



CENTRAL BANK OF NIGERIA

**GUIDELINES FOR BANKING OPERATIONS IN THE FREE
ZONES IN NIGERIA, 2016.**

APPROVED

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CENTRAL BANK OF NIGERIA
GUIDELINES FOR BANKING OPERATIONS IN THE FREE ZONES IN NIGERIA, 2016

In exercise of the powers conferred on it by sections 2(d) and 47 of the Central Bank of Nigeria Act, No. 7, 2007 (“the Act”) and all other powers enabling it in that behalf, the Central Bank of Nigeria (“CBN”) issues the following Guidelines –

PART I
OBJECTIVES OF THE GUIDELINES

1. Objectives

The objectives of these Guidelines are to -

- a. complement and enhance the provisions of the Free Zones (FZs) Acts;
- b. provide details of regulatory and supervisory requirements necessary to promote efficient and sustainable banking services in Nigeria’s FZs;
- c. spell out details of permissible and prohibited activities of banks in Nigeria’s FZs;
- d. provide details of incentives available to banks in Nigeria’s FZs.

PART II
ESTABLISHMENT OF A BANK TO OPERATE IN THE FREE ZONES

2. Banks Operating In Nigeria’s Free Zones

- (1) Banks and other financial institutions in Nigeria are licensed under the Banks and Other Financial Institutions Act (BOFIA), Cap B3, Laws of the Federation of Nigeria, 2004 (as amended), complemented by the directives and guidelines issued from time to time by the Central Bank of Nigeria (hereinafter referred to as “CBN”) to carry on banking business in accordance with the provisions of the Act.
- (2) As from the commencement of these Guidelines, only banks or financial holding companies licensed under BOFIA, or licensed foreign banks shall qualify to apply to the Authority for approval to establish presence to carry on banking business in Nigeria’s FZs.
- (3) The banks currently operating in the FZ before the issuance of these Guidelines shall, from the commencement of these Guidelines, regularize and comply with the provisions for establishing presence in the FZ. This should be done within six months of the issuance of the Guidelines.
- (4) The provisions of Nigerian Export Processing Zone Authority (NEPZA) Act, Oil and Gas Free Zone Act, BOFIA, CBN Act, and NDIC Act and all guidelines and regulations issued pursuant to these Acts shall apply to banks operating in the FZs.

3. Application to Establish A Bank In A Free Zone

- (1) Without prejudice to the powers of NEPZA to grant Licenses, no enterprise shall carry on banking business in any FZ in Nigeria without:

- a. a prior approval granted to the parent bank by the Authority, after meeting the requirements to establish the subsidiary in the FZ and,
 - b. a banking license granted to the subsidiary by the CBN, after meeting the requirements to carry on banking business.
- (2) An application to establish a bank in a FZ shall be submitted by the parent bank to the Authority along with the relevant fees.
 - (3) The application shall be forwarded to the CBN by the Authority with the following documents -
 - a) An application letter;
 - b) Evidence of payment to the CBN of a non-refundable application fee of USD 10,000 or such other amount as the CBN may prescribe from time to time.
 - c) Evidence of deposit of the prescribed minimum paid-up share capital with the CBN.
 - d) Board Resolution detailing the strategic objectives for the establishment of the subsidiary;
 - e) A copy of the Authority's acknowledgment of a formal request by the parent bank for consent to establish the subsidiary;
 - f) Initial assessment report by the parent bank detailing specific benefits derivable from the subsidiary;
 - g) Board approval for capital allocation to meet the minimum capital requirement for the subsidiary;
 - h) Feasibility report which shall include -
 - i. justification of the request including the business model and strategy for the establishment of the proposed subsidiary,
 - ii. the capacity of the bank to cope with such expansion considering its capital adequacy, liquidity, management effectiveness and availability of free funds,
 - iii. viability of the proposed subsidiary,
 - iv. details of the shareholding structure of the proposed subsidiary,
 - v. range of products or services to be offered by the proposed subsidiary ,
 - vi. a breakdown of the estimated initial capital expenditure and other operational costs for the proposed subsidiary, and
 - vii. the sources of foreign exchange to finance the establishment and running of the subsidiary.
 - i) Financial projections of the subsidiary bank for at least 3 years, including Statement of Financial Position, Income Statement , Notes to the accounts and Assumptions;
 - j) Memorandum and Articles of Association of the proposed subsidiary;
 - k) Organogram and detailed profile of the directors and key management staff of the proposed subsidiary;
 - l) Human Resource requirements ;
 - m) Detailed Enterprise Risk Management Framework of the proposed subsidiary,
 - n) Details of how the operations of the subsidiary would be monitored.
 - (4) Any amendment to the Memorandum and Articles of Association of the parent bank shall be communicated to the CBN within two weeks.
 - (5) The CBN in reviewing the application and supporting documents may request for additional information, documents, and reports, as it may consider necessary.
 - (6) Where the application for a license is unsuccessful, the CBN shall release the capital deposit plus accrued interest within thirty (30) days on receipt of a formal request by the promoters.

- (7) Where the CBN considers the application satisfactory, it shall grant an approval-in-principle (AIP) not later than three (3) months from the date of the receipt of complete information/documents.
- (8) In the event that the CBN considers the application unsatisfactory, it shall issue the applicant a deficiency letter, stating the inadequacies identified in the application within the stated time.
- (9) Any bank, which has been granted an AIP, shall ensure that from the date of such AIP, it shall conduct its affairs in accordance with the terms and conditions of the AIP and the requirements of the Authority.
- (10) Any bank that has been granted an AIP shall apply to the CBN for a final license within six (6) months of the grant of an AIP.
- (11) The AIP shall lapse after six (6) months if not utilized.
- (12) Where the CBN considers the application satisfactory, it shall grant a final license not later than three (3) months from the receipt of complete information/documentation upon the payment of a license fee of \$20,000 or such amount as the CBN may prescribe.
- (13) For the avoidance of doubt, any license issued under these Guidelines shall be valid only for the FZ in respect of which it is issued.

4. Prudential Requirements

- (1) The required minimum paid-up capital to operate in a FZ of Nigeria shall be US\$10 million or such other amount as the CBN may from time to time prescribe.
- (2) In addition, a bank in the FZ shall meet all the prudential requirements as may be specified from time to time by the CBN
- (3) Banks in FZs shall appoint fit and proper persons to key management positions, as prescribed by the CBN.

5. Disclosure Requirements

- (1) A bank in the FZs shall disclose to the CBN, the equity interests of its directors and key officers in any enterprise in the zones within fourteen days of acquisition of such interest.
- (2) It shall be the duty of a director of a bank in a FZ who is in anyway, interested in the grant of an advance, loan or credit facility with the bank in the FZ to declare the nature of his interest to a meeting of the Board of Directors of the bank.

PART III INCENTIVES AND PERMISSIBLE ACTIVITIES

6. Incentives For Banks Operating In Nigeria's Free Zones

- (1) Pursuant to the relevant provisions of the Free Zones Acts, a bank operating in Nigeria's FZ shall enjoy the following incentives -
 - (a) freedom to move funds in and out of the zone on all eligible transactions;
 - (b) exemption from stamp duties on all its documents;

- (c) exemption from withholding tax deductions on interest payable on deposits, dividends and royalties;
 - (d) exemption from corporate and capital gains taxes;
 - (e) exemption from payment of duties on imports of furniture, office equipment and other facilities necessary for its operations; and
 - (f) exemption from payment of value added tax and any other incentives as may be approved by the Authority, from time to time.
- (2) Banks in the FZs may maintain correspondent banking relationships with licensed banks in the Nigeria Customs Territory and overseas.

7. Permissible Activities

A licensed bank in the FZ may -

- a) take deposits and maintain current and saving accounts from natural and legal persons;
- b) provide retail banking services;
- c) grant to any person, advance, loans, or credit facility, or give any financial guarantee, or incur any other liability on behalf of any person;
- d) make remittances of funds abroad or to Nigeria Customs Territory on behalf of any non-resident;
- e) deal in foreign exchange and provide foreign exchange services, subject to the requirements of the Foreign Exchange (Monitoring & Miscellaneous Provisions, etc) Act Cap. F35 Laws of the Federation of Nigeria 2004, any other law and CBN Regulations made pursuant thereto;
- f) provide treasury management services including but not limited to the provision of money market, fixed income, and foreign exchange investment on behalf of clients, subject to the approval of the CBN;
- g) provide custodial services;
- h) provide financial advisory services incidental to commercial banking business which do not require regulatory filings with the Securities and Exchange Commission such as: advising on financing and business strategies and structures, conducting research and economic intelligence services, building financial models, writing business plans, conducting private placements, arranging loan syndications and advising on project structures;
- i) invest in non-convertible debt instruments and, subject to CBN approval, enter into derivative transactions;
- j) undertake fixed income trading, where duly licensed to act as a Primary Dealer/ Market Maker to trade in securities as may be prescribed by the CBN from time to time;

- k) provide non-interest banking services subject to CBN approval; and
- l) such other activities as may be approved by the CBN from time to time

**PART IV
PROHIBITED ACTIVITIES AND ADHERENCE TO THE PROVISIONS OF THE
MONEY LAUNDERING (PROHIBITION) ACT, 2011.**

8. Prohibited Activities

The following banking and related activities are prohibited in the FZs -

- a) sourcing foreign exchange from the official foreign exchange market of the Nigeria Customs Territory;
- b) opening an account for a customer in contravention of the Know-Your-Customer (KYC) principles;
- c) insurance underwriting;
- d) Loss adjusting, Re-insurance, Asset Management, Issuing House and Capital Market underwriting services;
- e) investment in equity or hybrid-equity instruments, save and except for the investments permissible under BOFIA;
- f) Proprietary trading, save as permitted by these Guidelines;
- g) provision of financial advisory other than in accordance with provisions in Section 7(h) ; and
- h) undertaking any other transactions which are inimical to the interest of the FZ; and any other activity that may be specified by the CBN or other relevant authorities, from time to time.

9. Adherence To The Provisions Of AML/CFT Legislations

Banks within the FZs are required to ensure strict adherence to the provisions of the Money Laundering (Prohibition) Act, 2011 (as amended), Terrorism (Prevention) Act, 2011 (as amended) and the Central Bank of Nigeria AML/CFT Regulations for Banks and Other Financial Institutions in Nigeria, 2013.

**PART V
MISCELLANEOUS**

10. Resolution of Disputes

- (1) Disputes between banks and their customers may be resolved:
 - (a) under the CBN's dispute resolution framework; or

- (b) by reference to an arbitral panel for resolution which shall comprise of:
 - (i) two persons appointed by the CBN ; and
 - (ii) a person representing the Authority.
- (2) A decision in any dispute does not preclude a dissatisfied party from seeking redress in the law courts.

11. Surrender And Revocation of Banking License

- (1) A bank operating in a FZ may voluntarily surrender its license. Such bank shall obtain the prior written approval of the CBN, through the Authority.
- (2) The CBN may revoke the license of a bank operating in the FZ–
 - (a) pursuant to the provisions of BOFIA;
 - (b) where the Operating License of the bank is withdrawn by the Authority in consultation with the CBN.
 - (c) for failure to comply with the provisions of these Guidelines, the Authority Regulations or any other directives as may be issued by the CBN from time to time.

**PART VI
OPERATING MANUAL FOR BANKS OPERATING IN THE FREE ZONES**

The operation of banks in the Free Zones shall be guided by the following:

12. Sources Of Funds

The sources of funds shall include -

- (a) Deposits from non-bank customers such as Multinational Corporations, International Corporations, Non-resident or resident persons or entities, approved Enterprises in the FZs, Regional Financial Agencies or Institutions and Euro-Money Markets;
- (b) Inter-bank borrowing within the FZs or with licensed foreign banks;
- (c) Export Proceeds;
- (d) Equity Capital; and
- (e) Such other sources of funds as may be approved by the CBN from time to time in consultation with the Authority.

13. Utilization Of Funds

The bank shall apply the funds at its disposal to -

- (a) loans and advances to residents and non-residents
- (b) investments
- (c) settlement of operational expenses;
- (d) payment of dividends;

- (e) payments of interest on deposits;
- (f) payments for imports; and
- (g) such other utilization of funds as may be approved by the CBN from time to time in consultation with the Authority.

14. Rules For Sourcing And Utilization Of Funds

- (1) Banks shall not source for foreign exchange from the official market in the Nigeria Customs Territory for transactions in the FZs;
- (2) Exports from the Nigeria Customs Territory to the FZs shall attract payment in foreign exchange and be subjected to mandatory repatriation of proceeds;
- (3) The relevant processes, documentation requirements and procedures applicable in the Nigeria Customs Territory, including any form of inspection, shall also apply to trade transactions in the zone (import and exports)
- (4) The sourcing and utilization of funds by banks in the FZs shall, in addition to the provisions of these Guidelines, be governed by such other guidelines or regulations as may be issued by the CBN, from time to time.

15. Rendition Of Returns

- (1) Banks in the FZs shall render returns to the CBN in the manner specified below -
 - (a) Remittances for Imports – monthly;
 - (b) Foreign Exchange inflows – monthly;
 - (c) Naira Transactions (External Accounts) – monthly;
 - (d) Statements of Assets and Liabilities – monthly;
 - (e) Other Foreign Exchange Payments – quarterly;
 - (f) Breakdown of Total Credits – quarterly;
 - (g) Foreign Exchange Investment – quarterly;
 - (h) Annual Audited Financial Statement; and
 - (i) Any other returns as may be required by the CBN or relevant authorities from time to time.
- (2) Except in the case of (1) (h) above, all returns must reach the CBN not later than the 10th day after the month in which they are due.

**PART VII
REQUIREMENTS FOR PROCESSING FOREIGN EXCHANGE APPLICATIONS**

16. Document Incorporated Into These Guidelines.

The provisions of the CBN Foreign Exchange Manual shall apply to banks operating in the FZs. Extracts from the said Manual are attached as Appendix to these Guidelines to guide banks and the general public in the FZs on the requirements for processing foreign exchange applications.

Regulations, Guidelines and Circulars that would be issued from time to time by the CBN will apply to future requirements for processing foreign exchange applications.

PART VIII INTERPRETATIONS AND CITATIONS

17. Interpretations

For the purpose of these Guidelines -

- “Authority” means Nigeria Export Processing Zones Authority established under the Nigeria Export Processing Zones Act Cap N107 LFN 2004 and the Oil and Gas Free Zone Act Cap O5 LFN 2004
- “Banks” means banks licensed under BOFIA Cap B3, LFN 2004 (as amended) and authorized to deal in foreign exchange in the Nigeria Customs Territory.
- “Nigeria Customs Territory” means areas in Nigeria outside the Free Zones.
- “Eligible Transactions” means all transactions (visible and invisible) that are neither prohibited by the Free Zone Acts, nor suspended by current regulations.
- “Free Zones (FZs)” mean Zones created under the Nigeria Export Processing Zones Act Cap N107 LFN 2004 and the Oil and Gas Free Zone Act Cap O5 LFN 2004
- “Foreign Exchange” means foreign currency.
- “Licensed Foreign Bank” means any enterprise licensed under the laws of any country other than the Nigeria Customs Territory to carry on banking business.
- “Non-Resident” means any person who is resident outside the Free Zone or an enterprise registered or incorporated outside the Free Zone.
- “Resident” means a person granted permission to reside permanently in the Free Zone or enterprise registered and operating in the Free Zone.
- “Parent Bank” means any bank or a financial holding company that has controlling interest over a subsidiary bank.
- “Subsidiary” means any bank within the FZ whose parent bank holds 51% or more of its share capital.
- Form “AFZ” means CBN Form A adapted for use in the Free Zones.

18. Citation

These Guidelines shall be cited as Guidelines for Banking Operations in Free Zones, 2014.

APPENDIX REQUIREMENTS FOR FOREIGN EXCHANGE APPLICATIONS

[Guideline 16]

A. DIRECT FOREIGN CAPITAL INVESTMENT IN THE FREE ZONE

Any person whether resident in or outside the Free Zone may invest in any enterprise in the Free Zone. In addition, the Authorised Dealer shall issue a Certificate of Capital Importation (CCI) to

the investor within 24 hours of the receipt of the capital. The Authorised Dealer shall issue the CCI on the basis of the following documents:

1. **Where the Investment is in form of Inflow of Funds:**
 - i) Authenticated SWIFT message advising payment;
 - ii) Board resolution of the local beneficiary authorising the investment in the Free Zone;
 - iii) Purpose of capital importation (e.g. equity, portfolio, loan);
 - iv) Evidence of incorporation where applicable.

2. **Where Capital is in form of Equipment/Machinery or Raw Material**
 - a) Original Combined Certificate of Value and Origin (CCVO) and Pre-Arrival Assessment Report (PAAR)
 - b) Certified copy of Bill of Lading (original to be sighted)
 - c) Certified copy of Bill of Entry/Single Goods Declaration Form (original copy to be sighted)
 - d) Single Goods Declaration (SGD) Form number.

Authorised Dealers are required to render monthly returns to CBN on capital importation for the purpose of investment in the Free Zone.

3. **Remittances in respect of Investment under the Debt Conversion Programme**
 - a) A status report must be obtained from the Debt Management Office (DMO) before repatriation of capital, profit, interest and/or dividends, in respect of transactions which have been approved under the DMO Scheme.

 - b) Evidence of payment of the mandatory 2.5% transaction cost paid to the Nostro account of CBN.

NOTE:

Registration of Foreign Investment

It is required that non-resident investors in the Free Zone shall register their Investments for records and statistical purposes with the Free Zone Authority. The FZA shall forward monthly returns of all registered foreign investments to the Trade and Exchange Department of the CBN for monitoring and record purposes. Authorised Dealers are to ensure that the FZA registration certificate/evidence is provided before funds are repatriated on behalf of the non-resident investor.

B. CAPITAL OUTFLOWS AND OUTWARD TRANSFER IN RESPECT OF DIVIDENDS, PROFITS AND INVESTMENTS

Foreign investors are guaranteed unconditional transfer of their capital, profits and dividends attributable to their investments in any convertible currency through the Authorised Dealers.

1. **Capital Transfer (Other than Securities)**

Applications for capital transfer or withdrawal of investment may be processed by the Authorised Dealers subject to the following documentation requirements:

- i) Copy of Sales Agreement;
- ii) Certificate of Capital Importation as evidence that the original investment was imported into the Free Zone whether in the form of cash or goods (raw materials, machinery and equipment), or Approved Status in the case of an old company/investment or evidence of previous remittance of profits and dividends;
- iii) Documentary evidence that the beneficiary has sold or transferred the assets;
- iv) Valuation Report by an independent third party indicating the value of assets;
- v) Completed and approved Form "AFZ".

2. **Transfer of Shares**

Transfer of shares can be done by companies subject to:

- i) Board Resolution authorising such transfer;
- ii) Transfer agreement;
- iii) Letter of clearance from the Securities and Exchange Commission that the transfer is duly authorized. (if the transfer involve parties outside the FZ);
- iv) Letter of clearance from the Free Zone Authority that the transfer is duly authorised. (if the transfer involve only parties in the FZ);
- v) A valuation report by a reputable Auditing firm indicating the value of the shares, where the company is not quoted on the Stock Exchange.

After such transfer, enterprises are required to notify the Free Zone Authority and the CBN for monitoring and record purposes.

3. **Capitalisation/Rights Issue**

Capitalisation/Rights Issue can be carried out by enterprises in the Free Zone subject to the following:

- a) Board Resolution authorising such capitalisation;
- b) Payment of relevant stamp duty to the Free Zone Authority;
- c) Approval from the Securities and Exchange Commission (SEC) where the investment involves entities outside the Free Zone.

4. **Remittance of Dividends, Profits, etc**

The documentation requirements for the remittance of dividends and profits are as listed below:

- (a) Duly completed and approved Form "AFZ"
- (b) Audited accounts for the year dividends were declared.

- (c) Board of Directors/AGM resolution, authorising the payment of dividends/profits to both local and foreign shareholders.
- (d) Evidence of capital importation into the Free Zone, e.g. CCI or Approved Status and evidence of previous remittance of dividends/profit.
- (e) Evidence of what is due to each shareholder for the period dividends is declared, and/or dividend warrant.

Note: For individuals, provisions in 4(b and c) would not be applicable. Authorised Dealers are required to submit monthly returns to the Central Bank of Nigeria on capital transfer/repatriation and remittance of profits and dividends.

5. **Utilisation of Certificates of Capital Importation (CCI)**

Certificate of Capital Importation issued by any Authorised Dealer that initially handled the transaction that qualifies for issuance of CCI can be utilized through another bank subject to the following:

- (j) a formal application by the customer to the bank that initially issued the CCI, requesting for transfer to another bank;
- (ii) the initial bank effects the transfer to a bank of the customer's choice within 5 working days of the request, attaching the following:
 - (a) copy of the CCI;
 - (b) transaction history of the CCI, stating purpose of CCI, amount remitted so far (interest, loan repayment, dividends), amount outstanding and an indemnity by the issuing bank to the receiving bank against double remittance. A copy of the CCI transaction history should be forwarded to Director, Trade & Exchange Department, CBN, Abuja.
- iii) the new bank accepts the transfer and issues to CBN, a letter of indemnity against double remittance and commences remittance on the CCI subject to relevant documentations being fully met.
- iv) in all cases and where final remittance has been effected, the original CCI should be retrieved and cancelled by the bank that last handled the transaction involving the CCI. The bank should retain a photocopy for its records and surrender the cancelled original CCI to the Director, Trade and Exchange Department, CBN, Abuja, within 5 working days from the date of cancellation.

C. **PURCHASE AND SALE OF SECURITIES**

1. **Securities Payable in Nigerian Currency**

- 1.1 A non-resident who wishes to establish an enterprise in the Free Zone shall first of all comply with the provisions of the FZA guidelines i.e. via registration with the Free Zone Authority.
- 1.2 A non-resident investor may buy the shares of any enterprise in the Free Zone. Such purchase of shares, shall be completed through any of the Stock Exchanges in Nigeria.
- 1.3 Procedure for Purchase of Securities Through the Stock Exchange
- (i) The prospective investor appoints a local stock broker of his choice.
 - (ii) The broker and investor agree on the bank in Nigeria for the investor; the investor then informs the bank on how much he is investing.
 - (iii) The capital is imported e.g. by electronic transfer to the designated Bank. Please note that cash movement for dealing in securities is not allowed.
 - (iv) On receipt of the funds, the bank issues the investor with a Certificate of Capital Importation within 24 hours.
 - (v) With the certificate, the investor through the stock-broker, enters the market; invests in any company of his choice
 - (vi) If at any point in time the investor wants to divest, he shall go back to the bank with the following documents:-
 - (a) Evidence that the shares were sold in line with guidelines by the Securities and Exchange Commission, the relevant Stock Exchange;
 - (b) Evidence of capital importation/approved status/evidence of previous remittance of dividends on the shares;
 - (c) Evidence of offer and acceptance (i.e. sales agreement).
 - (d) In the case of companies whose shares are not quoted on the stock exchange, a valuation report by a reputable Auditing Firm indicating the value of the shares, is required in place of (a) above

1.4 Global Depository Receipts (GDRs) and Certificate of Capital Importation (CCI) Issuance

In order to align the issuance of GDRs with the requirements of CCI issuance to foreign investors and also build confidence in the minds of investors who may want to invest in the GDRs, Authorised Dealers are to note the procedure as follows:

- (i) Certificate of Capital Importation shall continue to be issued in respect of foreign exchange inflow for loans, investment purposes and/or capital, subject to existing guidelines;
- (ii) Where foreign exchange inflow is in respect of GDR, a master CCI should be issued in favour of the Depository bank (DB) to the tune of the foreign exchange inflow;
- (iii) Upon issuance of the master CCI, the receiving bank/Authorised Dealer should furnish the CBN with a copy with the details of the beneficial investors to the GDR endorsed at the back of the master CCI;

- (iv) Where the portion of the GDR is cancelled offshore by the investor, the DB shall inform the Custodian/sub-custodian of the cancellation and provide the latter with the necessary documentary evidence of same;
- (v) The Depository's nominee custodian shall have valid CCI covering the number of shares withdrawn from the GDR and also effect a "mark down" of the CCI from the master CCI;
- (vi) With the valid CCI covering the number of shares withdrawn from the GDR, the direct non-resident equity investor can trade with the underlying shares in the local market. The investor shall also be entitled to repatriate funds outside the Free Zone;
- (vii) Repatriation of funds outside Nigeria shall be through Authorised Dealers subject to the following:
 - (a) The guidelines on utilization of CCI in the Foreign Exchange Manual and/or relevant circulars on same;
 - (b) Duly completed Form 'AFZ';
 - (c) Letter of evidence of conversion from GDRs to shares and confirmed by the Depository and the nominee custodian;
 - (d) Documentary evidence of cancellation of the GDR from the depository;
 - (e) Letter from the direct non-resident equity investor, stating relevant details to the Authorised Dealer via his broker, requesting for repatriation of sales proceeds;
 - (f) Photocopy of the original CCI;
 - (g) Sale Contract Note or evidence of sale of shares from a FZ broker.
- viii) The Authorised Dealer responsible for the repatriation of proceeds of sale on behalf of the GDR holder is required to perform book-keeping and paper trail procedures evidencing:
 - a) Proof of sale of GDR
 - b) Identity of GDR holder
 - c) Proof of CCI
 - d) "Mark down" of the original CCI

2. **Securities Payable in Foreign Currency**

Residents of the Free Zone may buy from or sell to a non-resident, any security denominated in foreign currency subject to the following documentations:

- (i) Form "AFZ"
- (ii) Broker's Quotation or Purchase Contract Note
- (iii) Certified evidence of offer for sale of the specified shares
- (iv) Prospectus or current annual report of company offering the shares for sale

3. **Investment in Securities denominated in foreign currency**

- (a) Form 'AFZ'

- (b) Purchase confirmation of the securities by the broker shall be forwarded to the dealing bank.
- (c) Submission of periodic statement of investment holdings by the broker to the dealing bank
- (d) Monthly returns on the investment by the bank to the CBN
- (e) Appointment of custodian by the investor who shall be duly acceptable to the dealing bank.
- (f) Authorised Dealers are required to apply KYC principles on the prospective investors before consideration of such application.

Authorised Dealers are to note that funds from the official foreign exchange window of the customs territory shall not be eligible for investment in securities denominated in foreign currencies abroad and setting up of offshore subsidiaries/branches of free zone enterprises. For the avoidance of doubt, only funds generated in the Free Zone shall be used to finance such transactions.

D. PURCHASE OF MONEY MARKET INSTRUMENTS

A non-resident national or entity may invest in Nigeria by way of purchase of money market instruments such as Commercial Paper, Negotiable Certificates of Deposit, Bankers Acceptance, Treasury Bills, etc.

1. The following guidelines should be noted:
 - (a). Investment in the Nigerian Treasury Bills (NTB) and Federal Government Bond (FGB) by foreign entities is allowed;
 - (b). However, prior to the maturity of these instruments, foreign investors are allowed to discount their investment in the secondary market to either a local or foreign investor;
 - (c). Where the new investor is in the Free Zone, the CCI issued to the initial foreign investor who is now divesting, shall be cancelled after the repatriation of the proceeds of the divestment. The new investor will now receive interest payment and on maturity collect the principal in Naira or USD;
 - (d). In the case where a foreign investor is buying over the instrument from the investor divesting, the CCI issued to the foreign investor (seller of CCI) will be cancelled. A new CCI will be issued to reflect the name of the buyer. The new investor in this case is guaranteed easy remittance of interest that shall accrue from the investment as well as the remittance of the principal at the maturity of the instrument.

Note: For the avoidance of doubt, it should be noted that in both cases (c) and (d), the repatriation and or payment of the principal will only be effected to the holder of the instrument after its maturity.

2. Procedure for investing in Nigerian Money Market Instruments

- (i) The prospective investor appoints a local bank or Discount House as an agent to purchase the instrument
- (ii) The funds for the investment are transferred electronically to a designated bank
- (iii) On receipt of the funds, the bank issues the investor with a Certificate of Capital Importation within 24 hours.
- (v) With the certificate, the investor through the bank or discount house, enters the market; invests in any instrument of his choice
- (v) If at any point in time the investor wants to divest, he shall go back to the bank with the following documents:-
 - a) Certificate of Capital Importation
 - b) Evidence of redemption of the money market instrument.

Authorised Dealers are to note that after repatriation of the investment, the certificate of capital importation should be recovered and cancelled. The cancelled original of the CCI should be forwarded to Director, Trade and Exchange Department, Central Bank of Nigeria, Abuja, while the bank retains a copy for records.

E. EXTERNAL LOANS, INCLUDING SUPPLIERS' CREDIT

1. Procurement of Foreign Loan

Request for foreign loans by enterprises registered in the Free Zone, from corporate bodies/institutions offshore shall be processed through Authorised Dealers supported with the necessary documents:

1.1 Where the Loan is in form of Inflow of Funds:

- (a) Board Resolution to obtain the loan
- (b) A copy of agreement, showing terms and conditions of the facility, including moratorium, date of maturity, interest rate and schedule of repayment of principal and interest.
- (c) A copy of letter of offer of loan/facility or credit.
- (d) A copy of letter of acceptance.

1.2. Where Loan is in form of Equipment/Machinery or Raw Material

- (a) Original CCVO and Pre-Arrival Assessment Report (PAAR)
- (b) Certified copy of Bill of Lading (original to be sighted)
- (c) Certified copy of Bill of Entry/Single Goods Declaration Form (original copy to be sighted)
- (d) Single Goods Declaration (SGD) Form number.

After such foreign loans/facilities shall have been obtained, Authorised Dealers shall forward the details of the loans/facilities to the Free Zone Authority and the Trade and Exchange Department of CBN, for record and monitoring purposes.

2. Repayment of External Loans

- (i) Completed Form "AFZ"
- (ii) Copy of Agreement, showing schedule of repayment
- (iii) Schedule of drawdown of the loan/facility
- (iv) Evidence that the loan/credit was brought into the Free Zone (CCI, CCVO and PAAR, etc.) where applicable
- (v) Single Goods Declaration Form number.
- (vi) Demand note.
- (vii) Authenticated SWIFT message in respect of inflow of funds.

F. FOREIGN NATIONALS' PERSONAL HOME REMITTANCES

1. Family Maintenance Allowance

- 1.1 Remittances by resident foreign nationals/expatriates for the maintenance of dependants on their own accounts or for any purpose whatsoever are allowed up to 100% of their net income while physically resident in the Free Zone. An expatriate wife with accompanying husband (immigration status) and resident permit cannot enjoy the PHR facility, but can transfer funds outside the Free Zone for any other purpose.
- 1.2 Authorised Dealers may approve applications made by foreign nationals resident in the Free Zone to remit monies outside the FZ for family maintenance subject to the following documentation requirements:-
 - (a) Duly completed Form "AFZ"
 - (b) Certified Tax Deduction Card
 - (c) Photocopy of Relevant Pages of Passport
 - (d) Resident Permit (for the period applied for)
 - (e) Evidence of operation of current account with the bank and of payment of salaries into the account.
- 1.3 Actual transfer may be made once in a month on the basis of the remuneration received for the previous month. However, where remittances have fallen into arrears, Authorised Dealers can determine the applications based on the documents listed in 1.2 above.
- 1.4 Family maintenance allowance may be continued only while the applicant is actually resident in Free Zone and receives salary. These shall cease immediately it is known that the applicant has left the Free Zone.

2. **Naturalised Aliens/Foreigners Married to Residents**

- 2.1 A limit of 50 per cent of the annual income of naturalised aliens (which include an expatriate woman married to a resident) may be allowed to be remitted abroad in any fiscal year, subject to documentation requirements in paragraph 1.2 above, except (d).
- 2.2 Naturalised aliens shall be treated as residents for the purpose of foreign exchange remittances. Consequently, remittances of premiums payable by them on any life or endowment policy expressed in foreign currency will be allowed until such policy matures, after which the foreign exchange proceeds shall be repatriated and credited into a Domiciliary Account operated by the beneficiary. Like other residents holding such policies, they shall be required to deposit such policies with an Authorised Dealer until maturity.

3 **Leave Pay**

- 3.1 Non-residents working in the Free Zone are allowed to remit 100% of their leave allowance during any calendar year.
- 3.2 In all cases, the amount remitted must not exceed the leave allowance of the applicant.
- 3.3 Authorised Dealers shall note that the leave pay allowance granted under this guideline is inclusive of travel allowance approved for the related leave period.
- 3.4 Applicants' passports shall be endorsed by the Authorised Dealers to reflect the grant of leave pay remittance for each year. Where there is evidence of accumulated leave, the leave pay remittance shall be proportionate to the period(s) of accumulation and the passport shall be endorsed to indicate the period(s) accordingly.
- 3.5 Application for leave pay shall be supported with the following documents:-
 - a) Duly completed Form "AFZ"
 - b) Photocopy of relevant pages of the applicant's passport
 - c) Letter from employer stating that the applicant is going on leave and the amount of leave allowance paid to applicant.
 - d) Photocopy of Resident Permit (for the period applied for).

4. **Provident Fund Payments**

Authorised Dealers may approve applications made by non-residents to remit Provident Fund Payments provided documentary evidence of the amount due is produced and income tax has been paid or that the monies are exempted from taxation. Such remittances form part of the repatriable 100% of net income.

5. **Bonus and Gratuity**

Applications for permission to remit Gratuity/Bonus should be determined by the Authorised Dealers on presentation of the following documents:-

- (k) Duly completed Form "AFZ"
- (ii) A letter from the applicant's employer confirming payment.
- (iii) Evidence of payment of tax on the amount to be remitted.

6. **Company's Share of Provident/Pension Fund Liabilities Due to Expatriate Staff**

Such applications shall be determined by Authorised Dealers subject to the following documentation requirements:-

- (i) Duly completed Form "AFZ"
- (ii) Approved rules of the pension scheme
- (iii) Schedule of contribution (where applicable)
- (iv) Joint Tax Board approval of the scheme/appraisal of the scheme by National Social Insurance Trust Fund (NSITF) in case of Provident Fund.
- (v) Resident permit of individual contributor.

7. **Final Balance/Terminal Pay:**

All applications for remittance of terminal pay and proceeds from sales of assets (all within remittable limits) shall be determined by the Authorised Dealers, subject to the following documents:

- (a) Duly completed Form "AFZ"
- (b) Photocopy of Resident Permit
- (c) Photocopy of Relevant pages of applicant's Passport
- (d) Letter from the employer stating that the applicant is leaving the country finally, where applicable.
- (e) The applicant's statement of assets in the Free Zone.
- (f) Receipts of sale of Personal effects (if any).
- (g) Employer's confirmation of payment of fringe benefits (if any).

The Form titled "Non-Residents – particulars for Home Remittance" and evidence of tax payment in the Free Zone such as copies of P.A.Y.E. tax deduction cards, etc. which are valid for at least one year shall be submitted to the Authorised Dealers at the time of making the initial application. Authorised Dealers are to retain such forms, cards, etc., for use in dealing with subsequent applications.

MADE AT ABUJA thisday of20....

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GOVERNOR

Central Bank of Nigeria

EXPLANATORY NOTE

(This Note does not form part of these Guidelines but is intended to explain its purport)

These Guidelines complement and enhance the provisions of the Free Zones (FZs) Acts, provide details of regulatory and supervisory requirements necessary to promote efficient and profitable banking services in Nigeria's FZs, spell out details of permissible and prohibited activities of banks in Nigeria's FZs, provide details of incentives available to banks in Nigeria's FZs; and facilitate the attainment of the goals for which FZs are established in Nigeria.