



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

FPR/DIR/PUB/CIR/001/024

October 13, 2021

CIRCULAR TO ALL NON-INTEREST FINANCIAL INSTITUTIONS (NIFIs)

GUIDELINES ON DISPOSAL OF NON-PERMISSIBLE INCOME

The Central Bank of Nigeria (CBN) in its efforts to standardise the treatment and disposal of Non-Permissible Income (NPI) by the Non-Interest Financial Institutions in Nigeria, hereby issues Guidelines on Disposal of Non-Permissible Income.

The Guidelines may be accessed from the CBN website (www.cbn.gov.ng), and all Non-Interest Financial Institutions are therefore required to comply accordingly as non-compliance will attract appropriate sanctions.

The Guidelines becomes effective **October 13, 2021**.

A handwritten signature in black ink, appearing to read 'Chibuzo A. Efofi', written over a horizontal line.

CHIBUZO A. EFOFI

DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

CENTRAL BANK OF NIGERIA



GUIDELINES

ON

DISPOSAL OF NON-PERMISSIBLE INCOME

FOR

NON-INTEREST FINANCIAL INSTITUTIONS (NIFIs)

OCTOBER 13, 2021

GUIDELINES ON DISPOSAL OF NON-PERMISSIBLE INCOME

In line with the CBN Guidelines on Governance of Advisory Committees of Experts (ACE) for Institutions Offering Non-Interest Financial Services, it is part of the duties and responsibilities of the ACE to supervise and monitor the disposal of Non-Permissible Income (NPI) by the institution.

Non-Permissible Income is any income that accrues to the institution in a Shari'ah non-compliant manner, such as interest income, penalties for delayed payment of debt obligations, or any income declared by the ACE of the institution as impermissible according to the Shari'ah.

The following guidelines is issued to guide the ACE of Non-Interest Banks (NIB) in supervising and monitoring the disposal of NPI by the institutions.

1. NPI is not an object of ownership of the NIB and does not confer any ownership rights on it.
2. The NPI shall be put in a dedicated NPI account and shall not be commingled with the funds of the NIB.
3. The NIB is under obligation to dispose of any NPI that accrues to it.
4. Disposing the NPI to a charitable cause is regarded as proper disposal of the NPI on the following conditions:
 - a. The NIB does not stand to benefit from the charitable cause in any way, even if by goodwill.
 - b. The charitable cause does not give benefit to any shareholder, director, ACE member or management staff of the NIB.
 - c. The disposal to the charity shall not be constituted nor included as part of the Corporate Social Responsibility of the NIB.
5. The disposal of the NPI directly by the NIB or through a third party is acceptable, provided it fulfils the conditions mentioned under Paragraph (4) above.
6. Whether the disposal is directly by the NIB or through a third party, the ACE shall review the disposal ex-ante and ex-post to ascertain that the conditions mentioned under Paragraph (4) above are fulfilled.
7. The ACE shall ensure that the NIB does not delay the disposal of the NPI without justifiable cause, as any unjustifiable delay shall be tantamount to the NIB deriving benefit from the prohibited NPI.

8. The ACE shall submit a quarterly report to the CBN on the disposal of the NPI by the respective NIB, in the following format:

The Advisory Committee of Experts (ACE) of _____ Bank has reviewed the amount of Non-Permissible Income (NPI) declared by the bank for the period covering _____ to _____, and has also reviewed the procedure for its disposal, either directly by the bank or through a third party, and certifies that the declared amount is correct, and the process of disposal is also acceptable. The ACE also certifies that neither the bank, its shareholders, its ACE nor management staff have benefitted financially or otherwise from the disposed NPI.

9. The ACE shall include in its annual report on the financial statements of the respective NIB a report on the disposal of the NPI in the following format:

The Advisory Committee of Experts (ACE) of _____ Bank has reviewed the financial statement of the bank, and taken note of the Non-Permissible Income (NPI) declared by the bank during the review period. The ACE hereby certifies that the declared amount is correct and that the NPI has been disposed by the bank to the satisfaction of the ACE.