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Banks and Other Financial Institutions (BOFI) Act Amended

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CBN UPDATE EDITORIAL CREW

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Olusola Amadi

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Contributing Editors

Isa Abdulmumin

Williams Kareem

Olalekan Ajayi

Ademola Bakare

LETTERS TO THE EDITOR

We welcome your contribution and comments. Please forward them to the Editor via: ioedozie@cbn.gov.ng

CBN SOCIAL MEDIA

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CBN CONTACT CENTRE

contactcbn@cbn.gov.ng

07002255226

CONTACT DETAILS

Corporate Communications Department,
CBN Head Office: 6th Floor Wing "B"
Plot 33, Tafawa Balewa Way,
Central Business District,
P.M.B. 0187, Garki, Abuja.

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Editor's Note

We acknowledge the interest and support of our esteemed readers, which has helped in motivating the editorial crew to ensure that news stories, analyses and articles are put together monthly. Indeed, we do not take this kind gesture for granted.

In this edition, we bring to you one of the big stories that has happened in the Nigerian financial industry i.e. the signing into law of the amended Banks and Other Financial Institutions (BOFI) Act 2020 by President Muhammadu Buhari.

Still on series of real sector interventions especially in the agricultural sector, we highlight the story on issuing of guidelines for the Private Sector-led Accelerated Agriculture Development Scheme (P-AADS) by the Central Bank of Nigeria, CBN.

Equally interesting is the story about the CBN urging Other Financial Institutions (OFIs) operating in Nigeria to cut down on the charges for banking services rendered to customers, particularly, the underbanked within the society.

For your reading delight, there is a story on the leadership role of the financial sector against the disruptions occasioned by the Covid-19 pandemic. The story avails the reader an opportunity to easily navigate through the complex gamut of Monetary Policy Committee (MPC) decisions and associated strategy deployed to combat the fallouts of the pandemic.

Another story of interest is the New Guidelines on Operations of Domiciliary Accounts. This will no doubt, appeal to most economic agents, to enable them act from informed positions in operating their domiciliary accounts.

These and many other stories are well knitted together in this edition for your reading pleasure.

A handwritten signature in black ink, appearing to read 'Osita Nwanisiobi'.

Osita Nwanisiobi
Editor -in- Chief

Banks and Other Financial Institutions (BOFI) Act Amended

By: **Olusola Amadi**



President Muhammadu Buhari signing the BOFI Act Amended

In a bid to strengthen the regulatory and supervisory framework of the Central Bank of Nigeria (CBN) in its functions within the financial industry, the Banks and Other Financial Institutions (BOFI) Act 2020 has been assented to by President Muhammadu Buhari.

The President made this disclosure through a statement released on his official twitter account on November 13, 2020, in which he noted the BOFI Act 2020 is a historic and significant achievement that will enhance the soundness and resilience of Nigeria's financial system.

The Act which repeals the extant BOFI Act 1991 (as

amended in 1997, 1998, 1999, 2002) introduces and amends major provisions that govern the activities of Deposit Money Banks (DMBs), specialized banks and other financial institutions.

The legislation enacted in the light of new, emerging challenges and opportunities in the financial sector seeks to update the laws for licensing and regulation of the financial industry.

Key revisions in the BOFI Act 2020 include amongst others – Licensing and Operation of Banks; Establishment of a Banking Sector Resolution Fund; and Establishment of a Special Tribunal for the Enforcement and Recovery of Eligible Loans ■

News Analysis

BOFIA 2020: Safe Landing at Last

By: Ademola Bakare

Now that President Muhammadu Buhari has put a seal of authority and law on the Repealed and Amended BOFIA Act 2007 earlier passed by the Senate in July 2020, giving legal framework to CBN to perform its statutory role of ensuring monetary and price stability; issuer of legal tender currency in Nigeria; maintenance of external reserves to safeguard the international value of the legal tender currency; as well as promoting sound financial system in Nigeria; and at the same time act as Banker to the federal government by providing economic and financial advice, the coast is now cleared for the CBN to assume full authority and autonomy over banking and financial services sectors.

The decision and passage of amended BOFIA 2007 was a landmark piece of legislation that gave the Central Bank of Nigeria (CBN) an instrument of autonomy to effectively discharge its core mandate. However, developments in the financial sector globally has exposed the defectiveness of the Act, which necessitated the agitation for the review of the CBN Act 2004.

The law and its subsequent amendments, however, could not meet the challenges posed by emerging developments in the financial sector in addition to the rapid reform programmes of the Federal Government. The financial system for instance, continued to witness developments such as the transfer of supervision of specialized banks, such as primary mortgage institutions (PMI), community banks and development financial institutions (DFIs) and other non-bank financial institutions to the CBN.

These development as expected expanded the regulatory and supervisory responsibility of the Bank which called to question the legal framework within which the Bank operated as its activities seemed beyond the scope envisaged by the Decree No. 24 of 1991 (as amended in 1997, 1999, and 2000).

In this regard, the CBN proposed a number of measures for strengthening both the CBN and BOFI Acts. The Bills embodying the proposals were extensively deliberated upon by the government and following their approval were forwarded to the National Assembly (NASS) as executive bills.

The intention was that both Bills would be considered together by the NASS but unfortunately, due to inexplicable reasons, only the CBN Bill was promulgated into law. The Central Bank of Nigeria (CBN) at the behest of the Committee recognized that whilst the extant BOFI Act 1991 (and amended in 1997, 1999 and 2002) provided appropriate foundation for the growth and development so far witnessed in Nigerian banking sector over the last three decades, the significant financial, socio-economic and technological transformations that have been witnessed therefore necessitates a review of the legal framework to ensure that it remains fit-for-purpose.

It was thus, commendable of the current 9th NASS Committee on Banking, Insurance and Other Financial Institutions to have called for a public hearing on Wednesday, July 15, 2020, to enhance its deliberation on the Bill seeking to repeal the existing Act 2004 and re-enact the Banks and Other Financial Institution Act 2020.

The new BOFIA 2020 which took nearly 30 years in making is to make bank officials personally liable for contraventions of the terms of a banking licence hoping to improve compliance and reduce recklessness. It will also immune the sector against incidence of toxic asset crisis witnessed in 2009 in which the banks were largely complicit.

Thus, the new Act is historic and significant to strengthen the banking and financial services sectors in order to enhance the soundness and resilience of Nigeria's financial system.

The Act has also opened up opportunities for fintech investors to meaningfully innovate in financial services that will improve the living standard of Nigerians especially for fintech to consider in the operational guidelines of the law.

This game changing law will sanitize and achieve sound financial system which bank officials had hitherto taken advantage due to apparent limitations of the repealed Act, particularly for the lack of stringent sanctions to deter infractions, lack of special courts to prosecute financial crimes, as well as absence of a clause that prevents bank officials from giving indiscriminate credit facilities to staff and family members, among others.

The BOFI Act 2020 thus updates the enabling law in response to developments and significant evolution in the financial sector over the last two decades. Importantly however, the new law will increase the appetite of banks and other financial institutions to channel much needed credit to the real sector to support economic recovery and promote sustainable growth.

Another key merit of the new legislation is the creation of a Credit Tribunal to improve loan recovery, thus addressing the incidences of high non-performing loans rates in the financial sector which has been a key deterrent to lending by financial institutions.

The law also affirms and strengthens the regulatory and supervisory framework of the Bank for the financial industry and equally provides tools for managing failing institutions and system distress to preserve financial stability among others.

In essence, it put paid to the desirability of a single regulatory authority in the banking sub-sector.

Hitherto, monetary policies were exclusively managed by the government until recent past when a trend emerged that gave independence to central banks. The logic behind the decision was that central banks would be more independent of political considerations and be willing to keep inflation low, even if there are political costs to raising interest rates.

Thus, an independent central bank with price stability mandate would most likely avoid over-exuberance by keeping growth at a more manageable level, which was the case at the outbreak of COVID-19 by the CBN.

The gesture and approval of the new Act was like the case of Bank of England before it got its independence in 1997 from the government and control of the Treasury Chancellor.

The international best practice is having the banking legislation empower the financial services industry

regulator to regulate banks, promote their soundness and stability; superintend issuance and revocation of operating licence without recourse to any other institution, while the deposit insurers are charged with bank resolution activities after the revocation of operating licence.

This issue had been a matter of contention, and it was good and commendable of the Senate and the President who had to eschewed political sentiment to put a permanent rest to this matter ■

The decision and passage of amended BOFIA 2020 was a landmark piece of legislation that gave the Central Bank of Nigeria (CBN) an instrument of autonomy to effectively discharge its core mandate

CACOVID Provides N100bn to Rebuild Burnt Police Stations - Emefiele

By: Ademola Bakare



The Private Sector-led Coalition Against COVID-19 (CACOVID) said it will provide over N100bn to procure equipment and gadgets for the Nigeria Police Force over the next two years to further strengthen the security apparatus in the country.

The Governor, Central Bank of Nigeria (CBN), Mr Godwin Emefiele, who disclosed this on Wednesday, November 25, 2020, said this decision followed the vandalization and burning of police stations across the country during the EndSARS protests in October.

Addressing a press conference in Lagos, the Governor said CACOVID was committed to fully rehabilitate all 44 damaged and destroyed police stations nationwide in a bid to restore provision of security in affected locations.

“As we are all aware, the aftermath of the EndSARS protest that took place in several parts of the

country in October 2020, led to the vandalization of private and public assets, which includes business houses, shopping malls, banks and police stations. Many small and medium scale businesses that were affected have struggled to resume full business activities.

“In addition, the provision of security which is essential to the conduct of business activities has been hampered due to the damage of 44 police stations across the country. If left unattended, this situation could undermine confidence in our economy and derail the efforts of the government in enabling faster recovery of the Nigerian economy, following the impact of COVID-19.

“As a result, the Bankers' Committee and critical stakeholders in the private sector, under the auspices of the CACOVID alliance, held series of meetings towards developing measures that will support the government's efforts in rebuilding confidence in our nation's economy.”

Some of the measures agreed upon by the CACOVID alliance according to Mr Emefiele include; banks and financial institutions would be required to extend relief through concessionary loans to affected businesses and firms, so they can rebuild and restock their stores and continue to conduct their business activities.

The Governor stated that in the wake of the outbreak of COVID-19, the CACOVID requested and received support from over 200 well-meaning Nigerians and corporate organizations, who provided donations to the tune of N39,646,100,039.00 billion in support of the fight against the pandemic.

He said in order to ensure that the funds were judiciously utilized; a transparent and accountable framework was put in place by highly rated firms of chartered accountants. He further noted that CACOVID has far expended the sum of N43,272,562,831 on the acquisition of medical equipment and supplies as well as food palliatives for the vulnerable.

According to him, the funds raised were used to support three key priorities areas including Medical, Facilities and Equipment, adding that CACOVID developed 39 fully equipped isolation centers across the 36 States of the Country including the Federal Capital Territory (FCT).

He added that the sum of N4,194,262,899 was spent in building Isolation Centers. In addition, medical equipment such as PCR test kits for suspected cases of COVID-19 were procured along with other required medical items at a cost of N9,017,561,723.

This support by CACOVID according to Mr. Emefiele, enabled many states in the country to deal with an unexpected surge in cases of COVID-19. "As part of our efforts to cushion the effects of the lockdown on vulnerable Nigerians affected by the restrictions in movement, CACOVID provided palliatives in the form of essential food items to 1.7m households, which is equivalent to supporting 8 million Nigerians. A total of N28,767,590,517 was spent procuring food supplies.

These palliatives were acknowledged and disbursed by various State governments; and a schedule showing the various quantities and dates of delivery will also be posted on our website for public scrutiny."

He stated that the intention of distributing the items through the state government was based on the belief that the State governments have the closest contacts with the most vulnerable in the society. ■

P-AADS Gets New Guidelines

By: **Ruqayyah Mohammed**



Image: WaystoCap

The Central Bank of Nigeria (CBN), in line with its developmental mandate, and desire to address the food security and youth unemployment challenges across the country, has issued Guidelines for the Private Sector-Led

Accelerated Agriculture Development Scheme (P-AADS)

This information was contained in a statement issued by the Director, Development Finance Department, Mr. Yusuf Yila Philip on November 10, 2020, on the Bank's website in which he noted that while addressing the rising food security challenge due to unproportionate production compared to population growth; value addition to agriculture; including provision of more land for cultivation has remained stagnant over the years.

He further stated that the Bank has continued to develop and introduce development finance programmes and schemes to expand access to finance to critical sectors and segments of the economy to achieve food self-sufficiency as well as diversification.



To address the food security and youth unemployment challenges across the country, the CBN introduced the Accelerated Agriculture Development Scheme (AADS) to engage 370,000 youth in agricultural production, in collaboration with states government.

The Private Sector-led Accelerated Agriculture Development Scheme (P-AADS) which is funded from the Anchor Borrowers' Programme (ABP) was also developed to complement AADS by exploring private sector partnership to facilitate more rapid land clearing for production of key agricultural commodities. The broad objective of the P-AADS is to facilitate increased private sector agricultural production of staple foods and industrial raw materials, as well as support food security, job creation and economic diversification.

The specific objectives are to: Fast track land clearing for primary production of agricultural commodities; Promote food security through the provision of large contiguous land for agricultural production across all States; Collaborate with agro-processors engaged in backward integration by providing financing for extended land clearing in proximal locations for cultivating commodities for supply of industrial raw materials; Support other capable stakeholders interested in unlocking land for agriculture through appropriate financing; and Engender job creation for individual farmers that will cultivate on the cleared land.

Eligible participants in the Scheme are Agro-processors of agricultural commodities engaged in backward integration; Prime anchors and commodity associations participating under the

Anchor Borrowers' Programme (ABP) with evidence of contiguous land readily available for clearing and cultivation of agricultural commodities; and Other companies and individuals with evidence of ownership of contiguous land readily available for clearing and cultivation of agricultural commodities.

Agricultural commodities eligible for consideration under the Scheme are: Rice, Maize, Cassava, Cotton, Wheat, Tomato, Poultry, Fish, Sorghum, Oil Palm, Cocoa, Livestock/Dairy, and any other commodities as may be listed by the CBN from time to time. The maximum loan accessible under the Scheme shall be N2 billion per obligor. The facility shall be repaid from the Economics of Production (EOP) for cultivating on the cleared farmland. Interest rate under the intervention shall be 5.0% p.a. (all inclusive) up to 28th February 2021. Interest on the facility from 1st March, 2021 shall be 9% p.a. (all inclusive). Loan Tenor are as follows: Annual crops: Maximum tenor of six (6) years with six (6) months moratorium. Perennial crops: Maximum tenor of ten (10) years with one-year moratorium.

The collateral to be pledged by participants under the Scheme shall be title of the cleared land and other acceptable collateral prescribed under the ABP. CBN shall bear 50% of the credit risk in the event of default by the participant. Repayment of the facility shall be made on instalment basis through the participating banks and spread over the EOP of the cultivated commodities. The participating banks shall remit repayments received to the CBN on quarterly or annual basis depending on the commodity financed ■



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COVID-19: Financial Sector Leads the Recovery Process - MPC

By: **Daba Olowodun**



The speedy recovery of the Nigerian economy from recession, remains the main issue of discourse in the country at large, and particularly for the Monetary Policy Committee which held its 133rd meeting on the 23rd and 24th of November, 2020.

The Committee voted to retain the MPR at 11.5 per cent; the asymmetric corridor of +100/-700 basis points around the MPR; the CRR at 27.5 per cent; and the Liquidity Ratio at 30 per cent.

These decisions were reached having fully considered the economy's reaction to the challenges magnified by the COVID-19 pandemic and how the citizens are coping with the challenges.

According to the Committee, the continued increase in food and core inflation was attributable to the persistence of insecurity across the country as well as lingering structural deficiencies

impacting the logistics of moving food items to urban areas such as poor road networks, unstable power supply and a host of other infrastructural deficiencies. Other factors include the persisting impact of coronavirus-induced supply disruptions, recent hikes in the price of energy products (PMS and electricity) and weak crude oil prices.

Despite these gloomy realities, there have been some major breakthroughs in the financial sector. The Loan to Deposit Ratio (LDR) policy of the CBN, as well as the Bank's interventions in various sectors of the economy has shown tremendous success. Broad money supply (M3) increased marginally to 3.53 per cent in October 2020 from 3.20 per cent in September 2020, reflecting an increase in Net Foreign Assets (NFA). The MPC further noted the moderation in contraction in Net Domestic Assets (NDA) to -2.19 per cent from -5.05 per cent in the previous period. Aggregate domestic credit, however, grew by 7.61 per cent in October 2020 compared with 7.35 per cent in the

previous month. Total gross credit by the banking industry showed an increase of N290.13 billion between end-August 2020 and 13th November 2020, standing at N19.54 trillion. These loans were granted mainly to manufacturing (N738 billion), General Commerce (N874 billion), Agric and Forestry (N301 billion), Construction (N291 billion), ICT (N231 billion), amongst others.

The Committee also noted the reduction of interest rates evident by the fact that as at October 2020, 86.23 per cent of total loans granted to over one (1) million customers, by Deposit Money Banks (DMBs) were at interest rates considerably below 20 per cent.

Furthermore, the Financial Soundness Indicators of the DMBs showed some improvement with the Capital Adequacy Ratio (CAR) at 15.5 per cent, Non-Performing Loans (NPLs) at 5.73 per cent and Liquidity Ratio (LR) at 35.6 per cent, by October 2020. In spite of the general improvement in the financial soundness indicators, the MPC noted that non-performing loans (NPLs) still remained above the prudential benchmark of 5.0 per cent and urged the Bank to sustain its tight prudential regime to bring it below the benchmark.

Other Financial Institutions were not left out in improvement of their financial soundness

indicators. The Committee heartily noted the growth of 582 billion, or 16.94 per cent (year-on-year), in aggregate assets to N4.02 trillion as at end-September 2020. Similarly, aggregate credit grew by N217 billion, or 12.27 per cent (year-on-year), to N1.99 trillion during the same period. The Capital Adequacy Ratio for the subsector also exceeded the minimum prudential ratio of 10 per cent.

The equities market also showed an impressive performance record. Of particular interest to the committee was the increased patronage by domestic investors largely driven by low yields in the money market. The All-Share Index (ASI) increased by 20.55 per cent to 30,530.69 on October 30, 2020 from 25,327.13 on September 30, 2020. Similarly, Market Capitalization, grew by 20.82 per cent to N15.96 trillion from N13.21 trillion over the same period.

The discovery of a vaccine for COVID-19 has provided some hope that economic activity on the global stage will soon return to a semblance of normalcy hence revitalizing previously disrupted supply chains. This is expected to further enhance the progress made by the financial sector and speed up the recovery process for the Nigerian economy ■

Cut Service Costs, CBN Urges Banks

By: **Kerma Mshelia**

The Central Bank of Nigeria (CBN) has charged banks and other financial institutions (OFIs) operating in Nigeria to cut down the amount charged on banking services to their customers, particularly those of the unbanked and underbanked within the society.

Delivering his address at the opening ceremony of the Hope Payment Service Bank (Hope PSB) in Lagos, the Director, Payments System Management Department (PSMD) of the CBN, Mr. Musa Jimoh, noted that the cost of providing banking services to customers was too high.

Mr. Jimoh said the advice was applicable to all the new Payment Service Banks (PSBs) licenced by the CBN to enhance services for low income earners and unbanked/underbanked segments of the market at the grassroots through digital services. He said that the Bank would be monitoring the PSBs (Hope PSB, a subsidiary of Unified Payment;

Globacoms Money Master; and 9mobiles, 9PSB) and assess the effectiveness of service they offer to their customers after six months or a year of operation.

The Director, PSMD said that the unbanked and underbanked should be able to afford the services that the payment service banks would approve. He again reiterated making banking services affordable to Nigerians as he congratulated Hope PSB on kicking-off its operation to offer affordable banking services to customers at the rural areas.

The Managing Director/CEO, Unified Payments, Mr. Agada Apochi, appreciated the Bank for giving them the opportunity to serve and requested telecom companies to reduce the cost of delivering digital services like the Unstructured Supplementary Service Data (USSD) channels. The reduction, he noted, would contribute to ensuring affordable banking services ■



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Our Interventions have Driven Positive Growth - Emefiele

By: Kerma Mshelia



Godwin Emefiele, Governor, Central Bank of Nigeria

The fiscal and monetary authorities in the country have taken unprecedented measures to prevent any long-term damage to the growth prospects of Nigeria's economy. This was effected by stimulating economic activities through targeted interventions in critical sectors such as agriculture, manufacturing, electricity and construction.

The Central Bank of Nigeria (CBN) Governor, Mr. Godwin Emefiele, stated this in his address to the 55th Annual Bankers Dinner, organized by the Chartered Institute of Bankers of Nigeria (CIBN) held in Lagos, on Friday, November 27, 2020. He added that the Bank was committed to restoring stability in the economy by providing assistance to households and businesses that had been severely affected by the COVID - 19 pandemic.

Mr. Emefiele noted that, pre-COVID-19, the Nigerian economy was on a positive growth trajectory, having made a significant recovery from the 2016-2017 recession. He said that the Nigerian banking system remained strong, as key indicators reflected improvements across several areas.

Speaking further he noted that Capital Adequacy Ratio for the banking industry was above 15 percent, surpassing the prudential requirement, and the ratio of non-performing loans declined from 11 percent in April 2019 to less than 6.1 percent by January 2020. The intervention efforts in the agriculture and manufacturing sectors continued to support employment generating activities and improved local production of goods that can be produced in Nigeria, he said.

The Governor decried the effect of the onset of the COVID-19 pandemic in the first half of 2020, which led to the introduction of lockdown measures put in place to contain the spread of the virus. The measures, he said, had unfortunately caused an unprecedented shock to the economy. This he added led to far-reaching measures taken by the fiscal and monetary authorities to stabilize the economy.

He expressed optimism as Nigeria's Gross Domestic Product (GDP) contracted by - 3.6percent in the third quarter, a welcome improvement from the -6.1 percent recorded in the

second quarter. He pointed out that the negative rate of growth was due to a series of external factors in addition to the lockdown measures, imposed in order to curtail the spread of the virus.

He then listed some of the key constricting factors as restriction on global travel by land and air along with the slowdown in commercial activities, led to a significant reduction in the demand for crude oil; GDP growth, particularly in the manufacturing sector, was significantly impacted by the restrictions on movement, in addition to a decline in transportation, hospitality and tourism; significant disruptions in domestic/global supply chains affected delivery of inputs and machinery to firms in Nigeria, contributing to a slowdown in manufacturing activities.

Other factors that arose from the restrictions, he added, were the slowdown in economic activity, leading to a significant outflow of funds from emerging market economies, causing a corresponding depreciation in the currencies of countries; decline in crude oil earnings as well as the retreat by foreign portfolio investors significantly affecting the supply of foreign exchange into Nigeria; and inflationary pressure persisted due to disruption to global and domestic supply chains.

Measures taken to stabilize the economy by the Monetary and Fiscal Authorities include, a cumulative reduction of the monetary policy rate from 13.5 to 11.5 percent between May and September 2020 in order to spur lending to the economy; a 1-year extension of the moratorium on principal repayments for CBN intervention facilities; regulatory forbearance was granted to banks to restructure loans given to sectors that were severely affected by the pandemic; and reduction of the interest rate on CBN intervention loans from 9 to 5 percent.

Other measures, he said, were the strengthening of the Loan to Deposit Ratio policy, which resulted in a significant rise in loans provided by financial institutions to banking customers; creation of N150 billion Targeted Credit Facility (TCF) for affected households and small and medium enterprises through the NIRSAL Microfinance Bank; and disbursement of Agri-Business/Small and Medium

Enterprise Investment Scheme (N92.90 billion to 24,702 beneficiaries), Anchor Borrowers' Programme by the sum of N164.91 billion to 954,279 beneficiaries.

He listed other actions taken as mobilisation of key stakeholders in the Nigerian economy through the Coalition Against COVID-19 (CACOVID), leading to the provision of over N28bn in relief materials to affected households, and the set-up of 39 Isolation Centres across the country; creation of a N100 billion intervention fund in loans to pharmaceutical companies and healthcare practitioners intending to expand and strengthen the capacity of healthcare institutions; creation of a research fund, to support the development of vaccines in Nigeria; and establishment of a N1 trillion facility in loans to boost local manufacturing and production across critical sectors;

The Governor was pleased to point out that after a sectoral assessment of economic activities in the third quarter, it was noted that the economy witnessed positive growth in key sectors such as Information and Communications Technology (ICT), Agriculture, Health, Construction, Finance, Insurance and Public Administration.

To prevent an economic crisis from spilling over into a financial crisis, he said that banks had made adequate capital provisions to cover for unexpected losses; supported viable businesses that had been affected by the pandemic through access to our intervention funds; and banks were enabled to restructure loans granted to sectors affected by the pandemic.

He said that sustained implementation of the intervention measures, the Nigerian economy could emerge from the recession by the first quarter of 2021. He was optimistic that growth in 2021 would attain 2.0 percent. Full economic activities, particularly in-service related sectors, remained uncertain until a COVID vaccine was produced and made available, he added. He postulated that the Bank's action in 2021 would be guided by the considerations that emerged from the Monetary Policy Committee meeting of November 23 - 24, 2020 to address the major headwinds exerting downward pressure on output growth and upward pressure on domestic prices.

He said that development finance initiatives of the CBN would be enhanced in order to stimulate greater production and reduce unemployment. The Bank would increase support for measures that would aid improved cultivation of local produce in Nigeria, He added.

The Governor identified the banking sector as a significant facilitator of growth in the agriculture sector, through its intermediation function. He further recognised ICT as an enabler for growth in key sectors of the economy, noting that the Payment Service Banks, along with Mobile Money

Operators and banks were expected to leverage ICT channels in improving penetration of digital financial services and products to Nigerians. He pointed out that another critical area that the banking sector ought to consider for stable growth of the economy was Infrastructure Finance noting that a well-structured infrastructure fund could act as a catalyst for growth in the medium and the long run. He then assured Nigerians that the monetary and fiscal authorities were alive to their responsibilities to restore the economy back to recovery and called for constructive criticisms that would assist authorities in their recovery drive ■

Poultry Sector Receives N12.5bn Boost

By: **Kerma Mshelia**



The Central Bank of Nigeria (CBN) has released the sum of N12.552 billion to large, medium and small-scale poultry farmers in the country as part of its strategy to boost egg and meat production as well as create more jobs in the country. Report from the Bank indicate that between the last quarter of 2019 and November 2020, farmers in the poultry value chain in the country received a total sum of N12,552,000,000 from various commercial banks and the NIRSAL Microfinance Bank.

According to the Bank, large-scale companies that benefited from the CBN intervention programmes include Fortune Heights and Animal Care, both in Ogun State; Dasco Engineering in Lagos, Olam Hatcheries in Kaduna, Eastern Plains in Anambra State and Emmpek Farms in Delta State. Other beneficiaries listed under the Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) window include Elabi Farms in Bayelsa and Aladeyelu Farms in Ondo.

CBN noted that 639 poultry farmers that applied through the regular AGSMEIS window had also received funds as Autonomous Poultry farmers,

through NIRSAL MFB, to the tune of N1.996 billion. Similarly, the sum of N1.591 billion has been disbursed to 898 poultry farmers across the country to ameliorate the impact of COVID-19 on their operations. Confirming this, the Director, Development Finance Department Central Bank of Nigeria, Mr. Phillip Yila Yusuf, said the disbursement of funds to farmers was an on-going process as more farmers are being shortlisted for the loan.

According to him, additional fund will be disbursed to poultry farmers before the end of 2020 to guarantee, among other objectives, improved affordability and accessibility of eggs, broiler meat and day-old-chicks; assured market for egg-producers through off-take; employment creation for existing and new poultry farmers and improved protein intake for Nigerians. You will be recalled that the CBN in 2019 hosted 12 Universities from six geopolitical zones of the country to partner with them in a pilot scheme known as University-based Poultry Revival Programme aimed at further addressing the demand gap and unlocking the potential of Nigerian poultry producers, through the involvement of Universities.

Meanwhile, some large-scale poultry farmers that have benefited from the intervention schemes of the CBN have lauded the Bank's intervention in the sector, noting that, post-COVID-19, the poultry sector in Nigeria would witness a great boost. The duo of Alhaji Mashey Rasheed and Dr. Ayoola Oduntan, the Chief Executive Officers of Premium Farms and Amo Byng Nigeria Limited, respectively, urged other players to embrace the interventions by the CBN in order to enhance job creation opportunities in Nigeria ■

Diaspora Remittances: CBN Issues Amendments to Procedures

By: **Olusola Amadi**



Image: Nairametrics

In order to ensure the stability of foreign exchange market and boost foreign exchange supply into the nation's economy, the Central Bank of Nigeria (CBN) has issued guidelines to liberalize, simplify and improve the receipt and administration of diaspora remittances into Nigeria.

This was stated in a circular released on November 30, 2020, in which the Bank reiterates that International Money Transfer Operators (IMTOs) are to ensure that all funds in favour of recipients in Nigeria are received in foreign currency through the designated bank of their choice, adding that recipients of remittances may have the option of receiving these funds in foreign currency cash (US Dollars) or into their ordinary domiciliary accounts.

The Bank further states that the mode of payment either in cash or transfer is at the sole discretion of the beneficiaries/recipients and urges relevant stakeholders to ensure strict compliance and be guided accordingly. In further developments, in a circular issued on December 16, 2020, the CBN notes that following the recent policy pronouncements on amendments to procedures for receipt of diaspora remittances, the CBN notes that a few operators continue to remittances in local currency contrary to the regulatory directive.

The CBN consequently, has provided additional operational guidelines which provide that Switches and Processors are to immediately cease all local currency transfers in respect of foreign remittances through IMTOs; directs all Mobile Money Operators (MMOs) to immediately disable wallets from receipt of funds from IMTOs; and payment services providers to cease integrating their systems with IMTOs and to prevent comingling of remittances with other legitimate transactions.

The Circular further directs all IMTOs are required to immediately disclose to beneficiaries that they exercise discretion to receive transfer in foreign currency cash or directly into their domiciliary accounts. The Bank further disclosed that a central reporting portal for all foreign remittances to be managed by the Nigerian Inter-Bank Settlement System (NIBSS) is currently under development to improve visibility of foreign remittance flows.

The Bank urged all licensed institutions to comply with the foregoing guidelines as contraventions will attract stiff regulatory sanction, including revocation of license, while noting that the changes are necessary in order to deepen the foreign exchange market and to provide more liquidity and create transparency in the administration of diaspora remittances into Nigeria ■



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Farmers Receive N3.6bn under ACGSF

By: **Louisa Okaria**



Image: The Guardian Nigeria

The Central Bank of Nigeria (CBN) has announced that banks have guaranteed 26,830 loans valued at N3.6 billion to farmers under the scheme from January to October 2020.

The Bank in its report on the activities of Agricultural Credit Guarantee Scheme Fund (ACGSF) noted that the loans value had grown considerably in ten months as 1,923 loans worth N572.3 million was guaranteed for livestock farmers, 531 loans worth N135.5 million for fishery, and 5,925 loans worth N541.6 million were guaranteed for mixed farming.

It further reports that 16,976 loans worth N1.9 billion was guaranteed for food crops farming and

1,942 loans worth N345.5 million for cash crops farming while 333 loans worth N69.9 million for other types of farming.

The Agricultural Credit Guarantee Scheme Fund (ACGSF) was established by Decree No. 20 of 1977 and started operations in April 1978. The scheme funded by the CBN was designed to help farmers who have little or no collateral to access loans from commercial banks as well as mitigate the risks of banks in agricultural lending and encourage them to continue to extend credit to it.

The Fund also guarantees 75% of all outstanding loans in case of default and after realising the security. ■

New Guidelines on Operations of Domiciliary Accounts

By: **Louisa Okaria**

Following different interpretations on the operationalization of domiciliary accounts in Nigeria and in a bid to ensure the stability of the foreign exchange market, the Central Bank of Nigeria (CBN), has issued clarifications on the

operation of domiciliary accounts in the country. In a circular issued by the Director, Trade and Exchange Department, Dr. O. S Nnaji dated November 30, 2020, the Bank said Export Proceeds Domiciliary Accounts will continue to be

operated based on existing regulations which allow account holders use of their funds for business operations only, with any extra funds sold in the Investors' & Exporters' (I&E) Window.

The Bank further stated that where accounts are funded by electronic/wire transfer, Ordinary Domiciliary Accounts holders will be allowed unfettered and unrestricted use of the funds for eligible transactions. It also adds that where accounts are funded by cash lodgments, existing

regulation will continue to apply. The Bank further notes that the clarifications are necessary given the vastly improved capabilities of the Bank to monitor transactions, forestall money laundering and prevent the adverse effect of dollarization of the economy.

Authorized dealers and the general public are urged to note that the Bank Verification Number (BVN) would be used to enforce compliance with the regulations ■

Sustained Forex Restrictions on Locally Produced Commodities - CBN

By: **Ruqqayah Mohammed**



The Central Bank of Nigeria (CBN) has reiterated its stance on sustaining foreign exchange restrictions on food items that are produced and consumed locally.

The Governor, Central Bank of Nigeria (CBN), Mr Godwin Emefiele, made the disclosure in a video posted on the official twitter account of the Bank where he promised continued aggressive drive to cut food importation, and diversify the economy being a policy initiated by the Bank that has yielded positive results.

Emefiele noted that the CBN will see that any or all food items that can be produced and consumed in Nigeria which are currently being imported are placed on the foreign exchange restriction list. This he said, will go a long way to ensure domestic food security thus minimizing external risks and help the government to save foreign exchange, protect local industries and create jobs in the process.

It could be recalled that the CBN had placed restrictions on access to forex for 42 items in order to support local industries ■



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Central Bank of Nigeria

FREQUENTLY ASKED QUESTIONS (FAQs)

1. Why is the CBN the only bank that can issue the Naira?

Section 2b and Section 17 of the CBN act gives the CBN the sole right to issue currency notes and coins throughout Nigeria and neither the Federal Government nor any state Government, Local Government, other person or authority shall issue currency notes, banknotes or coins or any document or token payable to bearer on demand being document or token which are to pass as legal tender. Section 18 of the CBN act also gives CBN the power to print banknotes and mint coins.

2. Are machines for printing money available for purchase by the public?

No. The machines are only available to issuing authorities on request.

3. What Department of the CBN is responsible for the printing of money?

Currency Operations Department.

4. What is the purpose of printing polymer notes?

To extend the life span of the banknotes as the polymer notes lasts three times longer than the paper banknotes.

5. How long does the polymer note last?

18 to 24 months.

6. Where can one change currency notes?

Deposit Money Banks (DMBs) and CBN.

7. Can coins be deposited in the Banks?

Yes.

8. How are new currencies circulated?

CBN evacuates the finished banknotes from Nigerian Security Printing & Minting (NSPM) Plc

for distribution to all CBN branches. The branch further distributes the banknotes to DMBs where they are finally released to the public via withdrawals.

9. Why are there no new currencies in circulation?

Analysis of the currency in circulation showed that a large and increasing proportion of the Nigerian currency outside the commercial banking system (COB) is held by the general public who hoard a lot of the new banknotes.

10. Why are the lower denomination banknotes scarce?

The scarcity of lower denomination could be linked to the fact that these notes are held by the public. Absence of Automated Teller Machines (ATM) dedicated to dispense lower denominations has also contributed to the dearth of lower denomination in circulation.

11. Why are there huge numbers of dirty One Hundred Naira notes in circulation?

Handling habits of the general public such as, squeezing, staining, spraying etc. greatly contributes to soiling of the banknotes.

12. In view of the fact that our politicians and leaders abuse the naira at rallies and public events, how do we expect the people to treat the naira with care?

CBN constantly sensitizes the general public, politicians and leaders through public enlightenment campaigns through the print and electronic media on how to properly handle the naira. Further sensitization campaigns are arranged to engage politicians, leaders and other respected elders to make them change champions of the Bank's Clean Notes Policy. This would enable the public follow suit.



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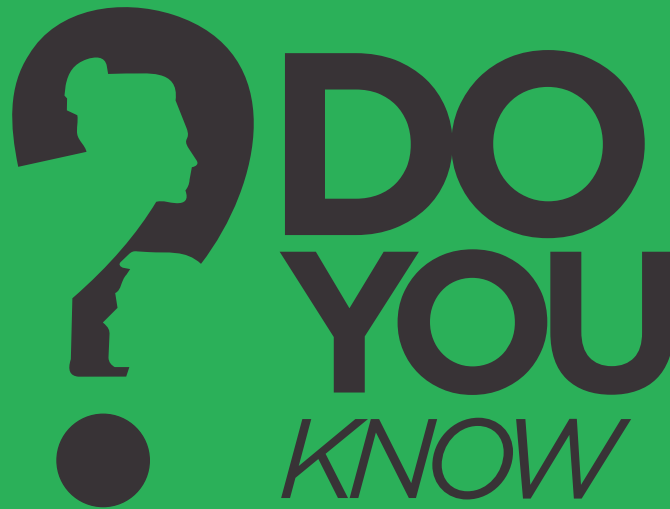
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Discretionary Monetary Policy: These are deliberate actions taken by the monetary authority to influence money supply in the system with a view to achieving its mandates.

Direct Monetary Policy: This involves the use of quantitative monetary controls such as credit ceilings, credit rationing and statutory liquidity ratios to control the amount of money in circulation.

Indirect Monetary Policy: This involves the use of market based instruments such as open market operations for the implementation of monetary policy.

Price stability: In an economy this means the general price level does not change much over time. Prices neither goes up or down.

Exchange Rate Channel: This arises when the exchange rate become the intermediate policy variable for transmission of monetary policy impulses.

Interest Rate Channel: This is a monetary policy transmission mechanism channel where by changes to the policy are propagated through interest rates to inflation.

That if you make a complaint to your bank, you must insist on getting the Consumer Complaint Management System (CCM) tracking number from your bank? This will enable the Central Bank Nigeria do a follow up.

That if you make a complaint to your bank on card related and funds transfer issues, and it is not resolved after 72 hours, you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

That if you make a complaint to your bank on account management issues and is not resolved after 14 days grace period stipulated the by Central Bank of Nigeria (CBN), you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

That if you make a complaint to your bank on excess charges and was not recitifed within 30 days allowed for resolution, you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

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