Central Bank of Nigeria

CBN UPDATE

ISSN No: 2695-2394 | Vol. 1 | No. 4 | December 2019

Regulation to the Rescue as NPL Dips

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Editor's Note

Compliments of the season and Merry Christmas to our dear readers.

As we get into the frenzy of the yuletide season, ***CBN****UPDATE* crew could not gloss over the cheering news report from the National Bureau of Statistics (NBS), showing that the level of non-performing loan portfolio in banks has declined by N1.14 trillion.

This is an indication of the soundness of the banking system. With such a healthy banking system as the story suggests, depositors can go to sleep without thinking about the safety of their deposits with banks.

Readers will find interesting the story that captures the CBN Governor, Mr. Godwin Emefiele's thought flow about the likelihood that the Monetary Policy Committee (MPC) would maintain tight monetary policy stance as the year 2019 draw to a close. The essence is to ensure that the economy is shielded from the vagaries of untoward macroeconomic tendencies.

Economic agents would find the story on "CBN Hints of 70% LDR in 2020" captivating, as this shows that the monetary authorities are likely to further raise Loan to Deposit Ratio to 70 per cent by next year, 2020. Therefore, prospective loan seekers especially in the real sector, including micro, small, and medium enterprises will enjoy more favourable lending conditions to grow their businesses.

The above is logically followed by the piece that revealed that loans to private sector has hit N16.2trillion according to data from National Bureau of Statistics (NBS). This is a welcome development as it will boost real sector growth and employment in the economy.

To further buttress the raison d'etre for border protection, the CBN Deputy Governor, Mr. Edward Adamu, reminded Finance Correspondents and Business Editors (FICAN) that N1.3trillion was spent on importation of agricultural products in 12 months.

As a follow up, we reported an unintended positive outcome of the border protection measure, in terms of enhancing rural job creation by resuscitating local industries, according the CBN Governor, Mr. Godwin Emefiele. We reported that the CBN, as part of its commitment to facilitate improve and further development of the payment system, has directed for pre-authorisation of sales-completion of card transactions.

These and other stories, we believe, you will find a good read in this edition for your reading pleasure.

Isaac Okorafor
Editor-in-Chief

News Analysis

Regulation to the Rescue as NPL Dips

By: **Sam Okogbue**

The recent news from the National Bureau of Statistics (NBS) that non-performing loans portfolio (NPLs) of commercial banks has declined by N1.4trillion remains a welcome development.

According to CBN Financial Stability Report 2017, NPLs in the first half of 2017 stood at 15 per cent, and a cursory analysis of the NPL figures from 2017 reveals a sustained decline in the volume of the NPL portfolio.

At the January 2020 Monetary Policy Committee meeting of the Central Bank of Nigeria (CBN), the Governor, Mr. Godwin Emefiele while presenting the communique attributed the decline of NPLs to improved performance and sustained resilience of the banking system which is evident by the continued moderation of the Non-Performing Loans (NPLs) to 6.1 per cent in December 2019. This improvement, Emefiele said was due to the CBN's continued deployment of heterodox policies to ensure that NPLs fall below the prudential benchmark of 5.0 percent.

Furthermore, the NBS report stated that the volume of loans provided by banks shows an upward trend, as 16 sectors of the economy recorded decline in NPL portfolio, except for agriculture, government, water supply and education.

It is equally interesting to note that within the period in review, oil and gas and manufacturing sectors received the highest credit allocation of N3.39tn and N2.57tn respectively.

Analysts are of the view that this development is an indication of improved soundness of the banking sector, observing that the decline in non-performing loan attests to the effectiveness of the Central Bank of Nigeria's, (CBN) regulatory policies in the banking sub-sector.

Over the years, the CBN has come up with very innovative supervisory and regulatory initiatives, which are beginning to yield some results within the banking sub-sector.

The introduction of Bank Verification Number (BVN), which helped to consolidate multiple individual and corporate accounts has made it difficult for customers to hide funds within the Nigerian banking system. As a result, and for some chronic credit defaulters, it has become easy to fish out their debts in other bank accounts. This is the magic of ground-breaking BVN.

Also, the revised prudential guidelines for commercial, merchant and non-interest banks provide that banks put in place a credit concentration framework that enables them set up internal policies, systems and controls to identify, measure and control their credit risk. It is therefore least surprising, that non-performing loans is trending downward.
Some of the prudential guidelines that inform the declining non-performing loans in banks have to do with the enforcement of NPL limit, which states that banks shall ensure that the level of NPLs in relation to gross loans does not exceed 5 per cent. Other guidelines include loan loss provisioning, credit portfolio disclosure requirement and the demand to disclose insider-related credit in financial statements.

The decision of Bankers' Committee that deposits of customers in other banks would be used to service unpaid loans proved a key deterrent that helped to tame rising non-performing loans. It was also agreed that in the event of default, the bank shall have power to set-off the defaulters' indebtedness under this loan agreement from all such monies and funds standing to the defaulters' credit/benefit in any and all such amount or from any other financial assets belonging to the defaulter in the custody of any such bank.

Beyond the NPL, other variables highlighted in the NBS report shows that Capital Adequacy Ratio (CAR) stood at 15.26 percent, slightly above the stipulated prudential requirement of 15 per cent. This, according to financial experts, compares favourably with countries such as South Africa, Malaysia and Turkey with CARs of 16.4, 17.4 and 18.1 per cent respectively.

In view of these positive indicators, it can be safely concluded that the banking system is sound, safe and robust.

Managing Risk and Information Security Framework

By: **Bartholomew Mbaegbu**

The Central Bank of Nigeria (CBN) has released the Nigerian Payments System Risk and Information Security Management Framework to improve the safety and efficiency of the system.

The Bank being the settlement institution to all banks and other stakeholders, provides intraday balances and credit to foster the smooth operation and timely completion of settlement processes.

The journey to the Payments System Vision 2020 (PSV 2020) has stimulated an exponential growth in the financial activities, thus the volume and values of payment flows both within and across the shores of the nation.
It is therefore pertinent to effectively manage the risks associated with payments system, as such systems which inherently create interdependencies among financial institutions can create systemic risks.

In the interconnected environment of the payments system, the safety and efficiency of these systems may affect the stability and soundness of financial institutions and consequently the financial stability of the country.

As a result, safeguarding the integrity of the payments system in Nigeria has acquired additional significance and calls for the upgrading of associated risk management procedures through concerted efforts by market participants and the relevant authorities, notably the CBN.

The objectives of this framework the Bank stated, is to identify and address sources of systemic risks within the Nigerian Payments System landscape; establish sound governance arrangements to oversee the risk management framework by ensuring that risks are identified, monitored and treated.

It is also to establish clear and appropriate rules and procedures to carry out the risk management objectives;

employ the resources necessary to achieve the payments system's risk management objectives; and to integrate risk management into the decision making processes of the Scheme Boards and Working Groups under PSV 2020.

Furthermore, the Guideline stated that the scope the Framework is designed to guide operators and users of the payments system across Nigeria.

These systems may be organized, located, or operated within Nigeria (domestic payments), outside Nigeria (offshore payments), or both (cross-border payments) and may involve currencies other than the Naira (non-Naira systems and multi-currency systems).

The Payments System Management Department of the CBN is responsible for setting, applying and coordinating risk standards across the Nigeria Payments space.

It is supported by the Payments Initiative Coordinating Committee and the four (4) Scheme Boards.

Banks, OFIs get Exposure Draft on Shared Services

By: **Olusola Amadi**

Banks, OFIs Exposure on Shared Services

The Central Bank of Nigeria has released Exposure Draft Guidelines for deposit money banks and Other Financial Institutions (OFIs) on the initiation, evaluation and pricing of shared services and other matters.

The objectives of the guidelines include setting up supervisory expectation in respect of shared services arrangements between a parent company and its subsidiary; ensure that fees received or paid are a reflection of the services rendered taking into account, the assets used and the risks assumed; to ensure that financial institutions comply with the extant transfer pricing regulation in Nigeria; and also, reduce operational cost of benefitting institutions. The guidelines which covers general principles, approved services, governance, transfer pricing, regulatory reporting and compliance is necessitated by the absence of standards on shared services and transfer pricing arrangements that have resulted in uneven management of shared services in the banking industry and generated concerns in relation to governance, financial and tax issues.

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Banks' NPLs Down by N1.14tn

By: **Daba Olowodun**

Banks' Non-Perfoming Loans Portfolio

Revelation coming out from the National Bureau of Statistics shows that commercial banks non-performing loan portfolio has declined by N1.4tn in its banking sector survey report. This, according to NBS, was between the Q3 of 2018 and 2019.

According to the Bureau, while the loans provided by the banks have assumed an upward trajectory, the NPLs have been on the decline.

The report stated that NPL portfolio in banks dropped from N2.24tn in the third quarter of 2018 to N1.79tn in the fourth quarter of 2018.

The NPLs dropped further from N1.79tn in the fourth quarter of 2018 to N1.67tn, N1.44tn and N1.1tn in the first, second and third quarters of 2019.

Further analysis of the report showed that the oil and gas sector recorded the highest decline of N738.15bn in NPLs. The sector's NPL dropped from N1tn in the third quarter of 2018 to N264.2bn as of the third quarter of this year.

This was followed by power and energy sector which recorded N116.01bn decline in NPL from N163.89bn to N46.88bn.

Similarly, real estate sector recorded a decline of N74.02bn in NPL from N130.58bn to N56.56bn, manufacturing N43.67bn from N144.31bn to N100.64bn, general commerce recorded decline of N38.22bn from N186.33bn to N148.11bn.

Transportation and storage sector also recorded a decline of N32.27bn from N92.8bn to N60.54bn; finance and insurance N35.42bn from N40.36bn to N5.94bn, while general, information and communication, and professional and technical activities recorded NPL drops of N26.42bn, N39.4bn and N5.19bn respectively.

Similarly, construction sector recorded a decline of N9.25bn in NPL; administrative and support services N620m, human health N1bn; arts and entertainment N2.36bn, and public utilities N450m.

However, while 16 sectors recorded decline in NPL portfolio, about four others recorded a slight increase in NPLs.

The sectors with increased NPLs are agriculture which rose by N1.63bn from N48.33bn to N49.96bn; government which recorded increase of N730m from N550m to N1.28bn; water supply from N1.63bn to N2.24bn indicating a growth of N610m while education recorded increase of N4.22bn from N4.46bn to N8.69bn.

The NBS report also stated that the banking sector recorded 800,201,498 volume of transactions valued at N42.76tn within the third quarter of 2019.

The Bureau noted that Nigerian Inter-Bank Settlement System Instant Payments transactions dominated the volume of transactions recorded in the year under review.

It said about 298,988,572 of NIP transactions valued at N26.18tn were recorded in the third quarter. In terms of credit to private sector, the report put the total value of credit allocated by the banks at N16.25tn as of the end of the third quarter.

The NBS in its report also stated that oil and gas and manufacturing sectors got N3.39tn and N2.57tn to record the highest credit allocations during the period under review.

However, in terms of number of employees in the banking sector, it stated that the total number of banks' staff decreased by 2.81 per cent from 104,364 in the second quarter to 101,435 workers.

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CBN Revises Guide to Bank Charges

By: **Mohammed Ruqayyah**

Guide to Bank Charges

The Central Bank of Nigeria (CBN) has released a revised guide to charges by Banks, other financial and non-bank financial institutions to replace the one issued in May 2017.

The revised guide to charges is one of the moves to foster build an inclusive banking system that adequately caters for the needs of banking publics while preserving the financial sustainability of banks, other financial and non-bank financial institutions.

The revised guide was necessitated by continued evolution in the financial industry over the past few years, which has also birth innovation and introduction of new products and channels.

Statistics has however shown that the reduction of bank charges for micropayments has huge potential for financial inclusion, according to NIBSS, electronics transfers from June to November 2019 shows that number of transfers below ₦10,000 accounted for 61% of all electronic transfer transactions with that period.

Some of the charges introduced in the revised Guide to Bank charges include:

- A graduated fee scale for electronic transfers to replace the current flat fee of ₦50. Accordingly transfers below N5,000 will attract a maximum charge of ₦10; transfer from ₦5001 – ₦50,000 will attract a charge of ₦25 and transfer above ₦50,000 will attract a charge of ₦50.
- Card maintenance fee on current account has been removed as the accounts already attract account maintenance fee. Savings accounts will now attract card maintenance fee of ₦50 per quarter from a previous charge of ₦50.
- Annual card maintenance fee of FCY denominated cards is reduced to $10 from $20
- Remote on use of ATM charges are reduced to ₦35 after third withdrawal within a month from ₦65.
- The charge for hardware token will on cost recovery basis subject to a maximum of ₦2,500 from previous maximum charge of ₦3,500.
- Fee for SMS mandatory alert will be on cost recovery from maximum charge of ₦4.
- Bill payment via E-channels will attract a maximum charge of ₦500 from 0.75% of transaction value subject to maximum of ₦1,200.
- A new section on Accountabilities/Responsibilities and sanctions regime to address instances of excess, unapproved and/or arbitrary charges.

The guide will incentivize stakeholders to further embrace electronic banking channels and it will also reduce cost of banking services to customers, thus improving financial inclusion.

CBN Hints of 70% LDR in 2020

By: **Ruqayyah Mohammed**

Loan-to-Deposit Ratio (LDR) Projection

The Central Bank of Nigeria (CBN) has hinted on its plan to further increase by five percent the subsisting 65 per cent Loan-to-Deposit Ratio (LDR) in the banking industry in 2020.

The initiative, which was introduced by the CBN was to push banks to be innovative in credit creation, support small businesses and wean them of the risk-free government security. The policy since its operation has yielded results, as about N1.16 trillion increase had been recorded since May 2019. The Financial Policy and Regulation Department of the Bank gave the hint, recently saying that, so far, the Bank was yet to notice any systemic challenge or crisis in the country's financial sector.

While expressing its readiness to effect the policy in 2020, the CBN said the initiative has proven potent in creating wealth and jobs, as banks' credit portfolio has risen significantly.

Besides, the LDR policy was another initiative that banks reserve the right to take funds from accounts of all borrowers other than the bank where the loan was taken across the industry, in case of default in payment.

According to CBN, the measures have placed Nigerian banks in a much better position towards supporting a stronger economic recovery and have increased gross credit by N1.16 trillion between May and October 2019.

The Bank stated that contrary to criticisms, its un-conventional monetary policy has helped to drive exchange rates to a predictable point against the dollar and other currencies.

CeBIH, NIBSS to Sustain Growth in e-Payment

By: **Ademola Bakare**

The Committee of e-Banking Industry Heads (CeBIH) and the Nigeria Inter-Bank Settlement System (NIBSS) and have committed to sustain the 120 percent growth recorded in electronic payment transactions, under the Payment System Vision 2020 (PSV 2020).

The commitment was unveiled during the 2019 retreat of CeBIH held in Abeokuta, Ogun State.

Among the plans which include fingerprint authentication for Automated Teller Machine (ATM) transactions and mobile phone enrolment of Biometric Verification Number (BVN).

Others are Global Standing Instruction (GSI) to curb loan defaults, increased emphasis on digital partnerships and open banking architecture.

Nigeria, it must be noted, recorded a 120 percent Compound Annual Growth Rate (CAGR) in value of electronic payment transactions under the PSV 2020 introduced by the Central Bank of Nigeria (CBN) in 2007.

Reviewing developments under the PSV 2020, at the retreat, themed: "Payment 2020plus: The Next Frontiers of Payments", discussants focused on measures to sustain the growth rate beyond 2020. CeBIH Chairman, Stanley Jacob, in his welcome address, explained that the theme of the retreat was selected to determine the next wave of execution that will accelerate growth in the nation's digital space, as well as transform various areas of the economy and government.

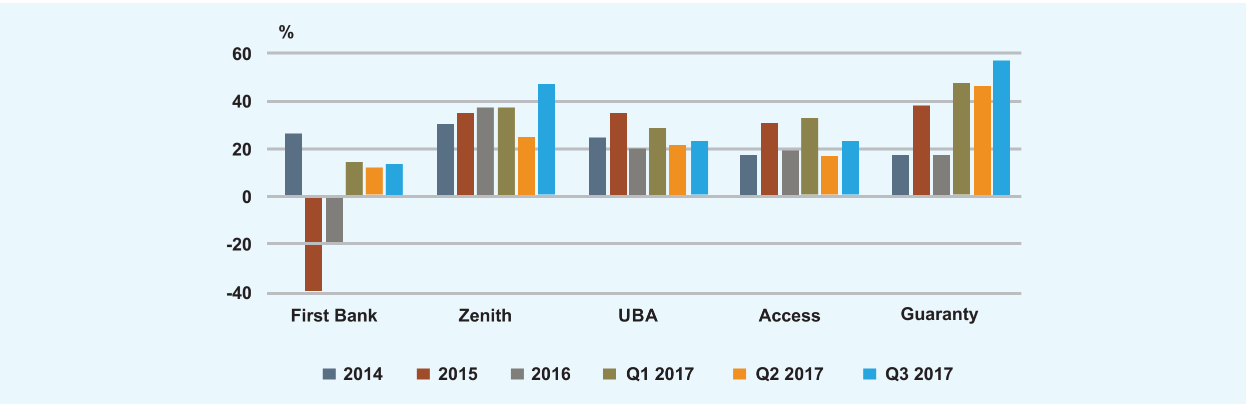
Speaking on CeBIH's strategic intent on driving future growth, Jacob said: "As industry practitioners, we have identified digital partnerships and open architecture as a major recipe for accelerating growth in payments. "CeBIH will continue to focus strongly on data as the premium solid minerals for the payment sector."

The Deputy Managing Director of NIBSS, Niyi Ajao, highlighted measures to be introduced from next year aimed at driving growth in the electronic payment system. Represented by the NIBSS Executive Director, Business Development, Mrs. Christabel Onyejekwe, Ajao said these measures include a system that allows people to use their mobile phones to enroll for BVN.

This he hoped will commence in a few days to achieve 10 million BVN by 2020, in line with the vision of the CBN for 120 BVN by 2030.

Deposit Money Banks Scramble for Customers

By: **Ademola Bakare**



Demography of DMBs

The decision by the CBN to raise the Loan to Deposit Ratio (LDR) to 65 percent has started yielding dividend as deposit money banks in the country have begun to woo customers with lower lending rates, **CBN**UPDATE confirms.

The move by the deposit money banks is geared towards meeting the CBN ultimatum and target on Loan to Deposit Ratio as well as increase their profitability. The measure, however, may not be unconnected to the non-attractiveness of government securities – Treasury Bills and Bonds whose yields have dropped.

The CBN had earlier in the year slashed non-interest income (commission and fees) hitherto a source of revenue to banks, thus, the banks have decided to rely more on lending to grow profits. Lending rate are trending downwards since the CBN's directive with some Tier 1 banks engaging in war of competition, sourcing for viable and profitable borrowers with lower lending rates.

The CBN embarked on this measure to make the deposit money banks play the role of intermediator in economic development, particularly, in lending to the real sector of the economy. Erring bank according to the Central Bank of Nigeria will be sanctioned with an increased CRR.

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Investors to get N847.43m in Q1 2020

By: **Olusola Amadi**

The Federal Government is set to pay the sum of N847.43m to investors in the first quarter of 2020 as treasury bills mature.

The Central Bank of Nigeria, in a circular released recently, said out of the N847.43m total treasury bills, N86.62m had 91-day tenors, N163.04m had 182-day tenors and N597.77m had 364-day tenors.

The circular, which read in part, said "Treasury bills worth N52m will mature in January (N18m 91-day bills and N34m 182-day bills) while N529.92m Treasury bills will mature in February (N43.87m 91-day bills, N80.28m 182-day bills and N405.77m 364-day bills.

"Another N265.5m worth of Treasury bills will mature in March with N24.75m, N48.75m and N192m spread across the 91-day, 182-day and 364-day tenors."

The release also said that the CBN plans to issue N847.44m worth of treasury bills in the first quarter of 2020, comprising N75.62m worth of Treasury bills with 91-day tenors and 182-day tenor totaling N141.04m worth of Treasury bills to be issued, and added the Treasury bills with 364-day tenor worth N630.77m would also be issued.

The circular gave the breakdown of the issuances with 91-day tenors to include N7m in January, N43.87m in February and N24.75m in March.

On the 182-day tenored bills, it said N12m would be offered in January, N80.28m in February and N48.75m in March.

The CBN said it would offer for subscription on the 364-tenor N33m in January, N405.77m in February and N192m in March.

It added that the amounts scheduled for subscription offer might change at short notice.

NIGERIAN TREASURY BILLS ISSUE PROGRAMME

FIRST QUARTER 2020

Value Date	Maturing Bills			Issue Bills		
	91-day	182-day	364-day	91-day	182-day	364- day
12/12/19	15,000,000	30,000,000	-	5,000,000	10,000,000	30,000,000
19/12/19	3,000,000	4,000,000	-	2,000,000	2,000,000	3,000,000
26/12/19	-	-	-	-	-	-
02/01/20	10,000,000	20,000,000	44,837,720	10,000,000	20,000,000	44,837,720
09/01/20	-	-	-	-	-	-
16/01/20	5,849,034	26,600,000	193,000,000	5,849,034	26,600,000	193,000,000
23/01/20	-	-	-	-	-	-
30/01/20	28,018,956	33,684,524	167,932,674	28,018,956	33,684,524	167,932,674
06/02/20	-	-	-	-	-	-
13/02/20	4,384,180	10,000,000	140,000,000	4,384,180	10,000,000	140,000,000
20/02/20	-	-	-	-	-	-

Table of NTBs in Q1 2020

Loans to Private Sector Hits N16.25tn

By: **Ruqayyah Mohammed**

Loans to Private Sector

Credits to the private sector as envisaged by the Central Bank of Nigeria (CBN), through its Loan to Deposit Ratio (LDR) policy has galloped to N16.25 trillion in Q3 of 2019. This data was released by the National Bureau of Statistics (NBS) recently.

The data analysed by CBN Update team showed that oil and gas and the manufacturing sectors were the preferred for Nigerian banks in terms of credit allocations. NBS report showed that oil and gas and the manufacturing sectors got credit allocation of N3.39 trillion and N2.57 trillion respectively, being the highest credit allocation within the period.

It also revealed that a total of 800.2 million transactions valued at N42.76 trillion within Q3 of 2019. NIBSS Instant Payments (NIP) transactions, the NBS reported, dominated the volume of transactions recorded.

A breakdown showed that 298.99m volumes of NIP transactions valued at N26.18trn were recorded in Q3 of 2019.

Revealing further, the NBS report however showed that total number of banks' staff decreased by 2.81 per cent quarter over quarter from 104,364 in the second quarter of 2019 to 101,435 in Q3 of 2019.

Bankers' Charitable Endowment Fund Created

By: **Mohammed Haruna**

The Central Bank of Nigeria (CBN), has partnered with other players of the banking industry to establish a N1 billion Bankers' Charitable Endowment Fund to improve living conditions across the country.

The Governor, Central Bank of Nigeria, Mr. Godwin Emefiele, revealed this while delivering a keynote address titled, 'Strong sustainable growth for the Nigerian economy', at the 54th annual bankers' dinner organised by the Chartered Institute of Bankers of Nigeria in Lagos. Emefiele stated that The Bankers' Charitable Endowment will directly fund strategic social programmes in communities across Nigeria.

Adding that the endowment fund would finance a major charitable initiative every year, beginning from 2020.

He expressed optimism that the fund would motivate other industries and sectors to collaborate for causes that would better the lives of all Nigerians.

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MPC Retains Tight Monetary Policy Stance

By: **Olusola Amadi**

Tightening of Monetary Policy

In order to sustain the improvements recorded in the economy as a result of its various interventions, the Central Bank of Nigeria (CBN), at its 270th Monetary Policy Committee meeting of November 2019 has retained the Monetary Policy Rate (MPR) at 13.5 per cent with all other parameters left constant.

The parameters include asymmetric corridor at +200/-500 basis points around the MPR; the Cash Reserve Ratio (CRR) at 22.5 per cent, and liquidity ratio at 30 per cent.

The CBN Governor, Mr. Godwin Emefiele said the decision to leave the policy parameters unchanged was informed by the consideration of the recovery in the market interest rate, growth in domestic credit among other positive developments noting that there will be more gain in the short to medium term by holding the MPR at its current position.

He stated further that the Monetary Policy Committee (MPC) agreed that sustaining the MPR at the current level was crucial for better understanding of the impetus of the growth before deciding on any probable variations.

This, according to him, offers a pathway for appraising the effects of the Bank's policies to encourage lending by the banking industry without varying the policy rate as the downside risk to growth and caution on inflation looks stable.

In view of the improvements in the macro-economic indicators such as the Gross Domestic Product (GDP), Non-Performing Loans (NPLs) ratio, Capital Adequacy Ratio (CRR) of banks as well as the Loans-to Deposit Ratio (LDR), the MPC was of the opinion that the current monetary policy is yielding results.

The MPC also noted that positive outcomes of actions taken by the CBN, including the current policy of LDR has resulted in loans and advances rising by over N1.1 trillion between June and October 2019.

The committee also expressed the hope that the LDR policy be sustained as interest rates being paid by the borrowers have so far dropped by over 400 'basis points' with a corresponding decline in NPLs to 6.5 per cent by the end of October 2019.

However, the MPC members cautioned on the need to drive down food prices through increased support for local production of staple foods such as rice, fish, poultry, palm oil, tomatoes and others.

While reiterating its earlier position on increased efficiency in public expenditure and building of fiscal buffers, it identified the need for institutional reforms through policies that would automate day-to-day processes of key revenue generating and security institutions to provide an additional advantage of stemming smuggling, kidnapping and the 'migration' of terrorists in the country.

Governor Emefiele while urging the government to follow through the policy of backward integration in the milk industry and other priority sectors of the economy, said that the CBN has made tremendous success in encouraging local production of milk by key milk importers. He said that significant investments have been made over the last three years to ensure sustainable increase of food supply in the country noting that ten commodities namely, cassava, cocoa, cotton and textile, rice, tomato, poultry, livestock and dairy, fish, oil palm and maize have received N176 billion in funding, out of which four of the crops received N140 billion or 81.6 per cent of total disbursement.

SINET backs CBN on Border Protection

By: **Louisa Okaria**

Land border protection

The Social Integrity Network (SINET) has declared its unwavering support for the CBN Governor, Godwin Emefiele's position on the ongoing land border protection which is aimed at repositioning the economy.

SINET National Coordinator, Ibrahim Issa faulted proponents of border re-opening insisting that "the unity, growth and development of Nigeria remained sacrosanct beyond any individual gains aimed at subjecting us to slavery and perpetual underdevelopment."

He further urged the Federal Government to sustain the land border protection policy in order to fully achieve the desired benefits. He noted that the gains of the policy are numerous, including socio-economic impact, positive effect on the security of the country, and a boost for local manufacturers.

SINET urged all Nigerians to rally round the laudable economic vision of the CBN Governor.

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N1.3tr Spent to Import Agric Products in 12 months

By: **Kerma Mshelia**

Agricultural Products in a Local Market

The Central Bank of Nigeria (CBN) said that N1.3 trillion was spent on the importation of agricultural products such as rice, fish, sugar and wheat in the last 12 months.

The CBN Deputy Governor, Corporate Services, Edward Adamu, speaking at a seminar organised for Finance Correspondents and Business Editors in Owerri, with the theme: "Galvanising development finance and monetary policy for growth", reiterated the CBN's commitment to local production of the commodities, saying that they put a lot of pressure on the country's import bill.

He said economic diversification remained a sustainable way to grow the economy. Edward Adamu noted that the Anchor Borrowers' Programme (ABP), launched in November 2015, was designed to build partnerships between farmers and large-scale agro-processors, with a view to increasing agricultural output, while providing access to credit for farmers.

He said that the targeted focus on the agricultural and manufacturing sectors was driven by the vast opportunities for growth in these sectors given Nigeria's high population.

Adamu added that these sectors had the ability to absorb the growing pool of workforce in the effort to meet local demand and save critical foreign reserves. For many countries, he said, the objectives of monetary policy were clearly stated in the laws establishing the Central Bank, while for others, they were not. He said that the CBN's approach to stimulating economic development was centered on Agriculture, Micro, Small and Medium Enterprises (MSMEs) and Infrastructural development.

He said that the Bank had transcended its core mandate of maintaining monetary, price and financial system stability, to undertake developmental initiatives with a view to spurring economic growth and job creation. He further said that efforts at these development finance initiatives had helped to accelerate the attainment of government's economic diversification programme, adding that diversifying the economic base presented a more sustainable and stable option.

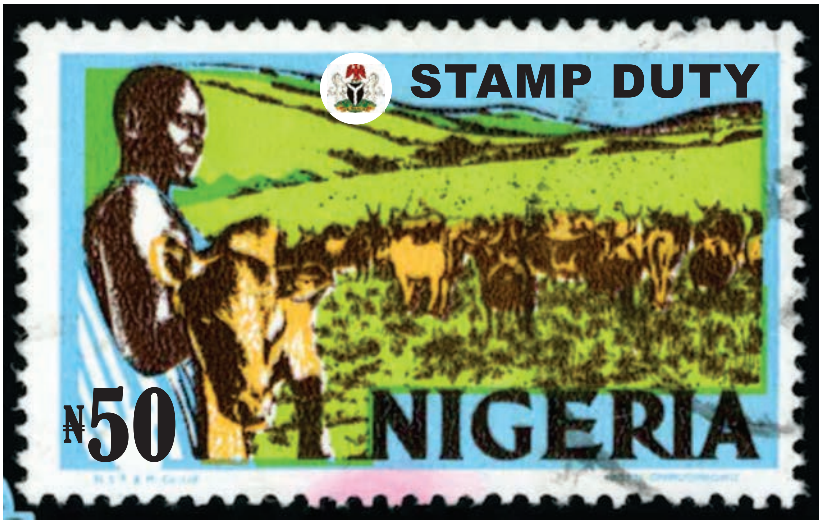
N50 Stamp Duty is FGN Initiative

By: **Dike Inya**

The Director, Payments System Management Department of the Central Bank of Nigeria (CBN), Mr. Musa Jimoh, has clarified that the N50 stamp duty required of merchants who use the Point of Sale (POS) machines, is a fee regulated by an act of the Federal Government of Nigeria, and not instituted by the CBN.

He made this clarification while appearing on Business Morning on Channels Television on 23rd December, 2019.

He further stated that the hitherto misinterpreted directive, was for the Deposit Money Banks to become more responsible to ensure that merchants adhere to government's statutory requirement, by ensuring that the regulated stamp duty is paid per transaction and subsequently forwarded to the postal service as directed by the Federal Government.



Stamp Duty

He decried the actions of the merchants in blatantly transferring the tax required of them, to the end users, and encouraged the populace to resist any attempt by merchants to pass on their regulated responsibility.

Pre-Authorization of Cards debuts in Nigeria

By: **Daba Olowodun**

As part of its commitment to facilitate the development of payments system in Nigeria, the Central Bank of Nigeria (CBN) has issued a circular with directives to enable pre-authorization and sales-completion of card transactions.

The circular issued by the Director, Payments System Management Department, Mr. Musa I. Jimoh, on December 30, 2019, stated that all merchant acquirers were required to obtain Acquired Device Validation certification or the applicable testing completion notification from CBN licensed card schemes.

Consequently, all card issuers were required to build the capacity to enable the processes, and POS Terminals required to possess the capability for pre-authorization and sales-completion of transactions.

Card schemes have also been required to provide online simulators for acquirers and issuers to test their systems, when necessary.

The circular took effect from the date of its release, but the CBN gave a deadline of July 31, 2020 for full compliance, after which appropriate sanctions would be imposed for contravention and non-compliance.

This initiative is expected to deepen the adoption of various electronic payment options available to users as well as boost merchant confidence with its in-built mechanism to ascertain the user's capacity to complete a transaction.

Rural Communities Reap from Border Protection

By: **Ruqayyah Mohammed**

Boost in Agricultural Products

The current land border protection is enhancing job creation, particularly, in rural communities. Mr. Godwin Emefiele stated this, while noting that the development has led to the resuscitation of local industries.

At a forum organised by the Chartered Institute of Bankers of Nigeria (CIBN), he stressed that policymakers must concentrate their efforts on making their own citizens lead better lives and worry less about the country's neighbours.

The CBN Governor noted that while monetary policy might not be able to solve all the country's structural problems, by influencing financial conditions under which farmers, SMES and manufacturers could access credit, the CBN would be able to support growth in the agriculture and manufacturing sectors, as well as non-oil exports. According to him, the measures would aid government's effort to promote sustainable growth and make the economy less susceptible to volatility in crude oil price.

The Governor said, "I recognise that some of our policies have been construed as protectionist in nature, but we need to keep in mind that leaders are first and foremost accountable to their own citizens at home".

"And if the vagaries of international trade threaten the comfort of these citizens, leaders are compelled to react by inducing changes in the flow of goods and services, in order to improve the lot of the general public and in attaining their nationwide growth objectives."

While the governor was supporting his position, he cited the issue of onion prices in India, explaining, "As you may know, Indian farmers export about 2.2 billion kilograms of onions per year, which is worth over $510 million every year and to excessive unseasonal rains earlier in the year, production was significantly low and so, local prices increased to a six-year high.

The surge in prices, Emefiele said hit Indian households adversely knowing that onions is a staple of Indian cookery which led to significant pressure on inflation in the country.

According to the Governor, the Indian government banned the export of onions from India until further notice, thus providing more onions for local consumption at rapidly decelerating prices, thereby putting a dent to headline inflation.

Though protectionist in nature, this is knowingly what great leaders do to improve the lives of their people because the country and its people must come first.

FREQUENTLY ASKED QUESTIONS (FAQs)

Q: What is MSMEDF?
Ans: MSMEDF stands for Micro, Small and Medium Enterprises Development Fund.

Q: How Can I (Or My Company) Access The MSMEDF?
Ans: Prospective borrowers should approach Participating Financial Institutions (PFIs) of their choice and apply for the Fund.

Q: What categories of entrepreneurs can apply for the Fund?
Ans: (a) Micro entrepreneurs (i. e. borrowers seeking loans of less than N500,000) are to approach any of the four institutions:

- Microfinance Banks
- NGO/Microfinance Institutions
- Financial Cooperatives
- Finance Companies

(b) Small and Medium Enterprises (SMEs) (i.e. prospective borrowers seeking between N500, 000 and N50million) are to approach any of these institutions:

- Deposit Money Banks
- Bank of Industry (BOI)
- Bank of Agriculture

Q: What are the activities that can be financed under the Fund?
Ans:

- Agricultural value chain activities,
- Manufacturing & Cottage Industries,
- Artisans,
- Services,
- Trade and general commerce,
- Renewable energy or energy efficient products and technologies, and
- Any other income generating projects as may be prescribed by the CBN.

Q: What other requirements are necessary to access an MSMEDF loan?
Ans:

- Prospective borrowers shall provide the requisite documents including collateral for SME loans;
- PFIs will appraise loan applications, approve and forward loan requests of borrowers to the CBN for the release of funds;
- MSMEDF will only release funds to borrowers through the PFIs;
- The account of benefitting borrower's shall be credited by the PFIs within 5 working days upon the release of Funds by MSMEDF to the PFI;
- Loans shall be granted at an interest rate of 9.0% per annum (all charges inclusive) irrespective of the type of eligible activity financed;
- Borrowers shall be expected to payback all loans as and when due inclusive of any accrued interest to the PFI; and
- The MSMEDF/CBN will recycle all fully repaid loans transferred to it by the PFIs.

Q: What are the institutions in which CBN has interest?
Ans: There are presently 16 institutions in which CBN has interest. These are:

1. Africa Finance Corporation (AFC)
2. Agricultural Credit Guarantee Scheme Fund (ACGSF)
3. International Islamic Liquidity Management Corporation (IILM)
4. Nigeria Inter-Bank Settlement System (NIBSS) Plc.
5. Asset Management Corporation of Nigeria (AMCON)
6. Bank of Agriculture (BOA)
7. Bank of Industry (BOI)
8. Federal Mortgage Bank of Nigeria (FMBN)
9. Nigeria Deposit Insurance Corporation (NDIC)
10. Nigerian Export-Import Bank (NEXIM)
11. National Economic Reconstruction Fund (NERFUND)
12. Nigeria Commodity Exchange (NCX)
13. Financial Markets Dealers Quotation OTC Securities Exchange (FMDQ)
14. The Nigerian Incentive-Based Risk Sharing System For Agricultural Lending (NIRSAL)
15. Nigeria Electricity Supply Industry Stabilization Strategy (NESISS) Limited
16. The Nigerian Security Printing and Minting (NSPM) Plc.

Gradually our economy is reaping the fruits of agriculture, but we still have a long way to go. That is why the Federal Government of Nigeria is partnering with other agencies of the government to implement programmes and interventions to provide cheaper and more accessible funding for the agricultural sector. Get involved and tap into these initiatives today, so together we can further grow the nation's economy.

COME, LET'S GROW NIGERIA TOGETHER

To access any of the Agricultural and other initiatives, visit the CBN branch nearest to you.

- **ABP** - Anchor Borrowers Programme
- **MSMEDF** - Micro, Small and Medium Scale Enterprises Development Fund
- **NIRSAL** - Nigeria Incentive Based Risk Sharing for Agricultural Lending
- **AADS** - Accelerated Agricultural Development Scheme
- **RSSF** - Real Sector Support Fund
- **CACS** - Commercial Agriculture Credit Scheme
- **ACGSF -** Agriculture Credit Guarantee Scheme Fund

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? DO YOU KNOW

- **Cash Reserve Ratio (CRR)** is the amount of minimum cash and reserve that the Central Bank requires commercial banks to hold (rather than lend out) as a proportion of customer deposits and notes
- **Quantitative Easing (QE)** is the process by which a Central Bank or money authority purchases financial assets from banks and other institutions with new electronically created money.
- **Expansionary Monetary Policy (EMP)** involves monetary decisions and action taken by a Central Bank to increase the level of money supply in order to boost aggregate demand and support economic activities.
- **Contractionary Monetary Policy (CMP)** is an action deployed by a Central Bank to reduce suply of money in an economy by raising interest rate to curtail inflationary pressures.
- 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 do a follow up.z
- That if you make a complaint to your bank on card related and funds transfer issues, and after 72 hours the issue was not resolved. 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 after 14 days grace for resolution the issue was not resolved, 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 recitified 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

Central Bank of Nigeria