Nigeria shall be required to declare any amount in excess of ₦100,000.00 (One hundred thousand naira only) and /or US$10,000.00 (Ten thousand dollars only) (or its equivalent), in their possession on arrival or departure from the country. These amounts may be reviewed by the CBN from time to time.

The declaration on Forms Travel Import (TM) and Travel Export (TE) of foreign currency imports and exports, respectively, of US$10,000.00 (Ten thousand dollars) only and above or its equivalent is required for statistical purposes only.

XXI. In line with the provisions of the Public Procurement Act, (PPA) 2007, down payments in respect of imports into Nigeria shall not exceed 15.0 per cent of the FoB value of the transaction.

XXII. Subject to compliance with advised Foreign Currency Trading Position (FCTP) limits, Authorized Dealers shall continue to deal freely in autonomous funds in their own right. However, they shall not be allowed to purchase funds, including inter-bank, on behalf of a customer without a valid underlying transaction and supporting documents.

XXIII. BDCs shall continue to observe a maximum foreign exchange cash sales of US$5,000.00 (Five thousand dollars) only, per approved transaction.

XXIV. Pooling of funds purchased from the CBN with those acquired from other sources is allowed provided the origin is duly identified and reported. Consequently, Authorized Dealers shall continue to render appropriate statutory returns on sources and utilization of funds to the CBN.

XXV. Foreign exchange brought into the country by oil and oil servicing companies to meet their local expenses shall continue to be sold to any bank of their choice including the CBN. Monthly online returns by both the oil companies and the banks on such sales and purchases shall be rendered to the CBN, using the approved format.

XXVI. All applications for foreign exchange, shall continue to be approved by banks, subject to stipulated documentation requirements before the remittance of funds.

XXVII. The payment of interest in respect of Bills for Collection shall continue to be on the tenor of the Bill, which shall not exceed a maximum of 180 days at an interest rate of 1.0 per cent above the prime lending rate prevailing in the country of the beneficiary, based on the London Interbank Offered Rate (LIBOR).

XXVIII. Private sector transactions shall not qualify for government guarantees.

XXIX. Business Travel Allowance (BTA) and Personal Travel Allowance (PTA) shall be subject to a maximum of US$5,000.00 (Five thousand dollars) only and US$4,000.00 (Four thousand dollars) only, per quarter, respectively.

XXX. Remittances in respect of dividends, capital, proceeds of investment, sale of international air tickets and consultancy services shall be made through the use of funds from the interbank sources only.

XXXI. To streamline the extant regulations on the issuance of eCCI, Authorized Dealers are required to issue same in respect of imports of plant and machinery within 24 hours of submission of final shipping and other relevant documents by the applicant. Furthermore, where the date of the document (bill of lading) is older than 6 months at the time of submission, the Authorized Dealer is required to obtain the approval of the CBN before issuing the eCCI.

4.2.2. Procedure for Registration of e-Forms 'M' for goods "Not valid for Foreign Exchange"

All e-Forms 'M' to be registered on the Nigerian Single Window for Trade portal for items **classified** by CBN as 'Not Valid' for Foreign Exchange should be accompanied with the following documents in addition to other regulatory permits where applicable:

i. Proforma invoice from the supplier

ii. Insurance certificate (marine/cargo)

iii. Written confirmation from the Authorized Dealer stating the source of funds including any documentary evidence.

In addition, Authorized Dealers are required to forward hard copies of e-Forms 'M' relating to all items "Not valid for foreign exchange" and the documents indicated above to the Director, Trade & Exchange Department, Central Bank of Nigeria, Abuja for necessary approval before validation.

4.2.3 e-Form 'M' Procedure for Importation of Petroleum Products

For the purpose of establishing Letters of Credit and Bills for Collection for the importation of petroleum products, Authorized Dealers shall forward to the Director, Trade & Exchange Department, all relevant supporting documents for consideration prior to commencement of the transaction. Furthermore, the CBN shall be notified within 48 hours by the Authorized Dealers before bidding for funds to pay for such transactions.

4.2.4 e-Form 'M' Procedure

i. All imports whether or not exempted from Destination Inspection Scheme (DIS) shall require the completion of an e-Form 'M'.

ii. All imports into Nigeria (except those exempted) shall be subject to DIS.

iii. The initial validity period of an approved e-Form 'M' for general merchandise shall be 180 days, which may be extended for another 180 days by the Authorized Dealer. For capital goods, the initial validity of an approved e-Form 'M'/LC shall be 365 days subject to a maximum extension of another 365 days. However, any subsequent request for revalidation of e-Form 'M'/LC shall be submitted to the Director, Trade and Exchange Department, CBN for consideration and approval.

iv. Post-landing charges on import of equipment shall continue to be treated as an integral part of the total cost of projects and of the e-Form 'M'. No direct or separate remittance on Form 'A' in respect of such charges shall be allowed.

v. Shipping documents predating e-Form 'M' and LCs approval date shall be liable to sanctions in line with the provisions of BOFIA 1991 (as amended), as well as other appropriate sanctions that may be determined from time to time by the CBN.

4.2.5 Import Duty Payment

Import duty payable on items registered under e-Form 'M' transactions, whether 'valid' or 'not valid' for foreign exchange, shall be at the FX closing rate as advised by the CBN on the date of the duty assessment.

4.2.6 Exports

a. All commercial exports, whether or not exempted from Pre-shipment Inspection, shall require the completion of the e-Form NXP.

b. The validity of e-Form NXP is six (6) and three (3) months for non-oil and oil exports, respectively, from the date of registration, subject to renewal for three (3) months by the Authorised Dealer. Subsequent request for renewal shall require the approval of the Director, Trade and Exchange Department, Central Bank of Nigeria, Abuja.

c. All exports from Nigeria, except those exempted, shall be subject to Pre-shipment Inspection by a government appointed inspection agent.

d. Goods to which this inspection applies shall not be exported from Nigeria unless an inspection agent has issued a Clean Certificate of Inspection.

e. Payment for exports from Nigeria shall continue to be by means of Letters of Credit, Bills for Collection and Advance Payment. Such exports shall be executed on FoB or cost, insurance and freight (CIF) basis, depending on the contract between the exporter and the overseas buyer.

4.2.7 Invisible Trade Transactions

a. Remittances for licences (Trademarks, Patents, Know-how and Franchise, etc.) or other Industrial Property Rights shall range between 0.5 to 5.0 per cent of net sales value, revenue or profit before tax as applicable. Trademarks fee shall not be allowed in respect of any agreement where the trademark owner has over 75.0 per cent of the equity in the local company. Companies with several product lines are required to separate the net sales of each product line in their audited accounts, so as to pay royalty for specific product(s) covered by the industrial property rights, and not on the entire/total sales of the company.

b. Fees for Technical Services such as training, installation and maintenance, etc, shall not be tied to net sales. The fees shall be settled on a per diem, man-hour, man-day, or man-month basis. Fees for Research & Development and improvement shall not exceed 1.0 per cent of net sales.

c. Management Service fees shall range between 1.0 and 5.0 per cent of the company's profit before tax. Management Service fees on products where no profit is anticipated during the first three to five years shall range between 1.0 and 2.0 per cent of net sales only.

d. Annual Technical Support (ATS) fees payable to Information Technology (IT) licencors shall not exceed 23.0 per cent of the licence fee (the local component of which must be paid in Naira) and shall commence after the first year of implementation of the agreement and shall not last for more than three years. In addition, indigenous local vendors shall be involved in all ATS for Software

Agreements. However, the fees should be paid in Naira and shall not be less than 40.0 per cent of the ATS fees.

e. Basic fee or lump sum fee not exceeding 5.0 per cent of turnover plus an incentive fee not exceeding 12.0 per cent of Gross Operating Profit (GOP) shall be applicable on Hotel Services. Other payments which are internationally acceptable within the applicable hotel chains may be allowed.

f. Consultancy fees eligible for remittance shall be a maximum of 5.0 per cent of project cost and limited to projects of very high technology content for which indigenous expertise is not available. Service Agreement for high technology joint ventures shall continue to include a schedule for the training of Nigerian personnel for eventual take-over. In addition, Nigerian professionals shall be involved in the project implementation from inception to completion.

4.2.8 Miscellaneous Policy Measures

a. Authorized Dealers are to note that funds from the official foreign exchange window shall not be eligible for investment in securities denominated in foreign currencies abroad and setting up of offshore subsidiaries/branches of Nigerian companies. For the avoidance of doubt, only funds from other sources shall be used to finance such transactions.

b. Appropriate sanctions shall continue to be imposed on Authorized Dealers who remit funds on the basis of forged documents, engage in fraudulent transactions, fail to transfer customs revenue to the CBN in accordance with the laid down procedures, etc.

c. Sanctions shall also be imposed on bank customers who breach any of the foreign exchange operational guidelines.

SECTION FIVE

5.0. CONSUMER PROTECTION

5.1. Operational Structure

The CBN shall continue to maintain the consumer protection structure at its Head Office and Branches. The CBN shall be responsible for treating escalated complaints against banks, other financial institutions (OFIs) and other entities under its regulatory purview. The Bank shall continue to promote transparency and good ethical practice by financial institutions in their dealings with customers. The Bank shall also continue with its consumer education initiatives with a view to sensitizing consumers on their rights and obligations.

5.2. Consumer Protection Regulation

A Consumer Protection Framework was issued to the industry in November 2016 to provide policy direction for protection of customers of financial institutions under the regulatory purview of the CBN. To operationalize the Framework, guidelines have been developed in relation to four (4) of the principles contained therein, namely: Fair Treatment of Consumers; Disclosure & Transparency; Complaints Handling & Redress; and Responsible Business Conduct. The guidelines would be issued to the industry for implementation in due course.

The Guide to Charges by Banks and Other Financial Institutions in Nigeria 2017 and other relevant regulations issued by the Bank shall continue to apply to CBN-regulated institutions.

5.3. Consumer Complaints Resolution and Procedure

a. Banks shall continue to assign tracking numbers to all complaints they receive and issue acknowledgment containing the tracking number to all complainants. In addition, daily upload of all complaints received into the Consumer Complaints Management System (CCMS) shall continue to be carried out in line with the provision of Circular referenced CPD/DIR/CIR/01/001 of December 20, 2018 (http://www.cenbank.org).

b. Complaints on point of sale (POS) and automated teller machine (ATM) channels shall be treated in line with service level agreements (SLA) on dispute resolution stipulated in Guidelines on Operations of Electronic Payment Channels in Nigeria issued in May 2016.

c. Other complaints shall be treated in line with the timelines for resolution/SLA attached to circular number CPD/DIR/CIR/01/001 of December 20, 2018 (http://www.cenbank.org).

d. Complaints shall only be treated if lodged within a period of six (6) years from the date of transaction except complaints relating to fraud cases, complaints already lodged with the financial institutions or the CBN, or complaints relating to international electronic payment transactions as specified in the Circular referenced FPR/DIR/GEN/CIR/05/011 of August 21, 2015.

e. Customers dissatisfied with the financial institution's decision or resolution process may escalate their complaints to the CBN via e-mail to cpd@cbn.gov.ng or write to the Director, Consumer Protection Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P.M.B. 0187, Garki, Abuja. Telephone 07002255226. Complaints can also be lodged at any of the 37 Branches of the CBN nationwide or any other channel as may be provided by the CBN from time to time.

5.4. Help Desks at the CBN

5. 4.1. General Complaints

All enquiries/complaints in respect of services rendered by the Central Bank of Nigeria shall be made to:

Help Desk: e-mail: gov@cbn.gov.ng

Address: Director, Governor's Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P.M.B. 0187, Garki, Abuja.

Telephone: 0946236000

5.4.2 Foreign Exchange Authorised Dealers/Customers

Complaints and enquiries from the public in respect of trade and foreign exchange policies and transactions should be referred to:

Help Desk email: ted@cbn.gov.ng

Address: Director, Trade and Exchange Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P. M. B. 0187, Garki- Abuja.

Telephone: 0946237804

5.4.3 Monetary Policy Help Desk

The General Public can reach the CBN on all Monetary Policy enquiries using the Help Desk email: mpd@cbn.gov.ng.

Address: Director, Monetary Policy Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P. M. B. 0187, Garki-Abuja. Telephone: 0946238900.

Godwin Ifeanyi Emefiele (CON)

Governor, Central Bank of Nigeria

January 1, 2020.

ANNEXURE I: PRUDENTIAL GUIDELINES FOR LICENCED BANKS

The revised prudential guideline for licensed bank issued by the CBN which came into effect July 1, 2010 shall continue to be used as a guide for banks' operations subject to review from time to time.

Check the CBN website link below:

http://www.cenbank.org/out/2010/publications/bsd/prudential%20guidelines%2030%20june%202010%0final%20%20_3_pdf

ANNEXURE II: NIFIs FORMAT FOR SUBMISSION OF REQUEST

Address of the Bank/NIFI

The Director,

Financial Markets Department,

Central Bank of Nigeria, Corporate Headquarters,

Central Business District, Abuja,

Federal Capital Territory

Dear Sir,

REQUEST FOR........ (*State Name of Instrument, e.g. CSCA Deposit*)

In accordance with the "Guidelines for the Operation of Non-Interest Financial Institutions Instruments by the Central Bank of Nigeria", we hereby apply for............. *(State Name of Instrument e.g. CSCA Deposit, CNIN or CBN-ABS*) as follows:

Name of Bank:	**.................................**
Account Number:	**..................................**
Amount:	**₦......................million**
Tenor:	**.................. (Days, Years)**
Effective Date:	**...................... (dd/mm/yy)**
Maturity:	**............... (dd/mm/yy)**

Signatory (1)	Official Stamp	**Signatory (2)**
Name of Signatory (1)		**Name of Signatory (2)**

ANNEXURE III: RETURNS ON FX SALES TO BDCs

RETURNS ON FX SALES TO BDCs

NAME OF DEPOSIT MONEY BANK..

FX SALES TO BDCs AS AT THE WEEK ENDED..

BDC CODE..................................

			AMOUNT SOLD			RATES	
S/N	BDC NAME	BDC ADDRESS	USD	GBP	OTHERS	INTER-BANK**	SALES*

NOTE

****Refers to the Bank's buying rate of Inter-bank funds**

***Refers to selling rate to the BDCs**

PREPARED BY
NAME:
DESIGNATION:
SIGNATURE & DATE

APPROVED BY
NAME:
DESIGNATION:
SIGNATURE & DATE

ANNEXURE IV: RELEASE OF THE GUIDELINES FOR THE OPERATION OF NON-INTEREST FINANCIAL INSTRUMENTS BY THE CENTRAL BANK OF NIGERIA

CENTRAL BANK OF NIGERIA
Corporate Head Office,
Central Business District,
P.M.B. 0187,
Garki, Abuja – F.C.T.

Website: www.cbn.org.ng
Email: info@cbn.org.ng

Monday, December 10, 2012

TO: ALL LICENSED NON-INTEREST FINANCIAL INSTITUTIONS AND DEPOSIT MONEY BANKS WITH NON-INTEREST BANKING WINDOW

GUIDELINES FOR THE OPERATION OF NON-INTEREST FINANCIAL INSTRUMENTS BY THE CENTRAL BANK OF NIGERIA

Following the take-off of operations by Non-Interest Financial Institutions (NIFIs) and Non-Interest Banking Window (NIBW) by deposit money banks (DMBs), the Central Bank of Nigeria (CBN) has introduced applicable instruments to facilitate their liquidity management and access to the CBN window.

To give effect to this development, Guidelines for the Operation of the Instruments have been formulated and hereby released for the information of and compliance by all licensed NIFIs and DMBs with NIBWs.

Thank you.

....
E. U. UKEJE
Director, Financial Markets Department

Guidelines for the Operation of Non-Interest Financial Institutions Instruments by the Central Bank of Nigeria

1. Introduction

The licensing of Non-Interest Financial Institutions (NIFIs) by the Central Bank of Nigeria (the Bank) to complement the existing conventional banking system has, no doubt, expanded the scope and diversity of banking services in the Nigerian financial system. The aim of this development is to attend to the growing need for innovative financial services, enhancement of financial inclusion and acceleration of economic activities, growth and development. Towards realizing the full potentials of the NIFIs and non-interest bearing financial operations, the Bank has developed a number of non-interest bearing instruments to be accessed at its (CBN) window by the NIFIs in order to facilitate liquidity management and assist in effective monetary policy implementation.

Details of modalities for the application of these instruments are as outlined here below.

2. General Requirements and Terms of Operations

The following general requirements and terms of operations of the non-interest bearing instruments shall apply, in addition to the specific provisions or features of each instrument as specified therein or as may be reviewed by the Bank from time to time. Participants are, therefore, required to note the provisions in the individual instruments alongside these general requirements.

i) Participation and Eligibility

Only licensed non-interest banks (NIBs), deposit money banks with non-interest banking window and any other authorised dealer as may be approved by the CBN shall be eligible to participate in the window. Participation shall be voluntary.

ii) Request for Admission

Interested participant(s) in the non-interest bearing instruments shall apply for admission into the window. The application shall be addressed to:

The Director, Financial Markets Department,
Central Bank of Nigeria,
Corporate Headquarters,
Central Business District,
PMB 0187,
Garki, Abuja, Federal Capital Territory

iii) Submission of Mandate

a) Two (2) representatives of the authorized institution shall be required to initiate and consummate transactions on behalf of the institution.

b) The institutions shall provide the details of their representatives who have been authorized to initiate and conduct business in the instruments on their behalf. These shall include passport photograph, name, position held in the institution, specimen signature, contact telephone number and any other information that may be required from time to time by the Bank.

iv) Mode of Submission of Transaction Deals

The submission of transaction shall be in the format as prescribed by the Bank.

v) Operational Account

The operational account for participants in the non-interest bearing instruments shall be the account authorised by the Bank.

This account shall be used for the purposes of settlements.

vi) Limit of Authority

The authorized representatives of the participating institution shall have authority to initiate transactions and their actions shall be deemed as having been authorised by their Management.

vii) Charges or Fees

The Bank shall not apply any charges in the operation of these instruments, except in certain circumstances as may be determined by the Bank from time to time.

viii) Announcement

The Bank, in the course of operation of the instruments shall make appropriate announcement(s) to participating institutions through any media, which shall include, but not limited to Reuters Information System, Bloomberg, facsimile, telephone, electronic mail and circular.

ix) Exemption

The Bank shall not be responsible for, among other things, technical or any other failures that may prevent a participating institution from receiving an announcement, participating in an operation, errors or omissions arising from mandate on transaction deals, except for its own delays and/or errors or omissions.

x) Alteration in Conduct and Procedure

The Bank shall reserve the right to amend any of the provisions contained here-in in order to achieve monetary policy objectives and for the sustenance of financial stability.

xi) Suspension and Disqualification from Participation

The Bank shall reserve the discretion to suspend or disqualify any participant in the non-interest banking window when in its (the Bank's) opinion it is desirable to do so with or without any explanation.

In like manner, the Bank may re-admit a suspended or disqualified participant when in its (the Bank's) opinion it is desirable to do so with or without any explanation, and may specify certain conditions for compliance before such re-admission.

3. CBN Non-Interest Banking Window

The Non-Interest Banking Window (NIBW) at the Central Bank of Nigeria shall, in the meantime, offer the following non-interest bearing instruments and their features are stated here below.

i) CBN Safe-Custody Account (CSCA)

This instrument is based on a contract of safe-custody of funds (*Wadiah*) between a depositing financial institution and the CBN, with the CBN as the custodian.

Features

The features are as follows:

a) The CSCA allows participating institutions to place their surplus funds with the Bank based on the concept of safe-custody (*Wadiah*) only.
b) Participating institutions shall be allowed to place their funds during the working day between the hour of 3.00 pm and 3.30 pm.
c) The tenor for the placement of surplus funds shall be on overnight, three-day and seven-day basis, subject to a roll-over on maturity for the same term, either by the participating institution or the Bank.
d) Roll-over of the funds placed shall be deemed as mandated by the participating institution after 2.59p.m on the day of maturity, thereby, necessitating the Bank to effect the roll-over on the term initially undertaken by the participating institution.
e) The acceptor of funds, that is, the CBN, shall act as the custodian for the funds placed or deposited by the participating institution.
f) The Bank (or the acceptor) shall have no obligation to make or offer any return, reward or gift (*Hibah*) to the account or funds placed or deposited by the participating institution, nor shall participating institutions demand or expect any return, reward or gift on the funds placed or deposited.
g) Where, the Bank decides to give a return, reward or gift for the funds placed or deposited by the participating institution, the Bank shall be free to exercise the discretion to do so, and on its (the Bank's) own terms.
h) The determination of any return, reward or gift for any account or funds placed or deposited by any participating institution may include, but not limited to, an assessment of any or a combination of the following factors:
   i) The prevailing monetary policy stance;
   ii) The prevailing liquidity conditions in the banking system;

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iii) Market Support Committee (MSC) decisions and advisory;
iv) The size of the funds or deposit(s),
v) The prevailing conventional banking conditions, such as the money market indicators, and,
vi) The alternative investment options.

i) The giving of a return, reward or gift shall not be a stipulated condition for the contract nor shall it be a standardized custom.
j) The giving of return, reward or gift, and, the amount will be decided by the Committee of Governors (COG) on recommendation from the Director, Financial Markets Department or his representative.

ii) CBN Non-Interest Note (CNIN)

This is a financial paper issued by the CBN evidencing an interest-free loan instrument between an authorised financial institution (lender) and the CBN (borrower), which entitles the authorised non-interest financial institution to raise a corresponding interest free loan from the CBN.

Features

The features are as follows:

a) An investment in the CNIN shall evidence an interest-free loan received from an authorised financial institution, and entitles the authorised financial institution to an interest-free loan from the CBN after the maturity of the first loan.
b) The CBN shall determine the amount (**A**) and tenor (**N**) of the first loan, and announce details of its offer to borrow to participating financial institutions.
c) If the authorised financial institution gets a Note of value **A** and tenor **N**, it will be entitled after maturity at a period **t** to qualify for a loan of an amount **A x C** for a period **N x 1/C**, where **C** is a factor that can assume the value of 2, if the amount required is double the amount of the first loan (i.e. **2 x A**) and the period **N** will be half of the period of the first loan (i.e. **N/2**).
d) The determination of the value of **A** and **N** shall be based on the liquidity conditions of the economy, while **t** shall not be more than 12 months.
e) The exercise of the right to the interest-free loan from the CBN shall be limited to holders of this Note that have liquidity needs.
f) The Note is not discountable, but transferrable at par.
g) The minimum amount of this Note shall be N1, 000,000 with different tenors of 30, 60, 91 and 180 days.

h) These features are without prejudice to other terms and conditions as the Bank is permitted to present on the law.

iii) CBN Non-Interest Asset Backed Securities (CNI-ABS):

This instrument involves the securitisation of CBN's holdings in International Islamic Liquidity Management (IILM) Sukuk and / or Sukuk by multilateral organisations in which Nigeria is a member.

Features

The features are as follows:

a) This instrument shall serve to deepen the money market and serve as an investment instrument.
b) The securities shall be denominated in naira.
c) The securitised assets shall be dollar- or other reserve currency-denominated or as may be approved by the Management of the Bank.
d) The tenor of the CNI-ABS will be based on the tenor of the underlying assets.
e) The return will be based on the net returns on the underlying assets and a 10 per cent margin for the CBN.
f) The instrument shall be tradable in the money market.
g) The minimum investment for this instrument shall be N50, 000 and integral multiples of N1,000 in excess thereof, and subject to periodic review by the Bank from time to time.
h) The underlying assets shall be short to medium term to avoid tenor mismatches and must also be tradable in the secondary market.

4. Governance Structure

I. Market Support Committee

There shall be a Market Support Committee (MSC) in the Financial Markets Department (FMD) to act as an advisory body for the management of non-interest bearing instruments.

The membership of the Market Support Committee shall comprise the Director Financial Markets Department as the Chair, Head of all the Offices in the Financial Markets Department and representatives of Financial Policy and Regulation (FPR), Banking Supervision Department (BSD), Consumer Protection Department (CPD), Banking and Payment System (BPS), Reserve Management Department (RED), Monetary

Policy Department (MPD), Risk Management Department (RMD) and Legal Services Department (LSD).

The MSC shall meet quarterly or as directed by the Chairman.

II. NIFI Product Development Committee

There shall be a NIFI Product Development Committee (NIFI-PDC) in the Financial Markets Department that will be responsible for the consideration, initiation and review of non-interest bearing instruments and structures for the orderly development and integration of the market segment into the mainstream financial architecture. The NIFI-PDC shall be chaired by the Director, Financial Markets Department and members drawn from the FPR, BSD, CFP, BPS, GOV, RED, MPD, DFD, RMD and LSD. The NIFI-PDC shall meet monthly or as directed by the Chairman.

Structured Liquidity Product Office (SLPO) shall serve as the Secretariat for these Committees.

Financial Markets Department
Central Bank of Nigeria, Abuja
Monday, 10th December, 2012

ANNEXURE V: INTRODUCTION OF TWO NEW INSTRUMENTS- FUNDING FOR LIQUIDITY FACILITY AND INTRA-DAY FACILITY FOR NON-INTEREST BANKS

CENTRAL BANK OF NIGERIA
Corporate Head Office,
Central Business District,
P.M.B. 0187,
Garki, Abuja – F.C.T.

Website: www.cenbank.org
Email: financialmarkets@cbn.gov.ng

FMD/DIR/CIR/GEN/08/009 **Date:** 23 August, 2017

To: All Non-Interest Financial Institutions Licensed by the Central Bank of Nigeria

INTRODUCTION OF TWO NEW INSTRUMENTS – "FUNDING FOR LIQUIIDTY FACILITY" AND "INTRA-DAY FACILITY" FOR NON-INTEREST BANKS

In a bid to aid liquidity management and deepen the financial system, the Central Bank of Nigeria (or the Bank) hereby introduces two new financial instruments, namely, "Funding for Liquidity Facility (FfLF)" and "Intra-day Facility (IDF)" at its window, for access by Non-Interest Financial Institutions (NIFIs) licensed by the Bank. The features of the financial instruments are as detailed below.

a. **Funding for Liquidity Facility (FfLF)**

Features:

- CBN to provide a liquidity facility on overnight basis only and to be terminated on next business day.
- Authorised Non-Interest Financial Institution (NIFI) to provide eligible securities to the CBN as collateral for the facility.
- The value of collateral to be a minimum of 110 per cent of the value of the facility. For example, if a NIFI wishes to take a FfLF of N10 billion, it would be required to provide eligible security collateral worth N11 billion (that is N10 * 1.1=N11 billion).
- The CBN shall specify acceptable collateral(s) from time to time. These shall include, but not limited to the following securities: CBN Safe Custody Account (CSCA) Deposit, CBN Non-Interest Note (CNIN), CBN Asset-Backed Security (CBN-ABS), Sukuk (that has received liquidity status from the CBN), Warehouse Receipt(s) as provided in the CBN Act 2007, and any other collateral designated by the CBN that does not contravene the CBN guidelines for NIFI's operations.
- The transaction shall be at a zero per cent interest rate.
- The opening hours for FfLF shall be between 2.00pm – 3.30pm, and terminated on commencement of next business day.
- At maturity, the transaction unwinds and the CBN receives back its funding and returns the collateral to the NIFI.
- Failure to provide adequate funding in the account for the un-winding of transaction at maturity, the Bank (CBN) shall rediscount the pledged securities at par and recover the facility amount and return the net value to the NIFI.
- The Market Support Committee (MSC) may approve an administrative charge in relation to the facility as it deems fit (in accordance with Section 4 (I) of the "Guidelines for the Operation of NIFI instruments by the CBN)".
    - The determination of the administrative charge would be based on the cost borne in providing the facility, which includes:
        - ✓ Communication/correspondence cost;

✓ Printing/Stationary cost; and,

✓ Any other direct and actual cost(s) that do not contravene the principles of non-interest banking as provided in the CBN guidelines.

- The NIFI must be either in clearing and have a temporary debit balance and / or have a liquidity problem.

b. **Intra-day Facility (IDF)**

Features:

- CBN to provide an Intra-day Facility (IDF) for settlement same business day.
- Authorized NIFI shall provide eligible securities as collateral for the facility.
- The value of eligible securities shall be a minimum of 110 per cent of the value of the intra-day facility required by the NIFI. For example, if a NIFI wishes to take an IDF of N10 billion, it would be required to provide eligible security collateral worth N11 billion (that is, N10 * 1.10 = N11 billion)
- The CBN shall specify acceptable collateral(s) from time to time, which shall include, but not limited to CBN Safe Custody Account (CSCA) Deposit, CBN Non-Interest Note (CNIN), CBN Asset-Backed Security (CBN-ABS), Sukuk (that has received regulatory treatment by the CBN), Warehouse Receipt(s) as provided in the CBN Act 2007, and any other collateral designated by the CBN that does not contravene the CBN guidelines for NIFI's operations.
- The operating hours for the IDF shall be between 9.00 a.m. and 2.30 p.m.
- Repayment of the IDF shall be between the hours of 10.00 a.m. and 3.00 p.m. each business day.
- At termination, the transaction unwinds and the CBN receives back its funding and returns the collateral securities to the NIFI.
- In the event of failure to repay the IDF as and when due, the CBN shall rediscount the pledged securities at par and recover the facility amount and return the net value to the NIFI.
- The Market Support Committee (MSC) may approve an administrative charge in relation to the facility as it deems fit (in accordance with Section 4 (l) of the "Guidelines for the Operation of NIFI instruments by the CBN)".
    - The determination of the administrative charge would be based on the cost borne in providing the facility, including but not limited to:

      ✓ Communication/correspondence cost;

      ✓ Printing/Stationary cost; and,

      ✓ Any other direct and actual cost(s) that do not contravene the principles of non-interest banking as provided in the CBN guidelines.

Accordingly, all NIFIs licensed by the Bank are urged to note for appropriate action.

Dr. Alvan Ikoku
Director, Financial Markets Department

ANNEXURE VI: RE: GUIDELINES ON ACCESSING THE CBN STANDING DEPOSIT FACILITY

CENTRAL BANK OF NIGERIA
Corporate Head Office,
Central Business District,
P.M.B. 0187,
Garki, Abuja – F.C.T.

Website: www.cbn.gov.ng
Email: financialmarkets@cbn.gov.ng
Tel: 09 462 36700, 09 462 36703

FMD/DIR/CON/OGC/12/019

July 10, 2019

CIRCULAR TO ALL BANKS

RE: GUIDELINES ON ACCESSING THE CBN STANDING DEPOSIT FACILITY

With reference to the Circular to all Banks and Discounts Houses, Re: Guidelines on Accessing the CBN Standing Deposit Facility,
Ref: FMD/DIR/GEN/CIR/05/020 and dated November 6, 2014, after further review:

1. The remunerable daily placements by banks at the SDF shall not exceed ₦2billion
2. The SDF deposit of ₦2 billion shall be remunerated at the interest rate prescribed by the Monetary Policy Committee from time to time
3. Any deposit by a bank in excess of ₦2 billion shall not be remunerated.

The provisions of this circular take effect from Thursday, July 11, 2019.

Thank you.

Angela Sere-Ejembi (Ph.D)
Director, Financial Markets Department

ANNEXURE VII: PLEDGE OF N1 BILLION WORTH OF GOVERNMENT/CBN SECURITIES FOR OTC TRADE SETTLEMENT

CENTRAL BANK OF NIGERIA
Corporate Head Office,
Central Business District,
P.M.B. 0187,
Garki, Abuja - F.C.T.

Website: www.cenbank.org
Email: financialmarkets@cbn.gov.ng
Tel: 09 462 36700, 0946238703

Ref: FMD/DIR/CIR/GEN/09/003 **May 31, 2018**

TO ALL DEPOSIT MONEY BANKS

PLEDGE OF N1BILLION (ONE BILLION NAIRA) WORTH OF GOVERNMENT/CBN SECURITIES FOR OTC TRADE SETTLEMENT

The Central Bank of Nigeria (CBN) in an effort to enhance efficiency in trading and post-trade activities and build confidence in the financial markets, hereby directs all Deposit Money Banks (DMBs) to pledge collateral of N1billion (one billion naira) worth of Government/CBN securities for OTC trade settlement.

The pledge requirement is mandatory for all DMBs that wish to participate in **OTC Trade Settlement.** Lack of provision of the pledge or failure to top-up a pledge when required will result in exclusion from the market.

This circular takes effect from June 1, 2018.

Please ensure compliance.

Dr. Alvan E. Ikoku
Director, Financial Markets Department

ANNEXURE VIII: PLEDGE OF N1 BILLION WORTH OF GOVERNMENT/CBN SECURITIES FOR OTC TRADE SETTLEMENT

CENTRAL BANK OF NIGERIA
Other Financial Institutions Supervision Department
33, Tafawa Balewa Way,
Central Business District
P. M. B. 0187
Garki, Abuja.

Tel: 09-462-35439
E-mail: ofid@cenbank.org

10th September, 2019

Our Ref: OFI/DIR/DOC/GEN/20/365

RE: LETTER TO ALL OTHER FINANCIAL INSTITUTIONS (OFIs) ON-RENDITION OF RETURNS ON ANTI-MONEY LAUNDERING AND COMBATTING THE FINANCING OF TERRORISM (AML/CFT)

Further to our circular **ref: OFISD/DIR/CIR/GEN/17/128 dated 2nd May, 2017** on the above subject (copy attached), we have observed with concern that many OFIs have not been rendering returns on Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) as required. This is contrary to the relevant provisions of the Money Laundering (Prohibition) Act (MLPA) 2011 (as amended) and CBN AML/CFT Regulations 2013.

As indicated in the circular, all OFIs are required to render the following returns regularly in the prescribed format:

S/N	Type of Return	Rendered To	Time/Frequency
1	Currency Transaction Reports (CTRs)	NFIU	Within 7 days
2	Suspicious Transaction Reports (STRs)	NFIU	Within 24 Hours
3	Foreign Currency Transaction Reports (FTRs)	CBN	Within 24 Hours
4	Risk Assessment Report	CBN	Monthly
5	Politically Exposed Persons (PEPs)	CBN and NFIU	Monthly
6	Employee Education and Training Program	CBN and NFIU	Annually
7	Compliance with Employee	CBN and NFIU	Quarterly

	Training Program		
8	Monitoring of Employee Conduct	CBN	Semi-annually
9	Three Tiered KYC	CBN and NFIU	Quarterly
10	Testing for the Adequacy of AML/CFT Compliance	CBN and NFIU	Annually

In view of the foregoing, all defaulting OFIs are hereby strongly warned to render the returns without delay to avoid regulatory sanctions. The returns should be submitted electronically using the attached templates in EXCEL format to the e-mail addresses indicated in the circular.

For returns to the CBN, you are advised to submit through your corporate e-mail as the CBN has restricted all web-based e-mails such as YAHOO or GMAIL from its domain. Alternatively, you may liaise with your umbrella associations for assistance to submit the returns. Equally, OFIs are advised to contact NFIU for guidance on the submission of returns to its platform.

Please note that failure to comply with the above directive will attract decisive sanctions in line with the CBN Administrative Sanctions Regulations 2018 which can be accessed from the CBN website at: www.cbn.gov.ng.

For enquiries, please contact:

1. Oluwafemi M. Ige (08069663317 or omige@cbn.gov.ng)
2. Yunusa Ibrahim (08037860504 or iyunusa@cbn.gov.ng)
3. Mustapha S. Ibrahim (08039162866 or msibrahim@cbn.gov.ng)

'Tokunbo Martins (Mrs.)
Director, Other Financial Institutions Supervision Department

ANNEXURE IX: ESTABLISHMENT AND OPERATION OF SUBSIDIARIES AND SPECIAL PURPOSE VEHINCLES

CENTRAL BANK OF NIGERIA
Central Business District
Cadastral Zone AO
P.M.B 0187, Garki
Abuja

OTHER FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT
Tel 09-46235439
e-mail: ofisd@cbn.gov.ng
Website: www.cbn.gov.ng

September 3, 2019

OFI/DIR/CIR/GEN/20/349

LETTER TO ALL DFIs

ESTABLISHMENT AND OPERATION OF SUBSIDIARIES AND SPECIAL PURPOSE VEHICLES

We have noted the spate of requests from Development Finance Institutions (DFIs) for special regulatory approvals to operate special purpose vehicles (SPVs) in furtherance of operational objectives. It is important that DFIs are transparent in their financial reporting and remain focused on their core objectives.

In this regard, DFIs are henceforth required to provide comprehensive disclosures on all subsidiaries and SPV operations. In the same vein, the same regulatory standards that apply to the parent DFI will apply to the subsidiaries and/or SPV.

Specifically, DFIs are required to:

1. Submit returns on all SPVs including details of ownership, corporate governance structure, statements of assets and liabilities, income and expenditures, project(s) status, possible risk exposure and mitigants, along with own regulatory returns.

2. Report on the Financial soundness indicators / prudential ratios of the DFI calculated on a solo and consolidated basis.

3. Present for approval, its Audited accounts along with that of the SPVs on a consolidated basis.

4. Meet a consolidated leverage ratio of at least 10% [Common Equity: Total Assets (On and Off-Balance Sheet inclusive)] at all times.

Finally, DFIs are required to note that:

1. Approval of new SPVs shall depend on the successful performance of earlier approved ones and the meeting of the consolidated prudential ratios, leverage ratio and business objectives at all times.

2. A consolidated risk-based examination of all subsidiaries and/or SPVs will be conducted on a periodic basis.

Please note that failure to comply with these requirements would be viewed as a violation of the provisions of the DFIs' Guidelines, and would be appropriately sanctioned.

'TOKUNBO MARTINS (Mrs.)
Director, Other Financial Institutions Supervision Department

ANNEXURE X: GUIDE TO CHARGES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA: REMOVAL OF INTEREST RATE AND CAP

CENTRAL BANK OF NIGERIA
Financial Policy and Regulation Department
Central Business District
P.M.B. 0187
Garki, Abuja.

Tel: 09-46237401
E-mail:fprd@cbn.gov.ng

OFI/DIR/GEN/CIR/07/033

September 5, 2019

Circular to all Other Financial Institutions and Mortgage Sector Stakeholders in Nigeria

GUIDE TO CHARGES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA (MAY 2017- REMOVAL OF INTEREST RATE AND CAP IN RESPECT OF PART 2 Section.2.1.3.)

The CBN in 2017, issued the Guide to Charges by Banks and Other Financial Institutions in Nigeria, to moderate charges on various products and services offered by banks and Other Financial Institutions (OFIs) in Nigeria.

Our attention has been drawn to some implementation challenges in respect of part 2 Section 2.1.3 (Mortgage Finance) in respect of the maximum cap of MPR + 5% placed on mortgage finance rates.

The CBN after due consideration of the concerns of stakeholders, hereby amend Part 2 (A & B): interest Rate and Lending Fees Subsection 2.1.3 Mortgage Finance to read **"NEGOTIABLE"**. Please note that "subject to a maximum of MPR + 5%" is no longer applicable.

This new provision takes effect from September 9, 2019.

Please be guided accordingly.

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

ANNEXURE XI: LETTER TO ALL MICROFINANCE BANKS ON THE REVISED NATIONAL FINANCIAL INCLUSION TARGETS

09-462-35439
ofid@cenbank.org

CENTRAL BANK OF NIGERIA
Other Financial Institutions Supervision Department
33, Tafawa Balewa Way,
Central Business District
P. M. B. 0187
Garki, Abuja.

20th June, 2019

OFI/DIR/DOC/GEN/020/252

LETTER TO ALL MICROFINANCE BANKS (MFBs) ON THE REVISED NATIONAL FINANCIAL IINCLUSION TARGETS

It will be recalled that the National Financial Inclusion strategy (NFIS) was launched in October 2012 and revised in 2018 with the major objective of increasing the percentage of adult Nigerians who own bank accounts and use formal financial services from the baseline figure of 46.3% in 2010 to 80% by 2020.

Over the last six years of implementation of the strategy, microfinance banks have contributed significantly towards the realization of the stated objective. As at the end of 2018, 63.2% or 63 million adult Nigerians were financially served leaving an inclusion gap of 36.8% or 36.6 million adult Nigerians that need to be included. Given the short time to the end of the target date, it has become expedient for all stakeholders to double efforts towards the realization of the targeted 80% inclusion rate.

In a bid to mobilize stakeholders on the Revised National Financial Inclusion Strategy (NFIS 2.0) and accelerate progress towards the achievement of the target, the CBN held a stakeholders' forum for all financial service providers in the six geo-political zones in the first and second quarters of 2019 which was attended by representatives of MFBs. The objective of the Forum was to expose stakeholders to the detailed provisions of the Revised Strategy (NFIS 2.0) and their expected roles/responsibilities in the financial inclusion agenda.

One of the major resolutions reached at the event was the setting of a target for each branch of a microfinance bank to acquire 64 new customers per month. This translates to 774 new bank accounts (measured by new BVN registration) per branch per year. Given the urgency of this task, it is important to cascade the target to your branches for their information and implementation.

Consequently, all MFBs are hereby requested to implement the above resolution and disseminate same to all their branches (where applicable) to ensure concerted efforts towards achieving the overarching target of 80% financial inclusion by the year 2020.

A monthly report/update on new customers on-boarded should be submitted to the **Director, Other Financial Institutions Supervision Deartment** using the attached format and a soft copy sent to the officers listed below: For any inquiries and feedback, please also contact the same persons;

- Ms. Sophia Abu, soabu@cbn.gov.ng; 08037018412
- Mr. Hilary Ewubo, hdewubor@cbn.gov.ng; 08034167600.

Thank you for your cooperation.

'Tokunbo Martins (Mrs.)
Director, Other Financial Institutions Supervision Department

ANNEXURE XII: CIRCULARS

CENTRAL BANK OF NIGERIA
Corporate Head Office,
Central Business District,
P.M.B. 0187,
Garki, Abuja – F.C.T.

Website: www.cbn.gov.ng
Email: financialmarkets@cbn.gov.ng
Tel: 09 462 36700, 09 462 36703

FMD/DIR/CON/OGC/12/019

July 10, 2019

CIRCULAR TO ALL BANKS

RE: GUIDELINES ON ACCESSING THE CBN STANDING DEPOSIT FACILITY

With reference to the Circular to all Banks and Discounts Houses, Re: Guidelines on Accessing the CBN Standing Deposit Facility,
Ref: FMD/DIR/GEN/CIR/05/020 and dated November 6, 2014, after further review:

1. The remunerable daily placements by banks at the SDF shall not exceed ₦2billion
2. The SDF deposit of ₦2 billion shall be remunerated at the interest rate prescribed by the Monetary Policy Committee from time to time
3. Any deposit by a bank in excess of ₦2 billion shall not be remunerated.

The provisions of this circular take effect from Thursday, July 11, 2019.

Thank you.

Angela Sere-Ejembi (Ph.D)
Director, Financial Markets Department

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OFI/DIR/GEN/CIR/07/033

September 5, 2019

Circular to all Other Financial Institutions and Mortgage Sector Stakeholders in Nigeria

GUIDE TO CHARGES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA (MAY 2017- REMOVAL OF INTEREST RATE AND CAP IN RESPECT OF PART 2 Section.2.1.3.)

The CBN in 2017, issued the Guide to Charges by Banks and Other Financial Institutions in Nigeria, to moderate charges on various products and services offered by banks and Other Financial Institutions (OFIs) in Nigeria.

Our attention has been drawn to some implementation challenges in respect of part 2 Section 2.1.3 (Mortgage Finance) in respect of the maximum cap of MPR + 5% placed on mortgage finance rates.

The CBN after due consideration of the concerns of stakeholders, hereby amend Part 2 (A & B): interest Rate and Lending Fees Subsection 2.1.3 Mortgage Finance to read **"NEGOTIABLE".** Please note that "subject to a maximum of MPR + 5%" is no longer applicable.

This new provision takes effect from September 9, 2019.

Please be guided accordingly.

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

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FPRD/DIR/GEN/CIR/07/024

March 7, 2019

CIRCULAR TO ALL MICROFINANCE BANKS

RE: REVIEW OF MINIMUM CAPITAL REQUIREMENT FOR MICROFINANCE BANKS IN NIGERIA

Further to our circular dated October 22, 2018 on the above subject, the CBN has revised the categories of microfinance banks with a view to ensuring continued operations of microfinance banks in the rural, unbanked and underbanked areas of the economy. Accordingly, Unit Microfinance Banks shall comprise two Tiers: Tier 1 Unit Microfinance Bank, which shall operate in the urban and high-density banked areas of the society; and Tier 2 Unit Microfinance Bank, which shall operate only in the rural, unbanked or underbanked areas.

Following from the above, the minimum capital requirement for the categories of microfinance banks have also been revised as follows:

1) Tier 1 Unit Microfinance Bank ₦200,000,000 (Two Hundred Million Naira)
2) Tier 2 Unit Microfinance Bank ₦50,000,000 (Fifty Million Naira)
3) State Microfinance Bank ₦1,000,000,000 (One Billion Naira)
4) National Microfinance Bank ₦5,000,000,000 (Five Billion Naira)

To aid the process of recapitalization, all microfinance banks shall be required to comply with the following:

(i) Tier 1 Unit Microfinance Banks shall meet a ₦100 million capital threshold by April 2020 and ₦200 million by April 2021;

(ii) Tier 2 Unit Microfinance Banks shall meet a ₦35 million capital threshold by April 2020 and ₦50 million by April 2021;

ANNEXURE XIII: GLOSSARY OF TERMS

TERMS	DEFINITION
Authorised Dealers	Any bank licensed under the Banks and Other Financial Institutions Act 1991 as amended and such other specialised banks issued with license, to deal in foreign exchange.
Bills of Lading	It is a receipt in respect of cargo accepted for transportation
CBN Bills	These are securities issued by the CBN at OMO auctions for liquidity management purposes. They evidence the withdrawal of funds from the banking system. They are tradeable at the secondary market.
Certificate of Capital Importation	A certificate issued by a bank confirming an inflow of foreign currency or goods.
Cost, Insurance and Freight (CIF)	A trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier.
Customer due Diligence	This is a process by which an entity, for example a financial institution, determines the true identity of a customer and assesses the extent to which that customer or proposed customer exposes the entity to risk.
Deposits held as collateral	A deposit that, given the consent of a customer, is used to secure or part-secure a credit facility. Though it is not required that a new deposit account be created to hold deposit being held as collateral, it may be convenient for such new account to be created in the customer's name. It should be noted that a customer may pledge his/its deposit as collateral for a facility extended to another party.
Destination Inspection Scheme	A Customs process of inspecting imports on arrival at the port of discharge/entry.

TERMS	DEFINITION
Domestic Systemically Important Banks (D-SIBs)	Domestic Systemically Important Bank
e-Form 'M'	Electronic application to import goods (visible trade transactions)
Electronic Certificate of Capital Importation	This is the automated system of confirming an inflow of foreign currency or goods.
Eligible transactions	Transactions that have been prescribed as eligible by the CBN and may be reviewed from time to time
Foreign Currency Trading Position (FCTP)	This is the sum of the structural balance sheet position in each currency plus the dealing position. It is the maximum exposure (long or short) allowed in foreign currency or currencies to a bank in respect of its daily trade.
Form "A".	Application to pay for service transactions (invisible trade transactions)
Form "Q"	Application of Forex in respect of medium and small-scale enterprises.
Form NXP	Application for the commercial export of goods and services
Forms 'M'	Application to import goods (visible trade transactions)
Free-on-Board (fob) value	This is a term in international commercial law specifying at what point respective obligations, costs, and risk involved in the delivery of goods shift from the seller to the buyer under the Incoterms 2010 standard published by the International Chamber of Commerce.
IFEM	Forum in which Authorised Dealers buy and sell foreign exchange among themselves. Also, Authorised Dealers can sell to Authorised Buyers.

TERMS	DEFINITION
Insider	An insider includes a director, a significant shareholder, an officer, any entity in which a director has significant shareholding or is a director, subsidiaries, and affiliates of the bank or OFI.
Insider-Related Loans	A loan or other credit facility granted to an insider or his/its related party.
Investors and Exporters(I&E) Window (I&E) Window	The Investors' and Exporters' Foreign Exchange Window (I&E FX Window) is the market trading segment for investors, exporters and end-users that allows for foreign exchange trades to be made at exchange rates determined based on prevailing market circumstances, thus ensuring efficient and effective price discovery in the Nigerian foreign exchange market. The exchange window was established by the CBN via a circular, dated April 21, 2017.
Letter of Credit (LC)	"Any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation." (UCP 600, article 2)
Monetary Policy Rate (MPR).	It is the policy rate at the disposal of the monetary authorities. The rate is set by Monetary Policy Committee (MPC) which expectedly anchors on other interest rates in the financial system and determine the expansionary or contractionary stance of a Central Bank.
Money Market Dealers	The money market consists of financial institutions and dealers in money or credit that wish to either borrow or lend short – term financial instruments typically up to twelve months, on their own account or on behalf of other entities.

TERMS	DEFINITION
Multiple ownership of BDCs	This refers to a situation in which a single person has equity shareholding in more than one bureau de change.
Net Foreign Currency Trading Position	The net difference between foreign currency cash assets and foreign currency cash liabilities
Net Open Position	The net difference between the overall foreign assets and foreign liabilities of a bank, which includes on- and off-balance sheet items, as well as, spot and forward transactions
Net Open Position (Long)	A bank is considered to have a NOP in the Long Position when total foreign assets exceed total foreign liabilities
Net Open Position (Short)	NOP is in the Short Position when total foreign liabilities exceed total foreign assets
Nigerian Treasury Bills	These are money market securities, backed by the guarantee of the Federal Government, issued for tenors of 91 days, 182 days and 364 days at the primary market auction, which are held fortnightly or as stipulated in the NTB issuance calendar/programme.
Open market operations	Open Market Operations (OMO) refer to the buying and selling of government securities in the open market through auctions in order to expand or contract the amount of money in the banking system.
Post-landing Charges	
Related party	This is any natural or legal person that is controlled by or connected to an insider or any other person as the CBN may deem from time to time.

TERMS	DEFINITION
Repo	A repurchase agreement is a contract in which the vendor of a security agrees to repurchase it from the buyer at an agreed price. Repos are money-market instruments, usually used to raise short-term capital.
Reverse Repo	Reverse repurchase agreement is the opposite of repo. It is the purchase of securities with the agreement to sell at a higher price at a specific future date.
Risk-Based Pricing Model	This refers to the process by which banks compute the interest rates charged based on a customer's risk profile. In order to promote transparency in the pricing and setting of rates, the CBN vide a circular referenced BSD/DIR/GEN/CIR/04/015 directed banks to develop all inclusive risk-based interest rate pricing models and forward same to the CBN. DMBs are expected to quote lending rates as fixed spread over the Monetary Policy Rate.
Special Purpose Deposits	A deposit made by a customer or transferred from his/her account that is not accessible to the customer, for more than seven (7) days.
Subordinated Debts	Subordinated debt is a loan or security that ranks below other loans and securities with regard to claims on a company's assets or earnings.
Sukuk Instruments	These are Islamic bonds, structured to generate returns to investors without infringing on the principles and provisions of the Islamic law. Sukuk represents undivided shares in the ownership of tangible assets relating to particular projects or special investment activity.

TERMS	DEFINITION
Travel Export (TE)	Declaration of export of foreign currency and financial instruments above US$10,000.00 or its equivalent, precious stones, jewellery and works of art (including antiquities) from Nigeria.
Travel Import (TM)	Declaration of import of foreign currency and financial instruments above US$10,000.00 or its equivalent, precious stones, jewellery and works of art (including antiquities) into Nigeria.
'Valid' or 'Not-valid' for Foreign Exchange	When a transaction is 'Valid' it implies that the applicant can access the interbank for funds and when 'Not Valid' it implies the applicant cannot access the interbank for funding.

ANNEXURE XIV - ACCESS TO ALL CIRCULARS AND REGULATIONS REFERRED TO IN THE GUIDELINES.

https://www.cbn.gov.ng/out/2014/ofisd/pmbs%20maintenance%20of%20cash%20reserve%20requirement%20(crr).pdf

https://www.cbn.gov.ng/Out/2015/FPRD/BDC-BVN%20Circular.PDF

https://www.cbn.gov.ng/Out/2015/FPRD/Circular%20on%206%20year%20time%20bar%20for%20customer%20complaints.pdf