



Central Bank of Nigeria

Rule Book

(A Compendium of Policies and
Regulations)

VOLUME TWO

Foreword

This second Volume of the Central Bank of Nigeria (CBN) Rule Book, a **Compendium of CBN Policies and Regulations**, representing complements the content in the first edition, to cover other areas of the Banks operations to enhance usability by all stakeholders. I am therefore, delighted to once again, present it in continuation of our commitment to making all banking and other financial institutions policies, rules, circulars, guidelines and regulations, to advance transparency in the communication of monetary measures and actions to influence the direction of economic activities at various times.

The policies of the Bank usually combine with fiscal measures of government to effectively impact the broad macro-economic objectives within a short, medium or long-term horizon. Thus, under the various phases of economic development, the Bank's operations, oversight and policy formulation and implementation had evolved as well, from its formative years through control by the fiscal authorities to the present level of monetary policy independence.

The Policies and Regulations contained here, therefore, reflect those measures taken at the various times in the history of the Bank, from its inception to end-December 2018, in respect of those activities not covered in Volume One.

I expect these publications to remain invaluable reference materials for posterity.

Godwin I. Emefiele, CON

Governor,

Central Bank of Nigeria

September 2019

Preface

In furtherance of the first Volume of CBN Policies and Regulations, this second Volume provides for the remainder of banks and other financial institutions policies not covered in the former.

This Volume II therefore, has **four Sections providing policy directives on (c) Consumer Protection; (d) Currency Operations; (e) Development Finance; (f) Financial Markets and (g) financial policy and regulation.**

The first Volume covered six Sections: A, B, C, D, E and F. Section A enlisted already published policy documents in circulation for reference as: "Trade and Exchange Circulars" from 1986 (Volume 1) to 2011 (Volume 10); "Handbook of Rules and Regulations for Banks and Discount Houses in Nigeria (1997 – 2012)"; "Compendium of Monetary, Credit, Foreign Trade and Exchange Policy Guidelines: Monetary Policy Circulars, Numbers 1 to 40 (1959 – 2015)"; "Compendium of Monetary Policy Communiques, Numbers 1 to 104 (2001 – 2015)"; and, the "Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2016/2017", and "2018/2019". Section B, on the other hand, provided the Bank's policies on banking and payment system, while Sections C, D, E and F presented guiding policies on banking supervision, consumer protection, development finance and financial markets, respectively.

This second Volume of CBN Policies and Regulations, therefore, when combined with the first Volume presents the first comprehensive compendium of financial markets related policies and regulations by the Bank, from its inception (July 1, 1959) to the end-year 2018.

Dr. Okwu J. Nnanna

Deputy Governor, Economic Policy

September 2019

Acknowledgements

I wish to strongly acknowledge the favourable disposition of both the Governor, Central Bank of Nigeria, Mr. Godwin I. Emefiele, CON, and the Deputy Governor, Economic Policy, Dr. Okwu Joseph Nnanna, who have demonstrated immeasurable commitment to actualizing the publication of a comprehensive compendium of CBN Policies and Regulations, evidenced by this edition of Volume II. I am grateful to you both, for the support and sponsorship.

I also commend my colleagues who have relentlessly devoted considerable time in ensuring the quality of this publication. In particular, I wish to mention the Directors of Banking Services, Mr. Dipo Fatokun, Banking Supervision, Mr. Abdullahi Ahmed, Consumer Protection, Mr. Kofo Salam-Alada, Development Finance, Dr. Mudashir Olaitan, Financial Policy and regulations, Mr. Kelvin Amugo, Monetary Policy, Mr. Moses K. Tule, Other Financial Institutions Supervision, Mrs. Tokunbo A. Martins, Payments System Management, Mr. Samuel C. Okojere and Trade and Exchange, Mr. Ahmed B. Umar, for their contributions.

It is my profound pleasure to also acknowledge members of the Secretariat for the Committee, comprising Mr. Demenongu J. Yanfa, Deputy Director, as the Team-lead, Mrs. Pauline C. Obikaonu, Mrs. Fatimah Sani Bala, Ms. Amina M. Adamu, Abubakar, Aliyu, Mr. Nnamdi Anyene and Ms. Nkiruka Okwubodu for tirelessly ensuring that the second Volume of the Publication was delivered in record time. More so, I appreciate the various roles by other members of the Committee from the stakeholder Departments of the Bank, who participated in the exercise.

Dr. (Mrs.) Angela A. Sere-Ejembi

Director, Financial Markets Department

September 2019

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17 November 2016

CENTRAL BANK OF NIGERIA

Central Bank of Nigeria
Central Business District
P.M.B. 201
Lagos, Nigeria

RELEASE OF CONSUMER PROTECTION FRAMEWORK FOR BANKS AND OTHER FINANCIAL INSTITUTIONS REGULATED BY THE CENTRAL BANK OF NIGERIA

The Central Bank of Nigeria (CBN) in furtherance of its mandate to promote a stable financial system envisaged in the development of a Consumer Protection Framework (CPF) to amongst other things improve public confidence in the financial system.

The CPF will guarantee high standards in efficient customer service delivery, needed disclosure and ensure that consumers are treated fairly by financial institutions regulated by the CBN. It will form the backbone for the establishment of a wide consumer protection regime in the industry, thereby enhancing financial inclusion and ultimately a stable financial system.

The CPF follows the direction of the CBN on consumer protection and would lead to the development of several regulatory/prudential instruments that would aid the achievement of the overall objective.

Following the consultations and engagements with the industry, other regulators and stakeholders including consumer advocacy groups, CBN safety and the general public, the CBN is pleased to issue the CONSUMER PROTECTION FRAMEWORK.

Issued by

G. A. Tiamiw
Director, Consumer Protection Department
November 2016

Central Bank of Nigeria



Consumer Protection Framework

Preamble

The Consumer Protection Framework (herein referred to as the Framework) is issued by the Central Bank of Nigeria (herein referred to as the CBN or the Bank), in exercise of the powers conferred on it by the Central Bank of Nigeria Act of 2007, as amended (hereinafter referred to as the CBN Act) and the Banks and Other Financial Institutions Act of 2007, as amended [the BOFIA].

The Framework shall guide the effective regulation of consumer protection practices of Financial Institutions (FIs) under the regulatory purview of the CBN to ensure that consumers of financial services are adequately protected and treated fairly. It documents the roles and responsibilities of the regulator, the FIs and the consumers in ensuring that the standards set, are met. Consumer protection will be guided by nine (9) key principles. It should be read in conjunction with the provisions of the CBN Act, the BOFIA and subsidiary regulations made under these Acts.

1 Introduction

The mandate of the CBN to promote a stable financial system underscores the need for the Bank to develop and implement a Consumer Protection Framework that ensures the protection of consumer rights.

Furthermore, the 2008 global financial crisis re-emphasized the need for concerted efforts among regulators in various jurisdictions to establish robust policies and structures aimed at regulating the conduct of operators, with a view to protecting consumer's assets.

To enhance focus on the consumer agenda and ensure that consumers of financial services are protected and treated fairly, the CBN recognized the need to develop an effective and overarching regulatory consumer protection framework. The Framework which is a product of extensive engagements and consultations with critical stakeholders, sets out the minimum standards for financial consumer protection and is developed in conformity with international good practices and standards.

1.1 Objectives

The broad objective of the Framework is to enhance consumer confidence in the financial services industry and promote financial stability, growth and innovation.

Other specific objectives of the Framework are to:

- a) protect consumers' assets;
- b) ensure timely complaints handling and dispute resolution;
- c) ensure financial services operators put in place effective consumer risk management framework;
- d) empower consumers to make informed decisions;
- e) promote professionalism and ethics; and
- f) Outline the rights and responsibilities of consumers.

1.2 Scope

The Framework shall guide the effective regulation of consumer protection practices of Financial Institutions (FIs) under the regulatory purview of the CBN to ensure that consumers of financial services are adequately protected and treated fairly. These Institutions include Commercial or Merchant Banks, Specialized Banks, Micro-finance Banks (MFBs), Discount Houses (DH), Development Finance Institutions

(DFIs), Finance Houses (FHs), Bureaux-de-Change (BDCs), Primary Mortgage Banks (PMBs), Credit Bureaux, Mobile Money Operators and other institutions licensed by the CBN.

1.3 Definition of Key Terms

Alternative Dispute Resolution (ADR): refers to any means of settling disputes outside of the courtroom after complaints have initially been lodged with a financial institution.

Consultant: refers to an entity that files a complaint on behalf of a consumer and therefore acts as an agent of the consumer.

Consumer: refers to a person or an entity that uses, has used or a potential user of financial products or services of a FI.

Consumer Financial Education: is the process of imparting financial knowledge and skills to consumers to enable them manage their personal finances effectively and make informed decisions.

Consumer Protection Department (CPD): the department of the Central Bank of Nigeria charged with the responsibility of protecting consumer.

Customer: refers to a person that has a relationship, by reason of benefitting from financial products or services offered by a FI.

Complaint: dissatisfaction expressed by a consumer on financial product or service provided by a FI which may or may not have caused financial loss.

Financial Consumer Protection: refers to laws, institutions, practices and policies to safeguard consumer rights and ensure fairness in the provision of products and services by financial institutions.

Financial Inclusion: The process of ensuring easy access by an individual to a broad range of formal financial services that meet their needs at an affordable cost.

Financial Literacy: is the possession of knowledge, skills and confidence required to manage personal finances and make informed financial decisions.

Financial Institution: refers specifically to financial institutions (together with their staff, agents or representatives) regulated by the Central Bank of Nigeria. Financial institutions include Commercial or Merchant Banks, Specialized Banks, Micro-finance Banks (MFBs), Discount Houses (DHs), Development Finance Institutions (DFIs), Finance Houses (FHs), Bureaux-de-Change (BDCs), Primary Mortgage Banks (PMBs), Credit Bureaux, Mobile Payment Companies, Mobile Money Operators or any other institution as may be licensed by the CBN from time to time in line with the relevant provisions of BOFIA.

Financial Ombudsman: an organization, institution or office with the mandate to investigate and address complaints against financial institutions.

Vulnerable Group: includes the elderly, less educated, physically challenged, foreigners, critically ill, refugees, immigrants, mentally challenged individuals, low income earners or any other category of persons that may be at risk of financial exclusion.

2 Consumer Protection Principles

The Framework is guided by the following:

- a) G20 High Level Principles – These principles were developed by the Organization for Economic Cooperation and Development (OECD), the Financial Stability Board (FSB) and other relevant international organizations in response to the request by the G20 Finance Ministers and Central Bank Governors to develop common principles to guide consumer protection in the field of financial services. The principles were endorsed by the G20 in October 2011.
- b) World Bank Good Practices – These practices were developed in 2012 by the World Bank to complement the High Level Principles created by the OECD.
- c) Four Pillars of Consumer Protection – These principles were developed by the Financial Services Consumer Panel (FSCP) to guide the European Parliament in evaluating every element of the financial services legislations aimed at enhancing consumer protection.

Consequent upon the review of the above and in recognition of the peculiarities of the Nigerian financial services industry, the following principles are contained in the Framework:

1. Legal, Regulatory & Supervisory Structures;
2. Responsible Business Conduct;
3. Disclosure & Transparency;
4. Consumer Financial Education;
5. Fair Treatment;
6. Protection of Consumer Assets, Data & Privacy;
7. Complaints Handling & Redress;
8. Competition; and
9. Enforcement.

2.1 Legal, Regulatory and Supervisory Structures

There shall be effective legal, regulatory and supervisory structures to protect consumers of banking and other financial services regulated by the Bank. These structures shall evolve based on emerging market trends. Institutions responsible for consumer protection shall have the necessary authority to fulfil their mandate; clear responsibilities supported by appropriate governance structures; operational independence and high professional standards. The primary coverage areas to be addressed under this principle are:

- Legal and Regulatory Framework – periodically, laws and regulations may be required for the effective regulation of financial institutions.
- Supervisory and Compliance Framework – effective institutional arrangements shall be established for the enforcement of consumer protection.

2.1.1 Legal and Regulatory Framework

1. Financial consumer protection shall be carried out by the Central Bank of Nigeria (CBN) in accordance with powers granted in Section 2 (d) of the CBN Act and Section 57 of BOFIA.
2. The CBN may sponsor the enactment of legislations or make regulations for financial consumer protection.

2.1.2 Supervisory Framework

The CPD shall develop and implement mechanisms to ensure effective supervision of FIs in the area of consumer protection through offsite supervision and onsite examination. These mechanisms shall include the following:

- **Consumer Protection Risk-Based Supervision:** This approach entails identifying and focusing on products, services and practices which pose significant risk to consumers.

The Bank shall adopt proactive supervisory approach in assessing the consumer protection practices of financial institutions. When examining FIs, the Bank shall adopt a risk-focused approach to identify activities and practices that pose high risk to consumers. This approach shall discourage FIs from engaging in practices which may expose consumer assets to unmitigated risk.

- **Compliance Plan:** FIs shall be required to establish internal processes and procedures to comply with this Framework. To this end, periodic compliance plans shall be submitted by FIs for approval based on the Guidelines issued by the Bank. Financial institutions shall also identify risks peculiar to their operations which could impede the effective implementation of this Framework as well as measures to mitigate them. The Bank shall continuously monitor FIs to ensure conformity to approved plans.
- **Periodic Reporting:** To foster transparency, FIs shall periodically submit reports and publish (where required) information on their operations covering performance statistics (such as complaints statistics including value of refunds), current and planned initiatives amongst others.
- **Self-Regulation:** FIs shall be encouraged to develop structures for self-regulation either individually or collectively in line with the consumer protection principles. FIs are expected to develop codes of conduct/practices stating minimum standards of service as it relates to consumer protection matters. The Board of directors shall ensure that their operations align with the codes of conduct which shall amongst others address the following:
 - a) transparency and disclosure requirements;
 - b) fair contract terms;

- c) sales promotion;
- d) capability and suitability assessment; and
- e) Complaints handling.

The CBN shall provide some degree of supervision over the self-regulatory environment to prevent practices that may hamper its effectiveness– such as conflict of interest and weak sanctions– including:

- a) ensuring objectivity in the remediation process; and
- b) Interpreting relevant regulations that pertain to financial consumer protection.
- **Collaboration:** The Bank shall collaborate with key stakeholders to facilitate the protection of consumer rights. The Bank may execute Memorandum of Understanding (MoU) with stakeholders to effectively coordinate consumer protection activities. Where necessary, the views of stakeholders shall be sought in the policy/regulatory development processes. Some of the stakeholders include:
 - a) The Consumer Protection Council: an agency of the Federal Government established by the Consumer Protection Council Act No. 66 of 1992 with the overarching responsibility for consumer protection in Nigeria.
 - b) Bankers' Committee: a body comprising the Central Bank of Nigeria (the Governor is the chairman), Deposit Money Banks (DMBs) and Discount Houses. The Committee has several subcommittees in charge of various issues, one of which is the Subcommittee on Ethics & Professionalism which checks unethical practices in the financial industry.
 - c) The Financial Ombudsman (proposed): the Office of the Nigerian Financial Ombudsman Bill seeks to establish the Financial Ombudsman to resolve financial & related disputes arising from the financial services industry.
 - d) Consumer Advocacy Groups: these are organizations, groups or entities set up to ensure that the rights and interests of Nigerian consumers are protected.
 - e) Consultants: these are individuals or entities who represent consumers and ensure that their rights are protected.

- f) Relevant Government Agencies: Nigeria Deposit Insurance Corporation (NDIC), National Insurance Commission (NAICOM), Securities and Exchange Commission (SEC), National Pension Commission (PENCOM), Public Complaints Commission (PCC), National Human Rights Commission (NHRC), Economic and Financial Crimes Commission (EFCC), law enforcement agencies etc.
- g) Financial Services Regulation Coordinating Committee (FSRCC) established by Section 43 of the CBN Act, 2007 (as amended) to co-ordinate the supervision of FIs, amongst others.

2.2 Responsible Business Conduct

Financial Institutions shall observe high ethical standards and professionalism in their business transactions with consumers. They are required to assess the financial capabilities of consumers and offer only suitable products/services based on their needs and capability. In addition, they shall provide channels for consumers to make enquiries and complaints. The following specific areas will be addressed under Responsible Business Conduct:

- Communication: All requests for information must be responded to timely and with clarity.
- Provision of financial advice: FIs shall provide consumers with objective advice to enable them make informed decisions.
- Responsible lending: FIs shall carry out proper credit worthiness assessment on consumers before granting credit to avoid reckless lending.
- Debt collection: financial institutions shall adopt debt recovery processes that are courteous and fair to consumers. Consumers must be proactively engaged and given early notice of outstanding obligations prior to the commencement of debt collection efforts.
- Sales promotion: marketing of products and services using incentives should be carried out in an ethical and professional manner.

2.2.1 Communication

1. All requests for information shall be responded to clearly, timeously and in writing or via the customers means of communication with appropriate

documentation. For this purpose, mere acknowledgement of a request would not suffice as a response.

2. In any communication with customers, FIs shall act in the best interest of customers. Remuneration and incentives structure in the industry shall encourage ethics and integrity.
3. Customer shall be notified when an activity threatens to violate the terms of contract.

2.2.2 Provision of Financial Advice

1. Financial Institutions shall act in the best interest of consumers in the provision of advice and execution of transactions. For consumers to make informed decisions in choosing financial products and services, they must be acquainted with the features, costs, risks, penalties, terms and conditions. Thus, before consumers sign up for any financial products, FIs shall:
 - a) Give clear information on the features of the services and products;
 - b) Assess whether the products or services of interest suit the consumers' needs. Where a product requested does not meet the needs of the customer, the FI is obliged to advise or caution the customer in writing before granting such; and
 - c) Assess the consumers' ability to fulfill the terms and conditions associated with the financial products and services;
2. Financial institutions shall provide appropriate financial advice to consumers before the sale of any financial product or service. For financial products or services that are complex or potentially risky to consumers, financial institutions shall document pre-contractual and subsequent deliberations with consumers. The records shall reflect the financial institutions' efforts in taking the aforementioned steps (Section 2.2.2.(1)) before reaching an agreement with the consumer on the product or service. In addition, records of meetings must be acknowledged by the consumer.
3. The CBN shall use appropriate mechanisms (such as examining FIs' records of pre-contractual deliberations with customers (see Section 2.2.2.(2)), mystery shopping amongst others) to monitor financial institutions and ensure that

they properly engage customers prior to the sale of financial products or services.

2.2.3 Responsible Lending

1. To promote positive credit culture in the industry, FIs shall establish structures to prohibit reckless and predatory lending.
2. Financial institutions shall provide credit counselling to prevent consumers' indebtedness due to limited financial knowledge. Credit counselling is the process of educating consumers on borrowing and debt settlement.
3. Credit counselling facilities shall be available and accessible to all consumers. Consumers shall be made aware of such services and shall be encouraged to take advantage of such facilities provided by the financial institutions.
4. FIs shall provide detailed information on the terms and conditions of a credit agreement to consumers prior to executing the loan agreement. Such information must at a minimum include the pricing, repayment schedule, repayment amount, tenure and opt out options.

2.2.4 Debt Collection

1. The CBN shall set guidelines for ethical debt collection practices in the industry. These guidelines shall be based on dialogue, respect for the consumers' privacy and longevity of consumer-FI relationships amongst others.
2. Where consumers are unable to meet their financial obligations, financial institutions shall be encouraged to adopt fair and ethical debt recovery practices.
3. FIs shall ensure that personnel assigned to recover debts are properly trained. Consumers shall be informed in advance before a recovery process is initiated.

2.2.5 Sales Promotion

1. Sales promotions or related activities shall be conducted professionally and ethically. In a bid to generate increased business volumes or attract new customers, financial institutions shall provide factual information and shall not mislead consumers.
2. Financial institutions shall be required to fulfil the terms of promotional offers. In addition, before the launch of any sales promotion, FIs shall provide the CBN with evidence of capability to manage the influx of customers without diminishing service quality.

2.3 Disclosure and Transparency

Financial institutions shall provide accurate information on financial products and services to consumers at all times to enable them make informed decisions. Such information must be timely, detailed and clear. The primary coverage areas to be addressed are:

- **Contract terms:** contract terms should contain adequate information that will enhance consumers' decision making process prior to execution of the contract. Financial institutions shall also inform consumers of the possibility of variations in terms and conditions of contracts due to changes in economic conditions before such contracts are executed. Customers shall be provided with the statement of financial position at all times.
- **Notice of Variations:** FIs shall give prior notice to consumers within the time specified in contracts, before implementing variations in terms and conditions of contracts.
- **Advertisement:** Advertisements and marketing materials must convey complete and accurate information on the products and services being advertised.

2.3.1 Contract Terms

1. Financial Institutions shall disclose and document all terms and conditions including inherent risks, fees, charges and other payments to be made by a consumer for a product or service.

2. The CBN shall issue guidelines on disclosure requirements for products and services in contract agreements between financial institutions and consumers of financial products and services. These guidelines at a minimum shall cover areas such as:
 - a) Fees and charges;
 - b) penalties (prepayment costs and default charges);
 - c) interests (payable or receivable);
 - d) payment and termination modalities; and
 - e) Risks.
3. Financial Institutions shall proactively inform consumers of the possibility of variations in terms and conditions of contracts.
4. Contractual agreements shall be precise and clear. Information must be communicated in simple language to avoid misinterpretation. Contractual agreements must be in legible font size. Where technical terms are used, the financial institution shall ensure that such technical terms are clearly explained to the understanding of the consumer to avoid confusion or miscommunication.
5. Financial Institutions shall conspicuously display specific and up-to-date information (such as certificate of incorporation, banking license, interest rates, foreign exchange rates, helpdesk contact details etc.) at customer engagement areas.
6. Financial institutions shall provide financial calculation tools on their websites to assist consumers to perform simple calculations that may be required to ascertain the suitability of certain financial products. In addition, financial institutions have a responsibility to make reasonable effort towards ensuring that consumers of financial products are knowledgeable about the products/service they wish to purchase.
7. The CBN shall publish rates offered by financial institutions to enable consumers make informed decisions in the selection of suitable products and services.

8. While the contract subsists, customers shall be provided with the statement of financial position at all times such as loan statement, account statement.

2.3.2 Notice of Variation

1. Within a minimum timeline specified by the CBN, financial institutions shall notify consumers about changes to terms and conditions of contracts prior to the implementation of such changes.
2. Notice to consumers on variations to terms and conditions must at a minimum contain the following details:
 - a) Changes in rates / charges (existing rate and new rate that is being introduced)
 - b) Rationale for variation;
 - c) Commencement date of new terms and conditions;
 - d) Revised repayment schedule in line with the new rates (where applicable);
 - e) Options available to the consumer, including the opt-out options.
3. Variation notice must be at no cost to the consumer and there must be evidence of dispatch to address on file or via the usual means of communication with the consumer.
4. FIs shall respond to requests for waivers, concession or other variations on credit facilities within specified timelines, failing which such requests would be deemed to have been accepted.

2.3.3 Advertisement

1. Financial Institutions must be factual and clear in all communication (including advertisements) with consumers. Communications/ advertisements on financial products and services must at a minimum:
 - a) Not be misleading;
 - b) Be clear and explicitly state the features of the products/services as approved;
 - c) Not seek to misrepresent or exaggerate the benefits of the products/services

2. Adverts shall disclose all conditions associated with the products and services. For example, where a promotional material makes reference to interest rates, financial institutions shall indicate all other applicable charges. In addition, measures shall be provided for consumers to make further enquiries.
3. FIs shall ensure that adverts align with approved product features. Adverts not in line with approved product features will attract appropriate sanctions.

2.4 Consumer Financial Education

Consumer Financial Education is the process of imparting financial knowledge and skill to consumers to enable them know their rights and responsibilities, make informed decisions and manage their personal finances effectively.

The CBN shall collaborate with relevant stakeholders to develop a financial literacy framework taking the following into consideration:

- Consumer segmentation: determine the approach for engaging with and disseminating information to various segments or target groups within the Nigerian population.
- Content Development: content shall be developed to reflect the needs of specific consumer target groups on the basis of consumer segmentation.
- Strategy: a comprehensive and overarching approach will be adopted to ensure coverage in the delivery of financial education programs.
- Consultation & Collaboration: frequent consultations and collaborations with relevant stakeholders shall serve as a platform for exchange of information and ideas that are of interest to the industry.

Stakeholders shall collaborate towards the achievement of financial education objectives.

- Monitoring & Evaluation: there shall be a mechanism for monitoring the performance of stakeholders with respect to implementation of various consumer financial education initiatives.

2.4.1 Consumer Segmentation

For effective delivery of consumer financial education, the populace shall be segmented to reflect the diverse nature of the country such as demography (age, geographical location), level of education, ability (physical & mental).

2.4.2 Content Development

1. The CBN shall in collaboration with relevant stakeholders provide the guide for content development or develop content on financial education in line with the peculiarities of consumer segmentation.
2. The guide or the content may be reviewed periodically in line with developments in the industry.
3. A common repository of financial education content shall be established for uniformity of information.

2.4.3 Strategy

• Communication Strategy

1. The CBN in collaboration with relevant stakeholders shall define a communication strategy for financial education.
2. Financial education programs shall be conducted nationwide by the CBN and relevant stakeholders to create awareness on consumer rights and responsibilities. These programs shall be designed to address the peculiarities of various consumer segments.
3. The CBN, financial institutions and other relevant stakeholders shall leverage on a variety of media including traditional and new media to roll-out financial education programs. These materials shall be developed in English, indigenous languages or other means of communication for people with special needs, where necessary.
4. Stakeholders shall be encouraged to provide toll-free phone lines for enquiries to be operated by trained agents. Such calls shall be monitored for quality assurance.
5. The CBN shall encourage outreach programs through trade unions or trade associations as avenues for providing consumer financial education to the public.

- **Development of academic curriculum**

1. The CBN in collaboration with other relevant stakeholders shall ensure that financial education content is incorporated into the academic curriculum of Nigerian schools at all levels (basic, senior-secondary and tertiary).
2. CBN in collaboration with relevant stakeholders shall establish platforms that will encourage participation in interactive activities in schools such as mentoring programs, quizzes, competitions and seminars.

2.4.4 Consultation and Collaboration

1. The CBN shall collaborate with relevant stakeholders to develop robust program to serve as platform for exchange of information and ideas. The CBN shall cooperate with International Development Partners such as the Organization for Economic Co-operation and Development (OECD), the World Bank and other international standard setting bodies for exchange of information on global trends and leading practices in financial education.
2. The CBN shall collaborate with relevant stakeholders to effectively execute financial education programs.
3. Financial education shall form part of the corporate culture of financial institutions. Financial institutions may organize educational programs in conjunction with the CBN, relevant professional bodies, consumer advocacy groups and agencies to enhance general financial knowledge of consumers.

2.4.5 Monitoring & Evaluation

There shall be mechanisms for monitoring the performance of stakeholders with respect to the implementation of various consumer financial education initiatives.

2.5 Fair Treatment

Consumers shall be treated equitably without bias at all stages of their relationship with financial institutions. Every consumer shall be given equal access to basic banking services and consideration accorded to the needs of vulnerable groups. Key themes to be addressed are:

- Access to finance: eligible consumers must be granted access to financial products and services;
- Equity: consumers shall be treated equitably at all times in a manner devoid of discrimination;
- Unfair Contract Terms: contract terms must not undermine the rights of consumers giving FIs undue advantage.

2.5.1 Access to finance

Access to basic banking and other financial services is a critical theme around consumer protection. The CBN shall establish policies and structures to enhance access to financial products/services, especially amongst vulnerable groups.

2.5.2 Equity

1. Financial institutions shall not discriminate against consumers' access to basic financial services on the basis of attributes such as social status, physical ability, marital status, gender, age, religion or tribe.
2. FIs shall treat consumers with respect and shall not engage in practices such as threats, intimidation, humiliation, misrepresentation, deception or unfair inducements.

2.5.3 Unfair Contract Terms

1. Terms and conditions shall clearly set out the respective rights and obligations of all parties to transactions in simple language. The use of technical terminologies/languages shall be limited or avoided in contract documents, where they are used, FIs shall ensure that these terminologies are clearly explained to consumers.

Contract terms shall be considered unfair where there is a significant imbalance in one party's rights and obligations to the detriment of the other. The following, amongst others, are considered to be unfair terms:

- a) Limiting the liability of the financial institution in the event of total or partial non-performance of contractual obligations;
- b) Excluding the liability of the FI in the event of its negligence which is detrimental to the consumer;
- c) Clauses that bind a consumer while the corresponding obligation on the FI is conditional;

- d) Termination of agreements or alteration of clauses without reasonable notice to the consumer;
 - e) Limiting the financial institutions' liability with respect to actions or commitments undertaken by their agents;
 - f) Giving the FI the possibility of transferring its rights and obligations under the contract, where this may reduce the rights of the consumers, without their consent;
 - g) Excluding or limiting the right of the consumer to take legal action should infraction occur.
2. Contract terms that conflict with regulations are null and void ab initio.
 3. Consumers or other stakeholders are encouraged to report contract terms that are in conflict with any regulation.

2.6 Protection of Consumer Assets and Privacy

Appropriate measures shall be established to guarantee protection of consumer assets and privacy.

Consumer's financial and personal information shall be protected by FIs at all times and shall not be released to a third party without the consent of the consumer, except as required by law.

The following information are considered to be confidential and shall be protected at all times; Contact details, account number and balance, statement of accounts and any other information known to the financial institution .

The Bank shall establish guidelines to safeguard consumer assets and privacy against unauthorized access. The primary areas to be covered are:

- Fraud: the need for adequate controls to be put in place to prevent incidences of fraud.
- Data Privacy: the need for adequate controls to be put in place to prevent unauthorized access to consumers' confidential information.

2.6.1 Fraud

1. Financial institutions shall establish policies and controls to safeguard consumer assets against fraud. These policies and protocols may include the use of sophisticated software and transaction monitoring systems to

monitor the internal processes/operations of financial institutions. Therefore, key policies shall include:

- a) Segregation of duties: the initiation and conclusion of transactions shall not rest with an individual. Necessary hierarchical controls, second level authentications amongst others, shall be put in place to prevent fraud;
 - b) Access to information: appropriate access control systems shall be established by financial institutions. FIs shall restrict and monitor access to customer's data base;
 - c) Security (physical and electronic): consumer data and records must be securely stored at all times and accessed only by authorized personnel;
 - d) Adequate data storage infrastructure: specification of technical requirements for data storage infrastructure; and
 - e) Periodic audit: financial institutions shall ensure periodic audit of control systems to ascertain adequacy and effectiveness to guard against breaches.
2. Electronic payment instruments/systems shall be embedded with safety mechanisms; institutions shall ensure regular systems updates to guard against possible security lapses. The CBN shall specify minimum technology standards for payments platforms.
 3. Financial institutions shall perform periodic internal risk assessment to identify and assess data security risks on their systems.
 4. Financial institutions shall enforce disciplinary action against employees involved in fraud and report same to the regulator. Where required, the CBN shall blacklist such employee from further employment within the industry.
 5. Financial institutions shall promptly refund customers for actual amounts lost due to fraud with interest at the CBN prescribed rate unless it can be proved that loss occurred as a result of customer's negligence or through fraudulent behavior.

6. Financial institutions shall require customers to update their details within the timeline specified by the CBN. Customers are obliged to update their records as need arises in order to ensure data accuracy and ultimately enhance protection. Financial institutions shall create convenient avenues through which customers can make these updates.
7. Financial institutions shall continually create awareness on fraudulent practices and consumers' responsibilities to guard against such.

2.6.2 Data Protection

1. All personal information of customers (including those with closed accounts) shall be kept in confidence by FIs. As a duty of care, financial institutions are obliged to safeguard the privacy of their customers' data.
2. Financial institutions shall not reveal consumers/customers information to a third party except in the following cases:
 - a) With the express permission of the customer,
 - b) As required by the CBN and other regulatory bodies;
 - c) Where there is a court order;
 - d) In pursuance of public duty/interest;
3. Appropriate data protection measures and staff training programs shall be put in place to prevent unauthorized access, alteration, disclosure, accidental loss or destruction of customer data.
4. The consent of consumers shall be obtained in writing before their data is shared with third parties.

For this purpose, a third party includes a subsidiary or an associated company.
5. Financial institutions shall obtain the prior consent of customers in writing before using such information for future promotional offers via e-mail, SMS, phone calls and other channels.
6. Consumers partaking in sales promotions shall be informed if they would be required for any publicity or advertisement by the financial institution.

2.7 Complaints Handling and Redress

Adequate measures shall be established to address disputes that may arise from interactions and relationships between the FI and the consumer. The

existence of effective complaints handling mechanisms that are affordable, fair, timely, transparent, accessible and independent would enhance overall consumer confidence in the financial system. The primary areas to be addressed are:

- Complaints channels: avenues for lodging complaints shall be readily available and easily accessible to consumers. Consumers shall be made aware of the various channels.
- Complaints management processes or procedures: The processes and procedures for complaints management shall be simple and efficient supporting the effective resolution of consumer complaints. Consumers shall be made aware of the various recourse mechanisms.
- Complaints redress: provisions shall exist for the fair redress and compensation of consumers in the event of wrongful treatment.
- Collaborations with other bodies: effective collaborations with other dispute resolution bodies in the industry shall be established to ensure a full coverage of consumer complaints handling.

2.7.1 Complaints Channels

1. Financial institutions shall have multiple channels (including electronic and non-electronic channels) for consumers to lodge complaints. Examples of complaints channels may include provision of dedicated email addresses, telephone numbers, help desk, web chat etc. Such channels shall be toll-free, easily accessible and available to consumers or their agents at all times.
2. Financial institutions and Alternate Dispute Resolution institutions shall provide consumers with information on available mechanisms for handling complaints. At a minimum, such information shall include:
 - a) Available channels for complaints handling and redress;
 - b) Timeline for complaints resolution;
 - c) Responsibility of the complainant at each stage of the process;
 - d) Obligation of the financial institution or ADR institution; and
 - e) Escalation processes.

This information shall be provided at no cost to complainants at the point of commencing a contractual relationship, upon request or when acknowledging a consumer complaint.

3. Complaints channels shall be staffed by courteous individuals with experience in handling consumer issues. Supervision of the complaints handling process must be carried out by senior management staff.
4. Financial Institutions shall provide relevant training for staff involved in the development and approvals of complaints handling policies, practices and procedures as well as for staff who interface directly with consumers.
5. The CBN shall set minimum standards for the operations of the various complaints handling channels, including the electronic and non-electronic channels. Periodically, there shall be audits or checks on the availability and adequacy of these channels, as well as a comprehensive evaluation of financial institutions' compliance with the minimum standards set.
6. The CBN shall promote Alternative Dispute Resolution in the industry.
7. The Consumer Protection Department (CPD) shall be responsible for managing all consumer complaints at the CBN.

2.7.2 Complaints Management Processes or Procedures

1. Financial institutions shall have clear procedures (including timelines which must be in accordance with minimum standards set by CBN) for receiving and resolving complaints. FIs are expected to automate their complaints management processes or procedures.
2. Financial institutions shall establish and implement effective and transparent processes for handling complaints.
3. The complaints management processes of financial institutions shall include proactive measures to minimize the incidences of complaints. Complaints statistics shall be published in financial statements of FIs.
4. Consumer complaints shall first be lodged with the relevant FIs and only be escalated to alternate dispute resolution organs in the event that the

consumer is dissatisfied or the complaint is not resolved within the stipulated time.

5. If complaints are not resolved by the financial institution or consumers are dissatisfied with the outcome of the complaints handling process, the FIs must inform consumers of the alternative recourse mechanisms available, and the process involved in seeking redress through these channels.
6. To avoid duplication of effort by ADRs, consumers shall lodge complaints with one ADR at a time and state categorically where complaints have earlier been reported to other ADRs as well as provide the decision reached.
7. Financial institutions shall provide consumers with status update on complaints. Consequently, the following must be addressed in the course of managing a consumer complaints:
 - a) The timelines stipulated by the CBN;
 - b) Financial institution's acknowledgement of complaints received stating the timeline within which a response will be made available;
 - c) Provision of reference numbers for all complaints received;
 - d) In the event of delays, reason for delayed resolution including status in the event that complaint remains unresolved at the expiration of the agreed/communicated resolution or response timeline;
 - e) For complaints that have been resolved, resolution shall be provided in writing and acknowledged by the consumer. It is also advised that the consumer's concurrence or objection is sought or obtained within a stipulated time.
8. To ensure easy resolution of complaints, the CBN may place a time limit or bar for lodging consumer complaints. However, time restrictions shall not apply in exceptional cases such as fraud.
9. ADRs shall not investigate cases concurrently with financial institutions; a case shall be admissible at the ADR only after a decision has been made by the FI. It is upon dissatisfaction with the decisions that such consumer may proceed to an alternate dispute resolution institution.

10. To fast-track resolution of complaints, ADR institutions shall encourage mediation or reconciliatory meetings between complainants and the financial institutions.
11. To promote disclosure and instill accountability amongst FIs, information on consumer complaints shall be published by FIs in their financial statements. The CBN shall in addition, publicize these statistics across financial institutions on a regular basis. This would enable institutions compare their performance against peers and provide consumers with additional source of information for financial decision making.
12. The CBN shall not handle cases that fall within these categories:
 - a) Time barred complaints; and
 - b) Cases before the courts or cases already ruled upon by the courts of law (except where directed by the court through an order).

2.7.3 Complaints Redress

1. Financial institutions shall develop a Customer Compensation Policy to address various category of complaints which may arise due to service failures. FIs must publicly display this policy on various media such as bank websites, branches.
2. The Customer Compensation Policy shall be in line with guidelines issued by the CBN and shall contain provisions for probable infractions such as:
 - a) Unauthorized or erroneous debits;
 - b) Excess charges; and
 - c) Financial loss to consumers due to staff negligence/fraudulent activities.
3. Where there is a complaint on excess charges, FIs shall carry out account reconstruction where necessary, in order to put the account into proper perspective.
4. FI shall provide evidence of complaints resolution to customers, ADRs and regulators, where required.

5. Complainants shall provide written acknowledgement confirming satisfaction or otherwise with the outcome of the dispute resolution process within a specified time.
6. Where a complainant fails to acknowledge resolution within the specified timeline, the complainant would be deemed to be satisfied and the case closed.
7. Decisions of ADR institutions may be appealed through the internal process prescribed by such institutions.

2.7.4 Collaborations with other bodies

1. Institutions involved in complaints management shall collaborate with relevant agencies to enhance the efficiency of the dispute resolution process. Memorandum of Understanding (MoU) shall be signed between institutions involved in financial consumer protection or dispute resolution.

The details of the Memorandum of Understanding shall include amongst others:

- a) Roles and responsibilities of parties;
- b) Recourse in the event of non-resolution; and
- c) Escalation path along the various institutions during a dispute resolution process.

2.8 Competition

Competitive markets should be promoted in order to encourage innovation, offer consumers diverse range of financial products and services, excellent service delivery and ultimately ensure that consumers benefit from the practice of competition.

To promote competition within the industry, financial institutions shall collaborate with financial regulators and other stakeholders. The critical themes to be covered are:

- Free Market: regulators should encourage innovation as well as free entry and exit in the industry.

- **Switching Barriers:** consumers should be allowed to terminate contracts or engage in banking transactions with their preferred financial institution without any restrictions.

2.8.1 Free market

1. The CBN shall encourage product development by financial institutions to enable consumers have access to variety of innovative products and services.
2. The CBN shall monitor the market to restrict practices which may inhibit competition.
3. The CBN shall discourage anti-competitive practices such as:
 - a) Price-fixing or pegging of charges – any act by one or more FIs to fix charges on products and services for their benefit but to the detriment of consumers;
 - b) Market allocation – agreement amongst FIs to form territories so that specific institutions are found in certain regions to the exclusion of others;
 - c) Abuse of dominance – any act by one or more FIs with significant market power or share which have adverse effect on competition; and
 - d) Tied selling – any act by financial institutions forcing consumers to buy or subscribe to other products or services along with the desired products or services.

2.8.2 Switching Barriers

1. Consumers shall be allowed to engage in banking transactions with their preferred financial institutions.
2. Consumers shall have the right to terminate contracts, change or switch FIs, products and/or services subject to contractual terms. It is unethical and anti-competitive for FIs to place restrictions on consumers that discourage switching.
3. Where a customer decides to switch, the financial institution shall provide the necessary information to the new financial institution.

2.9 Enforcement

To ensure compliance with consumer protection regulations within the financial industry, consumer protection regulators shall ensure effective enforcement of regulations, with the application of appropriate sanctions. Enforcement shall be timely, objective, firm and publicized to increase awareness and promote consumer trust. Key themes to be addressed are:

- Enforcement Processes or Procedures: there shall be guidelines for the efficient execution of the provisions in this Framework.
- Enforcement Methods: The CBN shall employ supervisory mechanisms for the effective enforcement of consumer protection regulations.

2.9.1 Enforcement Processes or Procedures

1. The CBN shall enforce consumer protection in the banking industry in collaboration with other relevant stakeholders.
2. The CBN shall deploy adequate resources to support consumer protection. Periodically, the Bank shall benchmark its internal capacity with consumer protection bodies of leading jurisdictions towards strengthening its operations and capacity.

2.9.2 Enforcement Methods

The CBN shall adopt effective mechanisms to support the enforcement of consumer protection regulations. These mechanisms shall be backed by regulations in the industry.

1. The Bank shall conduct investigations when necessary, and findings shall form the basis for Management decision.
2. Contravention of the provisions of this Framework or other regulations on consumer protection shall attract appropriate sanctions. The following are some of the sanctions the Bank may impose:
 - a. Refund to customers in line with relevant regulations issued by the Bank;
 - b. Letter of apology;

- c. Restriction on activities;
 - d. Suspension from inter-bank activities;
 - e. Suspension/withdrawal of foreign exchange dealership license;
 - f. Denial of approvals;
 - g. Publication of infractions and sanctions;
 - h. Monetary penalties;
 - i. Product recall;
 - j. Adverts cancellation;
 - k. Warning letters to management /Board;
 - l. Suspension/removal of Board/management staff/employees;
 - m. Referral to law enforcement agencies for prosecution;
 - n. Revocation of banking license; and
 - o. Other sanctions deemed appropriate.
3. The CBN shall adopt other proactive mechanisms to monitor financial institutions' compliance with the provisions of the Consumer Protection Framework.

3 Consumer Rights and Responsibilities

In a relationship between a financial institution and the consumer, both parties have rights and responsibilities which serve as the bedrock of the relationship. Thus, to enhance confidence in the financial system, consumers shall have basic rights and responsibilities which shall be protected by all stakeholders. Some of the rights and responsibilities of consumers are listed below.

3.1 Consumer Rights

The basic rights of consumers shall be:

- a) **Right to be informed**– financial institutions shall provide accurate and timely information on products and services to enable consumers make informed decisions.

- b) **Right to consumer education** – consumers shall be provided with knowledge needed to make informed and confident financial decisions to enhance their economic well-being.
- c) **Right to choose**– consumers shall have the liberty to choose from a variety of products and services on offer at competitive rates without restrictions or compromising quality. This right extends to opting out when services are no longer satisfactory provided outstanding commitments are settled.
- d) **Right to safety**– financial institutions shall provide a safe and conducive banking environment, channels and platforms.
- e) **Right to confidentiality**– consumer information must be protected from unauthorised access and disclosure.
- f) **Right to redress**– consumers shall have access to an efficient redress mechanism for settlement of claims or disputes.
- g) **Right to be treated fairly**– consumers shall be treated fairly regardless of any complaint and dispute already existing between them, their financial knowledge or status, physical ability, age, gender, tribe or religion. However, subscription to certain products and services may offer consumers special benefits.

3.2 Consumer Responsibilities

Where there are rights, corresponding responsibilities shall exist. Thus, while the objective of this framework is to ensure that financial institutions act in the best interest of consumers, the consumers must at a minimum, carry out certain responsibilities as outlined below:

1 Duty of Knowledge and Understanding

The ability to make informed financial decisions that will be of benefit to the consumer is dependent on the depth of financial information acquired over time by the consumer. Therefore, it is important for consumers to acquire requisite financial knowledge that will help them manage personal finances. The responsibilities of a consumer include:

- a) Self-education about consumer rights and responsibilities as well as other financial matters.

- b) Endeavour to obtain accurate information from credible sources and make comparison before subscribing to financial products and services.
- c) Seek clarification where necessary regarding financial products and services to ensure proper understanding of associated risks, contractual terms and conditions etc.
- d) Negotiate beneficial terms to ensure that financial products and services suit the consumers' need.

2 Duty to meet or honour Financial Obligations

- a) Consumers shall fulfil their obligations in contractual relationships with Financial Institutions.
- b) Consumers shall be required to notify financial institutions of challenges that may constrain their ability to meet contractual obligations.

3 Duty to Protect Financial Instruments and Information

- a) Consumers shall ensure that their personal information such as account numbers, Personal Identification Number (PIN), Bank Verification Number (BVN), access codes, financial instruments including cheques, payment cards are protected.
- b) Records of financial transactions such as card receipts, account statements and transaction statements must be safeguarded, disposed or transmitted securely to avoid unauthorised access.

4 Duty to Provide Accurate and Up-to-date Information

- a) Consumers shall provide accurate and up-to-date information to the financial institution.
- b) Consumers shall give clear mandate to FIs and report any change to such orders in a timely manner.

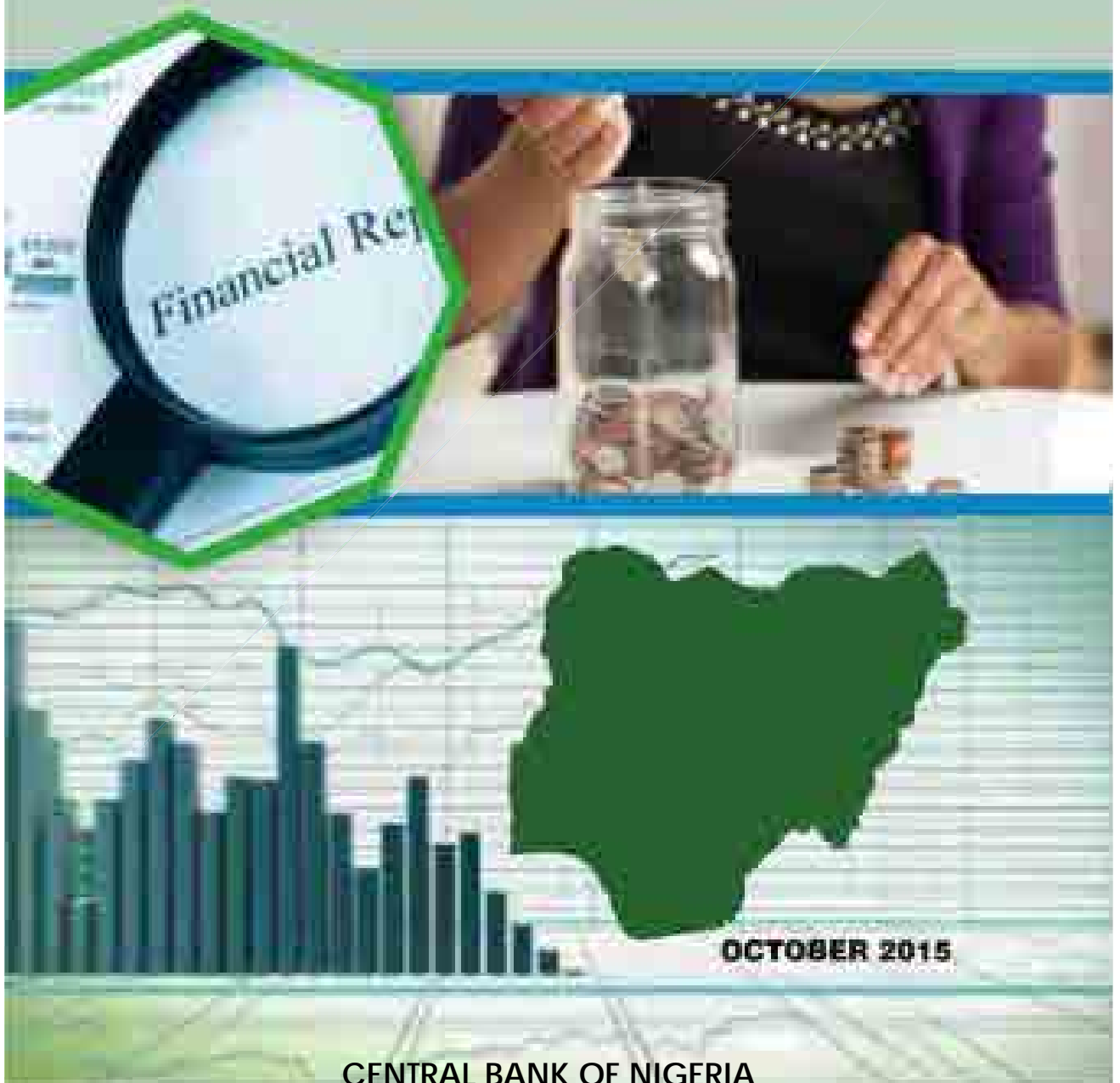
5 Duty to Report Unethical Practices, Fraud and Error

- a) Consumers shall obtain and review evidence of financial dealings with financial institutions including periodic statement of accounts to enable them make observations known to the FIs as and when due.
- b) Consumers shall take immediate steps to notify FIs of observed compromise to personal information.
- c) Consumers shall lodge complaints promptly and honestly through established redress platforms.
- d) Consumers shall report cases of misconduct and malpractices by bank employee to the financial institutions and then to the regulator if dissatisfied with resolution by a financial institution.
- e) Consumers shall report observed cases of sharp or unethical practices such as fraud, illegitimate charges and changes to interest rates (which the consumer is not notified of) by financial institutions to the CBN.
- f) Consumers may make themselves heard individually or collectively through organised groups.
- g) Consumers shall carry out due diligence to ensure that they deal with only licensed financial institutions.

**CONSUMER PROTECTION DEPARTMENT
NOVEMBER 2016**



National Financial Literacy Framework



OCTOBER 2015

CENTRAL BANK OF NIGERIA

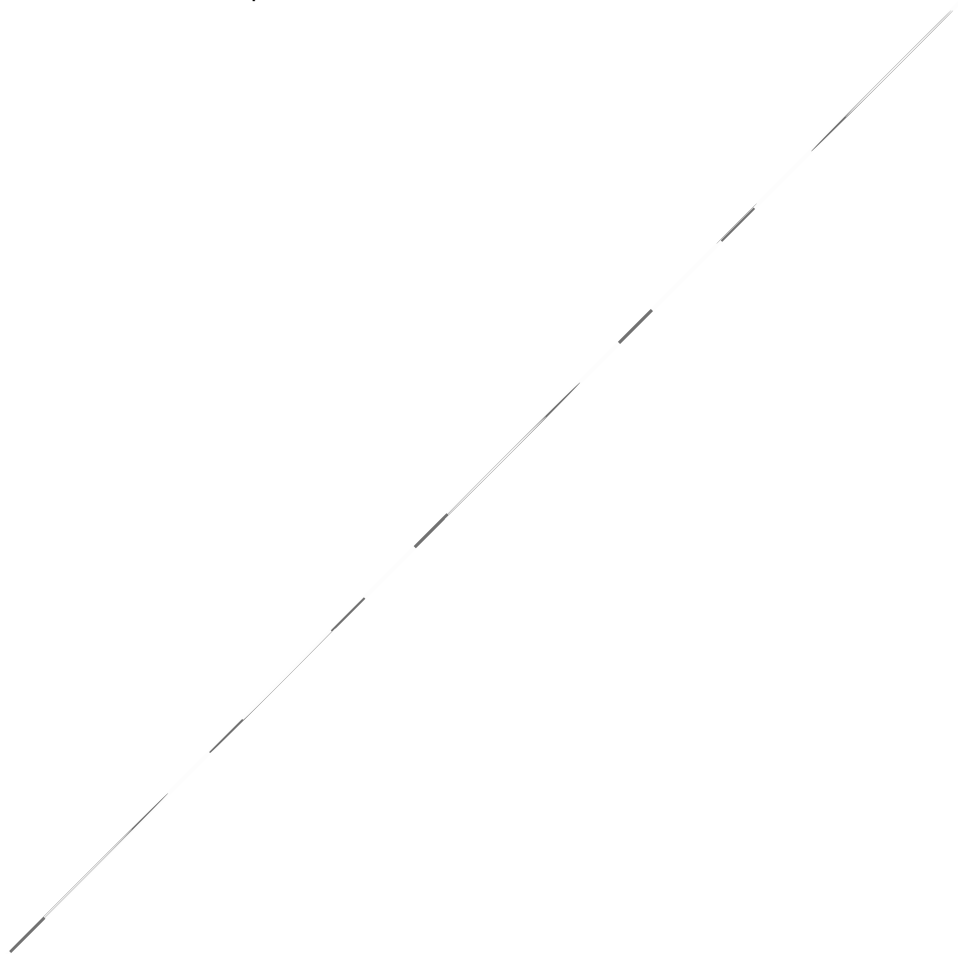
NATIONAL FINANCIAL LITERACY FRAMEWORK

OCTOBER, 2015

National Financial Literacy Framework

ACKNOWLEDGEMENTS

This report presents the approved National Financial Literacy Framework for Nigeria. The Central Bank of Nigeria acknowledges the efforts of Messrs. Gerda Piprek (Marketworx- South Africa), members of the Financial Literacy Steering Committee (now Financial Inclusion Steering Committee), other Financial Services Regulators, Financial Services providers development partners, Financial Literacy practitioners and other stakeholders for their contributions in the production of this document.



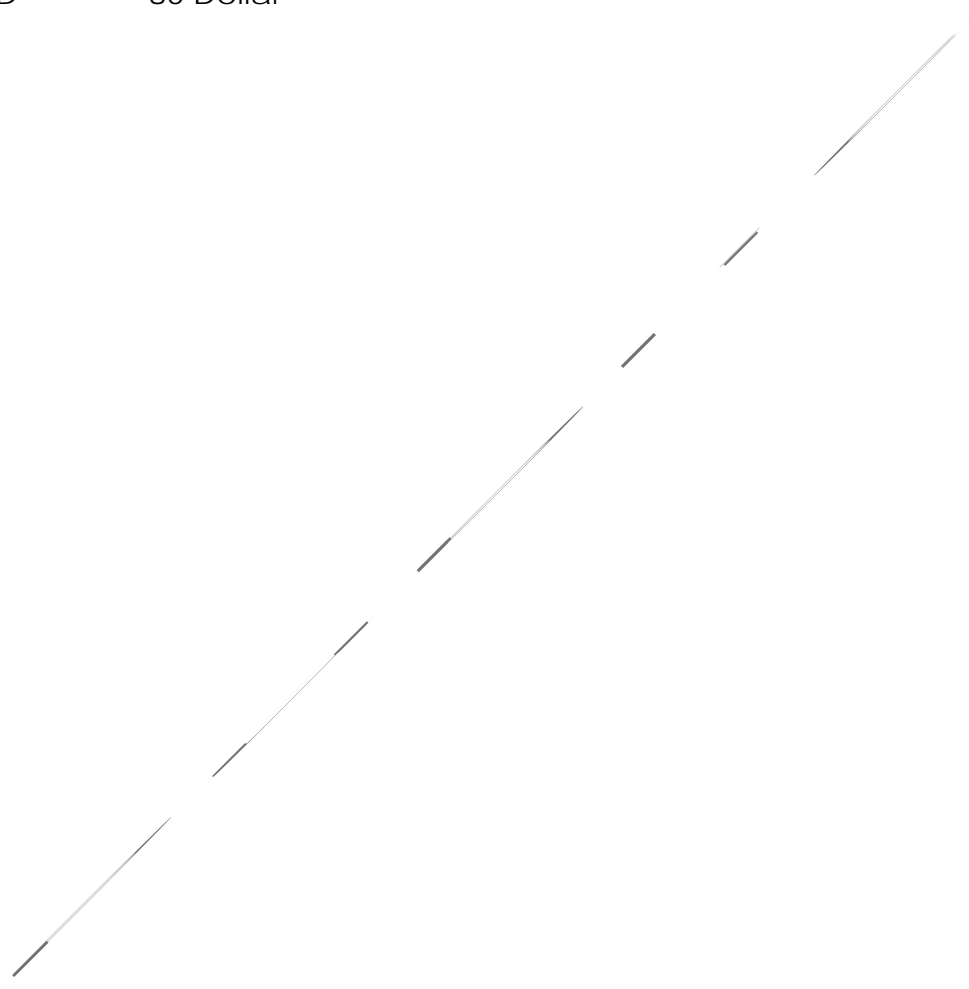
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LIST OF ACRONYMS

A2F	Access to Finance Survey, published by EFINA
AR	Actual Reach (media)
ATM	Automatic Teller Machine
CBN	Central Bank of Nigeria
CED	Consumer Education Division (of the CBN)
CGAP	Consultative Group to Assist the Poor
CP	Consumer Protection
CPC	Consumer Protection Council (CPC)
CPD	Consumer Protection Department (of the CBN)
CPP	Cost per point (media)
CPS	Compulsory Pension Scheme
COMBIN	Committee of Microfinance Banks in Nigeria
CRB	Credit Reference Bureau
DFI	Development Finance Institution
EFINA	Enhancing Financial Innovation & Access
FinCap	Financial Capability
FinEd	Financial Education
FinLit	Financial Literacy
FLF	Financial Literacy Framework
FLIC	Financial Literacy Implementation Committee
FLSC	Financial Literacy Steering Committee
FSS	Financial Sector Strategy
GDP	Gross Domestic Product
IFC	International Finance Corporation
IMF	International Monetary Fund M&E Monitoring and evaluation
MFB	Microfinance Bank
MFI	Microfinance Institution
MNOs	Mobile network operators
MMOs	Mobile money operators
MSME	Micro, small and medium enterprise
NBS	National Bureau of Statistics
NCR	National Credit Regulator (South Africa)
NDIC	National Deposit Insurance Corporation

NER	Net Enrolment Rate
N-FEF	National Financial Education Framework (revised FLF)
N-FES	National Financial Education Secretariat
NGO	Non-Governmental Organization
NFIS	National Financial Inclusion Strategy
NSE	Nigerian Stock Exchange
PPP	Public Private Partnership
SEC	Securities and Exchange Commission
USD	US Dollar



PREFACE

The Government of Nigeria recognized the need for improving the levels of financial inclusion and in 2012, launched the National Financial Inclusion Strategy, which aims to increase financial inclusion from 53.7 per cent in 2010 to 80 per cent in 2020¹. The Strategy sets as one of its goals client empowerment, defined as 'an increase in the bankability of the population through the increase of financial literacy and coordinated national financial literacy initiatives that are complemented by consumer protection'².

A financial literacy framework (FLF) was developed in 2013 to provide a blueprint for implementing financial literacy for the attainment of financial system stability and as a key component for the implementation of the National Financial Inclusion Strategy.

In the course of implementing the FLF, some gaps were identified which necessitated its review. Particularly, the following areas were identified for the review:

- Consumer Financial Education Strategy;
- Stakeholder Strategy;
- Support for Enabling Environment; and
- Monitoring and Evaluation Framework

Accordingly, the FLF was revised and renamed the National Financial Literacy Framework (NFLF). The NFLF maintains a multi stakeholder approach to the implementation of Financial Literacy in Nigeria and provides a comprehensive blueprint for the development and implementation of financial literacy programs across the various sectors in the Nigerian financial system. It also incorporated key findings from EInA Access to Finance Survey of 2014 and the National Baseline Survey on Financial Literacy, 2014 as well as extensive work done by other stakeholders.

This document therefore presents an outline for implementing financial literacy towards the attainment of the objectives of the financial inclusion strategy and ultimately, financial system stability.

¹ *National Financial Inclusion Strategy (2012)* Ibid

1.0 INTRODUCTION

Financial literacy may be defined as the possession of knowledge and skill by individuals to manage financial resources effectively to enhance their economic well-being. It also enables financial service providers to better understand their products, the associated risks and the needs of their customers. It includes trust, confidence and participation in the formal financial system. Financial literacy, also referred to as financial capability, is an outcome of financial education.

The Organization for Economic Co-operation and Development (OECD) defined financial education as “the process by which consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being”.

Financial literacy occupies a center-stage in the quest to achieve financial inclusion, financial stability, economic growth and development. Inclusive growth in the economy can only be achieved where a larger proportion of the population participates in the financial markets. For this to happen, it is essential for the populace to know, understand and develop the ability to evaluate financial products and services as well as participate in the financial markets.

Financial literacy is also an essential requirement for consumer protection in the financial sector as it creates better awareness and understanding of policies, financial products, prices, and practices. A Consumer Protection Framework has been developed to ensure the institution of redress mechanisms and provide strategic direction in promoting fair pricing and market conduct by providers of financial services.

This framework provides a roadmap for enhancing financial literacy to achieve financial inclusion in Nigeria and ultimately the attainment of the goal of Financial System Strategy (FSS) 2020. It is designed to reach all segments of the society with emphasis on specific target groups. The document is divided into ten sections:

Section one provides an introduction and overview of the financial literacy framework and its benefits to the Nigerian economy. Section two provides some basic definitions and discusses the current status of financial inclusion and reasons for global attention of governments to financial literacy. The overall goal and specific objectives of financial literacy including the

overriding Vision and Mission are contained in section three, while section four addresses the strategic focus, identifies target segments and the delivery mechanism for financial education in the Nigerian Financial system.

Section five contains details of the implementation plan divided into short, medium and long term while section six itemizes the activities expected to be carried out by various stakeholders within specified timelines. Section seven identifies the roles and responsibilities of various stakeholders in the delivery of financial literacy programs across different target groups; the expected outcomes, which include reduction in the number of financially excluded persons, enhanced economic wellbeing of Nigerians and improved savings culture and financial discipline are enumerated in section eight. Section nine discusses the monitoring and evaluation techniques while section ten concludes the framework.

2.0 BACKGROUND

The National Financial Inclusion Strategy launched on the 23rd October, 2012 aims to reduce the financial exclusion rate in Nigeria from 46.3 per cent in 2010 to 20 per cent in 2020. A key component of the implementation process is client empowerment achieved through improved financial literacy and consumer protection. To support the client empowerment component of the financial inclusion agenda, a financial literacy framework was developed in 2012 in collaboration with relevant stakeholders.

The National Financial Literacy Framework was developed drawing from experiences in the design and implementation of similar frameworks in other jurisdictions; a review of secondary research including an analysis of the findings of Access to Finance Surveys conducted by EFINA (Enhancing Financial Innovation and Access); a review of the 'Mapping Exercise of Financial Literacy Initiatives in Nigeria' commissioned by the GIZ in collaboration with CBN in 2013; and a review of other relevant policy and strategy documents.

2.1 RELEVANCE AND LINKAGES BETWEEN FINANCIAL CAPABILITY, CONSUMER PROTECTION AND MARKET STABILITY

Financial system stability is a prerequisite for sustained financial market growth. If the building blocks, checks and balances for market stability are not in place, the financial sector is at risk of market failure³.

³ Piprek, G.L., Marketworx Africa (Pty) Ltd

Figure 1: Linkages between sustained financial sector growth, market stability, consumer protection, financial education and macro-economic growth and stability



The push for liberalization and modernization of the financial sector and increased financial inclusion has resulted in deluge of new financial service providers and products. Experienced and inexperienced clients find themselves exposed to a range of products that are either totally new or too complex and sophisticated. The risk of financial market or bank failure is particularly high during rapid market expansion or institutional growth if unchecked. This underscores not only the need for prudential regulations, supervision and enforcement, but also financial education and consumer protection.

Financial education is cardinal to the financial system in the following ways:

- Financially capable consumers make better decisions in managing and growing their assets and are less susceptible to unscrupulous financial services providers.

- Improved financial capability can result in increased uptake of appropriate products, decreased product cancellations, debt stress and repayment failure, and ultimately reduce risk for financial institutions.
- The behavior of financially capable consumers could engender competition amongst financial service providers and this can translate to more efficient products and competitive prices for consumers as well as eliminate unscrupulous financial service providers.
- Strong financial sectors and people capable of managing, protecting and growing their assets will ultimately support overall macro-economic stability and growth.

2.2 RATIONALE

National Priorities

Increased Financial inclusion as a National Priority: The National Financial Inclusion Strategy (NFIS) launched in 2012 recognizes low levels of financial capability as one of the main constraints to improved financial inclusion and recommended the development and implementation of a National Financial Literacy Framework (NFLF).

Consumer Protection and Market Stability: The mix of new products and service providers coupled with new inexperienced clients in the financial sector, puts consumers at risk of poor decision-making and abusive or fraudulent practices.

The asymmetry of information and power imbalances between consumers and providers of financial services could also adversely affect the bargaining power of the consumer. This is particularly the case for vulnerable segments of the market such as the poor and the uneducated.

Financial education plays critical roles in enabling consumers make better financial decisions and recognizing fraudulent practices. An appropriate consumer redress framework also needs to be in place and consumers must be informed (through financial education) of their rights, responsibilities and redress options.

Improved Livelihoods: The 2014 Baseline Survey on Financial Literacy revealed that about 30 per cent of the adult population* of 98 million surveyed generates an income from agriculture-related activities and 26.1 per cent of the adult population owns a business⁴. This underscores the need for appropriate financial intermediation to these groups (farmers and MSMEs), the absence of which presents an impediment to the growth of the sector and the economy as a whole. Consumer awareness and financial literacy – combined with an effective consumer protection framework – are important requirements for increasing financial intermediation in these sectors.

A Dynamic Financial Sector and Past Legacies

The introduction of numerous policies, regulatory requirements and the proliferation of products, services and financial institution providers: The financial sector has become more complex in recent years. People are moving from being unbanked to using third generation products such as mobile banking; The 2014 National Baseline survey on Financial Literacy revealed that consumers lacked a general knowledge of most banking products in the market place as 70 per cent of the adult population (98 Million) have no knowledge of mobile money product and more than 30 per cent do not know about current accounts⁵.

2014 National Baseline Survey on Financial Literacy

* Aged 16 years and above

⁵ 2014 National Baseline Survey on Financial Literacy

Improved Product Offering: Financially capable consumers express their needs better and thus contribute to the development of appropriate products and services to suit their needs.

Credit Bureau: There are critical to the optimal functioning of credit markets. However, the public need to be educated on how they operate, the implications of bad credit records and their complaints redress processes. This also means that the necessary dispute resolution mechanisms must be in place as part of a broader consumer protection framework.

Lack of Trust in the Financial Sector: This is a result of historic bank failures and the crisis in the banking and capital markets following the global financial crisis of 2008/2009. While it is not the role of Financial education to instill trust in institutions (trust must be earned by the institutions through their treatment of consumers), it is necessary to make the public aware of the developments in the sector.

Changes in the Socio-Economic Profile

Changing Demographics: Longer life expectancy, increasing childcare expenses and household costs are increasing financial pressures on households. Governments and employers are also increasingly shifting the cost burden for social services to the individual. The implication is that consumers need to take more responsibility for their financial well-being, and therefore need to be more financially capable.

Growing Middle Class: Consumers are increasingly becoming credit-worthy and may face increasing social pressure to showcase their wealth. The principles of responsible finance – particularly in relation to credit – should be emphasized with the suppliers of financial services, and the public needs to be made aware of both the benefits of credit and the dangers of over-indebtedness.

Increasing Urbanization: Over time, urbanization results in the weakening of social networks and relationships increasing the need for self-reliance, long-term planning and risk management. Urbanization also leads to increased exposure to financial service providers and sophisticated financial products.

Young Population: The relative increase in the number of young people in the population – combined with urbanization – is a major social challenge facing many African countries, including Nigeria. The youth often fail to find gainful employment and have to carve out a living through a small enterprise. Support to youth and enterprise start-ups are required, including personal financial management skills.

Levels of Financial Capability

Low Levels of Penetration: The low level of penetration of complex financial products and low- cost electronic channels among the banked, points to a

lack of awareness and understanding of the potential benefits of these products and channels.

Lack of Long-term Planning and Growing Assets: While most Nigerians save, these savings appear to be primarily for purposes of income smoothing, i.e. focused on the short-term. The uptake of pension products is also limited to just 5 per cent of the adult population⁶

Risk Management: With insurance penetration at just 1.5 per cent ⁷, there is a lack of appropriate risk mitigation strategies and families and business owners often sink deeper into poverty following an adverse experience.

MSMEs and Farmers: Improved personal financial capability is a precursor to improved financial management of a small business or farm. Personal and business finances are also closely linked in most households; few households maintain separate budgets and bank accounts from their businesses.

6, A2F EFlNA – 2014

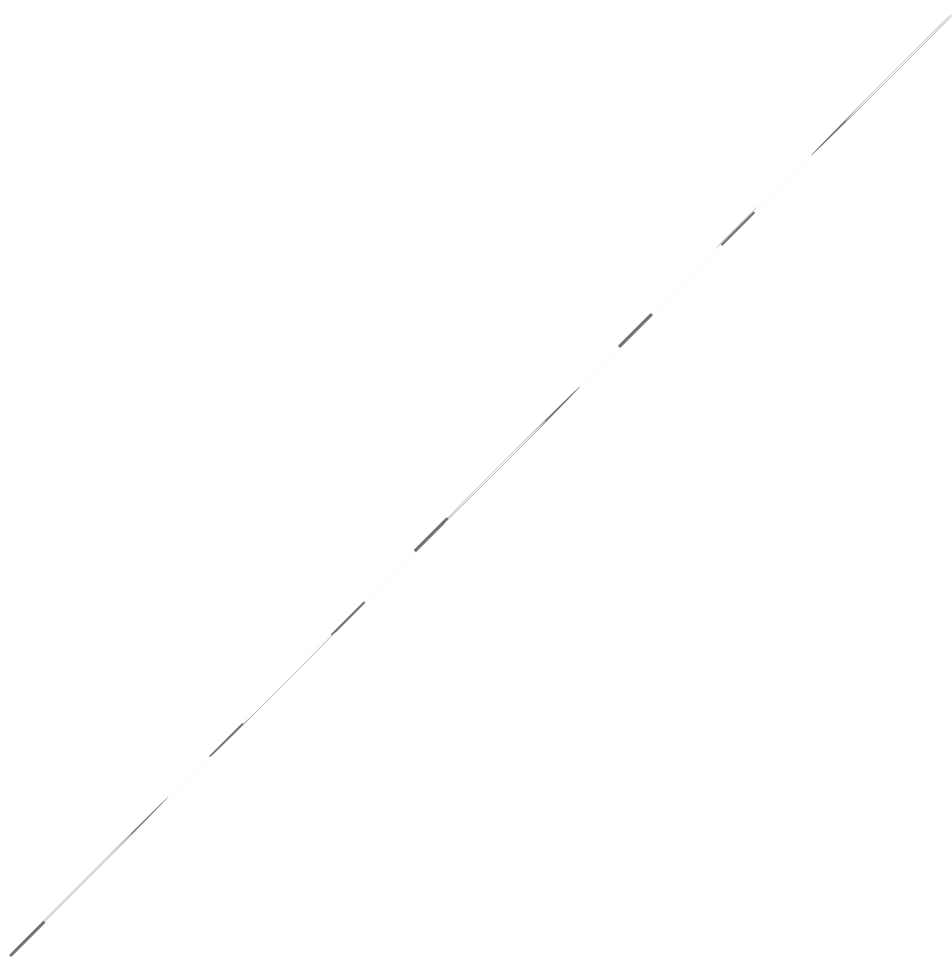
Youth: Given the rapid development of the financial sector, there are few role models and mentors for the youth to provide guidance on money management and navigate them through the complexities of the financial sector. The importance of 'early intervention' in the sphere of financial education is widely recognised, as it is easier to instil the right values, attitudes and perceptions among young people than to change the habits and perceptions of older people.

2.3 DEFINING FINANCIAL LITERACY, CAPABILITY AND EDUCATION Financial

Literacy relates to an individual's *knowledge* of financial concepts and products. This knowledge in turn affects the individual's *value system and attitudes thereby* impacting positively on his or her *action/decision on financial matters*.

The term '**financial capability**' encompasses 'financial literacy' and reflects the multiple dimensions of Knowledge, Skills, Attitudes, Confidence and Behaviour (KSACB). It is "***The ability of an individual to act with confidence in making optimal choices in the management of his/her money matters***⁸."

Financial Education is the process by which consumers/investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help and take other effective actions to improve their financial well-being⁹



7 A2F EFlnA - 2014

⁸Adapted from: *Financial Literacy Framework for Tanzania*. 2010; Marketworx Africa.

⁹OECD - These dimensions of FinCap have been modified from the classical: KSAB (knowledge, skills, attitudes and behaviour), which excluded confidence in engaging with financial service providers and confidence in financial decision making

3.0 VISION, MISSION AND OBJECTIVES

3.1 VISION

A financially literate population capable of making informed financial decision for improved well-being

3.2 MISSION

To implement a coordinated and collaborative multi-stakeholder financial education programme as a means of empowering Nigerians with appropriate knowledge, skills and confidence to make informed decisions and manage their personal finances effectively.

The framework:

- Identifies the national priorities on financial literacy in Nigeria
- Identifies the stakeholders such as government, regulators, financial services providers, institutions, private sectors, civil society and their potential roles and responsibilities in the implementation process
- Proposes a constructive experience-sharing process that forges synergy, cohesion and optimizes use of resources
- Provides guidance and supports stakeholders to perform their roles and responsibilities
- Sets the baseline for performance measurement and monitoring progress towards set objectives.

3.3 OBJECTIVES

The overall goal of the framework is to empower citizens with knowledge through access to quality financial education, to enable them make informed choices and take effective actions for their financial wellbeing.

The specific objectives are to:

- i. Empower individuals to make better spending, savings, loans, insurance, pensions and investment decisions;
- ii. Assist individuals to set realistic and achievable financial goals;

- iii. Increase awareness on the necessity for individuals to have a personal financial plan encapsulated in a budget, adhere to the budget, and prioritize their spendings according to their most pressing needs rather than wants;
- iv. Help financially excluded individuals to know, understand and access financial products and services at affordable costs;
- v. Help individuals and businesses understand their rights and obligations when they enter into loan contracts and other forms of financial transactions in order to minimize credit risk in the financial system and protect consumers;
- vi. Increase ability of individuals to generate and save income, understand and cope with the challenges of irregular income as well as take responsibility for their future.
- vii. Sensitize relevant stakeholders on financial education and their expected roles and responsibilities under the framework by creating a platform for stakeholders' engagement and interactions.
- viii. Provide a platform for a multi-stakeholder approach to financial literacy and financial consumer protection in Nigeria spearheaded by the CBN as the apex regulator of the financial system.

4.0 STRATEGIC FOCUS AND TARGET SEGMENTS

The strategic focus of this framework is to implement financial education programs in Nigeria to achieve financial literacy that will drive the financial inclusion policy of the government and ultimately promote economic growth and development.

This framework segments the Nigerian population into different categories for the delivery of financial education. These include Adult Formal, Adult Emerging, Youth, Intermediaries market segments and other key stakeholders.

A national baseline survey on financial literacy was also conducted to identify priorities for intervention, target setting, monitoring and evaluation and will form the basis for the reviews of these target groups and the accompanying delivery methodologies.

4.1 STRATEGIC APPROACH

Improving the financial literacy of the population is a challenge, which no single organization can achieve on its own. The current development in the Nigerian financial sector arising from the impact of the last financial crisis makes it necessary for this framework to adopt a multi-stakeholder approach anchored by the Central Bank of Nigeria (CBN). This will promote the development of partnerships involving a broad range of stakeholders in executing financial literacy programs.

The aim of this approach is to get the stakeholders to appreciate the benefits of a financially literate population and obtain their commitment to harmonize the delivery of intervention programs for maximum results.

The CBN will take the lead role in coordinating this initiative and ensure that the impact of the program translates to achievement of financial inclusion objectives and attainment of the CBN mandate of financial system stability.

4.2 THE IDENTIFIED CONSUMER SEGMENTS AND DELIVERY METHODOLOGY

The framework acknowledges that there is no “one-size-fits-all” strategy to achieve financial literacy. Accordingly, it proposes various methodologies that are suitable for different segments of the population. The consumer market segments, main stakeholders and channels are detailed below:

Table 4: Consumer segments: Profile, Rationale, Channels, Programs, and Stakeholders

1. Adult formal Segment: approximately 14 per cent of the adult population¹⁰	
i. Upper middle income and wealthy: achievers	
Profile	Mostly urban, tertiary education, formally employed in middle to senior management positions, professionals or own large company, formally financially included, male bias. Includes management and staff at financial service providers and regulators. Holders of insurance, pensions and investments.

Rationale and themes	<ul style="list-style-type: none"> • Opportunities for the formal sector to inform and educate on 2nd and 3rd tier products such as insurance, capital markets and electronic banking channels. • Underscore the need for long-term planning, including retirement. • Concepts such as credit bureaux and consumer protection must also be introduced.
Channels and programmes	<ul style="list-style-type: none"> • A level of 'self-education' may be prevalent, which provides opportunities for print media and websites. • Radio • Workplace programs • Seminars • In branch flyers and audio-visual
Main stakeholders	<ul style="list-style-type: none"> • Banks, insurance, mortgage, pensions, NSE, • Sector level bodies • Regulators • Employer associations
ii. Middle and lower middle income: under-banked	
Profile	<ul style="list-style-type: none"> • Mostly urban, secondary or some tertiary education completed, salaried/wages in formal sector, including government and private sector. • Includes management and staff of financial service providers and regulators. • Formally financially included, primarily through banks and MFBs. • Holds 1st generation products such as savings account – 'under-banked'.
Rationale and themes	<ul style="list-style-type: none"> • Opportunities for banks and MFBs to inform and educate on 2nd and 3rd tier products such as insurance, capital markets, electronic banking channels. • Underscore need for long-term planning, including retirement. • Concepts such as credit bureaux and consumer protection must also be incorporated and highlighted.

Channels and programmes	<ul style="list-style-type: none"> • Workplace programmes • Above the Line (ATL) Media (primarily radio, TV) • Mobile phones • In-branch flyers and audio-visual
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Main stakeholders	<ul style="list-style-type: none"> • Banks, MFBs, insurance, pensions • Sector level bodies • Regulators • Employer associations, including government and the private sector • Employee associations and unions
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2. Adult emerging market – NATIONAL PRIORITY
 Approximately 50 per cent of the adult population

The **primary market opportunity** is the emerging adult market, in particular MSMEs. This is the ‘next frontier’ as this market is almost completely unserved, apart from some MFBs and informal finance, while the formal sector is almost saturated.

The emerging market forms the largest market segment and is the main employer. Economic growth and poverty alleviation in Nigeria requires a vibrant MSME market and a strong agricultural sector, which in turn requires effective financial intermediation.

Despite the current low levels of financial inclusion, MSMEs and farmers have a major need for financial services and products to fund start-ups, expand businesses, purchase stock and for savings and cash management, income smoothing and risk management.

Given the huge financial need of this market and the potential impact on the national economy of a vibrant MSME and agricultural sector with increased financial intermediation, this market segment is the **main national priority (adult) for financial education initiatives.**

i. MSMEs (approximately 60 per cent of the adult emerging market)¹¹

Profile	<ul style="list-style-type: none"> • Urban and rural, some education. • Primarily informal (MFIs, family & friends, savings groups), some MFBs • Access to Intervention funds, Savings and some credit. • Lack of Risk management skills.
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Rationale and themes	<ul style="list-style-type: none"> • Great opportunity exists for drawing this market into MFBs, MFIs and some banks with the relevant footprint and appropriate products. • Mobile banking could also have a major impact in this market. □ Risk management is almost unknown • Micro-insurance initiatives should be introduced to this segment.
Channels and programmes	<ul style="list-style-type: none"> • Workplace programs • Above the line (ATL) media (primarily radio, TV) • Mobile phones
Main stakeholders	<ul style="list-style-type: none"> • MFBs, MFIs, banks with microfinance and MSME activities • Micro-insurance • Mobile Money Operators (MMOs) • CBN Dev Finance and other government, NGO, donor programmes • ATL media, primarily radio and TV edutainment
ii. Farmers (approximately 40 per cent of the adult emerging market)¹²	
Profile	<ul style="list-style-type: none"> • Rural, some level of education • Primarily informal (MFIs, family & friends, savings groups), some MFBs, government funds • Savings and some credit • Risk management unknown/self
Rationale and themes	<ul style="list-style-type: none"> • Agriculture requires customized financial products • Challenging to reach, but MMOs and linkage banking with MFBs, MFIs can play major role • Opportunity for microfinance insurance (as with MSMEs) and agricultural risk.
Channels and programs	<ul style="list-style-type: none"> • ATL media (primarily radio, TV) • Mobile phones • CBN Dev Finance and other government, NGO and donor programs

Main stakeholders	<ul style="list-style-type: none"> • MFBs, MFIs, banks with agricultural credit activities • Micro-insurance • MMOs • CBN Dev Finance and Ministry of Agriculture • Other government, NGO, donors programs • ATL media, primarily radio and TV edutainment
3. Youth segment	
<p><i>For purposes of financial education, youth is loosely defined as those up to the age of 25.</i></p> <ul style="list-style-type: none"> • Nigeria has a young population of which about 30 per cent are under 25 years old¹³ • The levels of financial capability of future generations depend on interventions among the youth of today • Early intervention is critical: value systems are formed when young • Children and youth can play an instrumental role in educating their parents and elders about financial management, particularly if financial education interventions are structured in such a way that it encourages the youth to interact with their elders. • Financial education can help prepare the youth to start developing improved livelihood strategies and start their own enterprises • First time income earners are often the target of financial service providers and the youth is under severe peer pressure in terms of consumer spending. Financial education can set the foundation for managing an individual's finances well from the outset and avoiding future problems. 	
i. In-school youth and educators (Approximately 65 per cent of children of schoolgoing age)¹⁴	
Profile	<ul style="list-style-type: none"> • This market segment comprises both learners and educators, including local, state and federal government authorities who may be involved with learner education. • Educators should be targeted with financial education initiatives both in their professional and personal capacities.
Rationale and themes	<p>Financial education should aim at creating awareness on the need to take responsibility for one's finances and the need for planning, budgeting and saving. Information on terminologies, different types of financial institutions, products and services should be introduced in a structured manner</p>

	<p>Ideally, financial education should be coupled with broader life skills such as entrepreneurship training and also with basic economic literacy</p> <p>Special financial products should be introduced. The main focus should be on savings.</p>
<p>Channels and programmes</p>	<p>Financial education should be embedded in the national school curricula complemented by other programs.</p> <p>Train-the-Trainer</p> <p>In-school curricula</p> <p>Extra-curricular activities such as school clubs</p> <p>Competitions</p> <p>Participation in global initiatives such as those offered by “Child and Youth Finance International” (CYFI)</p> <p>In-school theatre, such as the program ran by Visa in other sub-Saharan countries</p> <p>Role model/mentoring programs, e.g. banks and other financial intermediaries could ‘adopt a school’. It should also be coupled with entry-level savings products and national and global programs on savings</p> <p>Mobile phones</p> <p>ATL – particularly edutainment</p> <p>Internet – such as the financial literacy soccer game offered by Visa</p> <p>Teachers and educators</p> <p>Financial education must be introduced into the curriculum for teachers and educators</p> <p>Personal financial education aimed at future educators while in training</p> <p>Personal financial education aimed at educators (see other initiatives targeted at the Formal Adult Market)</p> <p>Special seminars and conferences for teachers</p>

Main Stakeholders	<ul style="list-style-type: none"> • Ministry of Education • Ministry of Youth • Financial service providers • NGOs and donor programs targeted at the youth
ii. Young adults in tertiary institutions Profile	<p>Youth associations and leadership programs</p> <p>This reflects a small portion of the population, but an important one, as these young adults often become the future opinion leaders and policy makers. They also often become formally employed or start small to medium- sized businesses and are therefore future managers and executives.</p> <p>First time income earners are also often targeted by financial service providers for loans and can fall into a trap of indebtedness if they do not know how to deal with their newfound financial freedom.</p>
Rationale and themes	<ul style="list-style-type: none"> • Basics of financial education, such as budgeting and planning • Emphasize the need to start saving and planning for retirement from the moment the first salary check is received. • Basic financial products and services as well as 2nd tier products such as pensions, insurance and capital markets • This market is very open to new technology such as the use of ATMs, internet banking and mobile phone banking
Channels and programs	<ul style="list-style-type: none"> • On-campus programs • ATL media • Mobile phones • Internet
Main stakeholders	<ul style="list-style-type: none"> • Federal Min of Education, NUC, University/College management • Formal financial service Providers Mobile Money Operators

4. Intermediaries	
Profile	<p>These include:</p> <ul style="list-style-type: none"> • Community-based organizations (CBOs), village leaders, religious leaders • State and local governments • Media/journalists • Training, research and consulting firms who may become providers • Policymakers and regulators

Rationale and themes	<p>It is necessary to start developing a pool of skills among those that could facilitate the implementation of financial education in general beyond the specific target segments. CBOs, village leaders, religious leaders and local government officials are often approached by the public for advice or counselling, when in financial trouble or defrauded. Local government can also be instrumental in assisting with the identification and mobilising stakeholders for grassroots implementation programmes, such as village theatre or savings campaigns.</p> <p>The media needs to be trained on the concept and relevance of financial education so that they give financial education initiatives the required coverage and cover the events appropriately.</p>
Channels and programmes	<ul style="list-style-type: none"> • Conferences, workshops and seminars with the various sub-groups • Training of trainer programmes (ToT) • Media training workshops
Main Stakeholders	Financial Inclusion Secretariat □

- 10 EFINA A2F Survey, 2012
- 11 Ibid
- 12 Ibid
- 13 2014 National ,Baseline Survey on Financial Literacy
- 14 EFINA A2F Survey, 2012

4.3 GOVERNANCE STRUCTURE AND STAKEHOLDER CO-ORDINATION This framework provides a governance structure comprising four levels to address the needs of the market and to achieve broader stakeholder representation, ‘ownership’ and support.

The structure comprises the following:

- i **Working Groups (WGs):** tasked with implementation of the NFLF.
- ii **The Financial Inclusion Technical Committee (FITC):** tasked with providing technical advice to the Financial Inclusion Secretariat (FIS) on its implementation plan and disbursement of funding.

- iii **The Financial Inclusion Steering Committee (FISC):** tasked with setting the overall strategic direction and providing oversight on the activities of the Secretariat.
- iv **The National Financial Literacy Secretariat:** tasked with national coordination of the NFLF initiatives and providing support to the FITC, FISC and the WGs.

4.3.1 Working Groups

The Working Groups should be structured to serve the target markets and address certain cross-cutting themes. Regional representation (where necessary) may be required to ensure that regional specifics are considered, to identify the relevant regional stakeholders and to co-opt these in supporting the implementation of the NFLF.

There should be 6 Working Groups as follows:

1. Adult Formal

2. **Adult Emerging** – This working group could be further divided into these sub-groups, given the vastness of the segment:

- MSMEs Working Group
- Farmers Working Group

3. **Youth** – This Working Group could be further divided into two sub-groups:

- In-school youth Working Group
- Out of school youths Working Group

4. Intermediaries Working Group

Working Groups that will address the cross-cutting themes include:

5. Consumer Awareness Working Group

6. Enabling Environment Working Group

Some specific themes and sub-working groups may be considered as the need arises. Examples include:

- Consumer protection
- Credit bureaux
- Policy review – to provide effective policy framework to adequately address financial education and consumer protection issues.

Roles and responsibilities of the Working Groups

The roles of the working groups will be as follows:

- Develop a detailed action plan for its specific consumer segment detailing activities, responsibilities, funding and support requirements.
- Implement approved action plan
- Monitor and evaluate impact of initiatives implemented
 - Review and refine action plans
 - Provide periodic report to the FIS on progress and document and share lessons learnt

Funding

Funding for the implementation of Working Group initiatives should be provided by FIS as approved by the FISC based on national priorities (as per the NFLF) and available resources.

4.3.2 Financial Inclusion Technical Committee (FITC)

The FITC is the working arm of the FISC through the implementation of the strategic decisions of the FISC.

Roles and Responsibilities of the FITC

The FITC should provide technical support to the Secretariat, while also holding the Secretariat accountable for performance according to the NFLF and implementation plan. The FITC should recommend the funding criteria and requirements for Working Groups to the FISC for approval.

Membership of the FITC

The membership of the FITC should be the appointed representatives of the FISC members.

4.3.3 Financial Inclusion Steering Committee (FISC)

The FISC is the highest governance structure in the development and implementation of financial literacy programmes in the Nigerian financial system. The Committee provides the strategic direction and oversight for all financial literacy issues in Nigeria.

Membership of the FISC

Membership of the FISC would be as provided for in the National Financial Inclusion Strategy (NFIS).

Roles and Responsibilities of the FISC

The FISC/Board/Council will have the following responsibilities:

- Set the national agenda for National Financial Education and ensure that it is aligned with the national priorities identified in the NFLF and those of the Financial Inclusion Strategy
- Fiduciary duties: financial oversight and governance
- Policy support and influence to place financial education on the National agenda
- Support the funding for the implementation of the various financial literacy initiatives and provide coordination for the activities of the FIS, FITC and the Working Groups

4.3.4 Financial Inclusion Secretariat (FIS)

The FIS will provide support and coordinate the activities of the Working Groups and the FITC in the implementation of the National Financial Literacy Framework. It will also report to, and serve as the secretariat of the FISC

Roles and responsibilities of the FIS in relation to Financial Literacy

The roles of the FIS include:

- i Taking overall responsibility for implementation of the NFLF, including monitoring and tracking performance against the goals and objectives of the NFLF and continuous refinement of the NFLF
- ii Developing and implementing a stakeholder strategy aimed at educating stakeholders on the importance of financial education and encouraging participation and support
- iii Support the setting up and coordinating the activities of the various Working Groups
- iv Sourcing and providing technical assistance to Working Groups on the development of consumer financial education plans and its implementation
- v Knowledge Management:
- vi Develop and maintain a web-based information portal on local and international resources, content and success stories
- vii Disseminate lessons learnt (local and international)
- viii Develop and implement a financial plan for funding; set criteria for the application for funding support to the Working Groups; manage the disbursements; and track performance.
- ix Obtain funding approvals from the FISC for the Working Groups

- x Monitor and evaluate the implementation of the NFLF on a national level
- xi Provide periodic reports on progress as required to the FISC, FITC and the public.

5.0 IMPLEMENTATION PLAN

Financial Literacy activities shall be implemented within the short, medium and long term as detailed below:

Short-Term (By the end of 2016)

1. Obtain approval of the Committee of Governors (COG) and Board of Directors for the revised Financial Literacy Framework (National Financial Literacy Framework – NFLF)
2. Transfer coordination and secretarial functions for the implementation of the NFLF from the Consumer Protection Department to the Financial Inclusion Secretariat
3. Engage critical stakeholders (Ministries/Departments/Agencies, Educational Institutions, Financial Institutions, Regulatory Authorities, Media etc.) to obtain buy-in on the implementation of the NFLF
4. Convene a National Stakeholders' workshop to validate the NFLF and present findings of the 2014 National Baseline Survey on Financial Literacy
5. Launch the National Financial Literacy Framework and present the report of the Baseline survey on Financial Literacy
6. Constitute Working Groups in accordance with the provisions of the NFLF
7. Working Groups to review findings from the 2014 National Baseline Survey on Financial Literacy
8. Working Groups to identify priority areas from the 2014 National Baseline Survey on Financial Literacy and design targeted financial literacy programs for intervention across the identified segments
9. Develop guidelines on content, standards, codes of conduct and requirements for Financial Literacy Practitioners in Nigeria to standardize the implementation of financial education programs.
10. Develop a Monitoring and Evaluation Framework to assess impact of the various Working Groups initiatives.

Medium-Term (By the end of 2017)

- Continue implementation of the NFLF intervention programs across the Working Groups
- Incorporate Financial Literacy into the National school curriculum of Basic and Senior Secondary schools
- Conduct annual performance assessment/review of set targets across individual initiatives in accordance with the M&E framework developed
- Commence teaching of financial literacy curriculum in schools

Long-Term (After 2017)

1. Conduct National Survey on Financial Literacy to assess shift in Financial Capability levels in Nigeria
2. Establish a National Financial Literacy agency that will be responsible for Financial Literacy in Nigeria
3. Continue monitoring, evaluation and review of the various financial literacy programs

6.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

The CBN shall drive the financial literacy program, while other stakeholders would be required to play various roles towards achieving effective delivery of financial education. The identified stakeholders include: Government, Regulators, Financial Institutions, Civil Society Organizations, Professional Bodies and Trade Unions, the Legislature, Print and Electronic Media, Educational Institutions, Development Partners, Consumer Groups, Faith Based Organizations and other Corporate Bodies. Below are the proposed roles and responsibilities in the implementation of the framework.

Federal Ministry of Finance

- Monitor the implementation of the financial literacy framework.
- Provide a knowledge base for financial literacy.
- Participate in the review of the strategy on financial literacy.
- Render technical and financial assistance for the implementation of the financial literacy framework.
- In collaboration with the Central Bank of Nigeria, convene an international conference on financial education.

Federal Ministry of Education

- Provide policy direction for adoption of financial literacy as a compulsory module in educational institutions.
- Design curriculum and monitor implementation of financial literacy programs in the educational system in collaboration with financial sector experts.
- Design and deliver capacity building programmes for teachers and instructors of financial education.
- Continuous review of school curricula to ensure it remains relevant and up to date.

Federal Ministry of Information

- Design and implement appropriate policies and strategies for dissemination of information on financial literacy

- Disseminate information on financial literacy through Government owned media.
- Engage in sensitization and capacity building programs for media practitioners

Federal Ministry of Communication Technology

- Leverage on nationwide infrastructural network (post offices and postal agencies) as avenues to create awareness for financial literacy.
- Develop policies that support the provision of communication and technological infrastructure as channels for dissemination of financial literacy programme.

Federal Ministry of Women Affairs

- Support the implementation of financial literacy programmes in line with the provisions of this framework
- Develop policies that promote financial literacy and provide platform for the dissemination of programmes
- Sponsor mass enlightenment campaigns and programmes for the benefit of the target population under their purview

Central Bank of Nigeria (CBN)

- Anchor the implementation of the financial literacy framework
- Design and ensure implementation of sensitization and capacity building programmes for financial institutions and regulators
- Collaborate with financial institutions and other stakeholders on financial literacy initiatives
- Conduct a base line study on financial literacy nationwide to identify gaps and design appropriate strategies to reach target groups
- Convene a National Stakeholders workshop on Financial Literacy
- Convene an international conference on financial Education
- Monitor achievement of annual set targets and implementation of initiatives itemized in the financial literacy framework in collaboration with other stakeholders.
- Review the strategy on financial literacy.

Financial Inclusion Secretariat (FIS)

- Taking overall responsibility for implementation of the NFLF, including monitoring and tracking performance against the goals and objectives of the NFLF and continuous refinement of the NFLF
- Develop and implement a stakeholder strategy aimed at educating stakeholders on the importance of financial education and encourage participation and support

- Support the setting up and coordinating the activities of the various Working Groups
- Source and provide technical assistance to Working Groups on the development of consumer financial education plans and its implementation
- Develop and maintain a web-based information portal on local and international resources, content and success stories
- Disseminate lessons learnt (local and international)
- Develop and implement a financial plan for funding; set criteria for the application for funding support to the Working Groups; manage the disbursements; and track performance.
- Obtain funding approvals from the FISC for the Working Groups
- Monitor and evaluate the implementation of the NFLF on a national level

Other Financial Service Regulators (SEC, PENCOM, NDIC, NAICOM, NSE)

- Design and implement capacity building programs for staff and operators within their supervisory purview.
- Collaborate with the CBN and other stakeholders in the implementation of the financial literacy framework.
- Sponsor mass enlightenment campaigns on the benefits and risks of products and services offered by operators in the respective sub sectors.

Deposit Money Banks and Other Financial Institutions

- Collaborate with the CBN and other stakeholders in the implementation of financial literacy initiatives
- Design in-house training programmes and capacity building for staff
- Educate consumers on products/services being offered especially terms and conditions, fees, charges and risks associated with such products.
- Provide capacity building to Micro Small and Medium Enterprises (MSME) to improve their financial literacy and enhance their credit worthiness
- Micro Finance Banks (MFBs) to focus on delivering financial services to the poor and informal segments to improve financial knowledge through increased access.
- Engage in consumer awareness programs through mass media.
- Hold consumer interactive forum once every year.
- Build capacity of media practitioners to improve their understanding of financial information, risks and disclosures to enable them effectively communicate same to the public.

Bankers' Committee

- Adoption of the financial literacy framework for implementation.
- Monitor the implementation of financial literacy programmes in relation to the roles and responsibilities of deposit money banks.

- Contribute to all review processes of the framework document.
- Contribute to the Financial Inclusion Development Fund (FIDF).

National Association of Microfinance Banks (NAMB)

- Adoption of the financial literacy framework for implementation.
- Monitor the implementation of financial literacy programmes in relation to the roles and responsibilities of DMBs and OFIS.
- Contribute to all review processes of the framework document.
- Contribute to the Financial Inclusion Development Fund (FIDF)

Civil Society Organizations

- Sponsor and organize awareness programs on financial literacy.
- Collaborate in the design and implementation of financial education programs.
- Deploy financial education materials through multiple communication platforms including the internet, electronic and print media.
- Contribute to the review processes for financial literacy policies.
- Assist in monitoring the implementation of financial education and evaluating their effectiveness.

Professional Bodies and Trade Unions

- Incorporate financial literacy as part of professional training.
- Organize capacity building for members and other target groups.

Print and Electronic Media

- Serve as a platform for mass financial literacy campaigns.

Educational Institutions

- Serve as platforms for delivery of financial literacy educational modules.
- Encourage the creation of financial literacy clubs in schools.
- Encourage children to read articles on the financial sector.
- Organize road shows for students with the aim of educating them on financial issues.
-

Development Partners

- Render technical and financial assistance for the implementation of the financial literacy framework.
- Monitor the implementation of the financial literacy framework.
- Provide a knowledge base for financial literacy.

Consumer Groups

- Form pressure groups to protect consumer rights.
- Provide feedback on the performance of the financial literacy initiatives.
- Provide a platform for dissemination of information on financial literacy.

Faith Based Organizations

- Provide a platform for dissemination of information on financial literacy.

Other Corporate Bodies

- Participate and sponsor financial literacy programs as part of corporate social responsibility.

Other Stakeholders

Other stakeholders relevant to the implementation of the framework include corporate bodies, Ministry for Economic and National Planning, PTDF, ITF, ETF, Local and State Governments. Some of the roles they are expected to play include:

- Funding and deploying financial education programs
- Performing Corporate Social Responsibility
- Include financial education in the national development plan

7.0 EXPECTED OUTCOMES

Several benefits are expected to be derived from the implementation of this framework which cuts across individuals, households, the society, environment and the nation at large. These include the following:

- Increased knowledge and appreciation of the benefits of inclusive financial services.
- Reduction in the percentage of financially excluded persons.
- Increase in the scope and scale of use of financial services.
- Improved savings culture and financial discipline.
- Improved entrepreneurship capacity, private entrepreneurship, and linkage with financial services.
- More efficient use of financial services which will result in improved indices of financial institutions in terms of profits and sustainable operations.
- Enhance contribution to growth and well-being of Nigerians.
- Enhanced competition and innovation in the market, resulting in increased variety of products and services at more affordable cost.
- More effective and efficient regulation and supervision.
- Mitigate risk and reduce the prevalence of illegal/fraudulent activities in the financial system such as the 'Wonder banks' and 'Ponzi Schemes'.
- Increase access to formal financial services.
- Maintain long term confidence in financial markets.
- Moderate the imbalances between the consumers and providers of financial services.
- Provide conducive environment for industry growth and development.
- Enhance overall economic development.
- Ability to make sound financial decisions in order to enhance financial wellbeing.
- Improve knowledge of financial subjects
- Secure sustained resources for financial literacy
- Establish a national agency for financial literacy

8.0 MONITORING AND EVALUATION

A Monitoring and Evaluation framework should be developed comprising two main components:

- **Key performance areas (KPA) and their indicators (KPIs) in the implementation of the NFLF.**

These indicators may be a combination of qualitative and quantitative indicators. KPAs should be set in relation to the overall implementation of the NFLF for the FIS, individual staff of the Secretariat and the Working Groups. The Working Groups should in turn set KPAs and KPIs for its own members.

- **Tracking change in the level of financial capability on National level**

The findings from the National Baseline Survey on Financial Literacy should be used to set targets for the various Consumer segments identified in the NFLF. These targets should be aligned with the Financial Inclusion targets and aggregated on a national level. These targets should be discussed and agreed with the Working Groups and the FITC.

The National Survey on Financial Literacy is required every 3 - 4 years, as levels of financial capability may not shift tremendously in the short-term. The FIS and EFINA should explore the possibility of including some key Financial Literacy indicators in EFINA's Access to Finance Survey, which is administered on a more regular basis. The timing of the administration of the two Surveys should also be coordinated.

Other methodologies could also be considered and applied to track changes over time.

9.0 RISKS AND MITIGATION MEASURES

There are several potential risks which may impede the successful implementation of the NFLF. These include:

- **Resource Limitations:** Without adequate resources made available to the FIS and the Working Groups, national coordination and effective implementation of the NFLF will not be achieved;
- **Stakeholder Support and Engagement:** Without the adequate support, buy-in and engagement of the various stakeholders, the objectives of the NFLF will not be realized
- **Insufficient Technical Skills:** The dearth of technical skills in the emerging field of Financial Literacy and Capability especially in the area of developing, implementing, measuring and evaluating of programmes

RISKS	MITIGATION MEASURES
<p>Attainment of Financial Capability Objectives: Possibility of financial capability not translating into increased uptake of financial products owing to the fact that existing providers (DMBs and FMBs) rarely have adequate structures for responding to the need of excluded groups such as those in rural areas, MSMS and the farmers</p>	<p>Tailor the financial literacy program of the providers to practical product development and roll out issues. Theirs should involve appropriate case studies.</p>
<p>Multiple Stakeholders: Plethora of stakeholders that are widely dispersed might present implementation hurdles</p>	<p>A well-staffed organ or unit with appropriate institution authority and budget to foster coordination</p>
<p>Institutional Risk: A major part of the FLF rest on the Nigerian educational system and the challenges currently being faced in the sector may limit the effectiveness of that system as a channel for reaching the young people in the society.</p>	<p>Aggressive collaboration with the national and state level educational authorities will be cardinal. A proper hand over of their aspects and procedure for ownership should be worked out.</p>
<p>Resource Limitations: The implementation of the FLF requires a large amount and volume of technical and financial resources to ensure implementation and stakeholders might not actually have that on their priority agenda.</p>	<p>There might be need to create a pool of funds to address the issues and this can be pursued at the level of all identified stakeholders.</p>
<p>Other Risk factors: Other factors that cause exclusion such as wide dispersion, low income of clients etc. if not addressed could undermine the achievements of increased financial inclusion through the financial literacy programs</p>	<p>It might be necessary to tie financial literacy program to entrepreneurship lessons and also foster linkage to financial services. Agents in particular should be empowered to play a leading role.</p>

10.0 CONCLUSION

The importance of financial education and financial literacy at all levels of the nation's socio-economic strata cannot be overemphasized in view of its enormous benefits. The framework is part of a comprehensive agenda for the implementation of the Nigerian Financial Inclusion Strategy. Its long term benefits cut across individuals, households, the society and the nation at large. The framework also requires a multi-stakeholder approach involving all stakeholders in the Nigerian economy particularly relevant Ministries, Departments and Agencies of Government as well as all sectors of the Nigerian financial system including, but not limited to the banking, deposit insurance, capital market, money market, insurance and pensions sub-sectors.

The successful implementation of the financial literacy program would guarantee the future economic and social well-being of Nigerians by reducing poverty, improving income and facilitating development. It would also enable Nigeria to take advantage of global financial dynamics, enhance efficiency in managing personal finances, promote entrepreneurship, banking culture and ultimately ensure financial stability.

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Annex A: Examples of Channels – Benefits and Limitations

CHANNEL	BENEFITS	LIMITATIONS
TV	High impact (visual and audio) Reasonable reach, but urban bias (Contain costs through embedded programming)	Costly production and airtime Limited 'depth' of content Costly M&E Limited rural reach No interaction
Radio	Broadest reach Multiple stations allows for targeting Reasonable production costs Personalised interaction through talk shows and sms	High airtime costs Limited 'depth' of content
Print	Low-cost editorial Depth of content	Limited reach Poor functional literacy No interaction
Billboards	High frequency and notice: create awareness	Limited depth
Financial sector	Client knowledge Technical knowledge Existing structures and communication channels Trust in own financial service provider 'Captive' audience in branches, ATM screens	(Perceived) neutrality of message? Own market interests/competitive space Limited footprint in rural areas Limited channels among non/potential clients Negative perceptions/trust issues of some suppliers

Mobile phones	Wide reach Cost effective Ability to target High frequency possible	Limited depth
Entrepreneurship programmes	Knowledge of market Cost-effective to embed messaging in existing training material	Weak programmes – limited reach
NGOs, CBOs, churches, mosques and village leaders	Trust Close contact and daily interaction Understand people	Own knowledge may be inadequate Dispersed: challenge to organise/reach
Employeebased programmes	Easy reach and organisation In-depth training Cost-sharing by employers	Limited frequency
Educational system	Captive audience Trained educators Wide reach Early intervention	Cluttered curricula and other priorities Weak technical knowledge Weak delivery capacity Limited resources

PART D
CURRENCY OPERATIONS CIRCULARS, POLICIES AND GUIDELINES



DIRECTOR

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CIRCULAR

COD | DIR | GEN | CIT | 09 | 062

16th December, 2018

All Deposit Money Banks
All Licensed CITs and CPC in Nigeria

APPROVAL FOR INTEGRATED CASH MANAGEMENT SERVICES LIMITED (ICMS) TO COMMENCE CASH SORTING OPERATIONS AT ITS LAGOS CASH SORTING FACILITY

In line with the Policy Guidelines of the Central Bank of Nigeria (CBN) on the registration of Service Providers carrying out the business of cash sorting in Nigeria, please be informed that Integrated Cash Management Services Limited (ICMS) has been granted approval by the Central Bank of Nigeria (CBN) to commence cash sorting operations at its Lagos cash sorting facility with effect from 20th December, 2018.

You are kindly requested to accord ICMS all necessary cooperation in the discharge of this new role.

Thank you.


Priscilla E. Ejeje (Mrs)
Director, Currency Operations Department



Central Bank of Nigeria
Abuja, FCT, Nigeria

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CIRCULAR

COO/DIB/CON/CNF/17/009

4th December, 2020

All Deposit Money Banks

RE: GUIDELINES FOR THE DEPOSIT OF FOREIGN CURRENCY AT CBN LEGOS BY DEPOSIT MONEY BANKS (DMBs)

Further to the earlier circular, referenced COO/DIB/CON/CNF/17/008 dated 17th July 2017, the Central Bank of Nigeria (CBN), taking cognizance of the need to ensure liquidity in the Forex market and efficient service delivery, has increased the limit for daily deposit by DMBs.

Consequently, the threshold for daily deposit by DMBs has been increased from US\$5 million to US\$20 million. Therefore, a DMB may deposit between US\$5 million and US\$20 million based on approval schedule by CBN, Branch Operations Department.

This circular takes immediate effect.

Priscilla E. Yeje (Mrs)
Director, Currency Operations Department



DIRECTOR

CURRENCY OPERATIONS DEPARTMENT
(CNDOP) (www.cbn.gov.ng)

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COD/DIR/GEN/CMF/16/150

13 November 2018

All Deposit Money Banks

RE: GUIDELINES FOR THE DEPOSIT OF FOREIGN CURRENCY AT CBN BY DEPOSIT MONEY BANKS (DMBs)

Further to our earlier circular Ref: COD/DIR/CBN/CMF/11/094 dated 17th July 2017 in respect of the above captioned, all Deposit Money Banks (DMBs) are henceforth directed to classify their US dollar banknotes into OLD and NEW series prior to deposit at the Central Bank of Nigeria (CBN) Lagos.

This is to ensure ease of receipt, processing and authentication of the foreign currency deposits at the CBN Lagos.

Please note that this circular takes immediate effect.

Thank you.

Clement O. Buar

For: Director, Currency Operations Department

**CC: Director, Trade and Exchange Department
Director, Branch Operations Department
Committee of Heads of Bank Operations (CHBO)**



CURRENCY OPERATIONS DEPARTMENT

COO/DIR/CON/CMF/14/005

CENTRAL BANK OF NIGERIA

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June 7, 2018

CIRCULAR TO:

DEPOSIT MONEY BANKS, CASH-IN-TRANSIT/CURRENCY PROCESSING COMPANIES

PATRONAGE OF REGISTERED CASH-IN-TRANSIT (CIT) AND CURRENCY PROCESSING COMPANIES (CPC) OPERATING IN NIGERIA

Please refer to the notice issued by the Central Bank of Nigeria (CBN) on December 14, 2009 to Deposit Money Banks (DMBs), Cash-In-Transit (CITs) and Currency Processing Companies (CPCs) in Nigeria.

Following recent developments in this sub-sector, the CBN hereby wishes to state as follows:

1. That to date, the CBN has registered eight (8) companies to carry out Cash-In-Transit and Currency Processing activities in Nigeria as shown in Table 1 attached.
2. That all DMBs operating in Lagos State are advised to patronise only the Registered CITs and CPC listed in the table attached to this circular. There is adequate presence of CIT service providers and thus, available industry capacity in Lagos State to meet the needs of DMBs and other cash users.
3. That the CBN Lagos Branch and Bankers Warehouse (BWH) PLC are hereby directed to deny entry to any un-registered CIT company's vehicle into their Lagos premises for deposits and withdrawals.
4. That the CBN would continue to encourage and support the growth of the Cash Management industry in Nigeria and will enforce compliance with the existing guidelines.
5. That registered CPCs should allow access to the vehicles of all registered CIT companies carrying out cash services on behalf of DMBs into their premises.
6. This circular takes effect from 1st July 2018.

All stakeholders in the Nigerian cash management value chain are hereby advised to strictly comply with these directives.


Priscilla E. Eke (Mrs.)
Ag. Director, Currency Operations Department

CC: Branch Forester, CBN Lagos Branch



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CIRCULAR

COO/OPR/GEN/CIT/06/066

21st December, 2017

TO: ALL DEPOSIT MONEY BANKS

TIERED PRICING STRUCTURE FOR THE DEPOSIT OF LOWER DENOMINATION BANKNOTES BY DEPOSIT MONEY BANKS (DMBs) AT THE CENTRAL BANK OF NIGERIA (CBN) BRANCHES


Please be informed that the Management of the Central Bank of Nigeria has approved a tiered pricing structure for the deposit of lower denomination banknotes (N5, N10, N20 & N50) by DMBs at CBN Branches.

Consequently, with effect from 2nd January 2018, DMBs shall deposit the lower denomination banknotes at any CBN Branch for a fee of N1,000.00 per box, until the 28th of March, 2018.

At the expiration of this three (3) month window period, the following rates shall apply:

Denomination (N)	Processing Fee/Box (N)
1000.00	12,000.00
500.00	12,000.00
200.00	12,000.00
100.00	12,000.00
50.00	2,000.00
20.00	2,000.00
10.00	2,000.00
5.00	2,000.00

This is for your information, please.


Priscilla B. Eleje (Mrs.)
 Ag. Director, Currency Operations Department



CENTRAL BANK OF NIGERIA

CENTRAL BANK OF NIGERIA

Deposits Head Office
Plot 22, Admiralty Way, Victoria Island, Lagos
Cable Address: CBNLAG
Cable Code: 210000
Tel: 01-234 6100 0000, Fax: 01-234 6100 0000

Ref: CB/OT/PR/INT/CP/11/000

1st Jan, 2007

TO: ALL DEPOSIT MONEY BANKS

GUIDELINES FOR THE DEPOSIT OF FOREIGN CURRENCY AT CBN LAGOS BY DEPOSIT MONEY BANKS (DMBs)

In order to deepen the foreign exchange market, boost liquidity and attain convergence in the exchange rates of the parallel and official markets, the Central Bank of Nigeria (CBN) has approved that DMBs could deposit their excess US dollar currency notes with Lagos branch of the Bank. This approval is a response to the increasing demand by DMBs to deposit their forex cash with CBN for onward credit to their off-shore accounts with the correspondent banks.

Consequently, all DMBs are hereby directed to adhere strictly to the following guidelines:

- 1) Give at least five (5) working days' notice to Director, Branch Operations Department of their intent to deposit forex cash to the Branch Controller, CBN Lagos. This must be accompanied with the list of owners of foreign currency to be deposited.
- 2) All deposits must be within the threshold of USD1million and USD5 million per day.
- 3) Two (2) representatives of the depositing bank must be present to witness the processing exercise.
- 4) All deposits must be in USD50 and/or USD100 bills and each denomination shall be in separate boxes.

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- 5) The DMAs shall engage the services of only CBN-registered CIT companies for deposits of foreign currency notes.
- 6) The time for accepting deposits shall be between 8 am and 10 am.
- 7) Lagos Branch would receive, count and authenticate such deposits in the presence of the representatives of the depositing bank on the same day.
- 8) The Bank shall credit the DMA's account through their offshore correspondent bank within the cycle time of T+3.
- 9) The handling charge of 0.3 per cent of the authenticated amount shall be recovered from the DMA's current account with CBN.
- 10) The Bank shall not accept forex deposits from DMAs that fail to comply with any of the guidelines.

Please note that this guideline is effective Monday 17th July, 2017.

This supersedes the circular Ref. No. CDD/DIR/GEN/DHF/11/093 of 17th July, 2017 earlier sent.

Thank you.


Priscilla E. Eleje (Mrs)
Ag: Director, Currency Operations Department

cc: Branch Controllers



DIRECTOR
CURRENCY OPERATIONS DEPARTMENT
Website: www.cbn.gov.ng

CIRCULAR

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Ref: COO/DIR/GEN/BOA/05/026

9th March, 2017

All Deposit Money Banks

Dear Sir,

RE: DEPOSIT OF MUTILATED NOTES AND SUBMISSION OF MONTHLY RETURNS ON COUNTERFEIT NOTES DISCOVERED

Further to the CBN circular Ref: COO/DIR/GEN/BOA/03/055 dated 5th November, 2015 on the above captioned subject, the Management of the Central Bank of Nigeria (CBN) has observed with concern that despite earlier clarifications, most of the banknotes deposited as mutilated notes at various CBN Branches by the Deposit Money Banks (DMBs), after obtaining approval from the Director, Currency Operations Department, were actually over-circulated unfit banknotes and do not meet the acceptance criteria for mutilated notes.

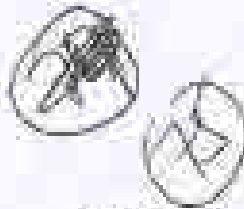
For the avoidance of doubt, "a mutilated note is a banknote that has been partially or permanently damaged by fire, water, dye, insects, torn or destroyed by natural disaster, but is clearly more than one half of its original size and may or may not require special examination to determine its value".

Consequently, all DMBs are hereby advised that mutilated notes should be deposited at the nearest CBN branch without the requirement for prior approval of the Director, Currency Operations Department. The CBN branch would at the point of receiving the notes confirm if they meet the Bank's acceptance criteria for mutilated notes and subsequently classify appropriately. Thus, the requirement for prior approval of the Director, Currency Operations Department has now been removed to eliminate the delays associated with the process.

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Ref: CDD/OTR/AGEN/OMF/09/077

26th October, 2016

To: All Deposit Money Banks

PENALTY FOR SHORTAGES AND COUNTERFEITS DISCOVERED IN DMBs' DEPOSITS

The high incidence of shortages and counterfeits discovered by the Central Bank of Nigeria (CBN) during the processing of deposits made by the Deposit Money Banks (DMBs) has become a source of serious concern to the Management of the Bank. This situation has continued unabated despite several cautionary letters and advices to the affected DMBs.

Consequently, the Management of the Central Bank of Nigeria has decided as follows:

1. That with effect from 1st November, 2016, in addition to making up the shortages, DMBs shall be penalized fifty per cent (50%) of the value of shortages discovered in their deposits processed by the CBN, to serve as a deterrent, provided the representatives of the affected DMBs were invited to witness the processing.
2. That with effect from 1st November, 2016, in addition to making up the value of the counterfeits, DMBs shall be penalized two hundred per cent (200%) of the value of counterfeits discovered in their deposits processed by the CBN, provided the representatives of the affected banks were invited to witness the processing.

These measures have been designed to encourage DMBs to strengthen their internal control mechanisms and to acquire the required capability for counterfeit detection to avoid the re-circulation of counterfeit notes.

Your cooperation in this regard will be highly appreciated.

Yours faithfully,

Olufemi Fabamwo
Director, Currency Operations Department

✓ Cf. Head OMD

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CURRENCY OPERATIONS DEPARTMENT
Website: www.cbn.gov.ng

Ref: COO/DIR/GEN/CMF/000/144

14th October, 2016

CIRCULAR

- All Deposit Money Banks
- Cash-In-Transit and Sorting Companies
- All CBN Branch Controllers
- Nigerian Interbank Settlement System (NIBSS)

**DEPLOYMENT OF CASH ACTIVITY REPORTING PORTAL (CARP)
FOR THE BANKING INDUSTRY**

This is to inform all Branches of the Central Bank of Nigeria (CBN), Deposit Money Banks (DMBs), Cash-In-Transit (CIT) and Sorting Companies that in order to monitor developments, enhance the efficiency and cost effectiveness of currency management in Nigeria, a Cash Activity Reporting Portal (CARP) has been developed and approved by the Management of the CBN for the banking industry. The portal is to provide a platform for information gathering and analysis on cash management nationwide to assist the industry in cash forecasting and planning purpose. The deployment and management of the CARP would be coordinated by the Nigerian Inter-Bank Settlement System (NIBSS), who will provide detailed specifications and clarifications to all stakeholders.

In this regard, all stakeholders are hereby requested to ensure that they duly complete all sections of the CARP that relate to their operations. Please note that compliance is compulsory and forms part of the routine requirement from all stakeholders. The NIBSS would provide guidance on the data requirement and method of submission with a view to addressing any challenge that industry stakeholders may face in the course of supplying the required information. The compliance with the directives is expected to take effect from 1st November, 2016. All stakeholders are expected to attend a sensitization programme on the implementation of the CARP, which will be organized by NIBSS in due course.

Thank you.

Olufemi Fabamwo
Director, Currency Operations Department



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Website: www.cbn.gov.ng
Ref: CDD/DIR/GEN/60A/03/093

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14th February, 2016

All Deposit Money Banks

Exemption of Deposit Money Banks from the 5% Processing Fee on Mutilated Notes

Please refer to the CBN circular No. CDD/DIR/GEN/60A/03/055 dated 5th November, 2015 advising Deposit Money Banks (DMBs) that a 5% processing fee would be charged on mutilated note deposits in excess of ten thousand Naira (N10,000.00).

We are pleased to inform you that the policy has been reviewed and DMBs are now exempted from the 5% processing fee, for complete boxes of mutilated notes deposited at the Treasury in CBN Branches. This is aimed at encouraging banks to accept mutilated notes from their customers free of charge. However, please note that such deposits shall attract the normal penal charge of N12,000.00 for unsorted banknotes.

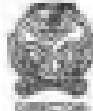
Furthermore, where mutilated notes are submitted for replacement at the Currency Control Units of CBN Branches by individuals or corporates, the 5% processing charge shall apply to the amount in excess of N10,000.00.

For the avoidance of doubt, mutilated notes are banknotes that have been partially/permanently damaged by fire, water, dye, insects or have been torn or destroyed by a natural disaster, provided that the remnant is clearly more than one half of its original size.

With this development, we hope that DMBs will continue to accept mutilated notes from their customers, free of charge, for subsequent deposit at the CBN, in order to withdraw such unfit notes from circulation.

Thank you.

Oluwalusi Fabamwo
Director, Currency Operations Department



CURRENCY OPERATIONS DEPARTMENT
Website: www.cbn.gov.ng

CIRCULAR ✓

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Ref: CO/DIR/GEN/BOA/03/055

5th November, 2015

All Deposit Money Banks

DEPOSIT OF MUTILATED NOTES BY DEPOSIT MONEY BANKS (DMBs)

The Management of the Central Bank of Nigeria has observed with great concern the growing trend in which Deposit Money Banks (DMBs) deposit banknotes in box(es) labelled 'mutilated' which do not meet the criteria for mutilated notes.

For the avoidance of doubt, a "mutilated note is a banknote that has been partially/permanently damaged by fire, water, dye, insects, torn/destroyed by natural disaster and is clearly more than one half of its original size and may or may not require special examination to determine its value".

DMBs can deposit a complete box of mutilated notes at the treasury of any CBN Branch. However, where the mutilated notes are less than a box, such notes should be submitted for exchange at the Currency Control Unit of any CBN Branch after being pasted on the letter headed paper of the DMBs.

Please note that, going forward, only deposits of mutilated notes which meet the above stated criteria will be accepted by the Central Bank of Nigeria as such. In addition, mutilated notes deposits exceeding ₦10,000.00 in value, will henceforth attract 5% processing fee. However, all other banknotes should continue to be deposited as "sorted" or "unsorted" and will attract the appropriate penal rate in accordance with the extant circular.

This circular takes immediate effect.

Thank you.

Yours faithfully,

Olufemi Fabamwo
Director, Currency Operations Department



CURRENCY OPERATIONS DEPARTMENT
Website: www.cbn.gov.ng

Ref: CDD/DIR/GEN/BOA/03/050

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19th October, 2015

All Deposit Money Banks

Dear Sir,

ABOLITION OF THE CBN POLICY ON TIME-EXPIRED BANKNOTES

This is to notify all Deposit Money Banks (DMBs) that the policy on time-expired banknotes, which provides that the Central Bank of Nigeria bears the financial loss for shortages discovered during the processing of the DMBs' deposits older than two years in the vaults of the CBN, has been abolished.

Consequently, with effect from Monday, 19th October, 2015, DMBs will be requested to send representatives to witness the processing of their deposits and bear full liability for the shortages discovered during processing.

Furthermore, all Deposit Money Banks are strongly advised to strengthen their internal control mechanisms to forestall any lapse in cash management operations.

Please note that this circular supersedes the one sent earlier.

Thank you.

Yours faithfully,

Olufemi Fabamwo
Director, Currency Operations Department



DIRECTOR

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Website: www.cbn.gov.ng

Ref: COO/DIR/GEN/CMF/07/054

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7th September, 2015

All Deposit Money Banks

Dear Sir,

**RE: MONTHLY RETURNS ON COUNTERFEIT NOTES DISCOVERED
BY DEPOSIT MONEY BANKS (DMBs)**

Our circular Ref. COO/DIR/GEN/COF/01/001 dated 15th April, 2014 (copy attached) on the above-mentioned subject refers.

We write to remind you of the requirement to render monthly returns on counterfeit notes on or before the 5th working day of the succeeding month. This is to enable the Bank collate and consolidate the report for necessary action.

In the light of the foregoing, we hereby advise that your report should reach the Director, Currency Operations Department, CBN, 5th Floor, Wing 'D', Head Office, Abuja on or before the 5th day of the succeeding month.

Thank you.

Yours faithfully,

Olufemi Fabamwo
Director, Currency Operations Department



CURRENCY OPERATIONS DEPARTMENT
Website: www.cbn.gov.ng

Ref: COO/DIR/GEN/CMF/06/027



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15th December, 2014

CIRCULAR

All Deposit Money Banks

RE: COUNTERFEIT NOTES DISCOVERED BY DEPOSIT MONEY BANKS (DMBS)

Our circular reference COO/DIR/GEN/CCF/01/001 dated 15th April, 2014 refers.

It has been observed that some Deposit Money Banks (DMBs) have been sending returns on counterfeit notes from their various branches.

We wish to clarify that all counterfeit notes discovered by the DMBs in the course of banking transactions should be collated at the Head Office of the DMBs and forwarded to the Director, Currency Operations Department.

This circular takes immediate effect.

Thank you.

Yours faithfully,

Olufemi A. Fabamwo
Director, Currency Operations Department

cc: Head, C&D



CURRENCY OPERATIONS DEPARTMENT
Website: www.cbn.gov.ng

CIRCULAR

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Ref: COO/DIR/GEN/CCF/01/002

25th April, 2014

All Deposit Money Banks

Requirements for Proper Classification of Deposits of lower Denominations Banknotes by Banks

It has come to the notice of Central Bank of Nigeria (CBN) that a large volume of lower banknotes in the economy is lying in the vaults of Deposit Money Banks (DMB's) due to the inability of the Banks to process such denominations and for the public to accept at the point of withdrawal if the banknotes are not mint notes. The DMB's are also reluctant to deposit the lower banknotes because they attract the same charges of N12,000.00 (Twelve thousand naira) per box with other denominations.

In order to address the above situation and enhance the availability of clean notes, reduce cost of currency management and to declog the vaults of the DMB's of the lower banknotes, the Central Bank of Nigeria (CBN) hereby restates the regulation that DMB's are to classify banknote deposits as "sorted-fit" or "unfit" with the CBN at no cost to them. However, where deposits are not classified properly and the CBN has to deploy her sorting machines for that purpose, the DMB responsible for such deposits shall be liable for the penal rate.

This circular takes immediate effect.

Thank you.

Mahmoud K. Umar
Director, Currency Operations Department

cc: Head, COO



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DIRECTION

CURRENCY OPERATIONS DEPARTMENT

Website: www.cbn.gov.ng

CIRCULAR

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Ref: COO/DIR/GEN/COF/01/001

15th April, 2014

All Deposit Money Banks

Counterfeit Notes Discovered by Deposit Money Banks (DMBs)

It has come to the notice of Central Bank of Nigeria that counterfeit notes discovered by Deposit Money Banks (DMBs) are merely perforated and pasted on the Tellers' cubicles, instead of sending such to the CBN for further analysis. This causes distortions in the Bank's data on counterfeits, in addition to reducing the capacity to track and curtail the activities of counterfeiters.

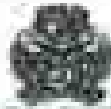
In the light of the foregoing, all counterfeit notes discovered by the DMBs in the course of any banking transaction should, on a monthly basis, be collated and forwarded to the Director, Currency Operations Department, for further analysis. The report should reach him by the 5th day of the new month.

The circular takes effect immediately.

Thank you.

Mahmoud K. Unar
Director, Currency Operations Department

PART E
DEVELOPMENT FINANCE CIRCULARS, POLICIES AND GUIDELINES



CENTRAL BANK OF NIGERIA

GUIDELINES FOR ACCESSING REAL SECTOR SUPPORT FACILITY (RSSF) THROUGH CRR AND CORPORATE BONDS

1.0 Introduction

At its 119th Meeting held on 23rd and 24th July, 2018, the Monetary Policy Committee (MPC) of Central Bank of Nigeria emphasized the need to increase the flow of credit to the real sector of the economy in order to consolidate and sustain economic recovery. To achieve this objective Deposit Money Banks (DMBs) would henceforth be incentivized to direct affordable, long-term bank credit to the manufacturing, agriculture, as well other sectors considered by the CBN as employment and growth stimulating, while Corporates/Tripplier-A-rated companies will be encouraged to issue Long-term Corporate Bonds (CBs). The CBN will therefore lay more emphasis on projects targeted not only at backward integration, but also at those that will enhance Nigeria's Import Substitution Strategy.

1.1 Differentiated Cash Reserves Requirement (DCRR) Regime

Under this programme, DMBs interested in providing Credit Financing to greenfield (new) and brownfield (new/expansion) projects in the real sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects subject to DMBs providing verifiable evidence that the funds shall be directed at the projects approved by the CBN.

Page 1 of 6

1.2 Corporate Bonds (CB) Funding Programme

This programme involves investment by the CBN and the general public in CBs issued by corporates subject to the intensified transparency requirements for Tripple A-rated entities. Such requirements would include publishing through printing of an Information Memorandum spelling out the details of the projects for which the funds are required together with terms and conditions showing that these are long term projects that are employment and growth stimulating.

2.0 Objectives of the Facility

The objectives of the Facility are to:

- 2.1 Improve access to affordable finance to the manufacturing, agricultural, and other related sectors that are employment and growth stimulating to the economy.
- 2.2 Stimulate growth in employment-elastic sectors.

3.0 Activities to be covered

- 3.1 The activities to be covered under this program shall be greenfield (new) and expansion (brownfield) projects in manufacturing, agriculture, and other related sectors approved by the CBN. Emphasis will however be placed on greenfield (new) projects.
- 3.2 Priority shall be accorded projects with high local content, import substitution, foreign exchange earnings and potential for job creation.
- 3.3 Trading activities are PROHIBITED under the Facility and any attempt by a Deposit Money Bank (DMB) to falsify through presentation of projects that do not meet the eligibility criteria/specified terms and conditions shall attract severe penalties from the CBN.

Page 2 of 6

4.0 Types of Facilities

4.1 Differentiated CRR (DCRR)

This shall comprise loans to greenfield or expansion projects using CRR. Emphasis shall however be on new projects.

4.1.1 Tenor: Minimum of seven years.

4.1.2 Moratorium: Two years moratorium.

4.1.3 The participating financial institution (PFI) shall bear the credit risk.

4.1.4 Refinancing of existing loans is PROHIBITED for funding under this program and any attempt to falsify information shall attract severe sanctions from the CBN.

4.2 Corporate Bonds (CBs) Program

These are financing instruments issued by corporates and that meet eligibility criteria as specified by the CBN.

4.2.1 Tenor: As specified in the prospectus by the issuing corporate but not below seven (7) years.

4.2.2 Moratorium: As specified in the prospectus by the issuing corporate.

5.0 Modalities of the Facility

5.1 Maximum Amount

The maximum facility shall be ₦10 billion per project.

5.2 Interest rate

Facilities are to be administered at an all-in interest rate/ charge of 9 per cent per annum. Bank Customers are encouraged to report any bank to the CBN's Director of Banking Supervision, where such DMB may have charged interest rates above the prescribed maximum of 9 percent per annum.

5.3 Repayments

Repayments shall be amortized and remitted on quarterly basis to the CBN.

6.0 Eligibility Criteria for Participation in the Facility/CP Programme

6.1 Participating Financial Institutions (PFIs)

- (a) Only CRR contributing DMBs shall be eligible to participate under the DCRR.
- (b) For CBs, all Financial Institutions and general public are eligible to participate in investing in Corporate Bonds.

6.2 Borrower under the CB programme

A borrower shall be an entity incorporated in Nigeria under the Companies and Allied Matters Act of 1990. Such borrower must not have a non-performing facility with any financial institution.

7.0 Responsibilities of Stakeholders

For effective implementation of the Facility, the responsibilities of the stakeholders shall include:

7.1 Central Bank of Nigeria (CBN)

- i. Articulate and review guidelines for the implementation of the Facility.
- ii. Review the CB for investment.
- iii. Invest in CBs issued by corporates.
- iv. Determine the limits of DCRR and CB investments.
- v. Appraise, monitor and evaluate projects and the Facility.
- vi. Render periodic reports on performance.
- vii. The CBN shall disburse funds to projects through DMBs in agreed TRANCHES.

7.2 Participating Financial Institution (PFI)

- i. Undertake due diligence based on normal business consideration.
- ii. Forward an initial Credit request on the proposed project to the CBN for pre-funding assessment/ approval in principle to proceed.
- iii. Forward final approved requests to CBN for funding after meeting all Conditions precedent to disbursement of the facility.
- iv. Disburse funds to obligors through their DMBs in agreed TRANCHES based on disbursement schedules submitted by DMBs to the CBN within five working days of release from the CBN.
- v. Render periodic returns as specified by the CBN from time to time.
- vi. Monitor the projects.
- vii. Comply with the guidelines of the Facility.

7.3 Borrower

- i. Adhere strictly to the terms and conditions of the Facility.
- ii. Utilize the funds for the purpose for which it was granted.
- iii. Make the project and records available for inspection/ verification by the CBN.
- iv. Comply with the guidelines.

8.0 Discontinuation of a Credit Facility

Where a facility is repaid or otherwise discontinued, the PFI shall advise the CBN immediately, giving particulars of the facility. Any outstanding amount under the facility is to be refunded to the CBN.

9.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

10.0 Enquiries and Returns

All enquiries and returns should be addressed to:
The Director,
Development Finance Department,
Central Bank of Nigeria, Corporate Headquarters
Central Business District,
Abuja.
Telephone No: 234-09-46238600.

Development Finance Department
Central Bank of Nigeria,
Abuja
August 2018.



CENTRAL BANK OF NIGERIA

Guidelines for the Operations of the Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS)

(AN INITIATIVE OF THE BANKERS' COMMITTEE)

2.9 Establishments of the Scheme

- 2.9.1 The Agri-Business/Small and Medium Enterprises Investment Scheme is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on 9th February, 2017.
- 2.9.2 The initiative is to support the Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises (SMEs) as vehicles for sustainable economic development and employment generation.
- 2.9.3 The Scheme requires all banks in Nigeria to set aside 2% of their profits after tax (PAT) annually.

2.10 Objectives of the Scheme

The objectives of the scheme are to:

- 2.10.1 Foster access to finance for Small and Medium Enterprises (SMEs), as these enterprises are the engine of growth of the Nigerian economy.
- 2.10.2 Generate much-needed employment opportunities in Nigeria.
- 2.10.3 Develop agricultural value chain and ensure sustainable agricultural practices.
- 2.10.4 Boost the managerial capacity of Agri-Business/SMEs as pipelines of growing enterprises that can become large corporate organisations.

3.0 Activities covered by the Scheme

The Scheme shall cover the following activities:

- 3.0.1 Agricultural investments which include production, storage, processing and logistics.
- 3.0.2 SMEs in the real sector as well as services sector which are backward integrated into manufacturing/agriculture/mining/modular refineries including local initiatives in information and communication technology (ICT).
- 3.0.3 Other activities as may be determined by the Bankers' Committee from time to time.

4.0 Definition of a Small & Medium Enterprise:

For the purpose of this scheme, a small and medium enterprise is defined as any enterprise that meets at least 2 of the following criteria:

- i. Sales turnover not exceeding ₦4.5 billion;
- ii. Total assets not exceeding ₦4.5 billion; and
- iii. Number of full-time employees not more than 250.

This is, however, subject to review by the Bankers' Committee from time to time.

5.0 Maximum Investment Amount

The amount investable in any enterprise shall be limited to a maximum of ₦2 billion. Investment in excess of the maximum allowable amount shall be subject to the approval of the CBN.

6.0 Investment Type

Investments under the scheme which could be for start-ups, expansion of established companies or reviving of ailing companies, shall be through equity in the form of fresh injection of capital.

Debt of any form is not allowed under the scheme.

7.0 Investment Vehicle

The Bankers' Committee shall appoint a Board of Trustees (BoT) which shall manage the Scheme and report to the Committee on a regular basis.

8.0 Tenor/Investment Period

- i. Investment under shall be for a maximum period of 10 years.
- ii. There shall be a 3-year lock up period before exit in order to encourage value creation and boost managerial capacity of the SMEs unless there is a material adverse event.
- iii. The Scheme shall be opened for a period of 10 years in the first instance and be reviewed after 5 years of its operations.

10. Modalities of the Scheme

- i. The participating banks shall set aside 5% of their PAT annually after their financial statements have been audited by external auditors and approved for publication by the Central Bank of Nigeria.
- ii. The fund shall be transferred to the CBN and disbursed in an account opened for the Scheme, within 10 working days after the Annual General Meeting (AGM) of the participating bank.
- iii. Eligible applicants shall submit applications through any of the participating banks to CBN.
- iv. CBN shall conduct annual review of the project to ensure the project is within the focal sectors of the Scheme. All projects that meet this requirement shall be forwarded to the Project Review Committee (PRC) of the Bankers' Committee through the Chairman, Sub-Committee on Economic Development, Sustainability and Gender.
- v. The PRC, which is made up of Chief Risk Officers (CROs) of the banks, shall appraise the project from the risk perspective and forward recommendations to the Board of Trustees (BoT) to be considered by the Bankers' Committee for the purpose of the Scheme.
- vi. The BoT shall approve eligible projects for the release of funds by the CBN. All approved projects shall be forwarded to the CBN through the Chairman, Sub-Committee on Economic Development, Sustainability and Gender.
- vii. Bankers' Committee's investment in the investee company/project shall be disbursed to participating banks in the proportion of their contribution to the Scheme on the investment date.
- viii. The Bankers' Committee shall be represented on the Board of the investee company/project as may be appropriate.

10.6 Compliance with existing laws and regulations

Banks' investments under the Scheme shall be in compliance with the provisions of Bank and other financial institutions Act (BOFIA), 1991 as amended.

11.0 Eligibility for Funding

To be eligible for funding under the Scheme, a prospective investee shall:

- i. Comply with the provisions of the Companies and Allied Matters Act (1990) such as

- ii. *Being of sound credit, including audited financial statements;*
- ii. *Comply with all applicable tax laws and regulations and render regular returns to the appropriate authorities; and*
- iii. *Apply through a participating bank.*

12.0 Secretariat for the AGSMEIS

The Development Finance Department of the Central Bank of Nigeria will serve as the Secretariat for the Scheme.

13.0 Monitoring and Reporting

There shall be joint monitoring of projects financed under the Scheme by the CBN and the Board of Trustees appointed by the Bankers' Committee. Reports of the monitoring exercise shall be submitted to the CBN and the Bankers' Committee.

14.0 Prudential Regulation

Contributions by participating banks shall form part of the eligible capital in the computation of Capital Adequacy Ratio.

Investment in SME will be risk-weighted in line with extant regulations.

15.0 Responsibilities of Stakeholders

In order to achieve the desired objectives of the scheme, the responsibility of the stakeholders shall include:

15.1 The Central Bank of Nigeria

The CBN shall:

- i. *Articulate clear guidelines for the implementation of the Scheme;*
- ii. *Monitor the implementation and gather statistics to quantify the impact of the scheme;*
- iii. *Ensure banks' comply with the guidelines of the Scheme;*
- iv. *Build capacity of operators, beneficiaries and participating banks;*
- v. *Disseminate information on the scheme to Agri-Business/SMEs and the larger*

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- public;
 - vi. Provide periodic reports to the CBN Management on the performance of the scheme;
 - vii. Issue certificate of investment to participating banks for each project after verification; and
 - viii. Maintain the database of all investments under scheme.

15.2 The Bankers' Committee

The Bankers' Committee shall

- i. Appoint a Board of Trustees to manage the Fund;
- ii. Appoint a Project Review Committee to appraise applications;
- iii. Obtain the cooperation of all stakeholders;
- iv. Disseminate information on the Scheme to SMO promoters and the larger public;
- v. Oversee joint collaborative efforts under the Scheme;
- vi. Monitor the implementation of the Scheme;
- vii. Appoint representative(s) to the Board of the invoice company/project; and
- viii. Conduct capacity building.

15.3 Board of Trustees

The Board of Trustees shall

- i. Conduct due diligence on applications submitted;
- ii. Approve eligible projects for release of funds by the CBN through the Economic Development Sub-Committee of the Bankers' Committee;
- iii. Make presentation and recommendations to the Bankers' Committee;
- iv. Prepare reports for the Bankers' Committee on the activities of the Scheme;
- v. Maintain the database of all investments under the Scheme; and
- vi. Perform all other duties as may be prescribed by the Bankers' Committee from time to time.

15.4 Project Review Committee

The Project Review Committee shall

- i. Conduct risk appraisal of applications received from the CBN;
 - ii. Prepare reports for the Board of Trustees on the activities of the Scheme; and
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- (iii) Perform all other duties as may be prescribed by the Bankers' Committee from time to time.

15.5 Individual Banks

Individual banks shall:

- i. Provide funds for investment under the Scheme;
- ii. Comply with the guidelines of the Scheme;
- iii. Nominate representative on the project review committee;
- iv. Maintain records of their investment in the appropriate books; and
- v. Carry out any other duties as the CBN/Bankers' Committee may prescribe from time to time.

15.6 Beneficiaries

Beneficiaries shall:

- i. Ensure prudent utilization of funds;
- ii. Keep up-to-date records on the companies' activities under the Scheme;
- iii. Make the companies' books, records and structure available for inspection by the appropriate authorities (including banks and the CBN) when required;
- iv. Comply with guidelines of the Scheme; and
- v. Provide monthly financial and operational reports to the SPV before the 15th of the next succeeding month.

**BANKERS' COMMITTEE
FEBRUARY 2017**

APPENDIX

Definition of Terms

1.0 The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS)

This is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on 9th February, 2017 to support Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises.

2.0 Agribusiness

Agribusiness in the context of these guidelines shall be a business involved in any of the agricultural value chain including production, processing, storage and logistics.

3.0 Small and Medium Enterprises (SME)

For the purpose of this scheme, the small and medium enterprises shall be as defined in section 4 of these guidelines.

4.0 Profit after tax (PAT)

The PAT shall be the profit of a participating bank after making provisions for company income tax.

5.0 Participating Bank

A Deposit Money Bank, Discount House or Merchant Bank licensed by the Central Bank of Nigeria to provide banking services in Nigeria and contributing 5% of its annual profit after tax to the AGSMEIS, in accordance with these guidelines.

6.0 Investee Company

Investee Company is a company in which the Bankers' Committee, through the AGSMEIS, invests money in form of equity participation.

7.0 Bankers' Committee

The Bankers' Committee is a committee comprising the Central Bank of Nigeria, the Nigerian Deposit Insurance Corporation, Deposit Money Banks, Discount Houses and Merchant Banks operating in Nigeria.

8.0 Board of Trustees

A committee constituted by the Bankers' Committee to conduct final due diligence on applications received from the Project Review Committee. The Board of Trustees approves eligible projects for release of funds by the CBN.

9.0 Project Review Committee

A committee constituted by the Bankers' Committee, comprising Chief Risk Officers of the banks. The Project Review Committee receives reviewed applications from the CBN, appraises the risk and makes recommendations on eligible projects to the Board of Trustees.

All Enquiries and Returns should be addressed to:

The Director,
Development Finance Department,
Central Bank of Nigeria,
Corporate Headquarters,
Central Business District, Abuja,
Nigeria Fax: 09-46238644
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Anchor Borrowers' Programme Guidelines

Development Finance Department
Central Bank of Nigeria

(December, 2016)

CHAPTER ONE

1.1. BACKGROUND

The Central Bank of Nigeria (CBN) in line with its developmental function established the Anchor Borrowers' Programme (ABP). The Programme which was launched by President Muhammadu Buhari (GCFR) on November 17, 2015 is intended to create a linkage between anchor companies involved in the processing and small holder farmers (SHFs) of the required key agricultural commodities. The programme thrust of the ABP is provision of farm inputs in kind and cash (for farm labour) to small holder farmers to boost production of these commodities, stabilize inputs supply to agro processors and address the country's negative balance of payments on food. At harvest, the SHF supplies his/her produce to the Agro-processor (Anchor) who pays the cash equivalent to the farmer's account.

The Programme evolved from the consultations with stakeholders comprising Federal Ministry of Agriculture & Rural Development, State Governors, millers of agricultural produce, and smallholder farmers to boost agricultural production and non-oil exports in the face of unpredictable crude oil prices and its resultant effect on the revenue profile of Nigeria.

1.2. Objective

The broad objective of the ABP is to create economic linkage between smallholder farmers and reputable large-scale processors with a view to increasing agricultural output and significantly improving capacity utilization of processors.

Other objectives include:

- Increase banks' financing to the agricultural sector
- Reduce agricultural commodity importation and conserve external reserves
- Increase capacity utilization of agricultural firms
- Create new generation of farmers/entrepreneurs and employment
- Deepen the cashless policy and financial inclusion
- Reduce the level of poverty among smallholder farmers
- Assist rural smallholder farmers to grow from subsistence to commercial production levels.

1.3. Targeted Beneficiaries

The loan shall be targeted at smallholder farmers engaged in the production of identified commodities across the country. The Farmers should be in groups/cooperative(s) of between 5 and 20 for ease of administration.

1.4. Identified Agricultural Commodities

The targeted commodities of comparative advantage to the State shall include but not limited to:

- Cereals (Rice, Maize, wheat etc.)
- Cotton
- Roots and Tubers (Cassava, Potatoes, Yam, Ginger etc.)
- Sugarcane
- Tree crops (Oil palm, Cocoa, Rubber etc.)
- Legumes (Soybean, Sesame seed, Cowpea etc.)
- Tomato

- Livestock (Fish, Poultry, Ruminants etc.)

Any other commodity that will be introduced by the CBN from time to time.

1.5. Eligible Participating Financial Institutions (PFIs)

The loan shall be disbursed through any of these PFIs:

- Deposit Money Banks (DMBs)
- Development Finance Institutions (DFIs)
- Microfinance Banks (MFBs)

1.6. The Anchor

This shall be private large-scale integrated processors who have entered into an agreement with the SHFs to off-take the harvested produce at the agreed prices or as may be reviewed by the PMT. State Governments may act as Anchor upon meeting the prescribed conditions.

1.7. Inputs Suppliers

The input suppliers shall submit **expression of interest letter** to the office of the PMT for consideration and issuance of local purchase orders.

1.8. The Loan Amount

The Fund shall be provided from the N220 billion Micro, Small and Medium Enterprises Development Fund (MSMEDF). Loan amount for each SHF shall be arrived upon from the economics of production agreed with stakeholders.

1.9. Interest Rate

Interest rate under the ABP shall be guided by the rate on the N220 billion MSMEDF, which is currently at 9% p.a (all inclusive, pre and post disbursement). The PFIs shall access at 2% from the CBN and lend at a maximum of 9% p.a.

1.10. Tenor

The tenor of loans under the ABP shall be the gestation period of the identified commodities.

1.11. Repayment

Loans granted to the SHFs shall be repaid with the harvested produce that shall be mandatorily delivered to the Anchor at designated collection center in line with the provisions of the Agreement signed. The produce to be delivered must cover the loan principal and interest.

CHAPTER TWO

2.0 Management and Administration of the ABP

There shall be two models of administration of ABP based on the anchor arrangement namely: **Private Sector-led** and **State windows**. Under each model, a Project Management Team (PMT) shall be established to coordinate the implementation of the programme.

2.1 Private Sector-led Window

The PMT under the Private Sector-led Window shall be constituted as follows:

- Head DFO, CBN – Chairman
- Representatives of Anchor Firms – Co-Chairman
- Programme Manager, State Agricultural Development Programme (ADP)
- Representatives of participating Banks
- Representatives of farmers associations

- Nigerian Agricultural Insurance Corporation (NAIC)

2.2 State Window

The PMT under the State Window shall be constituted with representatives of stakeholders as follows:

- Head DFO, CBN as Chairman to be co-chaired by the person appointed by the State Government.
- A representative of State Governments/Ministry of Agriculture and Rural Development/Agricultural Development Programme (ADP)
- Participating Banks
- Anchor Firms
- Nigerian Agricultural Insurance Corporation (NAIC)
- Representatives of farmers associations

2.3 Process Flow of the Anchor Borrowers' Programme (ABP)

The activities shall include:

Expression of Interest Letter to the CBN by the Anchor/State Government indicating the targeted agricultural commodities, proposed number of farmers, the hectares to be covered and the PFI(s) etc.

- Formation of the PMT
- Verification of the farmers and farm sizes by the PMT
- Confirmation of participation by the Head Offices of the PFI(s)
- Identification of reputable agricultural inputs suppliers by the PMT
- Organization of Town Hall Meeting to agree on the economics of production per hectare, offtake price, signing of Agreement, and any other relevant issues. The meeting shall have in attendance all the stakeholders including the inputs suppliers.
- Signing of tripartite Agreement by the PFI, Anchor and the farmers
- Submission of loan applications from Head Offices of PFIs with the list of farmers in the prescribed format with accounts numbers, gender, farm size, BVN, Telephone numbers, cooperative name and LGA
- Registration of farmers on the National Collateral Registry (NCR).

2.4 Capacity Building of the Farmers

A mandatory training programme shall apply for farmers that will participate under the ABP covering;

- Farming as a business
- Improved agricultural practices
- Group management dynamics

The cost of such training shall be borne by the participating anchor. However, partnerships with Development Partners are encouraged on the training of the farmers.

Certificates issued at the end of the training shall constitute a requirement for farmers to access credit facility in kind and cash under the programme.

2.5 Provision of Extension Services

The Anchor/State Governments shall be required to provide extension services to complement the training, ensure adherence to good agricultural practices and mitigate side selling.

2.6 Collateral Under the ABP

The following shall be collateral to be pledged by SHFs under the programme:

- Cross and several guarantee by farmers in cooperatives
- Tripartite Agreement signed by the parties
- Cross and several guarantee by farmers in cooperatives registered on the National Collateral Registry (NCR)
- Equity Contribution (minimum of 5%) by the farmers **Note:**
 - Participating farmers under the Programme must deposit the minimum equity requirement in their accounts with the PFI before loan disbursement
 - No input would be distributed to any farmer that has not provided the equity contribution
 - Any PFI that contravenes this basic risk requirement would be sanctioned

2.7 Determination of Planting Season

The planting season to be adopted shall be advised by the Ministry of Agriculture/ State Agricultural Development Programme (ADP) from the state planting calendars.

2.8 Side Selling

Side Selling by the farmers is prohibited and shall attract applicable sanctions as indicated in Section 4.3

2.9 Risk Sharing

In order to engender participation of PFIs in the programme, the CBN shall absorb 50% of the amount in default after satisfactory evidence that every means of loan recovery has been exhausted by the PFI. The PFI shall bear the credit risk of the balance.

CHAPTER THREE

3.0 Roles and Responsibilities of Stakeholders

3.1 Central Bank of Nigeria Shall:

- Provide the funds through the MSMEDF
- Coordinate the entire Programme
- Serve as Secretariat
- Chair/Co-chair the PMT
- Review the provisions of the guidelines as deemed necessary

3.2 Nigerian Agricultural Insurance Corporation (NAIC) Shall:

- Provide insurance cover to the projects under the Programme
- Ensure timely processing and settlement of claims
- Serve as member of the PMT

3.3 Development Partners Shall:

- Provide technical assistance to farmers, extension workers and banks
- May serve as member of the PMT in partner States

3.4 Participating Financing Institutions Shall:

- Verify eligible farmers and their farmlands
- Open account for the farmers
- Ensure due diligence on loan administration, monitoring and recovery
- Conduct searches on the National Collateral Registry (NCR) to ensure that none of the group member is in default of any other loan facility in any financial institution.
- First applications for release of funds by PFIs MUST be accompanied by copies of executed tripartite Agreements. (See 2.3)
- Register their interest in the collateral on the National Collateral Registry (NCR) as second and any subsequent applications for release of funds by PFIs MUST be accompanied by evidence of COMPLETE registrations.
- Sensitize the group members on the implication of the cross-guarantee as default by one member of the cooperative automatically puts all members in default irrespective of other members paying their individual loans.
- Apply for release of funds after completion of all the required conditions precedent to drawdown
- Credit individual farmer's account with the released funds within 5 working days
- Render monthly returns under the Scheme to the CBN in the prescribed reporting format
- Serve as member of PMT
- Carry out any other responsibilities as may be prescribed by the CBN from time to time

3.5 Small Holder Farmers Shall:

- Organize themselves into groups/cooperatives
- Cross guarantee one another
- Must demonstrate evidence of farm ownership/lease/rent and agree to work with extension workers
- Utilize the facility (kind and cash) for the purpose for which it was granted
- Commit to abide by the terms of agreement and not to side sell produce
- Repay the loan as and when due by surrendering the output to the Anchor or State
- Provide equity contribution in cash of minimum of 5 per cent of loan amount
- Representative of the Small Holder Farmer association to serve on the PMT
- Ensure participating member open bank account and obtain Bank Verification Number (BVN).

3.6 State Government/FCT Shall:

- Co-Chair the public sector ABP PMT
- Submit Expression of Interest to participate under the ABP
- Identification of the two targeted agricultural commodities
- Provide extension services to all participating farmers
- Provide logistics support for the success of the programme including training for the farmers and extension services.
- Establish a special 'farmers' court' to try defaulting parties

- Train identified farmers for participation under ABP
- Where State act as Anchor, must uptake the farmers produce and pay the farmers through the PFI within 5 days at an agreed price
- Carry out any other responsibilities as may be prescribed by the CBN from time to time

3.7 Anchor Company Shall:

- Co-Chair the PMT of the private sector ABP
- Identify and organize farmers into groups/co-operatives.
- Participate in the identification of input suppliers
- Train identified farmers for participation under ABP
- Provide extension service experts to support and ensure achievement of the targeted yield
- Monitor harvest and facilitate full evacuation of produce
- Establish produce collection centers.
- Buy-up produce from farmers at agreed price
- Pay into farmers' loan account for the produce delivered within 48 hours
- Carry out any other responsibilities as may be prescribed by the CBN from time to time

3.8 Role of Project Management Team (PMT) Shall:

- Coordinate project implementation
- Coordinate discussions on cost of production per hectare
- Communicate the decisions taken on the project to stakeholders
- Identify genuine input suppliers
- Coordinate and monitor project to ensure repayment
- Issue Local Purchase Order (LPOs)
- Ensure timely distribution of inputs
- Escalate issues that cannot be resolved in the team to the relevant authorities
- Make sure the programme is delivered and implemented as scheduled and within scope.

3.9 Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) Shall:

- Collaborate on Technical Assistance.

CHAPTER FOUR

4.0 Infractions and Sanctions

S/N	Infractions	Sanctions

4.1 PFI		
1	Diversion of funds to unauthorized activities	<ul style="list-style-type: none"> • Amount diverted shall be recovered by the CBN. • Penal charge at the maximum lending rate of the PFI on the amount diverted. • Outright ban from participating under other CBN Interventions following another infraction
2	Charging of unauthorized fees/interest	<ul style="list-style-type: none"> • Reversal of the charged fees/interest • Issuance of warning letter to the PFI • Outright ban from participating under other CBN Interventions after two infractions
3	Charging of interest rates higher than prescribed	<ul style="list-style-type: none"> • Reversal of excess interest charged. • Penal charge at the maximum lending rate of the PFI • Issuance of warning letter to the PFI
4	Failure to disburse funds within specified period to the borrowers	<ul style="list-style-type: none"> • Penal charge at the maximum lending rate of the PFI • Recovery of the undisbursed amount plus interest

4.2 Anchor		
1	Failure to collect certified quality output from farmers after going into agreement as the Anchor to the farmers	<ul style="list-style-type: none"> • Anchor will cease to participate under the programme. • Anchor will not be allowed to access agricultural and other CBN interventions
2	Failure to pay for collected commodities within the specified period	<ul style="list-style-type: none"> □ Anchor to bear the cost of accrued interest on the farmers' account from the due date
4.3 Small Holder Farmers (SHF)		
1	Side-selling	<ul style="list-style-type: none"> • Total prohibition from all CBN interventions. • Blacklisting of the SHF on any intervention by the CBN • Prosecution of the SHF • Payment of the loan by the guarantors and cooperatives
2	Input Diversion	<ul style="list-style-type: none"> • Blacklisting of the SHF on any intervention by the CBN • Repayment of the loan by the guarantors and cooperative members

3	Refusal to Submit Commodities to the Anchor	<ul style="list-style-type: none"> • Blacklisting of the SHF on any intervention by the CBN • Prosecution of the SHF • Repayment of the loan by the guarantors and cooperative members
4	Diversion of Funds	<ul style="list-style-type: none"> • Blacklisting of the SHF on any intervention by the CBN • Prosecution of the SHF • Repayment of the loan by the guarantors and cooperative members
4.4 Project Monitoring Team		
1	Insider related contracts and inflation of contract figures	<ul style="list-style-type: none"> • Suspension/Prosecution of the culpable member(s) • Report the culpable member(s) to the relevant institution(s)

LIST OF ABBREVIATIONS AND ACRONYMS

ABP:	Anchor Borrowers' Programme
ADP:	Agricultural Development Programme
BVN:	Bank Verification Number
CBN:	Central Bank of Nigeria
DFIs:	Development Finance Institutions
DFO:	Development Finance Officer
DMBs:	Deposit Money Banks
FCT:	Federal Capital Territory
LGA:	Local Government Area
MFBS:	Microfinance Banks
MSMEDF:	Micro, Small and Medium Enterprises Development Fund
NAIC:	Nigerian Agricultural Insurance Corporation
NCR:	National Collateral Registry
NIRSAL:	Nigerian Incentive-Based Risk Sharing System for Agricultural Lending
P.A:	Per Annum
PFI:	Participating Financial Institutions
PMT:	Project Management Team
SHF:	Small Holder Farmer

All Enquiries and Returns should be addressed to:

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**CENTRAL BANK OF NIGERIA GUIDELINES
N300 BILLION POWER AND AIRLINE INTERVENTION FUND (PAIF) REVISED GUIDELINES
(Amendment 8)**

1. Introduction

In a bid to catalyze financing of the real sector of the Nigerian economy, the Central Bank of Nigeria has, in accordance with Section 31 of the CBN Act 2007, approved the investment of the sum of N500 billion Debenture Stock to be issued by the Bank of Industry (BOI). The sum of N200 billion has been set aside for the refinancing/restructuring of SME/ Manufacturing portfolios while the sum of N300 billion will be applied to power and airline projects.

These Guidelines relate to the N300 billion intervention fund to the power and airline sector (the Fund).

2. Objectives of the Fund

The objectives of the Fund are to:

- i. fast-track the development of electric power projects, especially in the identified industrial clusters in the country;
- ii. fast-track the development of the aviation sector of the Nigerian economy by improving the terms of credit to Airlines;
- iii. serve as a credit enhancement instrument to improve the financial position of the Deposit Money Banks (DMBs);
- iv. improve power supply, generate employment, and enhance the living standard of the citizens through consistent power supply;
- v. Provide leverage for additional private sector investments in the power and aviation sectors.

3. Managing Agent

The Bank of Industry (BOI) shall be the managing agent and be responsible for the day to day administration of the Fund.

4. Technical Adviser (TA)

The Africa Finance Corporation (AFC) shall serve as TA to the Fund.

5. Eligibility Criteria

5.1. Power Projects

- i. Any corporate entity, duly registered in Nigeria, involved in electricity power supply value chain that includes power generation, transmission, distribution, gas-to-power projects and associated services.
- ii. Eligible projects can be promoted by private or public sector sponsors (or a combination of both) but must be structured either as profit-oriented business or a public service, provided that contracted cash-flows or financing support exist to ensure repayment of principal and interest, as well as long term viability.
- iii. The Project Company may also offer appropriate credit enhancement options to support its financial obligations.
- iv. The Project could be already existing and in operation, in design/development, under construction, or existing but operationally inactive.
- v. The refinancing of existing loans for captive power projects for corporate entities that are not power companies will only be eligible if the investments are not older than 2 years from the date of the application. For the avoidance of doubt, this restriction will not be applicable to captive power projects implemented and managed by power companies
- vi. Gas-to-Power promoters must tender verifiable evidence of off-taker purchase agreements for their projects to be eligible

5.2. Airlines

- i. Any Airline duly incorporated under the Companies and Allied Matters Act of 1990 and operating in Nigeria.
- ii. Any Company duly incorporated under the Companies and Allied Matters Act of 1990 and operating in Nigeria, engaged in aircraft hangar projects capable of servicing existing commercial jets and next generation aircraft series for 'C' and 'D' checks in Nigeria'

6. Types of Facilities

- i. Long term loans (for new Power Projects)
- ii. Refinancing of existing loans (Power and Airline Projects)
- iii. Refinancing of existing leases (Power and Airline Projects)
- iv. Working capital (for existing Power and Airline Projects only)
- v. Refinancing of Aircraft Hangar Projects

7. Participating Financial Institutions (PFIs)

All Deposit Money Banks and Development Finance Institutions (DFIs) excluding the Bank of Industry (BOI)

Asset Management Corporation of Nigeria (AMCON), may by special approval of the CBN Management, be allowed to participate with respect to acquired projects of national economic importance.

8. Modalities for Intervention

8.1. Loan (Power Projects only)

8.2. Amount

The Fund facility shall not be more than 70 percent of the total cost of the project.

8.2.1. Tenor

- i. The Fund loans shall have a maximum tenor of 15 years as determined by the project's cash flow profile not exceeding 31st July, 2025.
- ii. Working capital facility shall be of one year duration with provision for roll-over but not more than 5 years.

8.2.2. Repayment

Repayments under this facility shall be amortised

8.2.3. Moratorium

- i. The Fund allows for moratorium in the loan repayment schedule.
- ii. The moratorium on principal shall depend on the type and nature of the project and shall not exceed either the construction period of the project (which shall not exceed 5 years) or the time required to complete the project.
- iii. Additional moratorium period of [18] months may be added to the moratorium period in order to address the risk of completion delays.
- iv. Protracted completion delays could be addressed through other mechanisms such as adequate sponsor support and contingencies to be determined on a project specific basis.

8.2.4. Interest during Construction (IDC)

The treatment of IDC shall depend on the project. The two options allowed under the Fund are:

- i. Capitalization of Interest - interest shall accrue and be capitalized accordingly during the moratorium period.
- ii. Pre-funding of Interest - interest shall be funded during construction from a prefunded IDC Account. The amount required for IDC can be added to the total project cost.

The IDC payment option adopted shall be expressly stated on the loan documents.

8.2.5. Professional / Consultant Fees

Professional / consultant fees associated with the development of projects and the project financing structure shall be grossed up and included in the total project cost to be financed. Professional costs commonly associated with project finance include professional fees for the following services:

- i. Project Engineer Consultancy
- ii. Independent Engineer Advisory
- iii. Financial Advisory Services**

- iv. Technical Advisory Services
- v. International Counsel
- vi. Local Counsel
- vii. Lenders' Counsel
- viii. Due Diligence – Legal, Technical, Commercial and Financial
- ix. Legal Documentation Etc.

*****The financial advisor can be the applicant bank or an independent institution which is not participating in the financing.***

8.3. Refinancing (Power and Airline Projects)

The Fund will provide refinance for existing term loans for commercially viable power and airline projects.

8.3.1. Extent of Refinancing

- i. Power: The Fund will provide refinance for existing term loans for commercially viable power projects.
- ii. Airlines: The Fund shall provide refinancing up to 100 per cent of the loans granted to airlines and hangar projects.

8.3.2. Tenor

The tenor of refinancing shall be 15 years not exceeding 31st July, 2025 and shall be determined by the supporting cash-flow profile.

8.4. Other conditions applicable to both Power and Airline Projects

8.4.1. Interest Rate

The Fund shall be administered at an "all-in" interest rate/charge of NOT more than 9 percent per annum payable on quarterly basis.

The "all-in" interest rate of 9% to be shared as follows:

a)	Participating Financial Institutions	5%
b)	Managing Agent/TA (BOI& AFC)	1%
c)	Sponsor (CBN)	3%

Specifically,

- i. The DMBs' shall charge NOT exceed 9% per annum on the Fund facility out of which 4% would be remitted to BOI's Account
- ii. The DMBs shall remit the amounts due to BOI out of the interest payments received from the projects funded;
- iii. The amounts due to BOI must be paid not later than 30 days after the interest is earned.
- iv. BOI shall remit the CBN portion of interest earned quarterly not more than 10 working days at the end of each quarter.

** No upfront fee/charge should be deducted in respect any facility under the Fund*

8.4.2. Infractions and Sanctions

- i. Diversion of funds by the PFIs shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PFIs shall be barred from further participation under the Fund
- ii. Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by BOFIA section 60
- iii. Any PFI that fails to disburse the Fund within 14 days of receipt to the borrower shall be charged the maximum lending rate of the PFI as penalty for the period that the Fund was not disbursed

8.4.3. Penalty for Defaults by Borrowers

In the event of default in loan repayment (principal and interest), the PFIs shall have the right to charge commercial interest rate on the amount of default

9. Notice for Submission Of Proposals

BOI shall send out notice to all DMBs/ DFIs for submission of refinancing/ restructuring requests on behalf of eligible airlines and power companies.

The notice shall, among others, specify the eligibility criteria, format and submission deadlines.

10. Application Procedures

10.1. Submission of Requests

A PFI shall submit a request, on its behalf or on behalf of other parties in the case of syndication or other arrangements, in the prescribed format on behalf of the project promoters.

In the case of syndication or other arrangements, BOI shall deal directly with the lead bank only on all issues relating to such application.

10.2. Required Documentation

Each request must be accompanied by the following documents:

- i. Request from the project promoter seeking such loan and/or refinancing/restructuring;
- ii. Last 3 years financials of an existing company;
- iii. Feasibility study/business plan of the project;
- iv. Relevant permits/approvals;
- v. Off-take and other relevant agreements;
- vi. Environmental impact assessment report;
- vii. Copies of duly executed offer documents between the bank and the company evidencing existence of a facility in the case of refinancing;
- viii. Six (6) months account statements showing the current exposure (if any);
- ix. Certificate of incorporation evidencing the incorporation of the company with the corporate affairs commission; and
- x. List of directors of the company (form CO7)

Other documents as may be required by the TA to facilitate the appraisal process.

10.3. Processing Period

- i. BOI shall process all applications received to confirm the completeness of the documentation and forward them to TA within 5 days.
- ii. The TA shall appraise the applications and provide its report to BOI within 20 working days of receipt.
- iii. BOI shall inform the PFIs of the status of its application not later than 5 working days after the receipt of the TA's report.

10.4. Approval Process

The recommended applications that have fulfilled all the laid down criteria shall be forwarded to the Management of the Central Bank of Nigeria for final approval

10.5. On-Lending Agreement

An on-lending agreement shall be signed between BOI and each PB for approved projects.

10.6. Security to be offered by PBs

The following securities shall be offered:

- i. The security to be provided by PBs to BOI shall be a bank guarantee backed by a payment order for the PB's account to be debited by the CBN for any amount due should the PB default.
- ii. Legal agreement between BOI and PB for BOI to have the rights to realize security pledged by project promoters.
- iii. BOI to have lien on the project cash flows.
- iv. A deed of assignment of the assets of the project in favour of BOI

10.7. Release of Funds

BOI shall within 3 working days of receipt of the payment order, credit the PB's account at CBN with the amount due based on the disbursement schedule.

The PB is expected to disburse the funds to the borrower in line with the terms and conditions of its requests not later than 2 working days of receipt of funds from BOI.

11. Monitoring of Projects:

A project financed under the Fund shall be subject to monitoring by the BOI, AFC, CBN and PB during the loan period.

12. Responsibilities of Stakeholders:

For the effective implementation of the Fund and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

12.1. The CBN

The Central Bank of Nigeria shall:

- i. Articulate clear guidelines for the implementation of the Fund.
- ii. Provide funds for the Intervention.
- iii. Determine the limits of the Fund.
- iv. Specify the rate at which BOI and PBs will lend under the Fund.
- v. Request BOI to render periodic returns as may be specified from time to time.
- vi. Monitor the implementation of the Fund and publish periodic reports on its performance.
- vii. Review the Fund guidelines as may be necessary from time to time

12.2. Bank of Industry (BOI) The BOI shall:

- i. Act as the Managing Agent of the Fund
- ii. Issue debenture covering the Funds to be invested by CBN
- iii. Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund
- iv. Render periodic returns on the performance of the Fund as may be specified by CBN; and
- v. Remit the CBN portion of interest earned quarterly not more than 10 working days at the end of each quarter.

12.3. The Technical Adviser (TA) The TA shall:

- i. Provide technical support to the Programme;
- ii. Review projects to confirm eligibility and viability.
- iii. Build capacity of stakeholders

12.4. The Participating Financial Institution (PFI)

The PFI shall:

- i. Grant credit facilities to eligible companies at an interest rate NOT exceeding 9% p.a;
- ii. Present requests under the Fund based on normal business consideration exercising due diligence;
- iii. Ensure timely disbursement of funds to approved projects;
- iv. Render periodic returns under the Fund as may be specified by the CBN and BOI from time to time;
- v. Monitor the projects during the loan period; and
- vi. Comply with the guidelines of the Fund

12.5. Borrower

The borrower shall:

- i. Utilise the funds for the purpose for which it was granted.
- ii. Insure the project being financed.
- iii. Adhere strictly to the terms and conditions of the loan.

- iv. Make the project and records available for inspection/verification by the CBN and BOI.
- v. Comply with the guidelines of the Fund.

13. Discontinuation of a Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the PB shall advise the BOI immediately, giving particulars of the credit facility. Any outstanding amount under the facility is to be refunded to the BOI account at CBN.

14. Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN. The Amendment does not have retroactive effect and therefore is applicable only to new approvals

This amendment comes into effect from 10 June, 2016 and supersedes all the previous ones.

15. Enquiries and Returns

All enquiries and returns should be addressed to:

The Director
Development Finance Department
Central Bank of Nigeria
Corporate Headquarters
Central Business District
Abuja.
Telephone No: 234-09-46238600

**NIGERIAN EXPORT - IMPORT BANK
(NEXIM)
OPERATING GUIDELINES
FOR THE
EXPORT REDISCOUNTING & REFINANCING FACILITY (RRF)
June, 2016**

1.0 Introduction

To ensure continuous flow of credit to the export sector at competitive rates, especially against the background of declining export loans and the need to promote sustainable non-oil exports, the Central Bank of Nigeria (CBN) has expanded the Export Credit Rediscounting and Refinancing Facilities (RRF) by N50 billion to support the Deposit Money Banks (DMBs) in the provision of pre- and post-shipment finance to exporters to undertake export transactions.

To implement the facility, CBN will invest in a N50 billion debenture to be issued by the Nigerian Export – Import Bank (NEXIM) in line with Section 31 of CBN Act. Accordingly, this guideline describes and outlines the revised operational modalities of the RRF towards the provision of a discount window to liquefy the export credit transactions of Deposit Money Banks, thereby improving exporters' access to export credit at any given time.

2.0 Objectives of the RRF

2.1 The RRF objectives are:

- (a) To encourage and support DMBs to provide short-term pre- and post-shipment finance in support of exports by providing a discount window to exports financing banks and therefore improving their liquidity and exporters' access to export credit.
- (b) Moderation and indirect influence on the cost of export credits to the non-oil sector in order to enhance competitiveness of Nigeria's exports and thereby assist in export production and marketing.
- (c) To enhance the continuous flow of export credits for non-oil exports toward facilitating the diversification of the productive base of the economy and ensuring sustainable external sector development;

2.1.1 Pre-Shipment Rediscounting Facility

The objective is to encourage banks to finance incidental expenses necessary to undertake and perform export contracts as well as procurement of inputs / exportable goods, e.g. raw materials / commodities, semi-processed and finished goods for either processing and/or direct exports.

2.1.2 Post-Shipment Rediscounting Facility

The objective is to encourage banks to provide finance to exporters awaiting receipts of export proceeds of their shipments and/or encourage the provision of deferred payment arrangements by exporters to their counter-parties to enhance competitiveness.

2.1.3 Refinancing Facility

The objective of the Refinancing Facility is to encourage banks to provide longer term export credit in support of export activity than is available under the Rediscounting Facility, which is transaction specific. The Refinancing Facility provides a mechanism that relieves export financing banks and export credit guarantors on their longer than expected export lending commitments. It also

provides financial accommodation to the export financing banks in the event of commercial lending difficulties.

3.0 Features of the RRF

Highlighted below are the specific features of these facilities:

3.1 Eligibility

3.1.1 Participating Banks

All the DMBs who have sanctioned /extended export credits are eligible as Participating Banks under the RRF Window in order to improve their liquidity and expand their export credit portfolios.

3.1.2 Beneficiary Clients / Transactions

All existing / potential export-oriented companies duly incorporated / registered in Nigeria and undertaking non-oil exports transactions of goods and services that are not under a subsisting Exports Prohibition List shall be eligible to benefit under the scheme. However, facilities availed under any of the existing CBN funding schemes are not eligible under the RRF Window.

3.2 Tenor

The tenor in respect of the RRF shall be a maximum of 360 days as follows:

- a) Pre-shipment Shipment Rediscounting shall be transaction specific / period specific but subject to a maximum of 180 days;
- b) Post-shipment Rediscounting tenor shall be in accordance with extant policies on repatriation of export proceeds from time to time. It currently shall not exceed 180 days in line with the existing CBN Circular dated July 17, 2009 - ***"Guidelines on Repatriation of Export Proceeds for Non-Oil Commercial Exports"*** – Ref: TED/FEM/FPC/GEN/01/116
- c) For combined Pre- and Post-Shipment finance, a tenor not exceeding a 270 days shall apply but on the basis of specificity of underlying transaction
- d) The Refinancing Facility availed shall not exceed 360 days and shall cover installments of short-term financing of long-term transactions such as export debentures, export finance guarantees, export term loans, etc. falling due within a year of the date of application.

3.3 Rate

Export bills / transactions shall be discounted / refinanced at an "all-in" rate of a maximum of **6%** per annum with the pricing structure as follows;

- a) CBN / NEXIM would provide the RRF at a rate of **3%** per annum
- b) Participating Banks shall have a maximum spread of **3%** per annum

3.4 Exposure Limit

Each Participating Bank will have a transaction exposure limit under the RRF Window of a maximum of N2 billion to N5 billion as may be determined from

time to time based on Participating Banks' credit ratings and volume of non-oil exports transactions / beneficiary clients being supported.

3.5 Application Procedures

At the end of the first quarter of each financial year (31st March), the Participating Banks seeking to benefit from the Rediscounting and/or Refinancing Facility shall forward an application to this effect to NEXIM accompanied by its most recent audited accounts.

To avail the Rediscounting and/or Refinancing facilities, the Participating Bank shall apply in the prescribed RRF format for the benefit of its export – oriented transaction(s).

4.0 Rediscounting Facility

4.1.1 Application for Rediscounting Facility

A Participating Bank may at any time during the year apply for bills rediscounting under the Rediscounting Facility and would be granted approval on the basis of individual export transaction.

4.1.2 Documentation

An application for rediscounting covering either pre-shipment, post shipment or combined pre- and post-shipment periods shall be made to NEXIM by means of a request letter signed by at least two authorized signatories of the Participating Bank as per executed signature mandates with CBN / NEXIM and be supported by the following documents;

- (a) Evidence of an underlying export order, e.g. letter of credit, sales contract, confirmed order by a reputable local buying agent of an established buyer on Incoterm basis - "DAT Delivered At Terminal / DAP Delivered At Place - Warehouse "
- (b) Evidence of export credit: This should be an accepted Letter of Offer of an existing export credit facility or a bill of exchange drawn by the bank on, and accepted by the exporter covering export credit facility provided by
- (c) The Participating Bank. The bill shall be for an appropriate tenor with the discount rate clearly stated on the bill.
- (d) Completed Return on Export Finance Portfolio, specimen of which is in **Appendix I**

4.1.3 For a Rediscounting Facility specifically covering the post-shipment period, the following documentations shall apply:

- (a) Evidence of an export order, e.g. Letter of Credit; sales contract, confirmed order by a reputable local agent of an established buyer.
- (b) Evidence of export credit - This should be an existing accepted export credit facility, executed guarantee receivable finance instrument or a bill

of exchange drawn by the bank on, and accepted by the exporter covering export credit facility provided by the Participating Bank. The bill shall be for an appropriate tenor with the discount rate clearly stated on the bill.

- (c) Evidence of shipment, e.g. clean on-board Bill of Lading.
- (d) Copy of NXP Forms / Clean Certificate of Inspection
- (e) Copy of Bank's Remittance Letter and Exporter's Final Invoice

4.2 Refinancing Facility

4.2.1 Application for the Refinancing Facility

A Participating Bank may at any time apply for financing under the Refinancing Facility and would be granted approval on the basis of individual export finance transaction;

4.2.2 Documentation

An application for the Refinancing facility shall be made to NEXIM by means of a letter signed by at least two authorised signatories of the applicant Participating Bank. The application shall be supported with the following documents:

- (a) Evidence of export order for appropriate products such as letter of credit, export contract and/or medium term export off-take arrangements
- (b) Evidence of export credit - This should be an accepted letter of offer, executed guarantee receivable finance instrument, other debt instruments - e.g. export debentures or long term export loan installments falling due for repayment within one year of application date are qualified for refinancing.
- (c) Returns on Export Finance Portfolio
- (d) Evidence of capacity to perform in the form of the following
 - (i) Evidence of existence and capacity of installed plant or toll processing agreement.
 - (ii) Evidence of security taken by the Participating Bank.
 - (iii) Summary of exports undertaken in the current request period and preceding year

5.0 Approval Process

5.1 NEXIM shall process all applications received from Participating Banks to confirm the completeness of documentation and eligibility.

5.2 NEXIM shall appraise the applications and provide its status report to the Participating Bank within 5 working days of receipt.

5.3 Applications that meets the eligibility criteria and documentation requirements under the Rediscounting and Refinancing Facility (RRF) shall be approved and communicated to the Participating Bank in writing,

stating amongst others, the face value of the facility, discounted value, tenor, rediscount rate and beneficiary exporter involved.

- 5.4** Upon acceptance of the approved RRF, the Participating Bank shall request for disbursement vide a letter duly signed by two authorised signatories forwarding the following:
- (a) Accepted duplicate copy of letter of offer (see Appendix)
 - (b) Promissory Note with face value equal to principal plus interest (see Appendix).
 - (c) An Irrevocable Transfer Order (ITO) addressed to Central Bank of Nigeria (see Appendix)

6.0 Disbursement

Applications that fulfilled all conditions precedent to drawdown under the RRF Window shall be forwarded to the Central Bank of Nigeria for disbursement of the proceeds of the bill i.e. the discount value (see Appendix for the formula for computing the proceeds to be credited to the Participating Bank.

7.0 Rendition of Returns / Monitoring

All benefitting Participating Banks are expected to provide monthly / periodic returns on exports and foreign exchange earnings of their RRF beneficiary exporters on the prescribed format whose specimen is in Appendix VIII. Being essentially an interbank facility, it is the Participating Bank's responsibility to monitor their beneficiary exporters. However, CBN / NEXIM reserve the right to conduct a monitoring visit to beneficiary exporter in company of Participating Bank officials.

8.0 Repayments

At maturity of the facility, the Participating Bank shall repay the face value of the availed RRF or NEXIM, shall cause the Irrevocable Transfer Order given by the PB to be invoked by CBN. The Promissory Note shall then be marked "Cancelled" and returned to the beneficiary Participating Bank.

10.0 Other Aspects of the RRF

10.1 Security

Under the Rediscounting and Refinancing Facility (RRF), NEXIM shall have full recourse to the Participating Banks who are primary obligors. Participating Banks are therefore expected to fully secure their lending.

10.2 Penalties / Sanctions

- (a) If an exporter benefits from either the Rediscounting or Refinancing Facility but fails to perform the export order both the company and its directors shall be blacklisted for one year.

- (b) Where there is an infraction by the Participating Bank under any of the facilities, it shall be blacklisted for one year and the facility shall be recalled immediately.
- (c) In addition to Items (a) and (b) above, additional charges equivalent to the PB's spread shall be charged to the account of the defaulting Participating Bank.

In the context of the above, an infraction is defined to include, but not limited to:

1. False declaration
2. Falsification of documents
3. Deliberate breach of the provisions of this Guideline
4. And the issuance of bills that are irregular and therefore delay repayments to NEXIM.

Notwithstanding the penalties prescribed above, NEXIM reserves the right to recall any of these facilities if it finds out that:

- (a) Funds were not disbursed to the exporter
- (b) Funds have been diverted by beneficiary exporters
- (c) There were incidences of Non-Repatriation / Repatriation status has been falsified.

11.0 Effective Date and Review of Guidelines

These guidelines supersede the earlier RRF guidelines, and shall become effective 13 June 2016.

12.0 These Guidelines are subject to review and amendment by NEXIM to qualify and make clear the basis upon which such reviews and amendments might be made.

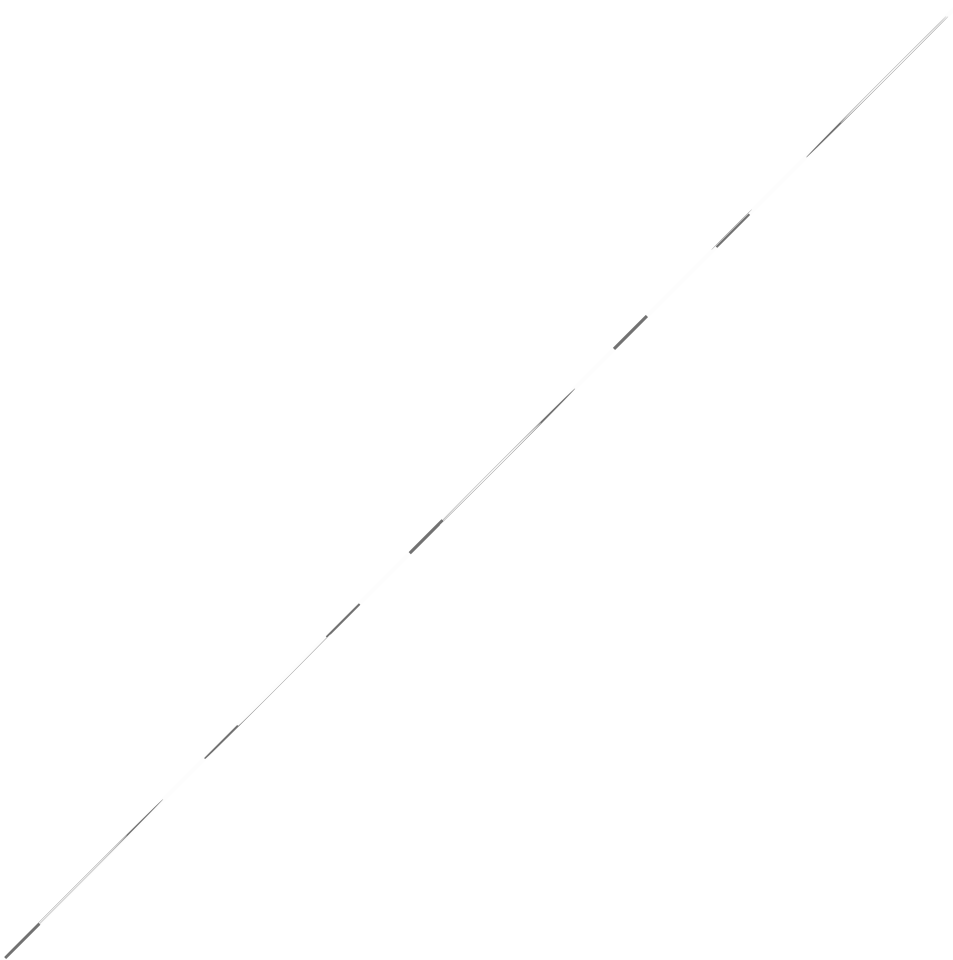
Nigerian Export – Import Bank (NEXIM)
NEXIM House, Central Business District,
Abuja

APPENDIX I

RETURN ON EXPORT FINANCE PORTFOLIO FOR THE MONTH OF 20

NAME OF BANK

.....
.....



FINANCIAL DOCUMENT

Name & Address of Exporter / Email	Name & Address of Consignee	Type(s) of Export	Quantity of Export Goods	Value of Exports	Mode of payment by consignee	Rate of Interest Discount	Loan Amount Sanctioned / Disbursed to Exporter

AUTHORISED SIGNATORY

AUTHORISED SIGNATORY

SUMMARY OF EXPORTS

CERTIFICATE

(Required for Refinancing Facility)

Date:

The Managing Director,
Nigerian Export-Import Bank,
NEXIM House,
Central Business District,
Abuja.

Dear Sir,

(Name of exporter)

We certify that the above exporter undertook the export transactions listed below and that the relative proceeds have been repatriated to Nigeria and/or awaiting repatriation in line with extant policy regulation of the Central Bank of Nigeria.

Yours faithfully,

Authorised Signatory

Authorised Signatory

**EXPORT BUSINESS UNDERTAKEN DURING THE IMMEDIATE PAST EIGHTEEN (18)
MONTHS FOR THE PERIOD**

NXP Form(s) No. & Date	Name & Address of Buyer	Product(s)		Invoice Value (US \$)	Amount Repatriated / Awaiting Repatriation (US \$)
		Description	Quantity (Tons)		

APPENDIX III

NIGERIAN EXPORT-IMPORT BANK

REDISCOUNTING AND REFINANCING FACILITIES (RRF)

CALCULATION OF PROCEEDS OF SUBSTITUTION BILL

PROCEEDS = (FACE VALUE) - FACE VALUE x RATE OF INTEREST x NO. OF DAYS

36500

PROCEEDS = FACE VALUE (1- RATE OF INTEREST x NO. OF DAYS)

36500

APPENDIX IV

ON LETTER HEADED PAPER OF NEXIM

Date:.....

The Managing Director,
.....
.....
.....

Dear Sir,

APPROVAL FOR RRF OF N.....

I write with reference to your application dated for Rediscounting and Refinancing Facility of N..... and wish to convey to you our approval of your request under the following terms and conditions.

- (a) Proceeds:
- (b) Tenor:.....
- (c) Rate:
- (d) Face Value:.....
- (e) Name of Exporter:

You are hereby requested to forward to us the relevant Promissory Note, Irrevocable Transfer Order and a duplicate copy of this approval letter to enable us fund your account under the RRF.

Please, note that the NEXIM reserves the right to alter/amend the aforementioned terms and conditions as and when warranted.

We are, by way of information, forwarding a copy of this approval letter to the exporter and you are therefore expected to extend the benefits of the RRF / show evidence of disbursement within two (2) days of funds transfer to your account, failing which we shall be constrained to recall the facility immediately and charge default rate for the default period.

Yours faithfully,

.....
Authorised Signatory

.....
Authorised Signatory

ACCEPTED FOR AND ON BEHALF OF

.....
Authorised Signatory

.....
Authorised Signatory

APPENDIX V

NO.....

'ORIGINAL'

XY Bank Limited Address

PROMISSORY NOTE

Amount N..... Date of Issue.....

The XY Bank Limited hereby promises to pay Nigerian Export-Import Bank, Lagos, the sum of

N.....

(Amount in words)

.....on the

day of20 Being the due date fixed by this promissory note the value of which includes the sum received by the XY Bank Limited and the interest thereon which is determined in accordance with the revised Guidelines for operating the Export Credit Rediscounting and Refinancing Facility (RRF) of 1st June, 1998 subject to and in accordance with the set conditions.

In WITNESS whereof the XY Bank limited has caused this note to be signed on its behalf by:

1. Authorised Signature

Name

Position/Status

2. Authorised Signature

Name

Position/Status

APPENDIX VI

NAME ON LETTER HEADING OF BANK

The Director,
XXXXXXXXXXXXXXXXXXXX
Central Bank of Nigeria,
Abuja.

Dear Sir,

IRREVOCABLE TRANSFER ORDER - (NAME OF COMPANY)

Please debit our account No..... with you, onwith

(A/c No)

(Date)

the

sum

of

N.....(.....

.....)

And credit

NEXIM RRF Current Account No. 0000000000000000 with the sum of

N.....

(.....)

(in words)

The amount represents the RRF Advance of

N..... granted on

with interest of N.....

(date)

at% per annum for days.

Copies of the advice confirming transfer should be sent to us and NEXIM.

Yours faithfully,

.....
Authorised Signatory

.....
Authorised Signatory

SPECIAL INSTRUCTION

In the event of our failure to disburse our funds to the client, the bank has our mandate to invoke the ITO prematurely and recall her funds at the prevailing default interest rate.

.....
Authorised Signatory

.....
Authorised Signatory

APPENDIX VII

NIGERIA EXPORT-IMPORT BANK

EXPORT CREDIT REDISCOUNTING AND REFINANCING FACILITY (RRF)

OPERATIONAL STAGES

Stage 1

- (a) Participating Bank applies to NEXIM for participation under the RRF (Usually once an export year)
- (b) NEXIM reviews request / latest audited accounts assigns Exposure Limit.

Stage 2

- (a) Participating Bank applies to discount bills / refinance export credit (100% of eligible export credit is re-financeable)
- (b) NEXIM advises approval of application to bank.

Stage 3

- (a) Participating Bank submits accepted offer letter and supporting documents to NEXIM
- (b) NEXIM advises CBN to credit Participating Bank's Account
- (c) Participating Bank advised on Credit

Stage 4

- (a) Participating Bank informs beneficiary client of RRF availment / funds exporter
- (b) Participating Bank renders periodic returns
- (c) Participating Bank repays
- (d) NEXIM cancels debt instruments and returns to Participating Bank

Appendix VIII

**RETURN ON EXPORTS AND FOREIGN EXCHANGE EARNINGS FROM THE REFINANCING AND REDISCOUNTING
FACILITY (RRF) FOR EXPORTS**

FOR THE MONTH 20.....

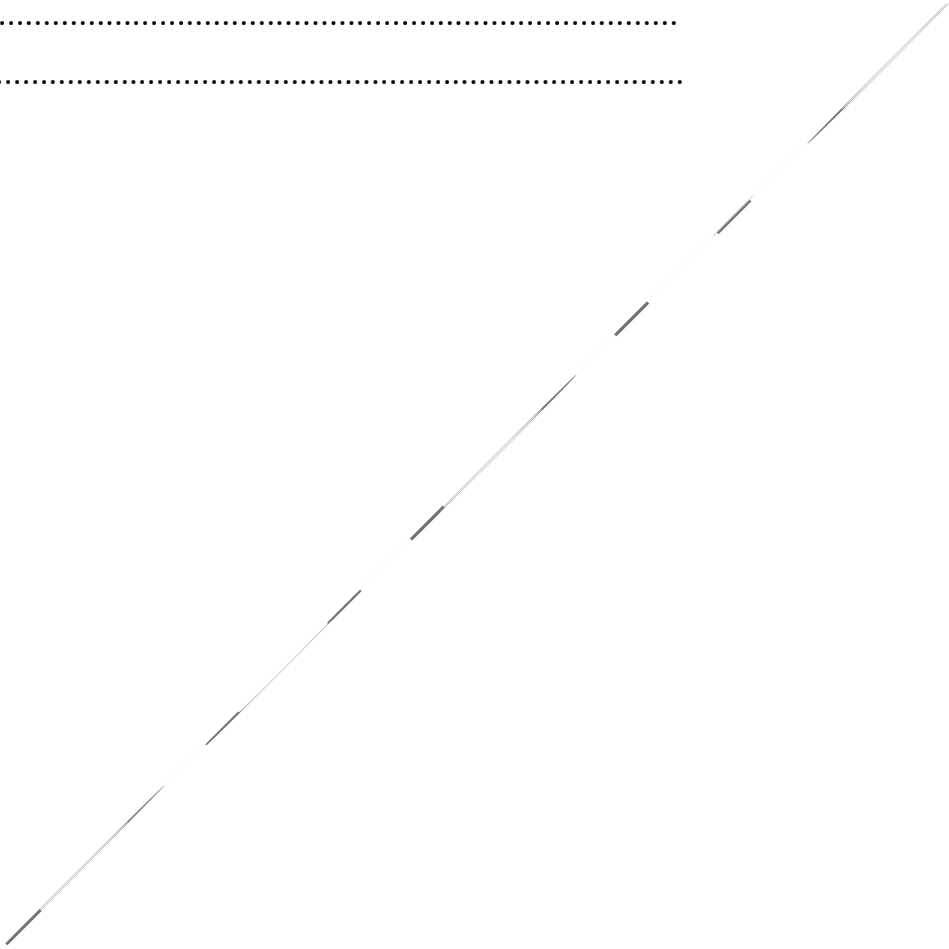
NAME OF BANK:.....

1	2	3	4	5	6	7	8	9	10	11
No.	Name/ Address of Exporter	Name/ Address of Consignee	Type of Export	Term/s of payment	Contract No/Date & Other Terms (i) Qty. (ii) Value	Amounts Rediscounted/ Refinanced by NEXIM & Dates	Qty. of Export Shipped	Facility Granted & Dates	Amounts Earned/ Repatriated & Dates (Attach Evidence)	Remarks

--	--	--	--	--	--	--	--	--	--	--

ADDRESS:.....

.....





CENTRAL BANK OF NIGERIA

NON-OIL EXPORT STIMULATION FACILITY (ESF)

OPERATING GUIDELINES

June, 2016

1.0 Introduction

The Non-Oil Export Stimulation Facility (ESF) was established by the Central Bank of Nigeria (CBN) to diversify the economy away from oil and to expedite the growth and development of the non-oil export sector. The recent fall in global prices of crude oil triggered a sharp decline in the country's revenue and foreign exchange earnings.

The facility is essentially designed to redress the declining export credit and reposition the sector to increase its contribution to revenue generation and economic development. It will improve export financing, increase access of exporters to low interest credit and offer additional opportunities for them to upscale and expand their businesses in addition to improving their competitiveness.

To implement the facility, CBN will invest in a N500 billion debenture to be issued by Nigerian Export-Import Bank (NEXIM) in line with section 31 of CBN Act. This Guideline describes and outlines the operational modalities of the ESF.

2.0 Objectives of the Facility

The objectives of the Facility are to:

- a) Improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets;
- b) Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports;
- c) Shore up non-oil export sector productivity and create more jobs;
- d) Support export oriented companies to upscale and expand their export operations as well as capabilities;
- e) Diversify and increase the level of contribution of non-oil exports revenue towards sustainable economic development; and
- f) Broaden the scope of export financing instruments.

3.0 Management of the Facility

The Nigerian Export – Import Bank (NEXIM) shall be the Managing Agent of the Non-Oil Export Stimulation Facility (ESF). It shall be responsible for the day-to-day administration of the Facility and rendition of periodic reports on the performance of ESF to CBN.

4.0 Eligibility Criteria

4.1 Eligible Borrowers/Beneficiaries

Only export-oriented enterprises shall be eligible under the ESF, such shall include be:

4.1.2 A company duly incorporated in Nigeria under Companies and Allied Matters Act (CAMA).

4.1.3 An Enterprise with verifiable export off-take contract(s).

4.1.4 An Enterprise with satisfactory credit reports from at least two Credit Bureaus in line with the provisions of CBN Circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.

4.1.5 Eligible Bank Asset (EBA) purchased by Asset Management Corporation of Nigeria (AMCON), that may be by special approval of the CBN Management, be

allowed to participate with respect to acquired projects of national economic importance, proven potentials to export, good prospects to attract new investors and ability to repay EBA obligations to AMCON.

The applications shall be in compliance with CBN circulars BSD/DIR/GEN/LAB/07/015 and BSD/DIR/GENLAB/07/034 on

“Prohibition of Loan Defaulters from Further Access to Credit Facilities in the Nigerian banking System” and **“Guidelines for Processing Requests from DMBs to Extend New/Additional Credit Facilities to Loan Defaulters and AMCON Obligors”** dated June 30, 2014 and October 10, 2014 respectively.

4.2 Eligible Transactions

Eligible transactions that shall qualify for funding under the ESF shall include:

- (i) Export of goods wholly or partly processed or manufactured in Nigeria;
- (ii) Export of commodities and services, which are permissible and excluded under existing export prohibition list
- (iii) Imports of plant & machinery, spare parts and packaging materials, required for export oriented production that cannot be produced locally;
- (iv) Export value chain support services such as transportation, warehousing and quality assurance infrastructure.
- (v) Resuscitation, expansion, modernization and technology upgrade of nonoil exports industries and;
- (vi) Stocking Facility/Working capital;

5.0 Participating Financial Institutions (PFIs)

The following shall be eligible to participate under the Facility:

- (i) Deposit Money Banks
- (ii) Development Finance Institutions (DFIs) except NEXIM

6.0 FEATURERES OF THE ESF

6.1 Lending Limit

- a) The Facility shall not exceed 70% of the total cost of the project or transaction subject to a maximum of five billion Naira

6.2 Tenor

The ESF shall have a tenor of up to 10 years and shall not exceed the 28th of December, 2025.

- a) Stocking facility shall be for a maximum tenor of one year with the option of roll-over not exceeding twice. However, this shall attract an additional fee of 0.25% per annum of the loan amount and is subject to approval of CBN.
- b) Working capital facility shall be for a maximum tenor of one year with the provision of roll-over not exceeding twice. However, this shall attract an additional fee of 0.25% per annum of the loan amount and is subject to approval of CBN.

6.3 Repayment

Repayments of principal components of loans and interest shall be quarterly.

6.4 Moratorium

- a) Moratorium shall be project specific and shall not exceed two (2) years.
- b) In case of construction, additional moratorium of up to twelve [12] months **may** be allowed. However, this shall attract an additional fee of 0.25% per annum of the loan amount.

6.5 Interest Rates

The Facility shall be availed at an "all-in" Interest rate, based on risk based pricing model as per CBN Circular BSD/DIR/GEN/CIR/04/015 of April 30, 2010 as follows:

- a) Facilities with a tenor of up to three (3) years, would be granted at a maximum all-in interest rate of seven and half percent (7.5%) per annum
- b) Facilities with tenor of over three (3) years, would be granted at a maximum all-in interest rate of nine percent (9%) per annum

Structure of Interest Computation under the ESF shall be as follows;

- a) Participating Financial Institutions – maximum spread of 6% per annum
- b) Managing Agent (NEXIM) – 1% per annum
- c) Central Bank of Nigeria (CBN) – 2% per annum

6.6 Interest during Project Implementation / Construction

Interest charges during implementation / construction phase of the project shall be dependent on the status and transactional structure of the projects. They shall be categorized as follows:

- a) **Capitalization of Interest** - interest accruable for capitalization during the moratorium period, which shall be added to the total facility, subject to the 70% limit on total cost of project.
- b) **Pre-funding of Interest** - interest payable during implementation and construction from a pre-funded Debt Service Account.

7.0 Application Procedures

7.1. Submission of Requests

A PFI is to submit request to NEXIM on its behalf or on behalf of other parties in the case of syndication or other arrangements, in the prescribed format.

In the case of syndication, NEXIM shall deal directly with the lead bank on all issues relating to such application.

7.2 Documentation Requirement

Each request for a facility is to be accompanied by the following documents:

- a) Written request from the project promoter to a PFI seeking funding under the ESF
- b) Completed Application Form
- c) Certified true copies of Documents on Business Incorporation
- d) Audited Statement of Accounts for the last three (3) years (where applicable)
- e) Most recent Management Account for existing Companies where the last audited account is not more than 3 months old
- f) Statement of Affairs for Start-ups (where applicable)
- g) Feasibility Study/Business Plan of the project
- h) Relevant Permits/Licenses/Approvals (where applicable)
- i) Verifiable Export Orders/Contracts or other Export Agreement & Arrangements/Commitments
- j) Environmental Impact Assessment (EIA) Report (where applicable)
- k) Any other document(s) that may be required by CBN and NEXIM

7.3 Processing of ESF Request

- a) NEXIM shall process all applications received to confirm the completeness of the documentation and eligibility.

- b) NEXIM shall appraise the applications and upon completeness of documentation provide its status report to the PFI within 20 working days of receipt.

7.4 Approval Process

All appraised applications by NEXIM shall be forwarded to the Central Bank of Nigeria for consideration and approval.

7.5 Collateral Requirement

PFI shall submit Irrevocable Standing Payment Order (ISPO) in respect of all projects approved under the scheme.

7.6 Participation Agreement

A participation agreement shall be signed between NEXIM and each PFI

8.0 Monitoring and Evaluation (M & E)

Monitoring and Evaluation of projects funded under the facility shall include:

- a) On-site and Off-site verification and routine monitoring of projects under the facility by CBN, NEXIM and PFIs during the loan period
- b) Provision to all concerned parties with the report of monitoring exercise
- c) Periodic evaluation of the activities of all participating Financial Institutions and beneficiary projects to ensure adherence to the objectives of the facility

9.0 Roles and Responsibilities of Stakeholders:

The roles and responsibilities of stakeholders under the scheme shall be as follows:

9.1 The Central Bank of Nigeria (CBN)

The CBN shall:

- a) Issue the operating guidelines for the Facility;
- b) Invest in the Debenture issued by NEXIM for the purpose of the scheme;
- c) Determine the lending limits and applicable rates; and
- d) Review the facility guidelines as may be deemed necessary from time to time

9.2 Nigerian Export – Import Bank (NEXIM)

The Nigerian Export – Import Bank shall:

- a) Act as the Managing Agent of the Facility and assess/review projects to confirm eligibility and viability
- b) Provide appropriate institutional arrangement for the processing of applications, disbursement, utilization, monitoring and recovering the loans granted under the Facility
- c) Facilitate capacity building of stakeholders under the scheme.
- d) Render periodic returns on the performance of each loan availed under the Facility (in prescribed formats as may be specified by CBN); and
- e) Recommend amendments to operating guidelines (when necessary)

9.3 The Participating Financial Institutions (PFIs)

The PFIs shall:

- a) Present reviewed requests of applicants to NEXIM under the Facility based on normal business considerations and lending principles;
- b) Ensure timely disbursement of availed funds to approved projects at the specified rates
- c) Render periodic returns in prescribed formats as may be specified by the
- d) CBN and NEXIM from time to time;
- e) Monitor and report project implementation / operations during the loan period; and

- f) Comply with the operating guidelines of the Facility
- g) Bear the credit risk on loans availed to beneficiaries under the ESF

9.4 Borrower/Beneficiary

The borrower/beneficiary shall;

- a) Utilize the funds for the purpose for which it was granted;
- b) Adhere strictly to the terms and conditions of the loan and comply with all relevant laws, regulations, etc., necessary to the continued operation of its business;
- c) Make the project sites (s) and its operational records available for inspection and verification by the officials of PFI, CBN and NEXIM;
- d) Provide periodic reports on the status of the project in prescribed format as well as periodic financial statements in line with extant company registration regulations
- e) Comply with the operating guidelines of the Facility; and
- f) Repay maturing loan obligations in line with approved repayment schedule

10.0 Infractions and Sanctions

10.1 Penalty for Defaults

- a) In the event of default in loan repayment of principal and/or interest by the borrower, the PFIs shall have the right to charge its prevailing interest rate on the amount in default.
- b) In the event of diversion of funds by the PFI, the amount diverted shall be recovered by NEXIM and the PFI shall be barred from further participation under the facility and access to official foreign exchange window.
- c) Failure of PFI to disburse funds within 3 working days of receipt to the borrower shall attract a penal charge of MPR + 300 basis points for the period that funds were not disbursed, and
- d) Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by BOFIA Act Section 60;

11.0 Discontinuation of the Facility

All undisbursed funds, repaid amounts or discontinued facility shall be reported and funds returned to CBN within 5 working days giving details of the facility and reasons for discontinuation.

12.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN. The Amendment would not have retroactive effect.

All enquiries and returns should be addressed to:

The Director

Development Finance Department
Central Bank of Nigeria
Corporate Headquarters Central Business District Abuja,
Nigeria.
Tel.: +234-09-46238600



CENTRAL BANK OF NIGERIA

REAL SECTOR SUPPORT FACILITY (RSSF)

REVISED GUIDELINES

1. Introduction

The Central Bank of Nigeria, as part of efforts to stimulate output growth, enhance value addition and engender productivity in the economy established the Real Sector Support Facility (RSSF). The Facility will be channeled towards increasing credit to priority sectors of the economy with sufficient employment capabilities, high growth potentials, increase accretion to foreign reserves, expand the industrial base and consequently diversify the economy. The RSSF will be used to support start-ups and expansion financing needs of enterprises.

2. Objectives of the Facility

The objectives of the Facility include:

- i. Improve access to finance by the agricultural value chain, manufacturing, mining, solid minerals activities and other strategic sub-sectors of the Nigerian economy.
- ii. Increase output, create jobs, diversify the economy, increase accretion to foreign reserves and provide inputs for the industrial sector on a sustainable basis.

3. Activities to be covered under the Facility

The activities to be covered under the Facility are new and expansion projects in the real sector.

- (a) Trading activities shall not be accommodated under this Facility.
- (b) Priority will be given to projects with high local content, import substitution, foreign exchange earnings and huge potentials for job creation.

4. Type of Facilities

- i. Term loan
- ii. Working capital

5. Loan Tenor

- i. Loans shall have a maximum tenor of 10 years depending on the complexity of the project. Each project tenor shall be determined in relation to its cash flow and life of the underlying collateral.
- ii. Working capital facility of 1 year with a maximum roll over of 1 year subject to approval.

- iii. The Facility allows for moratorium of 1 year in the loan repayment schedule.

6. Modalities of the Facility

- i. Interest Rate - The Facility shall be administered at an all-in interest rate/charge of 9 per cent per annum payable on quarterly basis.
- ii. Draw down will be subject to banks contribution to the Special Intervention Reserve (SIR) with the CBN.
- iii. The CBN shall release the fund to DMBs at 1% interest rate.

7. Repayment

Repayments under this facility shall be amortized and quarterly principal repayments shall be remitted to the Special Intervention Reserve (SIR) Account domiciled in the CBN.

8. Eligibility Criteria for Participation in the Facility

8.1 Participating Financial Institutions (PFIs)

Only contributing Deposit Money Banks will be eligible as PFIs under this Facility.

8.2 Borrower

A borrower shall be an entity registered in Nigeria under the Companies and Allied Matters Act of 1990 to be eligible to borrow from the Facility.

9. Mechanism for the Facility

- i. Lending banks shall receive, process, approve and forward requests for the facility from their customers to the CBN.
- ii. Each request must be accompanied with the following documents:
 - a. Business plan which should state expressly, the financing plan, economic benefits, environmental impact assessment report, etc.
 - b. Audited Accounts (3 years) for existing company.
 - c. Statement of Affairs for startups and companies with less than 3 years of existence.
 - d. Copies of duly executed offer documents between the bank and the loan applicants.
 - e. Certificate of Incorporation
 - f. Brief on directors
 - g. At least two (2) Credit Report of the company and directors
 - h. Proposed schedule of fund disbursement.
- iii. Within 5 working days of the receipt of the banks' requests, Central Bank of Nigeria shall inform the banks of the status of their request.
- iv. Upon disbursement of the Fund by CBN, the lending bank shall within 5 working days disburse the approved limit according to the proposed disbursement schedule.

10. Verification/Monitoring of Projects

- i. Projects under the Facility shall be subject to verification by the CBN. Acceptance or rejection of an application for the facility shall be communicated to the PFIs and the borrower within 5 working days after verification.

- ii. Central Bank of Nigeria reserves the right to reject an application from any lending bank that does not meet the requirements of the Guidelines.
- iii. The Project shall be monitored and impact evaluation conducted by the CBN periodically.

11. Management of the Facility

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the management of the Facility.

12. Responsibilities of Stakeholders:

For the effective implementation of the Facility, the responsibilities of the stakeholders shall include:

12.1 Central Bank of Nigeria

The Central Bank of Nigeria shall:

- i. Articulate clear Guidelines for the implementation of the Facility
- ii. Determine the limits.
- iii. Carry out verification and monitor projects financed.
- iv. Conduct impact evaluation.
- iv. Generate periodic reports on its performance.
- v. Sensitize stakeholders
- vi. Review the Guidelines as may be necessary from time to time

12.2 Deposit Money Banks (DMBs) The DMBs shall:

- i. Appraise and approve requests under the Facility based on normal business consideration and due diligence.
- ii. Forward such approved requests to CBN for verification and final approval.
- iii. Consider the grant of credit **ONLY** to real sector projects at an interest rate of 9% per annum all inclusive.
- iv. Monitor the Projects during the loan period.
- v. Render periodic returns as may be specified by the CBN from time to time
- vi. Comply with the Guidelines of the Facility

12.3 Borrower

The borrower shall:

- i. Adhere strictly to the terms and conditions of the Facility.
- ii. Utilize the funds for the purpose for which it was granted.
- iii. Make the Project and records available for inspection/verification by the CBN.
- iv. Comply with the Guidelines.

13. Discontinuation of a Credit Facility

Whenever a loan is repaid or the Facility is otherwise discontinued, the lending bank shall return the fund to the SIR Account in the CBN within 3 working days, providing the details of the credit Facility.

14. Infractions

The following among others shall constitute infractions under the Guidelines:

- i. Loan diversion
- ii. Delay in disbursement to beneficiaries
- iii. Delay in remittance of quarterly repayments.

- (a) For items (i) to (iii) above, penalty shall be Monetary Policy Rate (MPR) plus 2 per cent of the amount outstanding.
- (b) In cases of two (2) quarterly defaults by the beneficiary, the lending bank shall be liable to pay back the amount outstanding within two (2) weeks, failing which the CBN shall debit the lending bank.

15. Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

16. Enquiries and Returns

All enquiries and returns should be addressed to:

Director,
Development Finance Department,
Central Bank of Nigeria, Corporate
Headquarters Central Business District, Abuja.
Telephone No: 234-09-46238600

**Development Finance
Department Central Bank
of Nigeria, Abuja.**

January, 2016



CENTRAL BANK OF NIGERIA

YOUTH ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (YEDP)

GUIDELINES

Introduction

The Central Bank of Nigeria, as part of its efforts to deepen credit delivery to address the challenges of unemployment, promote entrepreneurial spirits among Nigerian youths and enhance the spread of small and medium enterprises established the Youth Entrepreneurship Development Programme (YEDP). The programme is aimed at harnessing the latent entrepreneurial spirit of the teeming youths by providing timely and affordable finance to implement their business ideas. This will provide a sustainable mechanism to stimulate employment, contribute to non-oil Gross Domestic Product (GDP) and address the challenge of youth restiveness.

Objectives of the Facility

The objectives of the Programme are to:

- i. Harness the entrepreneurial skills and innovative capacities of youths;
- ii. Improve access to finance for youth entrepreneurs using a well-structured business model;
- iii. Stimulate flow of finance to startup enterprises;
- iv. Encourage job creation;
- v. Increase the contribution of the non-oil sector to the GDP; and
- vi. Promote diversification of the economy.

Eligible Activities

Activities to be covered are startup and expansion projects for young graduates and non-graduates in the following sub-sectors:

- i. Agricultural Value Chain (fish farming, poultry, snail farming, etc.).
- ii. Cottage Industry.
- iii. Mining and Solid minerals.
- iv. Creative Industry (Tourism, Arts and Crafts).
- v. Information and Communications Technology (ICT).
- vi. Any other activity that may be determined by the CBN from time to time.

Note: Trading activities are not permitted under this programme. Priority will, however, be given to entrepreneurial activities with high potentials for job creation.

Type of Facilities

- i. Term loan
- ii. Working capital

Note: This facility shall not be used for the refinancing of projects.

Loan Tenor

- i. Loans shall have a maximum tenor of 36 months depending on the complexity of the project. Tenor of each project shall be determined in relation to its cash flow.
- ii. Working capital facility of 12 months with a maximum roll over of 12 months subject to approval.
- iii. The programme allows for moratorium of 3 months in the loan repayment schedule and qualified projects for moratorium shall be determined on case by case basis.

Modalities of the Programme

- i. Loan Amount shall be ₦3 million maximum for a single obligor and ₦10 million for group projects jointly owned by 3-5 qualified beneficiaries.
- ii. Interest Rate - lending banks shall access the fund at 2% from the CBN and on-lend at a maximum rate of 9% per annum, all charges inclusive.
- iii. Funding shall come from the Micro Small and Medium Enterprises Development Fund (MSMEDF).
- iv. NYSC Discharge Certificate shall be the collateral from beneficiaries.
- v. Verified certificates of tertiary institutions shall be taken as additional collateral for graduate beneficiaries.
- vi. Artisans will use their School Leaving Certificate or Technical Certificate or approved Proficiency Certificate from National Board for Technical Education (NBTE).
- vii. Third party guarantors will also be provided as additional collateral.
- viii. Lending bank shall obtain at least one credit report on promoter(s) for all projects.
- ix. Cost of training for beneficiaries will be shared between the CBN and the lending bank in a ratio of 50:50 or any other agreed ratio.
- x. Risk sharing on startups will be at 50:50 between the CBN and the lending bank as an incentive to banks to support startups and youth entrepreneurs.
- xi. Disbursement shall be in tranches and attached to project/ equipment financing to minimize fund diversion by beneficiaries.

- xii. All movable collaterals used to secure the loan shall be registered on the National Collateral Registry (NCR) by the lending bank.
- xiii. Within two weeks of repayment of loan, the lending bank shall discharge all registered movable collaterals on the National Collateral Registry and notify the customer accordingly.

Repayment

Repayments shall be amortized and monthly principal and interest repayments shall be remitted by the lending bank to the CBN.

Eligibility Criteria for Participation in the Programme

Intended Beneficiaries

- i. A 50:50 share between members of the National Youth Service Corps (NYSC) and Non-NYSC members (not more than 5 years post-NYSC).
- ii. iArtisans

Borrower

A borrower shall meet the following criteria to be eligible:

- i. Be between 18 and 34 years of age.
- ii. Be a NYSC member or non-NYSC member (but not more than 5 years post-NYSC).
- iii. Possess a verifiable tertiary institution certificate.
- iv. Artisans shall possess School Leaving Certificate or Technical Certificate or approved Proficiency Certificate from NBTE (whichever is applicable).

Mechanism for the Programme

- i. Programme is an equal opportunity intervention in all respects - geo-political zone, gender, (dis)ability, etc.
- ii. Applicants will be pre-qualified by the lending bank using an on-line portal.
- iii. Pre-qualified applicants will undergo training before they can access the facility. Training will be handled by the CBN Entrepreneurship Development Centers (EDCs).
- iv. Pre-qualified applicants will submit their business proposal(s) to the lending bank for appraisal.
- v. Successful applicants will submit their loan applications in prescribed format to the lending bank.
- vi. Lending banks shall receive, process, approve and forward requests for the facility from successful applicants to the CBN.

- vii. The pre-qualification and appraisal process by the lending bank shall not exceed 15 days from the day of on-line submission of intent by prospective beneficiaries.
- viii. Each request must be accompanied with the following documents:
 - (a) Business plan which should state expressly, the financing plan, economic benefits, etc.
 - (b) Statement of Affairs for startups and companies with less than 3 years of existence (If applicable).
 - (c) Copies of duly executed offer documents between the bank and the loan applicants.
 - (d) Certificate of Incorporation or registration of Business Name.
 - (e) Brief on directors/ partners.
 - (f) At least one credit report of the promoter/ entrepreneur.
 - (g) Proposed schedule of fund disbursement and repayment.
 - (h) Evidence of third party guarantee acceptable to the lending bank.
- ix. Within 5 working days of the receipt of the banks' requests, the CBN shall inform the banks of the status of their request.
- x. Upon disbursement of the Fund by CBN, the lending bank shall within 5 working days disburse the approved limit according to the proposed disbursement schedule.

Verification/ Monitoring of Projects

- i. The CBN reserves the right to reject an application from any lending bank that does not meet the requirements of the Guidelines.
- ii. Projects shall be monitored by the Monitoring Team comprising of the CBN, NYSC and the lending bank.

Management of the Programme

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the management of the Programme.

Responsibilities of Stakeholders

For effective implementation of the programme, the responsibilities of the stakeholders shall include:

Central Bank of Nigeria (CBN)

The Central Bank of Nigeria shall:

- i. Articulate clear Guidelines for the implementation of the programme.

- ii. Determine the limits in accordance with the provisions of the MSMEDF Guidelines.
- iii. Provide logistic support for the training of pre-qualified applicants in collaboration with other stakeholders.
- iv. Approve and disburse loan requests from lending banks in favour of successful beneficiaries.
- v. Carry out verification and monitoring of projects financed.
- vi. Conduct impact evaluation in conjunction with the Monitoring Team and other relevant stakeholders.
- vii. Generate periodic reports on its performance.
- viii. Sensitize stakeholders and the public on the activities of the Scheme.
- ix. Facilitate review meeting of Stakeholders.
- x. Review the Guidelines as may be necessary from time to time.

Participating Financial Institutions (PFIs)

The PFIs shall:

- i. Develop a portal to facilitate on-line registration by prospective applicants for pre-qualification.
- ii. Facilitate a link between the portal and the website of the NYSC for authentication of the details of NYSC members.
- iii. Pre-qualify, appraise and screen business proposals of applicants as part of their due diligence.
- iv. Forward such approved requests to CBN for verification and approval.
- v. Carry out all relevant due diligence in the administration of the facility.
- vi. Obtain at least one credit report on promoter(s) for all projects.
- vii. Verify all certificates used as collateral for the facility.
- viii. Cost of training for pre-qualified applicants will be shared between the CBN and the lending bank at 50:50 or any other agreed ratio.
- ix. Grant credit **ONLY** to activities covered under these Guidelines at a maximum interest rate of 9% per annum all charges inclusive.
- x. Register all movable assets accepted or financed as collaterals for the loan with the National Collateral Registry (NCR).
- xi. Monitor the projects during the loan period.
- xii. Render periodic returns as may be specified by the CBN from time to time.

- xiii. Shall within 2 weeks of repayment, discharge all movable collaterals used to securitize the loan on the National Collateral Registry and notify the customer accordingly.
- xiv. Comply with the Guidelines of the Programme.

National Youth Service Corps (NYSC)

The NYSC shall:

- i. Authenticate the details of corps members using its on-line link with the lending bank.
- ii. Provide lien on the discharge certificates of corps members who will benefit from the programme.
- iii. Provide logistic support, that is, venue and accommodation for the training of applicants.

Borrower

The borrower shall:

- i. Register for pre-qualification with the lending bank using the on-line portal for the Programme
- ii. Submit business proposal and other documentation requirements.
- iii. Adhere strictly to the terms and conditions of the Facility.
- iv. Utilize the funds for the purpose for which it was granted.
- v. Make the project and records available for inspection/ verification and monitoring by the CBN and Monitoring Team.
- vi. Comply with the Guidelines.
- vii. Cover their transportation cost for the training programme.

Discontinuation of a Credit Facility

- i. Whenever a loan is repaid or the facility is otherwise discontinued, the lending bank shall return the fund to the CBN.
- ii. The lending bank shall discharge the movable collaterals from the National Collateral Registry.

Infractions

The following, among others, shall constitute infractions of these Guidelines:

- iii. Delay in disbursement to beneficiaries
- iv. Delay in remittance of monthly repayments.

Note:

- (a) For items (i) and (ii) above, penalty shall be Monetary Policy Rate (MPR) plus 2 per cent of the amount outstanding.
- (b) In cases of three (3) monthly defaults by the beneficiary, the lending bank shall be liable to pay back 50% of the amount outstanding within two (2) weeks, failing which the CBN shall debit the lending bank.
- (c) Wherever a case of negligence is established against the lending bank, the CBN shall be at liberty to debit the bank with the remaining 50% of the outstanding amount.
- (d) Recoveries shall be shared in the ratio 50:50 by the CBN and the lending bank.

Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

Enquiries and Returns

All enquiries and returns should be addressed to:

Director,

Development Finance Department,

Central Bank of Nigeria,

Corporate Headquarters, Central Business District,

Abuja.

Telephone No: 234-09-46238600

**Development Finance Department
Central Bank of Nigeria, Abuja.**

February 29, 2016

**Micro, Small and Medium Enterprises Development Fund
(MSMEDF) Guidelines**

Development Finance Department Central Bank of Nigeria

(Revised – November, 2015)

CHAPTER ONE

1.0 ESTABLISHMENT OF THE FUND

As part of its developmental role and mandate of promoting a sound financial system, the Central Bank of Nigeria (CBN) launched the Micro, Small and Medium Enterprises Development Fund (MSMEDF) on August 15, 2013. This was in recognition of the significant contributions of the Micro, Small and Medium Enterprises (MSME) sub-sector to the economy.

The sub-sector is characterized by huge financing gap which hinders the development of MSMEs. Section 6.10 of the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, stipulates that 'a Microfinance Development Fund shall be set up, primarily to provide for the wholesale funding requirements of MFBs/MFIs'. To fulfil the provisions of Section 4.2 (iv) of the Policy, which stipulates that women's access to financial services to increase by at least 15 per cent annually to eliminate gender disparity, 60 per cent of the Fund has been earmarked for providing financial services to women.

This informed the decision of the Central Bank of Nigeria to establish the Micro, Small and Medium Enterprises Development Fund (MSMEDF). The Fund prescribes 50:50 ratio for on-lending to micro enterprises and SMEs respectively by Participating Financial Institutions (PFIs).

In addition, 2% of the wholesale component of the Fund shall go to economically active persons living with disabilities (PLWD) and 10% provided for start-up businesses.

1.1 Seed Capital

The Fund shall have a take-off seed capital of N220billion.

1.2 Objective

The broad objective of the Fund is to channel low interest funds to the MSME sub-sector of the Nigerian economy through Participating Financial Institutions (PFIs) to:

- Enhance access by MSMEs to financial services;
- Increase productivity and output of microenterprises;
- Create jobs; and
- Engender inclusive growth.

1.3 Components of the Fund

The Fund shall have Commercial and Developmental components.

1.4 Commercial Component

The Commercial Component shall constitute 90 per cent of the Fund which shall be disbursed in the form of Wholesale Funding to PFIs in the following ratio:

- 60% of the Fund: Women
- 40% of the Fund: Others

Objectives of Wholesale Funding are to:

- a) Provide facilities to eligible PFIs for on-lending to MSMEs;
- b) Improve the capacity of the PFIs to meet credit needs of MSMEs; and
- c) Reduce the cost of funds to the PFIs and ensure that this translates to reduction in cost of lending.

1.5 Developmental Component

The Developmental Component makes up the remaining 10 per cent of the Fund. It shall be earmarked for developmental programmes in form of Grants.

1.5.1 Grant

The 10% Grant shall be utilized for the general development of the MSME sub-sector in the following areas:

- a) Capacity building
- b) Development of appropriate regulatory regime for MSMEs lending
- c) Financial literacy and entrepreneurship development
- d) Mobilization, training and linkage of MSMEs to financial services
- e) Research and Development of MSMEs-friendly financial innovations and products
- f) Business Development and Advisory Services
- g) Building of financial infrastructure to support the growth of MSMEs

It shall also serve as incentive targeted at PFIs that demonstrate good performance under the Fund. The grant will position such institutions with improved capacity to expand their outreach.

In order to qualify for the grant, PFIs shall be considered based on their outreach, loan repayment and percentage of women enterprises financed. In applying for the grant, a PFI shall submit clearly defined project(s) including sources of funding. A PFI shall be allowed to access the grant window up to a maximum of 25% of the project cost and at the discretion of the CBN once in three years.

Other uses of the Grant sub-component include supporting internship programme, secondment, mentoring and registration with Mix Market, rating agencies, credit bureau and movable asset registry.

The Fund shall review all proposals taking into account the capacity, organization and the proposed programs of all applicants before they are considered for the Grant. Priority shall be accorded to PFIs based in the rural areas to promote financial inclusion.

In addition, special consideration shall be given to PFIs that have signed Memorandum of Understanding (MoU) with the Central Bank of Nigeria's Entrepreneurship Development Centers (EDCs) to provide access to credit to their graduate trainees.

1.5.2 Selection Criteria

- a) PFIs shall submit request to the Fund in a format prescribed by the CBN.
- b) Applications shall be processed on receipt of complete documentation.
- c) The CBN shall communicate the terms and conditions for the approved Grant within one month of submission.

1.6 Management and Administration of the Fund

The Fund shall have a Steering Committee chaired by the Governor, Central Bank of Nigeria. Other members shall include:

1. Deputy Governor, Financial Systems Stability, CBN and Representatives of:
2. Federal Ministry of Finance Incorporated (MoFI)
3. Federal Ministry of Agriculture and Rural Development (FMA&RD)
4. Nigeria Deposit Insurance Corporation (NDIC)
5. National Association of Microfinance Banks (NAMB)
6. Association of Non-Bank Microfinance Institutions of Nigeria (ANMFIN)
7. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
8. Banker's Committee
9. Ministry of Women Affairs and Social Development (MWA&SD)
10. Director, Development Finance Department of CBN
11. Head, MSME Development Fund Office, Development Finance Department, CBN (Secretary)

The CBN shall continue to manage the Fund until a Managing Agent is appointed.

1.7 Eligible Enterprises

In line with the provisions of the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, enterprises to be funded under the Scheme shall include:

- a) Micro Enterprises
- b) Small and Medium Enterprises (SMEs)

The following are eligible activities under the Fund:

Microenterprises

- Agricultural value chain
- Cottage Industries
- Artisans
- Services
- Renewable energy/energy efficient product and technologies
- Trade and general commerce

- Other economic activities as may be prescribed by the CBN

Note:

- Only 10% of the Commercial component of the Fund shall be channeled to trade and general commerce.
- Nigerian Agricultural Insurance Corporation (NAIC) Insurance is compulsory for primary agricultural production

Small & Medium Enterprises (SMEs)

- Manufacturing
- Agricultural value chain activities
- Services
- Renewable energy, energy efficient product and Technologies
- Other economic activities as may be prescribed by the CBN

Note: Refinancing under this programme is strictly prohibited.

1.8 Special Economic Programmes

Special schemes or programmes on economic empowerment and grassroots development shall be eligible to access the Fund through PFIs

CHAPTER TWO

2.0 ELIGIBILITY AND TERMS FOR PARTICIPATION

The PFIs that can participate under the fund shall include all Microfinance Banks, Non-Governmental Organizations-Microfinance Institutions (NGO-MFIs), Financial Cooperatives Finance Companies, Development Finance Institutions and Deposit Money Banks. The Bank of Industry (BoI) and Deposit Money Banks (DMBs) shall participate only under the SMEs window.

2.1 Microfinance Banks & Finance Companies

For a microfinance bank or finance company to be eligible for wholesale funding, it shall submit the following documents with its application:

- a) Latest CBN or NDIC Examination Report
- b) Current Audited or Management Accounts
- c) Certificate of Incorporation or Registration
- d) Board Resolution or Trustee consent to access the Fund
- e) Membership of Apex Association
- f) Any other requirement stipulated by the CBN.

2.2 Microfinance Institutions (NGO-MFIs and Financial Cooperatives)

- a) Registration with Corporate Affairs Commission (CAC) or Relevant Ministries, Departments and Agencies (MDAs) of States/FCT.
- b) Board Resolution or Trustee consent to access the Fund

- c) Corporate, Trustee and Management profile
- d) Financial asset of the institution or the third party guarantor
- e) Twelve (12) months Statement of Account
- f) Current Audited Account or Management Account
- g) Membership of the Apex Association
- h) Any other requirement as stipulated by the CBN from time to time.

2.3 Other Requirements for Borrowing by PFIs (Excluding DMBs & DFIs)

All applications shall be accompanied with the following documents:

- a) Completed Application Form
- b) List of prospective borrowers (showing the loan amount, purpose of the loan, contact addresses, telephone numbers and gender)
- c) Evidence of submission of names of borrowers to licensed Credit Bureaux for credit check
- d) Letter authorizing CBN to debit PFIs account with correspondent bank for the recovery of principal and interest in case of default.

2.4 Deposit Money Banks (DMBs)/Development Finance Institutions (DFIs)

A DMB/DFI to be eligible to access the Fund shall satisfy the following conditions:

- a) Sign MOU with the CBN.
- b) Report of due diligence on the project
- c) Undertake to bear all the credit risks of the loans they shall be granting.

2.5 Obligor Limit per Cycle

The maximum loan amount to Microfinance Banks and Finance Companies per cycle for lending shall be as indicated in the table below or 50% of its Shareholder's Fund unimpaired by losses whichever is higher.

a) PFIs

S/No.	Financial Institution	Facility Limit
1	Unit Microfinance Bank	N10 million
2	State Microfinance Bank	N50 million
3	National Microfinance Bank	N500 million
4	NGO-MFIs	N10 million
5	Financial Cooperatives	N10 million
6	Finance Companies	N10 million

NGO-MFIs/Financial Cooperatives with proven track record of performance (i.e. good loan recovery rates) shall be eligible to a limit of 50% of their capital as indicated in their latest audited accounts and financial statements.

b) Borrowers

The structure and limits of loans to beneficiaries of PFIs are as shown in the table below:

S/No.	Enterprise		Maximum Loan Limit (N)
1	Micro	50	500,000
2	SMEs (Financed by MFBs and FCs)	50	5,000,000
3	SMEs (Financed by DMBs and DFIs)		50,000,000

2.6 Loan Tenor

The facility shall have a maximum tenor of one (1) year for micro enterprises. Loan tenor for SMEs shall be from one (1) to five (5) years with the option of moratorium as may be deemed necessary. PFIs shall access the fund upon full repayment of the outstanding.

2.7 Loan Repayment

Principal and Interest repayment for micro and SME loans shall be annually.

2.8 Interest Rates

All PFIs shall access funds at an interest rate of 2% per annum and on-lend at 9% per annum inclusive of all charges.

The interest rate chargeable under the MSMEDF may be reviewed by the Central Bank of Nigeria from time to time.

2.9 (a) Acceptable Collateral from PFIs (excluding DMBs and DFIs)

Collateral requirement under the Fund shall be a minimum of 30% of the loan amount requested.

Any of the following collateral shall be accepted as security for loans to PFIs:

- (i) Financial Assets including Treasury Bills, Placements, Bonds, etc.
- (ii) Third Party Guarantee backed by financial assets.

However, collateral shall be waived for Microfinance Banks with PAR of 10% and below as indicated in their latest CBN/NDIC Examination Report.

2.9(b) Collateral Requirement for DMBs

Signed MoU with CBN and undertake to bear all credit risks for projects presented.

2.10 Start-ups

PFI are required to fund start-up projects under the MSMEDF. To encourage DMBs and DFIs, some incentives shall apply (see Section 3.0).

PFI are expected to accept charge on fixed and floating assets of the financed projects as collateral for start-ups.

Collateral requirement from start-ups by PFI (DMBs and DFIs) shall be educational certificates such as SSCE, National Diploma (ND), National Certificate of Education (NCE), National Business and Technical Examination Board (NABTEB), Higher National Diploma (HND), University degree (NYSC Certificate where applicable) and a guarantor. The start-ups to access the MSMEDF must present their Bank Verification Number (BVN)

Venture Capital Firms (VCFs) that wish to finance start-ups in form of equity participation shall be eligible to access the MSMEDF at 2% for investment in start-up projects. The collateral for such facility to the VCF shall be bank guarantee.

2.11 Monitoring and Evaluation (M&E)

A Monitoring & Evaluation (M&E) framework has been put in place to track the MSMEDF operations. The M&E framework includes the following:

- a) On-site verification and routine monitoring of projects under the Fund by the CBN and PFI during the loan period;
- b) Off-site ICT-based reporting system to provide up-to-date information on the Fund's activities;
- c) Make available reports of the monitoring exercise to the concerned PFI;
- d) Leverage on the capacities and information in monitoring and evaluation of relevant Apex Associations; and
- e) Periodic evaluation of the activities of all PFI to ensure achievement of the objectives of the Fund.

2.12 Discontinuation of the Facility

All undisbursed funds, repaid funds or discontinued facilities shall be reported and repatriated to the CBN within 5 working days.

CHAPTER THREE

3.0 INCENTIVES

Incentive shall be offered to PFIs that repay loans as at when due.

a) Start-Ups

(i) DMBs/DFIs playing in this space, shall access MSMEDF facility at 2% interest for on-lending at 9% (all-inclusive) to start-ups.

(ii) The PFIs shall qualify for a 50% risk sharing on the net outstanding balance in the case of default.

b) Other Incentives

Microfinance Banks with PAR of 10% and below shall be exempted from providing financial assets as collateral to access facility under the MSMEDF.

3.1 INFRACTIONS AND SANCTIONS

3.1.1 Sanctions for DMBs/DFIs

The following sanctions shall apply to DMBs/DFIs that contravene the Guidelines under the Fund.

a) Established cases of collusion with other PFIs to either divert monies into private accounts or unduly with-hold any part or outright conversion of the purpose of the released funds by DMBs under the MSMEDF shall attract a penalty at MPR+300 basis points at the time of infraction. The CBN shall recover the diverted fund by debiting the DMBs'/DFIs' account. In addition, such DMBs/DFIs shall be barred from further participation under the Fund.

b) Non-rendition of returns for three consecutive quarters or rendition of false returns, shall attract the penalty stipulated by BOFIA Section 60.

c) Charging of upfront interest rates under the Fund is not allowed.

d) Charging of interest rates higher than prescribed shall attract the penalty stipulated by BOFIA section 60.

e) Any DMB/DFI that fails to disburse the fund within 10 working days of receipt to the borrower shall be charged a penalty interest rate of MPR+300 basis points for the period the fund was not disbursed.

f) Any other breach of the Guidelines as may be specified from time to time.

g) Notwithstanding the agreement between the DMB/DFI and the project promoter, the CBN has the right to reject an application from any PFI that did not conform to requirements of the Guidelines.

3.1.2 Sanctions for Other PFIs

S/NO	INFRACTIONS	SANCTIONS
1	Diversion of funds to unauthorized activities	<ul style="list-style-type: none"> • Amount diverted shall be recovered by the CBN • Penal charge of the MPR+300 basis points on the amount diverted • Outright ban from participating under the Fund
2	Non rendition of returns	<ul style="list-style-type: none"> • Fine of 2.5% of the loan amount • Issuance of warning letter to the Management of the PFI • Failure to render returns for three consecutive months shall lead to recall of the outstanding loan amount and 1 year suspension from the Fund
3	False returns	<ul style="list-style-type: none"> • False returns shall attract a recall of the loan and two (2) years suspension from the Fund.
4	Non-compliance with 60% exposure of the loan amount to women entrepreneurs	<ul style="list-style-type: none"> • Issuance of warning letter to Management • Suspension of lending to other clients until the recommended ratio is complied with • Exclusion from the incentives under the Fund.
5	Charging of upfront fees/interests or interest rates higher than the prescribed	<ul style="list-style-type: none"> • Reversal of excess interest charged • Penal charge of the MPR+200 basis on the over charge • Issuance of warning letter to Management
6	Failure to disburse approved funds within 10 working days to the borrowers	<ul style="list-style-type: none"> • Penal charge of MPR + 300 basis points for DMBs/DFIs and maximum lending rate for other PFIs for the period the fund were not disbursed
7	Failure of Venture Capital Firm (VCF) to inject equity in the enterprise	<ul style="list-style-type: none"> • The fund shall be called up and the VCF will be blacklisted.

CHAPTER FOUR

4.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

4.1 Central Bank of Nigeria

- a) Provide the Seed Fund
- b) Act as Managing Agent (pending the appointment of one).
- c) Chair the Steering Committee
- d) Issue the MSMEDF Guidelines
- e) Set the borrowing limits and collateral requirements under the Fund
- f) Specify the rate at which PFIs on-lend under the Fund
- g) Provide regulatory and supervisory oversight
- h) Determine sanctions under the Fund
- i) Sanction PFIs in case of infractions
- j) Review the Guidelines of the Fund as may be necessary
- k) Monitor, Evaluate and Conduct impact assessment of the programme
- l) Invoke ISPO/ Bank Guarantee in case of default.

4.2 The Managing Agent (MA)

- a) Appraise applications from PFIs
- b) Release funds to qualified PFIs
- c) Verify/monitor projects
- d) Receive periodic returns from PFIs
- e) Ensure compliance with the Funds' Guideline and publish periodic report on its performance
- f) Make periodic report to relevant stakeholders
- g) Retrieve funds from PFIs at the expiration of the loan tenor or infractions on the Guidelines.
- h) Build capacity of stakeholders

4.3 Deposit Money Banks (DMBs) and Development Finance Institutions (DFIs)

- a) Serve as PFIs for State Governments to channel funds to SME borrowers under the MSMEDF.
- b) Act as correspondent banks to other PFIs
- c) Participate under the SME window (DMBs, BOA & BOI only)
- d) Access the fund for on-lending to eligible SMEs
- e) Bear the credit risk of loans accessed for on-lending under the Fund
- f) Ensure due diligence is followed in the administration of credit facilities
- g) Monitor and ensure proper utilization of the funds
- h) Lend under the Fund at the specified rate
- i) Submit to the CBN, Letter of offer by the bank and full details of the projects to be financed, disbursement schedule, repayment schedule, the Credit Risk Management System (CRMS) report of the borrower
- j) Render monthly returns under the Scheme to the Managing Agent and CBN in the prescribed reporting format.

4.4 Non-DMB /DFI Participating Financial Institutions (PFIs)

- a) Grant credit facilities to MSMEs
- b) Approve loan requests based on normal business consideration.
- c) Open dedicated account with their correspondent banks for this window and forward details of the account to the CBN
- d) Issue a letter authorizing the CBN to debit its account with the correspondent bank for recovery of outstanding principal and interest
- e) Disburse released funds to eligible borrowers within ten (10) working days
- f) Ensure that 60 per cent of the accessed fund is disbursed to women entrepreneurs.
- g) Put in place appropriate institutional arrangements for loan disbursement, monitoring and recovery.
- h) Obtain credit information on borrowers from the Credit Bureaux
- i) Report all disbursed loans to at least two (2) Credit Bureaux
- j) Render periodic returns on of all loans granted under the Fund
- k) Any other responsibility that may be required by the CBN

4.5 Federal Government (FG)

- a) Contribute to the Fund
- b) Support the Fund to achieve its objectives
- c) Serve on the Steering Committee

4.6 Development Partners

- a) Contribute to the Fund
- b) Provide technical assistance for the Fund's activities
- c) Promote and support the development of the MSME sub-sector

4.7 Apex Associations

- a) Register their members
- b) Provide information on their members to the Managing Agent/CBN periodically or as may be required.

4.8 Borrower

- a) Utilize the funds for the purpose for which it was granted.
- b) Adhere strictly to the terms and conditions of the Fund.
- c) Make the project and records available for inspection by the CBN and PFIs.
- d) Repay the loan as when due.

CHAPTER FIVE

STATE GOVERNMENTS' AND FEDERAL CAPITAL TERRITORY (FCT) PARTICIPATION UNDER THE FUND

5.0 Background

In recognition of State Governments/Federal Capital Territory (FCT) strategic role in grassroots economic development, the Fund considers them as a major partner in the development of the MSME sub-sector. They are allowed to participate through the nominated PFIs approved by the CBN in their respective jurisdictions.

5.1 Requirements

To participate in the Fund, a State Government/FCT shall satisfy the following conditions:

- a) Provide Resolution of the State House of Assembly authorizing the State to access the Fund.
- b) Establish a Micro Credit/MSME Special Purpose Vehicle (SPV) which shall coordinate the applications and activities of the PFIs under the Fund and also monitor disbursement and recovery of all loans.
- c) Provide a Bank Guarantee/Irrevocable Standing Payment Order (ISPO) equivalent to the amount requested including interest charges.
- d) Sign a Memorandum of Understanding (MoU) with the CBN.
- e) Make repayment to the CBN as and when due.
- f) Submit to the CBN, the States' empowerment programme for the utilization of the fund to be accessed.

5.2 Capacity Building

The State Government/FCT shall build capacity of borrowers through State-owned Skills Acquisition/Vocational Centres, CBN Entrepreneurship Development Centres (EDCs) or any such relevant agencies while the CBN shall do same for the PFIs.

5.3 Utilization of Fund

a) Limit per State/FCT

A State Government / FCT shall access a maximum of N2.0 billion.

b) Tenor

The facility shall have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs.

c) Interest Rate

The interest rate shall be at 2% per annum to the nominated PFIs for on-lending to borrowers at a maximum of 9% per annum, inclusive of all charges.

5.4 Participating Financial Institutions (PFIs)

The State Government/FCT shall participate in the Fund through any of these PFIs (government or privately owned) across the State:

- a) Microfinance Banks (MFBs)
- b) Non-Governmental Organization – Microfinance Institutions (NGO-MFIs)
- c) Accredited Financial Cooperatives
- d) Finance Companies

- e) Deposit Money Banks (DMBs)

5.5 State-Special Purpose Vehicle (S-SPV)

An entity established or nominated by a State Government for the sole purpose of coordinating the activities of the PFIs that shall access funds under the MSMEDF. A PFI is therefore not eligible to function as an S-SPV under the Fund.

5.6 Mode of Application

- a) The borrowers shall apply to the nominated PFIs for a facility.
- b) The PFIs shall appraise the applications for economic and financial viability.
- c) The PFIs shall forward their applications through the State SPV to the CBN in the prescribed format.
- d) CBN shall undertake a pre-disbursement assessment of loan request presented to it by the SPVs on behalf of the nominated PFIs.
- e) CBN shall approve and disburse funds directly to the PFIs' correspondent bank accounts.

5.7 Roles and Responsibilities of Stakeholders

5.7.1 Central Bank of Nigeria

- a) Articulate clear guidelines for the implementation of the Fund.
- b) Provide funds for the programme.
- c) Open a Repayment/Sinking Fund Account for the ISPO proceeds and the interest charges from the State Governments/FCT
- d) Build capacity of PFIs
- e) Release approved fund to the PFIs through their correspondent banks and advise them accordingly.
- f) Notify the State Government/FCT through the State-SPV of all disbursements made to the PFIs
- g) Monitor the implementation of the Fund and prepare periodic reports
- h) Receive returns from PFIs as may be specified
- i) Ensure compliance of all parties to the Guidelines.

5.7.2 State Government/FCT

- a) Provide the Resolution of State House of Assembly. In the case of FCT, the Executive Council Resolution shall be required.
- b) Establish a Micro Credit/MSME Special Purpose Vehicle (SPV) for the purpose of coordinating applications by PFIs for the Fund. The PFIs shall be responsible for the administration (disbursement and recovery) of the Fund.
- c) Provide a bank guarantee or Irrevocable Standing Payment Order (ISPO) signed by the State Governor, Commissioner for Finance and State Accountant General, for the loan amount plus interest charges and comply with terms and conditions of the MoU. In the case of FCT, the Honourable Minister and Director of Finance of FCT shall sign.
- d) Access the Fund on behalf of their nominated PFIs
- e) Submit acceptable empowerment programme for the utilization of the fund.
- f) Build capacity of borrowers through State-owned Skills Acquisition/ Vocational Centres, CBN Entrepreneurship Development Centres (EDCs) or any such relevant agencies.
- g) Establish a State Technical Committee which shall include relevant MDAs and the Development Finance Officers (DFOs) of the CBN Branch as members.

5.7.3 State Special Purpose Vehicle (S-SPV)

- a) Collate applications by approved PFIs and forward to the CBN
- b) Carry out quarterly monitoring of the PFIs under the Fund
- c) Render quarterly report on performance of the loans to the State Government and CBN.
- d) Build capacity of MSMEs

5.7.4 Participating Financial Institution (PFIs)

- a) On-lend funds to MSMEs
- b) Disburse funds to borrowers within ten (10) working days of receipt.
- c) Monitor funds utilization by borrowers
- d) Ensure repayment by borrowers
- e) Open dedicated account with their correspondent banks and forward details to the CBN

- f) Repay principal and the interest on the approved facility to the CBN as and when due
- g) Render periodic returns to CBN and State SPV
- h) Not be eligible to function as SPVs for State Governments under the Fund.

5.7.5 Deposit Money Banks (DMBs)

- a) Open a dedicated account for the nominated PFIs by the State.
- b) Release funds to the PFIs within 48 hours of receipt.
- c) Remit repayments by PFIs to CBN within 5 working days.

5.7.6 Borrowers

- a) Utilize the funds for the purpose for which it is granted and repay same as when due
- b) Make the project records available for verification and inspection by the PFIs and CBN;
- c) Adhere strictly to the terms and conditions of borrowing
- d) Satisfy all the requirements specified by the PFI and
- e) Insure all primary agricultural production activities with NAIC

5.8 Monitoring & Evaluation (M & E) Framework

- a) The projects shall be subject to on-site verification and monitoring by the CBN in conjunction with the PFIs/SPVs during the loan period.
- b) There shall be off-site monitoring through quarterly reports submitted by the PFIs to State SPVs and the CBN.
- c) Reports of the monitoring exercise by the Managing Agent/CBN shall be made available to the PFIs and State Governments.
- d) The State SPVs and CBN can leverage the services of the Apex Associations in the monitoring and evaluation exercises.
- e) CBN shall periodically evaluate the activities of the State SPVs and PFIs to ensure compliance with the Fund Guidelines.

5.9 Infractions

PFIs and State Governments/FCT may be suspended or black listed from participating under the Fund for any infractions etc.

6.0 Amendments

The provisions of this Guideline may be reviewed from time to time as deemed necessary.

All Enquiries and Returns should be addressed to:

The Director,
Development Finance Department,
Central Bank of Nigeria,
Corporate Headquarters
Central Business District,
Abuja, Nigeria

Fax: 09-46238655

www.cbn.gov.ng

3.3 Computation of data

All entries and calculations on the Form/schedule must be cross checked for completeness and accuracy.

3.4 Verification of Statements of Accounts of claimants

The borrowers' identity such as names, loan amount, duration, date of full repayment, interest charged and the accuracy of the interest drawback entitlement must be verified and if found correct in all material respects as stipulated in section 15 of the IDP guideline; "The Head, Development Finance Office in the CBN Branch shall confirm by jointly signing the schedule with the lending bank official before forwarding the original to the Director, Development Finance Department".

3.5 Original statement of account of beneficiaries should be retained by DFO's

All original statement of account in respect of fully repaid facilities must not be sent to the Head Office unless specially requested, it must be retained by the DFO's and used to verify the actual interest presented for rebate claim.

5. Retrieval of Original Guarantee Certificates from Lending Banks

All original copies of guarantee certificates must be retrieved from lending banks by the DFOs and filed accordingly. DFOs **MUST ALWAYS INDICATE IN THEIR COVERING MEMO** that they are in possession of the original guarantee certificate and photocopies must be forwarded to Claims Office.

6. Responsibility of the Head, DFO

The Heads of Development Finance Office shall henceforth be **HELD RESPONSIBLE** for any observed lapses in the documents submitted for IDP rebate claims as they are expected to **ENSURE THE COMPLETENESS AND ACCURACY** of these documents before sending them to Head Office for processing, as stipulated in section 15 of the IDP guideline.

Director, Development Finance Department
April, 2018.



CENTRAL BANK OF NIGERIA

N300 BILLION REAL SECTOR SUPPORT FACILITY (RSSF)

GUIDELINES

Introduction

The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, value added productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The Facility will be used to support large enterprises for startups and expansion financing needs of N500 million up to a maximum of N10.0 billion. The real sector activities targeted by the Facility are manufacturing, agricultural value chain and selected service sub-sectors. These Guidelines relate to the operational modalities of the RSSF.

Objectives of the Facility

The objectives of the Facility are to:

- i. Improve access to finance by Nigerian SMEs to fast-track the development of the manufacturing, agricultural value chain and services sub-sectors of the Nigerian economy.
- ii. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

Management of the Facility

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the day-to-day administration of the Facility.

Activities to be Covered under the Facility

The activities to be covered under the Facility are new, startups and or expansion projects in the following sub-sectors:

- i. Manufacturing: Any entity is adjudged to be a "Manufacturer" if it:

- a. Is involved in the production and processing of tangible goods
- b. Fabricates, deploys plants, machinery or equipment to deliver goods or provide infrastructure to facilitate economic activity in the real sector; and such entity must not be involved in the financial services industry

The manufacturers include Small and Medium Scale Enterprise (SMEs) defined as an entities with an asset base (excluding land) of between N5million and N500 million and with labour force of above 11.

- i Agricultural Value Chain
- ii Services (hospitals, schools and hotels)

Trading activities shall not be accommodated under This Facility.

Types of Facilities

- i. Long term loan for acquisition of plant and machinery
- ii. Working capital

Eligibility Criteria for Participation in the Facility

Participating Financial Institutions (PFIs)

All Deposit Money Banks (DMBs) and Development Finance Institutions (DFIs).

Borrower

A borrower shall meet the following criteria to be eligible:

- a. Any entity falling within the definition of an SME and/or manufacturer
- b. An entity wholly-owned and managed Nigerian private limited company registered under the Companies and Allied Matters Act of 1990.
- c. A legal business operated as a sole proprietorship
- d. May be a member of the relevant Organised Private Sector Associations such as MAN, NASME, NACCIMA, NASSI e.t.c.

Modalities of the Facility

- i. Loan Amount - Loan amount is minimum of N500.0 million up to a maximum of N10.0 billion for a single obligor. Any amount above N10 billion requires the special approval of Management.
- ii. Interest Rate - The Facility shall be administered at an all-in Interest rate/charge of 9 per cent per annum payable on quarterly basis. *Specifically,*

the Central Bank of Nigeria shall disburse the Facility to Deposit Money Banks (DMBs) at 3 per cent interest rate and the DMBs shall have a 6 per cent spread.

iii. Repayment – Repayments under this facility shall be amortized.

Loan Tenor

- i. Loans shall have a maximum tenor of 15 years depending on the complexity of the project and shall terminate on 31st December, 2030. Each project tenor shall be determined in relation to its cash flow and life of the underlying collateral.
- ii. Working capital facility of 1 year with provision of roll over for a maximum of 3 years.
- iii. The Facility allows for moratorium of 1 year in the loan repayment schedule.

Mechanism for the Facility

- i. Participating Financial Institutions (DMBs, DFIs) shall receive, process, approve and forward requests for the facility from their customers (15 days).
- ii. Each request must be accompanied by the following documents:
 - a. Project business plans which should state expressly, the:
 - Estimated project costs,
 - Financing plan,
 - Economic benefits (jobs, capacity, trade volume, foreign exchange where applicable, etc),
 - Environmental impact,
 - b. Audited Accounts (3 years) and Statement of Affairs for a startup yet to commence operations.
 - c. Copies of duly executed offer documents between the bank and the loan applicants
 - d. Certificate of Incorporation evidencing the incorporation of the Company with the Corporate Affairs Commission
 - e. Brief on directors.
- iii. Within 7days of the receipt of the banks' requests, Central Bank of Nigeria shall inform the banks of the status of their application.

- iv. Upon approval, a loan agreement shall be executed by on-lending CBN and each bank for each individual loan.
- v. Prior to the disbursement of the loan, each bank would be required to deposit with Central Bank of Nigeria, securities with market value of not less than 120% of its specified loan amount. Eligible securities shall include the following:
 - a. Nigerian Treasury Bills
 - b. FGN Bonds
 - c. Other Bonds backed by the guarantee of the Federal Government
 - d. Any other securities acceptable to the CBN
- vi. As a result of the repo of securities for this fund, the following prudential treatment shall be accorded throughout the tenor of the loan.
 - a. The amount disbursed shall be treated as a Term Loan.
 - b. The Term Loan shall not form part of the bank's deposit liabilities for the purpose of liquidity and cash reserve ratio computations.
 - c. The Term Loan shall not be liable for NDIC premium charges.
 - d. The securities 'repo-ed' shall continue to count as part of the bank's liquid assets for the purpose of Liquidity Ratio Computation.

Verification/Monitoring of Projects

- i. Projects under the Facility shall be subject to verification by the CBN. Acceptance or rejection of an application for the facility shall be communicated to the PFIs and the borrower within 15 working days after verification.
- ii. The project shall be subject to monitoring by the CBN and PFIs during the loan period.
- iii. Central Bank of Nigeria has the right to reject a request from any PFIs that contravenes any section of the Guidelines.

Responsibilities of Stakeholders:

For the effective implementation of the Facility and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

The CBN

The Central Bank of Nigeria shall:

- i. Articulate clear guidelines for the implementation of the Facility
- ii. Provide Fund for the Facility
- iii. Determine the limits of the Facility.
- iv. Carry out verification/monitoring of projects under the Facility.
- v. Monitor the implementation of the Facility and publish periodic reports on its performance.
- vi. Build capacity and sensitise stakeholders
- vii. Review the Facility guidelines as may be necessary from time to time

The Participating Financial Institutions (PFIs) The PFIs shall:

- i. Grant credit facilities to activities covered under the Facility at an interest rate of 9% p.a.;
- ii. Approve requests under the Facility based on normal business consideration and exercising appropriate due diligence;
- iii. Forward such approved requests to CBN for funding under the Facility
- iv. Provide the required collateral for the approved requests as specified in 9.0 above
- v. Render periodic returns under the Facility as may be specified by the CBN from time to time;
- vi. Monitor the projects during the loan period.
- vii. Comply with the guidelines of the Facility

Borrower

The borrower shall:

- i. Utilise the funds granted under the Facility for the purpose for which it was granted.
- ii. Insure the project being financed.
- iii. Adhere strictly to the terms and conditions of the Facility.
- iv. Make the project and records available for inspection/verification by the CBN.
- v. Comply with the guidelines of the Facility.

Discontinuation of a Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the PFIs shall advise the CBN immediately, giving particulars of the credit facility. Any outstanding amount under the facility is to be refunded to CBN Account.

Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

Enquiries and Returns

All enquiries and returns should be addressed to:

The Director,

Development Finance Department,

Central Bank of Nigeria, Corporate Headquarters

Central Business District, Abuja.

Telephone No: 234-09-46238600

Development Finance Department

Central Bank of Nigeria, Abuja.

December, 2014

COLLATERAL REGISTRY REGULATIONS, 2014

ISSUED BY

THE GOVERNOR, CENTRAL BANK OF NIGERIA,

SEPTEMBER, 2014

BACKGROUND

The Central Bank of Nigeria ("The Bank") is the public institution with the statutory responsibility for, amongst others, the promotion of a sound financial system in the country. Section 1 (2) of the Central Bank of Nigeria Act No. 7 of 2007 details the principal objectives of the Bank.

The Banks and Other Financial Institutions Act, Cap B3 - LFN 2004 (BOFIA) (as amended) is the primary legislation for regulating banking, banks and other financial institutions in Nigeria. Section 57 of the said BOFIA authorizes the Governor of the Central Bank of Nigeria to „make regulations to give full effect to the objects and objectives of the Act“ as well as those for the operation and control of all institutions under the supervision of the Bank.

Section 1(4) of the Banks and Other Financial Institutions Act (as amended) also empowers the Central Bank of Nigeria either generally or in any particular case to appoint any person who is not an officer or employee of the Bank to render such assistance as it may specify in the exercise of its powers, the performance of its functions or the discharge of its duties, or on its behalf of and in the name of Central Bank of Nigeria.

In furtherance of the aforesaid mandates and in order to improve access to finance for micro, small and medium enterprises („MSMEs“) while maintaining a strong prudent lending policy, the Governor of the Central Bank of Nigeria, in exercise of the powers conferred on him in that behalf, hereby makes these Regulations for the establishment, maintenance and operation of the Collateral Registry and ancillary matters appertaining thereto.

Made this ____ day of _____ 2014

Godwin Ifeanyi Emefiele

Governor, Central Bank of Nigeria, Abuja

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PART I

Introduction

1. Objective

- (1) These Regulations provide a regulatory framework for:
 - (a) accessing credit secured with movable property,
 - (b) creation and perfection of security interests,
 - (c) realization of security interests in movables
- (2) The Regulations also provides for the establishment and operations of the Collateral Registry.
- (3) The Regulations aim to stimulate responsible lending to micro, small and medium enterprises (MSMEs) by providing a mechanism for efficient registration of security interests in movable property and realization of such interests in the event of a default.

2. Definitions

(1) In these Regulations:

“account receivable” means a right to receive value arising from an obligation owed by a third party to the debtor including book debts but excluding a negotiable instrument;

“amendment” means a modification of information contained in a registration;

“collateral” means movable property, whether tangible or intangible, that is subject to a security interest;

“consumer goods” means goods that the debtor uses or intends to use primarily for personal, family or household purpose;

“debtor” means a person that has rights in the collateral, and includes a grantor of any type of charge, chattel mortgage, pledge or lien in movable property;

“equipment” means machinery or other capital goods used in the operation of the debtor’s business;

“farm products” include

- (a) crops grown, growing, or to be grown;
- (b) fish stocks;
- (c) livestock, poultry and their unborn offspring;
- (d) seeds, fertilizers, manure and supplies used or produced in a farming operation; and
- (e) products of crops and livestock in their unprocessed states;

“financing statement” means the prescribed forms on which information is provided to effect, amend, cancel or continue a registration under these Regulations;

“goods” means tangible movable property and include farm products, inventory, equipment, consumer goods, trees that have been severed and oil, gas or minerals that have been extracted;

“initial financing statement registration number” means the number assigned to the initial financing statement by the Collateral Registry on its registration that is permanently associated with such financing statement;

“inventory” means goods that are;

- (a) held for sale or lease in the ordinary course of business; and
- (b) raw materials or work in progress;

“Movable” means tangible or intangible property that can be moved or displaced.

“MSMEs” means such enterprises as defined by the National Policy on MSMEs in Nigeria

“possessory lien” means a right of the person securing payment for services provided in the ordinary course of business that exists as long as the person remains in possession of the goods;

“proceeds” means identifiable or traceable movable property received as a result of sale, other disposition, collection, lease or license of the collateral, including natural fruits, distributions, insurance payments and claims arising from defects in, damage to or loss of collateral;

“purchase money security interest” means

- (a) a right in collateral taken or retained by the seller to secure all or part of its purchase price;
- (b) a right taken by a person who provides credit to enable the debtor to acquire the collateral if such credit is in fact so used; and
- (c) a right of a financial lessor;

“Registration” means information provided in the initial registration under these Regulations and amendment related thereto which is entered in the Registry;

“Registry” means the Collateral Registry established under this Regulations;

“secured creditor” means a person in whose favor a security interest is created and includes a chargee under any type of charge, chattel mortgagee or holder of any type of consensual lien;

“security agreement” means an agreement in any form and whatsoever entitled between the debtor and secured creditor that creates a security interest;

“security interest” means a property right in collateral that is created by agreement and secures payment or other performance of an obligation,

regardless of whether the parties have denominated it as a security interest but it does not include a personal right against a guarantor or other person liable for the performance of the secured obligation;

“serial-numbered goods” means movable property that have a serial or identification number permanently marked on or attached to its principal part by the manufacturer including motor vehicles, planes, boats, plant & machinery, etc.

“serial number” means an identification number marked or attached to the body frame of a movable property by the manufacturer;

“confirmation statement” means a certificate issued by the Collateral Registry confirming the Registration Number, date and time of a registration;

“writing” includes an electronic message if the information contained therein is accessible so as to be usable for subsequent reference.

(2) For the purposes of these Regulations, the determination of whether goods are consumer goods, equipment, farm products or inventory is to be made at the time when the security agreement is concluded and the secured creditor may rely on the representations of the debtor as to the intended use.

3. Scope of the Regulations

(1) These Regulations apply to all security interests in movable property created by an agreement that secures payment or other performance of an obligation, regardless of the form of the transaction, the type of movable property or the nature of the secured obligation.

(2) Any individual or entity may be a secured creditor under these Regulations subject to priority created in favor of a third party under any existing laws.

(3) All financing leases entered into after these Regulations have become effective are subject to registration in the Collateral Registry and the priority provisions of these Regulations.

(4) These Regulations shall not apply to

(a) any right of set-off;

(b) charges required to be registered under the Companies and Allied Matters Act;

(c) an interest created by any of the following transactions—

(i) the creation or transfer of an interest in land;

(ii) a transfer of a right to payment that arises in connection with an interest in land, including a lease and rents; and

(iii) any interest created by a transfer, assignment or mortgage in movable property governed by a law for which a registry has been established, including that for ships and aircraft.

PART II

Creation of Security Interests

4. Incidence of Creation of Security Interest

- (1) A security agreement shall be effective and create a security interest as between the parties according to its terms.
- (2) A security interest in the property acquired after the security agreement shall become effective as of the moment the debtor acquires a right to such property without a written consent or any further act of the borrower provided it falls under the collateral description in the registered financing statement.

5. Debtor's Rights in the Collateral

- (1) The security interest shall be created to the extent of the rights that the debtor has in the collateral.
- (2) A transfer of and a security interest in an account receivable is effective as between the debtor and the secured creditor and as against the account debtor of the receivable notwithstanding any agreement limiting in any way the debtor's right to assign its receivables, including to create a security interest.

6. Content of the Security Agreement

The security agreement must at a minimum:

- (a) reflect the intent of the parties to create a security interest;
- (b) identify the secured creditor and the debtor;
- (c) describe the secured obligation, including the maximum amount for which the security interest is enforceable; and (d) describe the collateral adequately.
- (d) indicate the tenor of the obligation secured

7. Description of Collateral in Security Agreement

- (1) A security interest shall be created only if a security agreement contains an adequate description of the collateral.
- (2) A description is adequate if the collateral is described by:
 - (a) item, kind, type or category; or
 - (b) a statement that a security interest is taken in all of the debtor's present and after-acquired property.
- (3) A security interest shall automatically continue in the identifiable or traceable proceeds of the collateral, whether or not the security agreement contains a description of the proceeds.

8. Requirements for Perfection

- (1) A security interest is perfected when a financing statement in respect of that security interest has been registered in the Collateral Registry;
- (2) For the purposes of this Regulation, the secured creditor shall not be in possession of collateral that is in the actual or apparent possession or control of the debtor or the debtor's agent.

PART III
COLLATERAL REGISTRY

9. Establishment of the Collateral Registry

- (1) The Collateral Registry provided for under this Regulation shall be established, maintained and operated by the Central Bank of Nigeria.
- (2) The Governor of the Central Bank of Nigeria shall appoint the Registrar to supervise and administer the operation of the Registry.
- (3) The Governor of Central Bank of Nigeria may issue guidelines to govern the functions and operations of the Collateral Registry from time to time.
- (4) The Collateral Registry shall accept for registration financing statements in the prescribed form which shall be electronically transmitted.
- (5) The Collateral Registry shall be accessible at all times except if precluded by maintenance, technical and security constraints.
- (6) The Collateral Registry is responsible for reasonable loss or damage suffered by a person as a result of:
 - (a) erroneous transcription of information from a financing statement into the Collateral Registry system;
 - (b) reliance on an erroneous search result;
 - (c) incorrect information given by the Collateral Registry.

10. Effect of Security Agreement

By entering into a security agreement, the debtor authorises the registration of a financing statement.

11. Administrative Role of the Collateral Registry

- (1) The Registrar and any employee of the Collateral Registry shall not verify whether authorisation for registration has been properly granted pursuant to Regulation 10 or conduct any scrutiny of the information provided in the financing statement.
- (2) The Collateral Registry has no responsibility for changes, omissions or corruption of electronically transmitted information which occurred prior to its receipt.
- (3) Information provided in financing statements shall be entered into the Collateral Registry as received and no character substitution or truncation shall be performed.
- (4) Registration of a financing statement shall be rejected only if:-
 - (a) it is not submitted in the prescribed manner or in a form that enables the information to be entered into the Registry; or
 - (b) it does not contain the information required by these Regulations; or

(c) The prescribed fee has not been paid.

12. Information Required to Register Financing Statement

- (1) The secured creditor submitting a financing statement for registration must ensure that all information that is required by these Regulations is provided legibly in the fields designated for entering information of that kind.
- (2) The secured creditor shall provide in a financing statement the following information:
 - (a) Debtor type description; individual, micro, small or large business
 - (b) In the case of a company, cooperative or registered business name, it's Company/Registration number as may be applicable;
 - (c) In the case of an individual, the biometric based unique identifier i.e. National ID Card or International Passport, gender, name, address including telephone and date of birth of the debtor
 - (d) the name and address of the secured creditor or a representative of the secured creditor;
 - (e) a description of the collateral; and
 - (f) The maximum amount for which the secured obligation may be enforced.
 - (g) The period of time for which the registration is to be effective.
- (3) If there is more than one debtor or secured creditor, the required information must be entered in the designated field separately for each debtor or secured creditor.
- (4) If the debtor is an individual who is neither a citizen nor a resident of Nigeria, the secured creditor shall enter the debtor's passport number and the name that appears in the passport issued by a foreign government.

13. Description of Collateral

- (1) The financing statement must include a description of the collateral that reasonably allows its identification.
- (2) A description of collateral is sufficient if the collateral is described by
 - (a) item, kind, type or category and year of manufacture; or
 - (b) a statement that a security interest is taken in all of the debtor's present and after-acquired property.
- (3) If a financing statement covers serial-numbered goods it must contain information of the serial number as defined in Regulation 2.
- (4) Serial-numbered goods that are held as inventory need not be described by a serial number. A description of serial-numbered goods held as inventory is sufficient if it satisfies the requirements of Regulation 2.

14. Time of Registration and Confirmation Statement

- (1) A financing statement shall be registered when a unique registration number, date and time are assigned to it by the Collateral Registry.
- (2) The Collateral Registry shall, as soon as reasonably practicable after a financing statement has been registered, provide a confirmation statement to the secured creditor who submitted the financing statement for registration.

15. Material Error in Financing Statement

- (1) Subject to paragraph 2 of this Regulation, a registration shall be ineffective if there is an error in—
 - (a) the biometric-based unique identifier of the debtor; or
 - (b) The serial number of the collateral that causes the registration not to be retrieved in a search.
- (2) An error in the serial number of the collateral may render the registration ineffective only with respect to the collateral identified by such serial number and an error in the biometric-based unique identifier of a debtor may render the registration ineffective only with respect to that debtor.

16. Consequences of Other Errors

- (1) An error in the name or address of the debtor does not render the registration ineffective.
- (2) An error in the name or address of the secured creditor or address of the debtor does not render the registration ineffective.
- (3) An error in the collateral description other than in the serial number and in the maximum amount for which the security interest may be enforced may render the registration ineffective with respect to that collateral if the error seriously misleads the searcher.
- (4) An incorrect description of some collateral shall not render the registration ineffective with respect to other collateral sufficiently described.
- (5) An error in other information entered by the secured creditor in the financing statement does not render the registration ineffective.

17. Duration of Registration

- (1) The registration of a financing statement shall be effective until the earlier of;
 - (a) The expiration of the term specified in the financing statement; or
 - (b) its cancellation.
- (2) A registration may be renewed by an amendment of the financing statement before the registration expires.
- (3) Information shall not be deleted from the Collateral Registry, whether or not an amendment financing statement cancelling the registration has been registered. Expired registrations shall be maintained in the Registry and

- searchable by the public for six months following their expiration. Cancelled and expired registrations shall be identified as such in a search.
- (4) Six (6) months after the expiry, registrations shall cease to be publicly searchable and shall be removed into an archive from which it may be retrieved only by the Collateral Registry.

18. Amendment of Registration

- (1) The registration may be amended by the secured creditor upon registration of an amendment financing statement.
- (2) An amendment to a registration that adds collateral, that adds a new debtor or that modifies the maximum amount of the secured obligation is effective as to the added collateral, the added debtor and the new maximum amount only from the date and time when the amendment financing statement is registered.
- (3) A secured creditor who wishes to register an amendment financing statement must:
- (a) provide the initial financing statement registration number of the financing statement to which the amendment financing statement relates;
 - (b) indicate whether the purpose of the amendment is to add, change or delete information in a registration;
 - (c) if information is to be added, indicate the additional information; and
 - (d) if information is to be changed or deleted, enter the information to be changed or deleted, and in case of change also enter new information.
- (4) The amendment financing statement must also identify the secured creditor authorising the amendment.

19. Cancellation of Registration

- (1) The registration may be cancelled by the secured creditor upon registration of a cancellation statement.
- (2) The secured creditor shall cancel the registration within fifteen (15) working days of receiving a demand from the debtor but only after all obligations under the security agreement have been performed and there is no commitment to make future advances.
- (3) The cancellation statement shall include—
- (a) the initial financing statement registration number of the financing statement to which the cancellation statement relates; and
 - (b) identification of the secured creditor authorising the cancellation.
- (4) If the secured creditor fails to comply, the debtor may appeal to the Registrar showing cause as to why the registration should be cancelled by

the Registrar, notice of which shall be given to the secured creditor before a decision is taken by the Registrar.

- (5) A secured creditor objecting to a cancellation request by the debtor shall have a right to respond within seven (7) days of receipt of notice in this regard.
- (6) The decision of the Registrar on the request shall be final save as may otherwise be determined by a court of competent jurisdiction.

20. Search of the Collateral Registry

- (1) Any person may search the Collateral Registry and obtain a printed search result of the information provided by secured creditors in accordance with Regulation 12 without the need to demonstrate or justify the reasons for the search.
- (2) The Collateral Registry shall, upon request and payment of the fee prescribed in these Regulations, issue a printed search result in the form of a certificate that shall be conclusive evidence of the existence of information in the Collateral Registry as of the date and time of its issuance.
- (3) The search result shall either indicate that no registrations were retrieved against the search criterion provided by the searcher or shall set out all registrations searchable in the Collateral Registry at the date and time when the search was performed.
- (4) A printed search result issued by the Collateral Registry shall be conclusive evidence of the existence of information in the Collateral Registry as of the date and time of its issuance.

21. Search Criteria

The Collateral Registry may be searched by reference to the following criteria—

- (a) In the case of a Company, Cooperative or Registered business, its Company registered name or number as may be applicable;
- (b) In the case of an individual, the biometric based unique identifier, full name, gender and date of birth of the debtor associated with such debtor as may be applicable;
- (c) The name and address of the secured creditor

22. Fees

- (1) The fees set out below are payable for the following matters:
 - (a) initial registration: N1,000
 - (b) renewal/amendment: N500
 - (c) searches and search certificates: N500
- (2) The fees prescribed in paragraph 22 (1) of this Regulation as well as the preferred mode of payment of such fees may be reviewed from time to time by the Governor of the Central Bank of Nigeria;

PART IV

PRIORITY BETWEEN SECURITY INTERESTS

23. Priority of Security Interests

- (1) A perfected security interest shall have priority over an unperfected security interest.
- (2) Subject to the special priority rules in Regulations 27-34, the priority between perfected security interests in the same collateral created by the same debtor shall be determined by the order of registration or possession whichever occurs first.

24. Same Priority for Original Collateral, Proceeds and Advances

- (1) The priority of a security interest in original collateral shall also be the priority with respect to its proceeds.
- (2) A security interest shall have the same priority in respect of all secured obligations and advances, whether existing or future.

25. Transfer Does Not Affect Priority

- (1) A security interest that is transferred shall have the same priority as it had at the time of the transfer.
- (2) Transfer of a security interest is effective without registering an amendment financing statement in the Collateral Registry.

26. Voluntary Subordination of Priority

- (1) The secured creditor may agree to subordinate its priority in favor of any other claimant.
- (2) Subordination is effective without registering an amendment financing statement in the Collateral Registry.
- (3) An agreement to subordinate may not adversely affect rights of a person that is not a party to the agreement.

27. Priority of Purchase Money Security Interest and Its Proceeds

A purchase money security interest in collateral and its proceeds shall have priority over a non-purchase money security interest in the same collateral created by the same debtor if the purchase money security interest is perfected when the debtor receives the collateral.

28. Priority of Security Interests in Processed or Co-mingled Goods

- (1) A perfected security interest in goods that subsequently become part of a product or mass shall continue as a perfected security interest in the product or mass if the goods are so manufactured, processed, assembled or co-mingled that their identity is lost in the product or mass.
- (2) If more than one security interest is perfected in the goods before they become part of a product or mass, the security interests rank equally in proportion to the value of the goods at the time they became part of the product or mass.

29. Priority of Creditor Who Receives Payment

- (1) A transferee of money or funds from a deposit account takes the money or funds free of a security interest unless the transferee acts in collusion with the debtor in violating the rights of a secured creditor.
- (2) Bank's right of set-off shall have priority over a perfected security interest that extends to the deposit account.

30. Priority of Holders of Negotiable Instruments and Documents of Title

A holder of a negotiable instrument or document of title shall have priority over a perfected security interest in the negotiable instrument or the document of title if the holder:

- (a) gave value;
- (b) acquired the negotiable instrument or the document of title without knowledge that the transaction is a breach of the security agreement to which the security interest relates; and
- (c) took possession of the negotiable instrument or the document of title.

31. Priority of Assignee

- (1) The rights of an assignee of an account receivable shall be subject to
 - (a) the terms of the contract between the account debtor and the assignor and any defense or claim arising from the contract; and
 - (b) any other defense or claim of the account debtor against the assignor, including a defense by way of a right of set-off that accrues before the account debtor receives notification of the assignment.
- (2) Paragraph (1) shall not apply if the account debtor has made an enforceable agreement not to assert defenses to claims arising out of the contract.
- (3) Priority between competing assignees is determined according to the time of registration in the Collateral Registry irrespective of the time when the account debtor receives a notification of the assignment.

32. Rights of the Buyer or Lessee of Goods

- (1) A buyer or lessee who acquires goods for value and receives their possession shall take the goods free of an unperfected security interest.
- (2) A buyer of goods sold in the ordinary course of business of the seller and a lessee of goods leased in the ordinary course of business of the lessor shall take the goods free of a security interest created by the seller or lessor unless the buyer or lessee knows that the sale or the lease constitutes a breach of the security agreement under which the security interest was created.

33. Priority of Holders of Liens

A possessory lien arising out of materials or services provided in the ordinary course of business in respect of goods that are subject to a security interest shall have priority over that security interest.

PART V

REALISATION OF SECURITY INTERESTS

34. Application of this Part

- (1) A financial lessor may enforce its rights under this Part or the law governing the financial lease.
- (2) Holders of purchase money security interests may enforce their rights either under this Part or the relevant law governing their rights.
- (3) After default, a secured creditor has the rights provided in this Part and those provided in the security agreement signed by the debtor. A secured creditor may also resort to any available judicial procedure.

35. Repossession of the Collateral

- (1) After default, a secured creditor must provide a notice of the default to the debtor.
- (2) The notice required under sub section 1 maybe delivered to the debtor by:
 - (a) hand;
 - (b) courier service;
 - (c) registered mail; and
 - (d) other means agreed by the parties
- (3) Ten (10) days after sending the notice of default, the secured creditor
 - (a) may take possession of the collateral; or
 - (b) without removal, may render the collateral inoperative.
- (4) A secured creditor may proceed under this Regulation—
 - (a) pursuant to judicial process; or
 - (b) without judicial process, if the debtor consented in the security agreement to relinquishing possession without a court order.
- (5) In the event of proceeding without judicial process, the secured creditor with the help of law enforcement agencies shall enforce his right of possession in a peaceable manner.
- (6) The secured creditor may require the debtor to assemble the collateral and make it available at a designated place.

36. Secured Creditor May Render Collateral Inoperative

- (1) A secured creditor may render the collateral inoperative if the collateral is of a kind that cannot be readily moved from the debtor's premises or is of a kind for which adequate storage facilities are not readily available.
- (2) The secured creditor may dispose of collateral on the debtor's premises provided that it shall not cause the person in possession of the premises, if other than the debtor, any greater inconvenience than is necessary.

37. Secured Creditor May Collect Accounts Receivable

- (1) A secured creditor may collect and apply an account receivable, money or a negotiable instrument taken as collateral to the satisfaction of the obligation secured by the security interest if the debtor is in default.
- (2) The secured creditor may notify the account debtor and collect payment even prior to default.

38. Secured Creditor May Dispose of the Collateral

- (1) The secured creditor may dispose of the collateral by sale, lease, license or other form of disposal in its present condition or following any commercially reasonable preparation or processing.
- (2) The secured creditor may sell the collateral in an auction, public tender, private sale or any other method provided for in the security agreement.
- (3) The secured creditor shall owe a duty to obtain the fair price obtainable as at the time of sale or other disposal.

39. Notice of Sale of Collateral

- (1) The secured creditor who intends to sell the collateral shall not less than ten (10) working days before selling the collateral, send notice in the manner stipulated in Regulation 35 (1) hereof to the following persons—
 - (a) the debtor; and
 - (b) any secured creditor who has registered a financing statement in respect of the collateral that became effective before the secured creditor repossessed the collateral.
- (2) Paragraph (1) shall not apply if—
 - (a) the collateral may perish within ten (10) working days of the repossession;
 - (b) the secured creditor believes on reasonable grounds that the collateral will decline substantially in value if it is not disposed of immediately;
 - (c) the cost of care and storage of the collateral is disproportionately large in relation to its value; or
 - (d) the collateral consists of inventory or farm products; and
 - (e) in the manner prescribed under paragraph 36(1) of this Regulation.

40. Extinguishment of Subordinate Security Interests

If collateral has been sold under this Part, all security interests in the collateral that are subordinate to the security interest of the secured creditor who sold the collateral shall be extinguished.

41. Secured Creditor to Give Statement of Account to Debtor

The secured creditor shall, within fifteen (15) working days after the sale of the collateral, provide to the persons entitled to receive a notice of sale a statement of account in writing, indicating—

- (a) the amount of the proceeds of sale;

- (b) the amount of the costs and expenses of the sale; and
- (c) the balance owing by the secured creditor to the debtor or by the debtor to the secured creditor, as the case may be.

42. Distribution of Sale Proceeds

- (1) A secured creditor who has sold collateral shall, before applying the proceeds of the sale towards the satisfaction of the debt or other obligation secured by the security interest, apply the proceeds of the sale towards the reasonable costs and expenses of the sale, and to the extent provided for in an agreement, reasonable legal expenses.
- (2) The secured creditor shall pay the following persons the amount of any surplus from the disposal in the following order;
 - (a) secured creditors who have a subordinate security interest perfected by registration, in the order of their priority; and
 - (b) the debtor.
- (3) The secured creditor may pay the surplus into Court if there is a question as to who is entitled to receive payment.
- (4) The debtor remains liable for any deficiency.

43. Right to Redeem Collateral

- (1) At any time before the secured creditor sells the collateral, the debtor, the person that owes payment or other secured creditor may redeem the collateral by—
 - (a) fulfillment of all the obligations secured by the collateral; and
 - (b) paying any other reasonable expenses incurred by the secured creditor.
- (2) The debtor's right to redeem the collateral shall have priority over any other person's right to redeem the collateral.

44. Reinstatement of Security Agreement

- (1) At any time before the secured creditor sells the collateral, the debtor may reinstate the security agreement by—
 - (a) paying the sums actually in arrears;
 - (b) remedying any other default; and
 - (c) paying a sum equal to the reasonable expenses incurred by the secured creditor.
- (2) Unless otherwise agreed, the debtor shall not be entitled to reinstate a security agreement more than twice in each year.

PART VI

RIGHTS AND DUTIES OF THE PARTIES

45. Good faith and Commercial Reasonableness

- (1) All rights, duties or obligations that arise under a security agreement or these Regulations shall be exercised and discharged in good faith and in accordance with commercially reasonable standards.
- (2) A person shall not act in bad faith merely because the person acts with knowledge of the security interest of some other person, unless it knows that its actions would violate rights of the other person.

46. Entitlement to Damages

- (1) If a person fails to discharge any duty or obligation imposed by these Regulations, the person to whom the duty or obligation is owed shall have a right to recover damages for any loss or damage.
- (2) Nothing in paragraph (1) shall limit or affect any liability that a person may incur under any law of Nigeria.

47. Secured Creditor to Provide Confirmation Statement to the Debtor

- (1) The secured creditor shall, not later than fifteen (15) working days after the day on which the confirmation statement of the registration was received, provide to the debtor a copy of the confirmation statement.
- (2) The confirmation statement may be provided in the same manner prescribed for giving notices under Section 36(1) of this Regulation

48. Secured Creditor to Provide Certain Information

- (1) A debtor may request the secured creditor to send or make available to any person, at an address specified by the debtor making the request, any of the following—
 - (a) a summary of a security agreement that creates or provides for a security interest;
 - (b) a statement in writing of the amount of the indebtedness and of the terms of payment of the indebtedness;
 - (c) an itemized list of collateral, unless the security interest is over all of the movable property of the debtor; or
 - (d) a statement of account indicating the pay off amount needed to fully satisfy the secured obligation.
- (2) Where the secured creditor no longer has an interest in the obligation secured or collateral covered by the registration, the secured creditor shall disclose to the debtor the name and address of the immediate successor in interest or transferee and the latest successor in interest or transferee, if known.
- (3) A secured creditor shall comply with the request within ten (10) working days of its receipt.

(4) A secured creditor may charge the debtor only the reasonable costs for providing the information, and the debtor shall be entitled to one response free of charge every six (6) months.

PART VII

MISCELLANEOUS

50. Law Applicable to Creation, Perfection and Priority

The law applicable to the creation, perfection and priority of a security interest is the law of the jurisdiction where the security interest was created.



CENTRAL BANK OF NIGERIA

GUIDELINES

N300 BILLION POWER AND AIRLINE INTERVENTION FUND (PAIF) REVISED GUIDELINES (v5)

1. Introduction

In a bid to catalyze financing of the real sector of the Nigerian economy, the Central Bank of Nigeria has, in accordance with Section 31 of the CBN Act 2007, approved the investment of the sum of N500 billion Debenture Stock to be issued by the Bank of Industry (BOI). The sum of N200 billion has been set aside for the refinancing/restructuring of SME/ Manufacturing portfolios while the sum of N300 billion will be applied to power and airline projects.

These Guidelines relate to the N300 billion intervention fund to the power and airline sector (the Fund).

2. Objectives of the Fund

The objectives of the Fund are to:

- i. fast-track the development of electric power projects, especially in the identified industrial clusters in the country;
- ii. fast-track the development of the aviation sector of the Nigerian economy by improving the terms of credit to Airlines;
- iii. serve as a credit enhancement instrument to improve the financial position of the Deposit Money Banks (DMBs);
- iv. improve power supply, generate employment, and enhance the living standard of the citizens through consistent power supply;
- v. provide leverage for additional private sector investments in the power and aviation sectors.

3. Managing Agent

The Bank of Industry (BOI) shall be the managing agent and be responsible for the day to day administration of the Fund.

4. Technical Adviser (TA)

The Africa Finance Corporation (AFC) shall serve as TA to the Fund.

5. Eligibility Criteria

5.1. Power Projects

- i. Any corporate entity, duly registered in Nigeria, involved in electricity power supply value chain that includes power generation, transmission, distribution, gas-to-power projects and associated services.
- ii. Eligible projects can be promoted by private or public sector sponsors (or a combination of both) but must be structured either as profit-oriented business or a public service, provided that contracted cash-flows or financing support exist to ensure repayment of principal and interest, as well as long term viability.
- iii. The Project Company may also offer appropriate credit enhancement options to support its financial obligations.
- iv. The Project could be already existing and in operation, in design/development, under construction, or existing but operationally inactive.
- v. The refinancing of existing loans for captive power projects for corporate entities that are not power companies will only be eligible if the investments are not older than 2 years from the date of the application. For the avoidance of doubt, this restriction will not be applicable to captive power projects implemented and managed by power companies
- vi. Gas-to-Power promoters must tender verifiable evidence of off-taker purchase agreements for their projects to be eligible

5.2. Airlines

Any Airline duly incorporated under the Companies and Allied Matters Act of 1990 and operating in Nigeria.

6. Types of Facilities

- i. Long term loans (for new Power Projects)
- ii. Refinancing of existing loans (Power and Airline Projects)
- iii. Refinancing of existing leases (Power and Airline Projects)
- iv. Working capital (for existing Power and Airline Projects only)

7. Participating Banks (PBs)

All Deposit Money Banks and Development Finance Institutions (DFIs) excluding the Bank of Industry (BOI)

Asset Management Corporation of Nigeria (AMCON), may by special approval of the CBN Management, be allowed to participate with respect to acquired projects of national economic importance.

8. Modalities for Intervention

8.1. Loan (Power Projects only)

8.1.1. Amount

The Fund facility shall not be more than 70 percent of the total cost of the project.

8.1.2. Tenor

- i. The Fund loans shall have a maximum tenor of 15 years as determined by the project's cash flow profile not exceeding 31st July, 2025.
- ii. Working capital facility shall be of one year duration with provision for roll-over but not more than 5 years.

8.1.3. Repayment

Repayments under this facility shall be amortised

8.1.4. Moratorium

- i. The Fund allows for moratorium in the loan repayment schedule.
- ii. The moratorium on principal shall depend on the type and nature of the project and shall not exceed either the construction period of the project (which shall not exceed 5 years) or the time required to complete the project.
- iii. Additional moratorium period of [18] months may be added to the moratorium period in order to address the risk of completion delays.

- iv. Protracted completion delays could be addressed through other mechanisms such as adequate sponsor support and contingencies to be determined on a project specific basis.

8.1.5. Interest during Construction (IDC)

The treatment of IDC shall depend on the project. The two options allowed under the Fund are:

- i. Capitalization of Interest - interest shall accrue and be capitalized accordingly during the moratorium period.
- ii. Pre-funding of Interest - interest shall be funded during construction from a prefunded IDC Account. The amount required for IDC can be added to the total project cost.

The IDC payment option adopted shall be expressly stated on the loan documents.

8.1.6. Professional / Consultant Fees

Professional / consultant fees associated with the development of projects and the project financing structure shall be grossed up and included in the total project cost to be financed. Professional costs commonly associated with project finance include professional fees for the following services:

- i. Project Engineer Consultancy
- ii. Independent Engineer Advisory
- iii. Financial Advisory Services**
- iv. Technical Advisory Services
- v. International Counsel
- vi. Local Counsel
- vii. Lenders' Counsel
- viii. Due Diligence – Legal, Technical, Commercial and Financial
- ix. Legal Documentation Etc.

****The financial advisor can be the applicant bank or an independent institution which is not participating in the financing.**

8.2. Refinancing (Power and Airline Projects)

The Fund will provide refinance for existing term loans for commercially viable power and airline projects.

8.2.1. Extent of Refinancing

- i. Power: The Fund will provide refinance for existing term loans for commercially viable power projects.
- ii. Airlines: The Fund shall provide refinancing up to 100 per cent of the loans granted to an airline.

8.2.2. Tenor

The tenor of refinancing shall be 15 years not exceeding 31st July, 2025 and shall be determined by the supporting cash-flow profile.

8.3. Other conditions applicable to both Power and Airline Projects

8.3.1. Interest Rate

The Fund shall be administered at an "all-in" Interest rate/ NOT more than charge of 7 percent per annum payable on quarterly basis.

Specifically,

- i. The DMBs' shall not exceed charge 7% per annum on the Fund facility out of which 1% would be remitted to BOI's Account with CBN
- ii. The DMBs shall remit the amounts due to BOI out of the interest payments received from the projects funded;
- iii. The amounts due to BOI must be paid not later than 30 days after the interest is earned.

** No upfront fee/charge should be deducted in respect any facility under the Fund*

8.3.2. Infractions and Sanctions

- i. Diversion of funds by the PBs shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PBs shall be barred from further participation under the Fund

- ii. Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by BOFIA section 60
- iii. Any PB that fails to disburse the Fund within 14 days of receipt to the borrower shall be charged the maximum lending rate of the PB as penalty for the period that the Fund was not disbursed

8.3.3. Penalty for Defaults by Borrowers

In the event of default in loan repayment (principal and interest), the PBs shall have the right to charge commercial interest rate on the amount of default

9. Notice for submission of proposals

BOI shall send out notice to all DMBs/ DFIs for submission of refinancing/ restructuring requests on behalf of eligible airlines and power companies.

The notice shall, among others, specify the eligibility criteria, format and submission deadlines.

10. Application Procedures

10.1. Submission of Requests

A PB shall submit a request, on its behalf or on behalf of other parties in the case of syndication or other arrangements, in the prescribed format on behalf of the project promoters.

In the case of syndication or other arrangements, BOI shall deal directly with the lead bank only on all issues relating to such application.

10.2. Required Documentation

Each request must be accompanied by the following documents:

- i. Request from the project promoter seeking such loan and/or refinancing/restructuring;
- ii. Last 3 years financials of an existing company;
- iii. Feasibility study/business plan of the project;
- iv. Relevant permits/approvals;
- v. Off-take and other relevant agreements;
- vi. Environmental impact assessment report;

- vii. Copies of duly executed offer documents between the bank and the company evidencing existence of a facility in the case of refinancing;
- viii. Six (6) months account statements showing the current exposure (if any);
- ix. Certificate of incorporation evidencing the incorporation of the company with the corporate affairs commission; and
- x. List of directors of the company (form co7)

Other documents as may be required by the TA to facilitate the appraisal process.

10.3. Processing Period

- i. BOI shall process all applications received to confirm the completeness of the documentation and forward them to TA within 5 days.
- ii. The TA shall appraise the applications and provide its report to BOI within 20 working days of receipt.
- iii. BOI shall inform the PBs of the status of its application not later than 5 working days after the receipt of the TA's report.

10.4. Approval Process

The recommended applications that have fulfilled all the laid down criteria shall be forwarded to the Management of the Central Bank of Nigeria for final approval

10.5. On-Lending Agreement

An on-lending agreement shall be signed between BOI and each PB for approved projects.

10.6. Security to be offered by PBs

The following securities shall be offered:

- i. The security to be provided by PBs to BOI shall be a bank guarantee backed by a payment order for the PB's account to be debited by the CBN for any amount due should the PB default.
- ii. Legal agreement between BOI and PB for BOI to have the rights to realize security pledged by project promoters.
- iii. BOI to have lien on the project cash flows.
- iv. A deed of assignment of the assets of the project in favour of BOI

10.7. Release of Funds

BOI shall within 3 working days of receipt of the payment order, credit the PB's account at CBN with the amount due based on the disbursement schedule.

The PB is expected to disburse the funds to the borrower in line with the terms and conditions of its requests not later than 2 working days of receipt of funds from BOI.

11. Monitoring of Projects:

A project financed under the Fund shall be subject to monitoring by the BOI, AFC, CBN and PB during the loan period.

12. Responsibilities of Stakeholders:

For the effective implementation of the Fund and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

12.1. The CBN

The Central Bank of Nigeria shall:

- i. Articulate clear guidelines for the implementation of the Fund.
- ii. Provide funds for the Intervention.
- iii. Determine the limits of the Fund.
- iv. Specify the rate at which BOI and PBs will lend under the Fund.
- v. Request BOI to render periodic returns as may be specified from time to time.
- vi. Monitor the implementation of the Fund and publish periodic reports on its performance.
- vii. Review the Fund guidelines as may be necessary from time to time

12.2. Bank of Industry (BOI) The BOI shall:

- i. Act as the Managing Agent of the Fund
- ii. Issue debenture covering the Funds to be invested by CBN
- iii. Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund; and
- iv. Render periodic returns on the performance of the Fund as may be specified by CBN.

12.3. The Technical Adviser (TA) The TA shall:

- i. Provide technical support to the Programme;
- ii. Review projects to confirm eligibility and viability.
- iii. Build capacity of stakeholders

12.4. The Participating Bank (PB) The PB shall:

- i. Grant credit facilities to eligible companies not exceeding at an interest rate 7% p.a;
- ii. Present requests under the Fund based on normal business consideration exercising due diligence;
- iii. Ensure timely disbursement of funds to approved projects;
- iv. Render periodic returns under the Fund as may be specified by the CBN and BOI from time to time;
- v. Monitor the projects during the loan period; and
- vi. Comply with the guidelines of the Fund

12.5. Borrower

The borrower shall:

- i. Utilize the funds for the purpose for which it was granted.
- ii. Insure the project being financed.
- iii. Adhere strictly to the terms and conditions of the loan.
- iv. Make the project and records available for inspection/verification by the CBN and BOI.
- v. Comply with the guidelines of the Fund.

13. Discontinuation of a Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the PB shall advise the BOI immediately, giving particulars of the credit facility. Any outstanding amount under the facility is to be refunded to the BOI account at CBN.

14. Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

15. Enquiries and Returns

All enquiries and returns should be addressed to:

The Director

Development Finance Department

Central Bank of Nigeria,

Corporate Headquarters,

Central Business District,

Abuja.

Telephone No: 234-09-4623860

N200 BILLION SMALL AND MEDIUM ENTERPRISES (SME) CREDIT GUARANTEE SCHEME (SMECGS)



CENTRAL BANK OF NIGERIA

GUIDELINES

1.0 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) has established the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), for promoting access to credit by SMEs in Nigeria.

2.0 Funding

The Scheme shall have a fund of N200 billion to be wholly financed by the Central Bank of Nigeria (CBN)

3.0 Objectives of the Scheme

The objectives of the scheme are to:

- i. Fast-track the development of the manufacturing SME sector of the Nigerian economy by providing guarantee for credit from banks to SMEs and manufacturers.
- ii. Set the pace for industrialization of the Nigerian economy.
- iii. Increase the access to credit by promoters of SMEs and manufacturers.
- iv. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

4.0 Managing Agent

The Central Bank of Nigeria (CBN) shall be the Managing Agent and be responsible for the day to day administration of the Scheme.

5.0 Activities to be covered Under the Scheme

The activities to be covered under the Scheme are:

- (i) Manufacturing
- (ii) Agricultural Value Chain
- (iii) Educational Institutions
- (iv) Any other activity as may be specified by the Managing Agent from time to time.

Trading shall not be accommodated in this Scheme.

6.0 Definition of Small and Medium Scale Enterprises

For the purpose of this Scheme, a Small and Medium Scale Enterprise (SME) is an enterprise that has asset base (excluding land) of between N5million –N500 million and labour force of between 11 and 300.

7.0 Eligibility Criteria for Participation in the Scheme

a. Participating Bank (PB)

All Deposit Money Banks and Development Finance Institutions (DFIS) shall be eligible.

b. Borrower

A borrower shall meet the following criteria to be eligible:

- Any entity falling within the definition of an SME
- A wholly-owned and managed Nigerian private limited company registered under the Companies and Allied Matters Act of 1990.
- A legal business operated as a sole proprietorship
- *A start-up company with satisfactory cash flows indicating a Fixed Asset cover ratio of 100: 150.*
- A Franchise
- Have no non-performing or delinquent loans with any financial institution

- Be a member of the Organized Private Sector Bodies/Associations such as Nigerian Association of Small & Medium Enterprises (NASME), the Manufacturers Association of Nigeria (MAN), etc.
- Have a clear business plan.
- Provide up-to-date records on business operations, if any.
- Satisfy all requirements specified by a Participating Bank.

A Borrower shall have one loan under the Scheme at any point in time.

8.0 Modalities of the Scheme

i. Loan Amount

□ Maximum Loan amount is N100 million which can be in the form of Working Capital, Term Loans for refurbishment/equipment upgrade/expansion, overdrafts, etc.

ii. Guarantee Cover

- *The guarantee cover shall be 80% of principal and interest and shall be valid up to the maturity date of the loan with a maximum tenure of 7 years inclusive of a 2-year moratorium. The Guarantee shall be executed at the point of the loan disbursement by the Bank to the customer and shall be redeemed when the facility becomes non-performing and classified under the loss category of the Prudential Guidelines.*
- In the event of recoveries after payment of claims by the CBN, such recoveries shall be shared in the ratio of 80:20 for CBN and Participating Banks respectively.

iii. Interest Rate

The lending rate under this Scheme shall be at Prime Lending Rate (PLR) of the participating Banks.

9.0 Acceptable Collateral

The security to be offered to a bank for the purpose of any loan under the Scheme shall be one realizable and acceptable to the participating bank(s).

10.0 Loan Tenor

- (i) Loans shall have a maximum tenor of seven (7) years and/or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule.

11.0 Procedure for Applying for the Guarantee

- All loan applications by SME promoters under the Scheme shall be made directly to the Participating Bank accompanied by the necessary documents as per normal loan processing requirement and the PBs applying the same degree of due diligence and professionalism as in the normal course of banking business.
- Applications received by Participating Banks should be processed promptly and the period elapsing between the submission of an application and requisite documents for appraisal under the Scheme and its approval or otherwise will not exceed 60 days. Banks may call for information which has not been sufficiently provided by the applicant. Officials of the Managing Agent may call on banks which have not acted within a reasonable time on any application submitted to them.
- Participating Banks should submit application for guarantee using a standard application form, on behalf of their clients to the Managing Agent.
- The application for a guarantee should be accompanied with Offer Letters.

12.0 Verification/Monitoring of Projects.

- (i) Projects under the Scheme shall be subject to verification by the Managing Agent. Acceptance or rejection of an application for a guarantee by the CBN shall be communicated to the PB and the borrower within 14 working days after verification.
- (ii) The project shall be subject to monitoring by the Managing Agent (CBN) during the loan period.

- (iii) The CBN has the right to reject a request from any Participating Bank if it contravenes any section of the Guidelines.

13.0 Responsibilities of Stakeholders:

For the effective implementation of the Scheme and for it to achieve the desired objectives, the responsibilities of the stake holders shall include:

a. The CBN

The Central Bank of Nigeria shall:

- Provide Fund for the Scheme
- Act as the Managing Agent of the Fund.
- Determine the limits of guarantee of the Scheme
- Carry out verification/monitoring of projects under the Scheme.
- Process Applications for guarantee from Participating Banks within 21 days of receipt of such application.
- Request PB(s) to render periodic returns as may be specified from time to time.

b. The Organised Private Sector Associations (MAN, NASME, etc)

The Organised Private Sector Associations shall:

- Accredite would-be beneficiaries of the Scheme
- Ensure prompt repayment of loans by members

c. The Participating Banks (PB[s]) The PB(s) shall:

- Grant credit facilities to SME Promoters at prime lending rate;
- Approve loan requests under the Scheme based on normal business consideration exercising appropriate due diligence;
- Render periodic returns under the Scheme as may be specified by the CBN from time to time; and
- Monitor the projects during the loan period.

d. Borrower

The borrower shall:

- Utilise the funds for the purpose for which it was granted.

- Insure the charged assets being financed.
- Adhere strictly to the terms and conditions of the Scheme.
- Make the project and records available for inspection/verification by the CBN.

14.0 Discontinuation of a Credit Facility

Whenever a credit is repaid or the facility is otherwise discontinued, the PB shall advise the CBN immediately, giving particulars of the credit facility.

15.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the Managing Agent.

16.0 Enquiries and Returns

All enquiries and returns should be addressed to:

Director,

Development Finance Department,

Central Bank of Nigeria, Corporate Headquarters Central
Business District, Abuja. Fax No. 09-4628655

Development Finance Department

Central Bank of Nigeria,

Abuja.

March 30, 2010

N200 BILLION INTERVENTION FUND FOR RE-FINANCING AND RESTRUCTURING OF BANKS' LOANS TO THE MANUFACTURING SECTOR



CENTRAL BANK OF NIGERIA

GUIDELINES

1.0 Introduction

The Central Bank of Nigeria in a bid to unlock the credit market has approved the investment of the sum of N500 billion Debenture Stock to be issued by the Bank of Industry (BOI). In the first instance, the sum of N300 billion will be applied to power projects and N200 billion to the refinancing/restructuring of banks' existing loan portfolios to Nigerian SME/Manufacturing Sector. These Guidelines relate to the N200 re-financing and restructuring of banks' loans to the manufacturing sector and those for the power sector will be issued at a later date.

2.0 Objectives of the Fund

The objectives of the Fund are to:

- i. Fast-track the development of the manufacturing sector of the Nigerian economy by improving access to credit to manufacturers.
- ii. Improve the financial position of the Deposit Money Banks.
- iii. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

3.0 Managing Agent

The Bank of Industry (BOI) shall be the Managing Agent and be responsible for the day to day administration of the Fund.

4.0 Activities to be covered Under the Fund

The activities to be covered under the Fund are:

- (i) Manufacturing: Any entity is adjudged to be a “Manufacturer” if it:
- Is involved in the production and processing of tangible goods
 - Fabricates, deploys plants, machinery or equipment to deliver goods or provide infrastructure to facilitate economic activity in the real sector; and such entity must not be involved in the financial services industry

The manufactures include Small and Medium Scale Enterprise (SMEs) defined as an entities with an asset base (excluding land) of between N5 million and N500 million and with labour force of between 11 and 300.

Trading activities shall not be accommodated under this Fund.

5.0 Types of Facilities

- Long term loan for acquisition of plant and machinery
- Refinancing of existing loans
- Resuscitation of ailing industries
- Refinancing of existing lease
- Working capital

6.0 Eligibility Criteria for Participation in the Fund

Participating Bank (PB)

All Deposit Money Banks and Development Finance Institutions (DFIs) excluding the Bank of Industry (BOI).

Borrower

A borrower shall meet the following criteria to be eligible:

- Any entity falling within the definition of an SME and/or manufacturer
- An entity wholly-owned and managed Nigerian private limited company registered under the Companies and Allied Matters Act of 1990.
- A legal business operated as a sole proprietorship

- Be a member of the relevant Organised Private Sector Associations such as MAN, NASME, NACCIMA, NASSI e.t.c.
- Any entity as defined above with an existing facility on the books of the PB (emphasis will be on facilities that are indicating weakness arising from tenor, structure as well as facing cash flow difficulties)

7.0 Modalities of the Fund

i. Loan Amount

Loan amount is a maximum of N1 billion for a single obligor in respect of refinancing/restructuring.

ii. Interest Rate

The Fund shall be administered at an all-in Interest rate/charge of 7 percent per annum payable on quarterly basis. *Specifically, the Managing Agent (BOI) shall be entitled to a 1% management fee and the Banks, a 6% Spread.*

8.0 Loan Tenor

- (i) Loans shall have a maximum tenor of 15 years and or working capital facility of one year with provision for roll over.
- (ii) The Fund allows for moratorium in the loan repayment schedule.

9.0 Mechanism for Refinancing/Restructuring for the Fund

- Bank of Industry (BOI) will send out notice to all DMBs/DFIs for submission of refinancing/restructuring requests.
- Banks should submit requests in the prescribed format within 14days of the notice from BOI.
- Each request must be accompanied by the following documents:
 - a. Request from the customer seeking for such refinancing and/or restructuring
 - b. Latest financials of the obligor (management accounts will be acceptable in lieu of updated accounts)

- c. Copies of duly executed offer documents between the bank and the loan obligor evidencing existence of a facility.
 - d. 6 months account statements showing the current exposure
 - e. An abridged business plan or feasibility study of the underlying project for which the facility was initially approved. The plan must include the projects cash flow projections detailing the repayment schedule.
 - f. Certificate of Incorporation evidencing the incorporation of the Company with the Corporate Affairs Commission.
 - g. A letter of commitment indicating that the requesting bank shall on or before 31st December 2010, book new loans to the manufacturing / SME sectors in an amount not less than 50% of the amount accessed under the Fund.
- All applications for refinancing/restructuring facilities can be made directly or by way of syndication, club arrangement or any other means involving two (2) or more banks on the books of a bank.
 - Within 7days of the receipt of the banks' requests, BOI shall inform the banks of the status of their application and also advice each bank of the amount of its facility that shall be refinanced / restructured under the Fund.
 - An on-lending agreement shall be signed between BOI and each bank at this time.
 - Within receipt of funds from the CBN, BOI shall require each bank, to pledge securities with face value of not less than 100% of its specified refinanced amount to BOI through the Discount office of the CBN. Eligible securities shall include the following:
 - a. Nigerian Treasury Bills
 - b. FGN Bonds
 - c. Other Bonds Backed by the guarantee of the Federal Government

d. Any other securities acceptable to the CBN

- BOI shall within 24hours of receipt of the pledge (vide a pledge writer duly acknowledged by the discount office), credit each bank with the amount allocated to them – and not exceeding the face value of government instruments pledged.
- The recipient banks are expected to apply the funds by restructuring and/or refinancing the stated accounts in line with the terms and conditions of their requests (especially as it relates to tenor and interest rates) within 48hours of receipt of funds from BOI.
- In the event a bank fails to meet its obligations, the BOI shall give 30days notice of its intention to liquidate the securities.
- As a result of pledging of securities for this fund, the following prudential treatment shall be accorded throughout the tenor of the loan.
 - a. The amount disbursed shall be treated as a Term Loan.
 - b. The Term Loan shall not form part of the bank's deposit liabilities for the purpose of liquidity and cash reserve ratio computations.
 - c. The Term Loan shall not be liable for NDIC premium charges.
 - d. The securities pledged shall continue to count as part of the bank's liquid assets for the purpose of Liquidity Ratio Computation.

10.0 Verification/Monitoring of Projects.

- (i) Projects under the Fund shall be subject to verification by the BOI. Acceptance or rejection of an application for refinancing/restructuring by the BOI shall be communicated to the PB and the borrower within 14 working days after verification.
- (ii) The project shall be subject to monitoring by the BOI, CBN and PB during the loan period.
- (iii) The BOI has the right to reject a request from any Participating bank that contravenes any section of the Guidelines.

11.0 Responsibilities of Stakeholders:

For the effective implementation of the Fund and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

a. The CBN

The Central Bank of Nigeria shall:

- Articulate clear guidelines for the implementation of the Fund
- Provide Fund for the Intervention □ Determine the limits of the Fund.
- Specify the rate at which BOI and Participating Banks will lend under the Fund.
- Carry out verification/monitoring of projects under the Fund.
- Monitor the implementation of the Fund and publish periodic reports on its performance.
- Request BOI to render periodic returns as may be specified from time to time.
- Build capacity of stakeholders
- Review the Fund guidelines as may be necessary from time to time

b. The Organised Private Sector Associations (MAN, NASME, etc)

The Organised Private Sector Associations shall:

- Accredite would-be beneficiaries of the Fund
- Ensure prompt repayment of loans by members

c. Bank of Industry (BOI)

The BOI shall:

- Issue debenture covering the funds to be invested by CBN
- Lend the proceeds of debenture to PBs at 1%
- Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund

- Render periodic returns on the participation of Banks under the Fund to the Central Bank of Nigeria

d. The Participating Banks (PB[s])

The PB(s) shall:

- Grant credit facilities to Manufacturers at a rate of 7% p.a.;
- Approve requests under the Fund based on normal business consideration and exercising appropriate due diligence;
- Render periodic returns under the Fund as may be specified by the CBN and BOI from time to time; and
- Monitor the projects during the loan period.
- Collaborate with Organised Private Sector Associations to ensure efficient utilization and prompt repayment of funds.
- Comply with the guidelines of the Fund

e. Borrower

The borrower shall:

- Utilise the funds for the purpose for which it was granted.
- Insure the project being financed.
- Adhere strictly to the terms and conditions of the Fund.
- Make the project and records available for inspection/verification by the CBN and BOI.
- Comply with the guidelines of the Fund.

12.0 Discontinuation of a Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the participating bank shall advise the BOI immediately, giving particulars of the credit facility.

Any outstanding amount under the facility is to be refunded to the BOI.

13.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

14.0 Enquiries and Returns

All enquiries and returns should be addressed to:

The Director,

Development Finance Department,
Central Bank of Nigeria, Corporate Headquarters Central Business
District, Abuja.

Telephone No: 234-09-46238600

Development Finance Department

Central Bank of Nigeria, Abuja.

April 16, 2010



CENTRAL BANK OF NIGERIA

Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

(AN INITIATIVE OF THE BANKERS' COMMITTEE)

REVISED GUIDELINES

FOR

**OPERATION OF THE SCHEME
GUIDELINES FOR BENEFICIARIES & BANKS**

1.0 Establishments of the Scheme:

- 1.1 The Small and Medium Enterprises Equity Investment Scheme is a voluntary initiative of the Bankers' Committee approved at its 246th Meeting held on 21st December, 1999.
- 1.2 The initiative was in response to the Federal Government's concerns and policy measures for the promotion of Small and Medium Enterprises (SMEs) as vehicles for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation.
- 1.3 The Scheme requires all banks in Nigeria to set aside ten (10) per cent of their Profit after Tax (PAT) for investment and promotion of small and medium enterprises.

2.0 Purpose of the Scheme:

- 2.1 The 10% of the Profit After Tax (PAT) to be set aside annually shall be invested in small and medium enterprises as the banking industry's contribution to the Federal Government's efforts towards stimulating economic growth, developing local technology and generating employment.
- 2.2 The funding to be provided under the scheme shall be in the form of loans or equity investment or a combination of both in eligible enterprises.

3.0 Activities Covered By the Scheme:

- 3.1 Every legal business activity is covered with the exception of:
 - (i) Trading/merchandising
 - (ii) Financial Services

4.0 Definition of a Small & Medium Enterprise:

- 4.1 For the purpose of this scheme, a small and medium enterprise is defined as any enterprise with a maximum asset base of ₦1.5 billion (excluding land and working capital), and with no lower or upper limit of staff.
This is subject to review by the Bankers' Committee from time to time.

5.0 Eligibility for Funding:

- 5.1 To be eligible for funding under the Scheme, a prospective beneficiary shall:
 - (i) Comply with the provisions of the Companies and Allied Matters Act (1990) such as filing of annual returns, including audited financial statements; and
 - (ii) Comply with all applicable tax laws and regulations and render regular returns to the appropriate authorities.

6.0 Modalities of the Scheme:

- 6.1 Funds invested by participating banks shall be in the form of loans or equity investment or a combination of both in eligible enterprises.
- 6.2 Interest on loan shall be single digit subject to a maximum of 9%.

7.0 Definition of Equity:

Equity is defined as ordinary and preference shares.

However, the coupon rate for preference share shall not be more than 9%.

8.0 Limit of Equity Ownership:

The limit of equity ownership shall be in compliance with the provisions of BOFIA.

9.0 Maximum Amount Investable In Any Enterprise:

Maximum amount investable in any enterprise is limited to 20% of the bank's annual set aside funds subject to a maximum of ₦500 million.

10.0 Sectoral Allocation:

Real/Service Sector 90% maximum; and Microfinance 10% minimum.

11.0 Deadline for Investing Funds/Investment Exit:

- i. The time limit to invest the funds set aside shall be 12 months after the AGM of the bank.
- ii. Banks shall remain equity partners in the business enterprises for a minimum of 3 years after which they may exit anytime.

12.0 Incentives/Sweeteners:

There shall be annual award in various categories to the best performing banks under the SMEEIS.

13.0 Sanctions and Penalties:

On expiry of period of grace, after the date of setting aside of the funds:

- 13.1 The CBN shall debit the banks that have not invested and invest such funds in treasury bills for six (6) months after expiry of the deadline. The interest earned would be used to administer the scheme.
- 13.2 Thereafter, existing venture capital companies and banks could bid to manage and invest the funds through proposals made to the Bankers' Sub-Committee on the SMEEIS for final approval by the Banker's Committee.

14.0 Continuity of the Scheme:

The Scheme shall continue after the first five years but banks' contributions to SME reserves to thereafter reduce to 5% of Profit after Tax.

15.0 Mode of Investments and Other Related Issues:

- 15.1 Equity under the scheme may be in the form of fresh cash injection and/or conversion of the existing debts owed to participating bank.
- 15.2 A participating enterprise may obtain more funds by way of loans from banks in addition to equity investment under the scheme.

15.3 Eligible enterprises are free to approach any bank, including those they presently have relationship with, to seek funding under the scheme. Prospective beneficiaries should note that the banks may operate the scheme directly, through their wholly owned subsidiary venture capital companies or through venture capital companies floated by consortia of banks or through independent venture capital companies.

15.4 Prospective beneficiaries are advised to seek the opinion of third party consultants such as lawyers, accountants and valuers in determining the value to be placed on the assets and capital of their businesses in order to determine a fair price before or during negotiations with the banks.

16.0 Requirements by Beneficiaries:

16.1 Beneficiaries will be expected to:

- (a) Ensure prudent utilisation of funds;
- (b) Keep up-to-date records on the companies' activities under the Scheme;
- (c) Make the companies' books, records and structures available for inspection by the appropriate authorities (including banks and the CBN) when required;
- (d) Comply with guidelines of the Scheme; and
- (e) Provide monthly financial and operational reports to the investing banks before the 15th of the next succeeding month.

16.2 The recommendations of industrial associations, particularly Manufacturers Association of Nigeria (MAN); National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA); National Association of Small and Medium Scale Enterprises (NASME); and National Association of Small Scale Industries (NASSI) will be mandatory for members of these associations. Membership of recognised NGOs engaged in entrepreneurial development and promotion of small and medium scale enterprises will also be an advantage.

17.0 Presidential consultative Advisory Committee (PCC):

A PCC comprising members from the following institutions shall be set-up for the scheme:

- (a) The Central Bank of Nigeria (Chairman)
- (b) The Bankers' Committee;
- (c) The Presidency;
- (d) Federal Ministry of Finance
- (e) Federal Ministry of Industry;
- (f) Manufacturers Association of Nigeria (MAN);
- (g) National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA);

- (h) National Association of Small Scale Industries (NASSI);
- (i) National Association of Small and Medium Enterprises ((NASME); and
- (j) Development Finance Department of the CBN shall be the Secretariat of the Committee.

18.0 Bankers' Committee Sub-Committee on the SMEEIS:

18.1 There shall be a Standing Sub-Committee on the SMEEIS appointed by the Bankers' Committee to determine issues relating to the SMEEIS and report to it for final determination and approval. Ad-hoc Sub-Committees could also be appointed from time to time as the need arises to determine specific issues relating to the SMEEIS.

Membership of the Bankers' Committee Sub-Committee on SMEEIS shall include:

- (a) Bankers' Committee Representative – Chairman
- (ii) The Central Bank of Nigeria – Member
- (iii) Selected representatives of banks – Members

19.0 Secretariat for Bankers' Committee Sub-Committee on the SMEEIS:

19.1 There shall be a Secretariat for the Bankers' Committee Sub-Committee on the SMEEIS on PCC on the SMEEIS at the Development Finance Department of the Central Bank of Nigeria.

20.0 Identified Key Stakeholders:

The identified key stakeholders include:

- (i) The Federal Government;
- (ii) The Central Bank of Nigeria;
- (iii) The Bankers' Committee;
- (iv) Individual banks;
- (v) Independent Fund Managers;
- (vi) The Securities and Exchange Commission; and (vii) Promoters of Small and Medium Enterprises.

21.0 Responsibilities of Stakeholders:

21.1 The Federal Government:

- (i) Stable macro-economic environment;
- (ii) Stable and reliable regulatory and legal framework;
- (iii) Adequate Physical Infrastructure;
- (iv) Prudent fiscal regime; and (v) Capacity building.

Specifically, the responsibility of the Government with respect to the implementation of the SMEEIS is to pass the enabling legislation to provide the following tax reforms and incentives:

- Make the bank's contribution to the Scheme enjoy 100% investment allowance;
- Reduce tax paid by SMEs to 10%;
- Provide 5 years tax holidays to the SMEs under the Scheme; and $\frac{3}{4}$ Exempt divested fund under the Scheme from Capital Gain Tax.

21.2 **The Central Bank of Nigeria:**

- (i) Ensure sound financial system;
- (ii) Liaise with the Federal Ministry of Finance to ensure that the required tax incentives are granted;
- (iii) Monitor the implementation and gather statistics to quantify the impact of the scheme;
- (iv) Articulate clear guidelines for the implementation of the Scheme;
- (v) Liaise with the SEC to facilitate and simplify the registration of venture capital operators;
- (vi) Ensure each banks' compliance with the guidelines of the Scheme and penalise erring banks in accordance with the penalty stipulated for non-compliance;
- (vii) Capacity building;
- (viii) Disseminate information on the scheme to SMEs and the larger public;
- (ix) Prepare annual progress report; and
- (x) Provide data for the review of the Scheme after 5 years for the Bankers' Committee.

21.3 **The Bankers' Committee:**

- (i) Obtain the cooperation of the major stakeholders;
- (ii) Disseminate information on the Scheme to SME Promoters and the larger public;
- (iii) Oversee joint collaborative efforts under the scheme;
- (iv) Monitor the implementation of the Scheme;
- (v) Capacity Building; and
- (vi) Review the Scheme after five (5) years.

21.4 **Individual Banks:**

- (i) Provide funds for investment in SMEs;
- (ii) Comply with the guidelines of the Scheme;
- (iii) Report on the activities of the Scheme on monthly basis to the Development Finance Department of the Central Bank of Nigeria; and
- (iv) Capacity building.

21.5 **Independent Fund Manages:**

- (i) Manage equity investment in SMEs on behalf of the banks;
- (ii) Report on the activities of the investment to the banks on a monthly basis;
- (iii) Provide strategic support to Small and Medium Enterprises to minimise the risk of the investments;
- (iv) Exit the investment at the instance of the bank;
- (v) Comply with the guidelines of the Scheme; and
- (vi) Register with the SEC.

21.6 Promoters of Small and Medium Scale Enterprises:

- (i) Ensure prudent utilisation of funds;
- (ii) Keep up-to-date records on project activities for inspection by the appropriate authorities when required; and
- (iii) Comply with the guidelines of the Scheme.

21.7 The Securities and Exchange Commission (SEC):

- (i) Facilitate and simplify registration of venture capital operators;
- (ii) Provide enabling environment, specifically, the development of the capital market; and
- (iii) Liaise with other arms of Government to ensure that SMEs have access to the market.

BANKERS' COMMITTEE
REVISED: APRIL, 2006

GUIDELINES

FOR THE

INTEREST DRAWBACK PROGRAMME

Guideline for the Interest Drawback Programme

Definition

1. The Interest Drawback Programme (IDP) is established to reduce the burden of interest paid on loans by clients under the Agricultural Credit Guarantee Scheme Fund. The reduction which is a rate referred to as the IDP rate shall be determined by the Central Bank of Nigeria, from time to time.
2. The IDP rate shall be determined by the monetary authority (CBN) at the beginning of each financial year and announced through the Monetary and Credit Policy Guidelines. The rate could be amended during the year as deemed necessary based on the ruling interest Rate.
3. The interest drawback shall only be granted to the beneficiary through the borrower's bank account where the loan is liquidated within the stipulated repayment period with a maximum grace period of three months.

Establishment of the Fund

4. The Interest Drawback Programme was established jointly by the Federal Government of Nigeria (FGN) and the Central Bank of Nigeria (CBN) to provide relief on interest paid by farmers for loans under the Agricultural Credit Guarantee Scheme Fund (ACGSF).
5. The IDP has been established with a fund of N2.0 billion (Two billion Naira), named the IDP Fund. It was subscribed to by the Federal Government of Nigeria (60 per cent) and the Central Bank of Nigeria (40 per cent).
6. The IDP Fund shall not be part of the existing authorized or paid-up share capital of the ACGSF.

Purpose of the Fund

7. The Interest Drawback Programme is an interest rate rebate programme set up to assist farmers borrowing under the ACGSF to reduce their effective borrowing rates, without reintroducing a dual interest rate regime into the economy nor contradicting the existing deregulation policy of the government.
8. The IDP is presently available to farmers borrowing under the ACGSF only.
9. The purpose of the Fund is to provide interest rate rebate to farmers who borrow at market determined rates by granting them a drawback of a certain percentage of the interest paid. The operating IDP rate shall be communicated

to the participating banks at the beginning of every year and also whenever it changes during the year.

Management of the Scheme

10. The Fund shall be under the management of the Central Bank of Nigeria, which is also the Managing Agent for the ACGSF, Administrative work and policies relating to the IDP at the Head Office of the CBN shall be handled by the Development Finance Department of the Bank headed by the Director of Development Finance. The Development Finance Offices in the CBN Branches or Currency Centres in the States where the loans are granted under the ACGS will recommend qualified beneficiaries of the IDP to the Head Office for consideration and approval.

Procedure under the Scheme

11. Under the IDP, farmers shall borrow from the lending banks at market-determined rates and after the liquidation of the loan; they shall be entitled to interest drawback at the predetermined IDP rate.
12. All applications for interest drawback shall be made by the lending banks on behalf of their customers on the form prescribed for that purpose (Form IDP/1).
13. Each lending bank shall prepare, in triplicate, the schedule (Form IDP/1) of all eligible customers and forward the original and duplicate to the Head, Development Finance Office of the CBN Branch/Currency Centre in the state where the loan transaction took place or the nearest CBN Branch/Currency Centre. The lending bank shall retain the triplicate.
14. Each Schedule will reflect the particulars of customers from the specified bank branch. The schedule will indicate the farmers' names, ACGSF Guarantee Certificate number, the loan amount, duration, interest paid, date of full repayment, and the amount for which drawback is applied. Thus, for instance, a farmer borrowing N100,000 at 30 per cent market rate for one year would pay N30,000 as interest to the lending bank. However, supposing the IDP rate at the time of borrowing was, say, 40 per cent, that farmer, on liquidating the loan, shall be able to draw back N12,000. His/her effective borrowing rate has therefore been reduced by 40 per cent.
15. The Head, Development Finance Office in the CBN Branch/Currency Centre shall examine the schedule as to the validity of the borrowers' names, loan amount,

duration, date of full repayment, interest charged and the interest drawback entitlement. If found correct in all respects, he shall jointly sign the schedule with the lending bank official before forwarding the original to the Director, Development Finance Department at the CBN Head Office.

16. The Director shall ensure that the schedule is duly considered and if found correct in all respects shall issue a cheque to the lending bank within 15 days and advise the bank to credit the account of the customers with the approved interest drawback entitlement (amount).

17. The account of the beneficiary shall be credited by the lending bank promptly in accordance with the relevant CBN guidelines on the number of days for clearing cheques.

Eligibility for Drawback Claim

18. To qualify for the IDP, the farmer must have repaid both loan principal and interest within the agreed tenor. However, a graced period of three months for repayment may be allowed but drawback entitlement shall be calculated only up to the scheduled date for the final repayment of the loans. This means that interest accruing during the grace period will not be paid of the amount to be refunded.

19. Borrowers that liquidate loans after the expiration of the guarantee certificate/grace period are not eligible and shall be disqualified. A loan for which repayment period is extended after the expiration of the original guarantee certificate shall not qualify to benefit under the IDP.

Relevant Documents Required for Processing Drawback Claims

20. The following supporting documents shall be required for processing interest drawback applications:

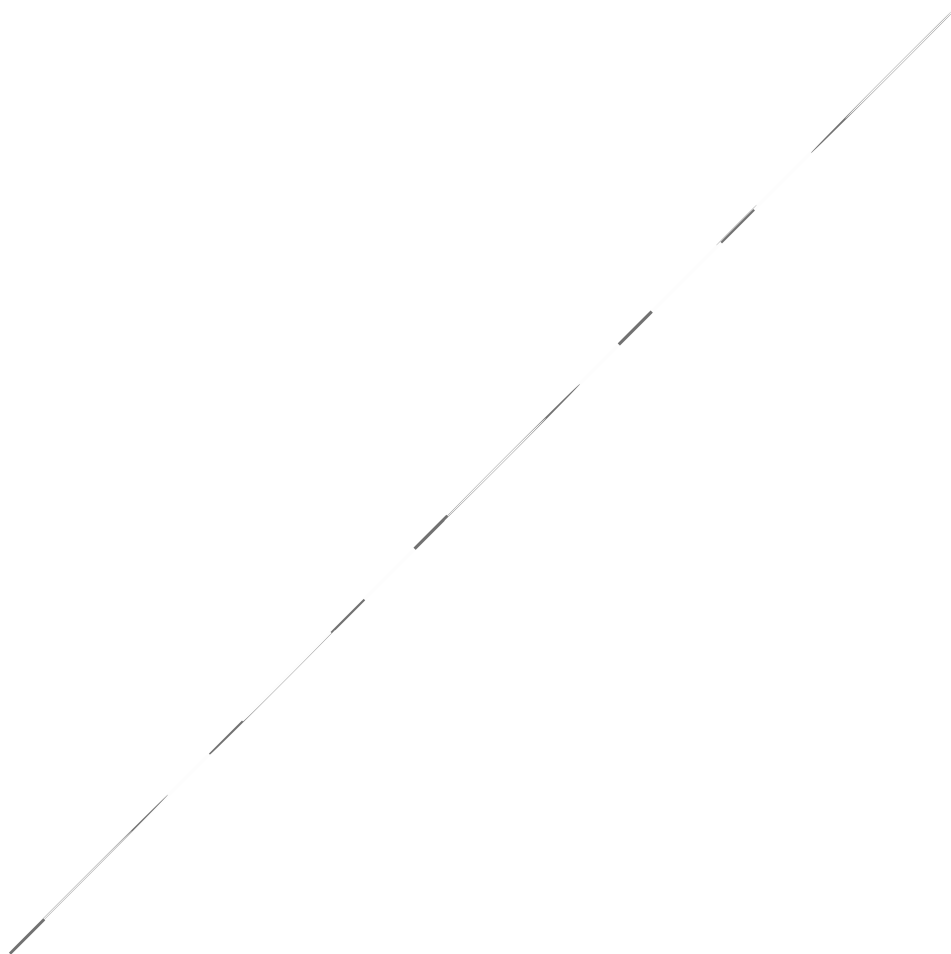
a) Completed Form IDP/1 from the lending bank in triplicate. The lending bank shall retain the triplicate for record purposes.

b) Original ACGSF guarantee certificate in respect of the beneficiaries.

Other terms and conditions

21. Loans under the IDP shall be subject to all terms and conditions for borrowing under the ACGSF.

Development Finance Department,
Central Bank of Nigeria, Abuja.
December, 2002



GUIDELINES
FOR THE AGRICULTURAL CREDIT GUARANTEE SCHEME

Guidelines for the Agricultural Credit Guarantee Scheme

Establishment of the Fund

1. An Agricultural Credit Guarantee Scheme Fund has been established by the Federal Military Government under the Agricultural Credit Guarantee Scheme Fund Decree 1977(Decree No. 20) and as amended on 13th June, 1988.
2. The decree originally provided for a Fund of ₦100 million subscribed to by the Federal Military Government (60 per cent) and the Central Bank of Nigeria (40 per cent). The share and called-up capital of the Fund has been increased to ₦3.0 billion

Purpose of the Fund

3. The purpose of the Fund is to provide guarantee in respect of loans granted by any bank for agricultural purposes as defined below (see para. 5) with the aim of increasing the level of bank credit to the agricultural sector. "Loan" under the decree includes advances, overdrafts and any credit facility and should be taken as such wherever it is used in these guidelines and other circulars.

Management of the Scheme

4. The Fund is under the management of the Agricultural Credit Guarantee Scheme Fund Board and the Central Bank of Nigeria is the Managing Agent for the administration of the Scheme. The work relating to the Scheme at the Head Office of the Central Bank is handled in the Development Department of the Bank headed by the Director. In order to avoid delay, much of the work relating to the operations of the Scheme will be done at the Central Bank Office in the state in which any transaction under the Scheme takes place.

Agricultural purposes for which loans can be guaranteed

5. The Agricultural purposes in respect of which loans can be guaranteed by the fund are those connected with:- establishment or management of plantation for the production of rubber, oil palm, cocoa, coffee, tea and similar crops;

- (a) The cultivation or production of cereal crops, tubers, fruits of all kinds, cotton, beans, groundnuts, sheanuts, benniseed, vegetables, pine-apples, bananas and plantains;
- (b) Animal husbandry, that is to say, poultry, piggery, cattle rearing and the like, fish farming and fish capture;
- (c) Processing in general where it is integrated with a least 50% of farm output e.g. cassava to garri, oil palm fruit to oil and kernel, groundnut to groundnut oil, etc.
- (d) Farm machinery and hire services.

Forms of Security for Loans

- 6. The security which may be offered to a bank for the purpose of any loan under the scheme may be one or more of the following:-
 - (a) a charge on land in which the borrower holds a legal interest or a right to farm, or a charge on assets on the land including fixed assets, crops or livestock;
 - (b) a charge on the movable property of the borrower;
 - (c) a life assurance policy, a promissory note or other negotiable security;
 - (d) stocks and shares;
 - (e) a personal guarantee;
 - (f) any other security acceptable to the bank. For loans of N20, 000.00 (twenty thousand naira) and below, banks are not expected to demand tangible securities and feasibility reports.

Procedure for Making an Application for Loan

- 7. All applications to banks for loans under the Scheme shall be made on the form prescribed for the purpose.
- 8. Applications should be completed in triplicate, one copy of which will be stamped by the bank concerned and forwarded immediately to the nearest office of the Central Bank in the State in which the bank is situated or as may be otherwise directed. Correspondence from the bank to the applicant on the application should be copied to the office of the Central Bank to which a copy of the application was sent.
- 9. Applications received by banks should be processed promptly and it is hoped that the period elapsing between the submission of an application under the

Scheme and its disposal will not exceed 60 days. It is appreciated that banks may call for information, which has not been sufficiently provided by the applicant. Officials of the Fund may call on banks, which have apparently not acted within a reasonable time on any application submitted to them.

10. All applications under the Scheme should be treated by banks with the same degree of diligence, good faith and competence with which they would normally be expected to treat all applications for loans received in the normal course of their banking business.

Banks' Assistance to Loan Applicants

11. If a bank rejects any request for a loan under the Scheme, the bank should give reasons for the rejection to the person making the request. It should also specify the steps the person should take to enable him to comply with the bank's requirements. Copies of the bank's letters to the applicant should be sent to the office of the Central Bank to which the copy of the original application was sent.

Safeguard In Respect of Certain Loans

12. Where a loan or any portion of it in respect of which a guarantee is to be sought under the Scheme is to be used to purchase livestock, machinery or farming equipment, the loan or that portion of it as the case may be must not be paid to the borrower. Instead, the bank must pay it to the supplier who will furnish the bank with a copy of the delivery note or other documents in evidence of the delivery of the livestock, machinery or farming equipment to the borrower.

Form and Terms of Loan Agreement

13. In compliance with S.8 of the Agricultural Credit Guarantee Scheme Fund Decree, every agreement for a loan in respect of which a guarantee is to be given must be in writing and must show the amount of loan, the rate of interest and the duration of the loan. The duration of each loan, including moratorium period if any, should be strictly relevant to the gestation period of the project being financed.
14. Banks should remind prospective borrowers under the Scheme that it is an offence for which one may be imprisoned for five years to apply the loan for purposes other than those for which they are given.

Limits of Liability of the Fund in Respect of Guarantees

15. The maximum liability of the Fund in respect of any guarantee given under the Scheme will be fixed from time to time by the Commissioner for Finance.
16. For the time being, the liability of the Fund will be 75 per cent of the amount in default net of any amount realized by the bank from the security it got from the borrower, subject, in the case of a loan to an individual, to a maximum of N1,000,000 and, in the case of a loan to a co-operative society or a corporate body, to a maximum of N10,000,000.
17. Where two or more banks jointly finance a project, the above limit of the Fund's liability will apply to the total loan granted by all the banks.
18. In such cases, the Fund will deal with only one of the banks that may be nominated for the purpose by all the banks concerned as if it has granted the whole loan alone.
19. Apart from the Head Office of the Central Bank of Nigeria, offices have been established in all branches and currency centres of the Central Bank to deal with Agricultural Credit Guarantee Scheme. The offices are manned by officers who function under the overall control of the Branches Controller or Currency Officer of the Central Bank in each branch or currency centre.
20. In order to ensure that matters connected with the Scheme are dealt with as expeditiously as possible, these officers will deal with such matters in the state in which they are located unless banks are otherwise directed.

Arrangements for Guarantee

Circumstances under which guarantee may be given

21. Any loan granted by a bank or jointly with another bank or other banks for agricultural purposes in accordance with the provisions of the Agricultural Credit Guarantee Scheme Fund Decree 1977 will be eligible for guarantee by the Fund. Guarantee of such loans will, for the time being, be granted automatically except in such cases as in paragraph 25 below.
22. In case of doubt as to whether an application for a loan is in accordance with the Decree or not, the bank should seek clearance from the Fund.
23. Where a bank granted a loan to a farmer which was guaranteed by the Fund and it resulted in claims being paid by the Fund, such a bank should not grant

that borrower any fresh loan under the Scheme without prior clearance from the Fund.

Application for Guarantee

24. Application for guarantee under the Scheme should be made by banks to the Fund on Form ACGSF/1. Every application should be numbered and completed in triplicate. Two copies of the form should be forwarded to the Controller of the Central Bank branch or Currency Officer of the Central Bank currency centre in the State in which the bank applying for guarantee is located or as may otherwise be directed, not later than two weeks after the loan has been granted.

Issue of Guarantee Certificate

25. One of the conditions for a guarantee under the Scheme is that the Fund will have the right to inspect the books and accounts of the bank in respect of the guaranteed loan and that the bank will secure for the Fund by obtaining suitable undertaking from the borrower, the right to inspect the establishment in respect of which the loan has been granted and to call for or examine all details of the guaranteed account, if considered necessary by the Fund.
26. When the Fund receives an application for guarantee from a bank, it will issue a certificate in the prescribed form (Form ACGSF/2) to the bank. The Fund shall not be required to sign any other document in this respect.

Enhancement/Reduction of Guaranteed Credit Facility

27. If a bank grants an increase in a loan in respect of which a guarantee has already been given by the Fund, it must advise the Fund as soon as the increase is granted. If this increase is more than 25 per cent of the initial loan, the bank must obtain prior approval of the Fund. This should be done on Form ACGSF/3, which must be numbered, and sent to the appropriate office in duplicate. An endorsement to this effect will be issued by the Fund on Form ACGSF/5. Where the total loan eventually drawn by a borrower is lower than the amount guaranteed by the Fund, the bank shall advise the Fund of the new amount which shall now be regarded as the guaranteed loan.

Extension of a Guarantee

28. Where the term of a guaranteed credit facility is to be extended, the bank will after fully satisfying itself of the justification for such extension, advise the

Fund of its intention accordingly on Form ACGSF/4 in duplicate. Such advice should be submitted at least one month before the expiry of the existing guarantee. An endorsement to this effect will be issued on Form ACGSF/5.

Variation in other Terms and Conditions of a Guaranteed Loan

29. Where a bank approves a change in any of the other terms and conditions governing a loan in respect of which a guarantee has been issued, it must advise the Fund as soon as such approval is given.

Repayment or Discontinuation of a Credit Facility

30. Whenever a guaranteed advance is repaid or the credit facility is otherwise discontinued, the bank should advise the Fund immediately, giving particulars of the Guarantee Certificate.

Invoking the Guarantee

31. Temporary default on the instalmental repayment of a guaranteed loan need not be reported to the Fund if the bank has no intention, merely on the basis of such a default, either to discontinue the facility or to call up the loan.
32. If, however, the bank does not succeed in its efforts to regularize the account and calls up the loan, it should serve the Fund with a "Notice of Default" by completing Form ACGSF/6 in duplicate copies and of the correspondence between the bank and the customer since the default was noticed should be attached in duplicate.
33. Where a default relates to a lump sum repayment or the last instalmental repayment of a loan, the bank should serve the Fund with "Notice of Default" as in paragraph 32 above.
34. After giving "Notice of Default" in the prescribed manner, the bank should make further efforts as it thinks fit to recover the amount in default from the borrower or his sureties, if any, and may, for that purpose, dispose of any security obtained in respect of the loan if possible.
35. If any balance remains outstanding after the above step has been taken, or where the recovery of any amount outstanding is impracticable, the bank may apply to the Fund for payment on "Guarantee Claim" Form ACGSF/7 in accordance with terms of the guarantee.
36. If within six months from the date of receipt of "Notice of Default" no "Guarantee Claim" form is received by the Fund, it will be presumed that the

bank has recovered its loan and the Fund shall be deemed to have been discharged from its liability under the guarantee.

37. A claim under the guarantee should be submitted in duplicate by the Head Office of the bank to the Fund at the Head Office of the Central Bank on the prescribed form (Form ACGSF/7). In order to facilitate prompt settlement of claim, the bank should ensure that the application is complete in all respects and that the pre-requisites as set out in the Scheme are duly complied with.
38. If the claim is in order, the amount payable under the guarantee will be remitted to the Head Office of the claiming bank by a crossed cheque or draft. A receipt for the amount so paid should be issued immediately by the claiming bank.
39. Upon a payment being made as provided for above, the Fund shall be deemed to have been discharged from all its liabilities under the guarantee.
40. The amount received from the Fund in settlement of a claim under the Scheme must not be credited to the account of the borrower who will remain liable to the bank for his total indebtedness. After invocation of the guarantee, the bank should continue to exercise the same diligence in recovering the amount in all the ways open to it as it might have exercised if no guarantee had been issued by the Fund.
41. The balance of a loan outstanding in respect of which a claim has been paid by the Fund must not be written off by the bank without the specific consent in writing of the Fund.
42. The Fund if considered necessary will publish names of defaulters in the newspapers.

Procedure Regarding Sharing of Recoveries

43. All recoveries made by a bank on an account in respect of which it has invoked the guarantee shall be shared between the Fund and the bank in the ratio in which they shared the loss. A statement showing recoveries made so far on the account after invoking the guarantee should be submitted to the Fund while remitting the Fund's share of such recoveries. Such share should be remitted to the Fund not later than the end of the month in which it is received. Where this is not possible because it is received around the end of the month, it must be forwarded to the Fund in the following month.

Submission of Returns

44. Banks will submit to the Fund progress reports as in Form ACGSF/8 showing particulars of the guarantee advances as at the end of December each year. The report should reach the office of the Central Bank in the State not later than 28 days from the end of the year.
45. The Fund may call for such other returns from time to time as it may require.

Agricultural Credit Guarantee Scheme Fund,

C/O Central Bank of Nigeria,

P.M.B. 12194,

Lagos.

FEBRUARY, 1990

PART F
FINANCIAL MARKETS CIRCULARS, POLICEIS AND GUIDELINES

CENTRAL BANK OF NIGERIA



**REGULATIONS FOR TRANSACTIONS WITH
AUTHORISED DEALERS IN RENMINBI**

- (a) To finance trade & direct investment between The Peoples' Republic of China (PRC) and the Federal Republic of Nigeria (FRN);
- (b) Maintain financial market stability; and
- (c) For other purposes that both parties may agree upon.

3.0 ELIGIBILITY

The following shall apply in respect of access to the CBN bi-weekly Renminbi bidding:

- (a) All Authorized Dealers shall open Renminbi accounts with a correspondent bank and advise CBN with its Renminbi Account details which may either be with a bank onshore or offshore China.
- (b) Importers intending to import from China shall obtain Proforma Invoice denominated in Renminbi as part of the documents required for the registration of Form M.
- (c) FX purchased in the window shall not be used for payments on transactions in which the beneficiaries are not in China.
- (d) Authorized Dealers shall not open domiciliary accounts denominated in Renminbi for customers.
- (e) For the purpose of this regulation authorized dealers shall be deposit money banks and merchant banks.

on a customer's bid.

8.0 APPLICABILITY OF EXISTING GUIDELINES

For the avoidance of doubt, the provisions of this Regulation shall apply along with all existing CBN Guidelines, Circulars and Directives on the operations of the foreign exchange market.

9.0 AMENDMENT

This Regulation may be amended by the CBN from time to time as the Bank may deem necessary.

10.0 ENQUIRIES

Authorised Dealers are to refer all enquiries to:

The Director,
Financial Markets Department,
Central Bank of Nigeria,
Corporate Headquarters,
Central Business District,
Abuja, Nigeria.
Tel.: +234-9-46236703
+234-9-46236700.



Dr. ALVAN E. IKORU

DIRECTOR, FINANCIAL MARKETS DEPARTMENT

JUNE 6, 2018.



CENTRAL BANK OF NIGERIA
 Executive Head Office
 Central Business District
 P.O. Box 1251
 Lagos, Nigeria

Ref: IWD/DIR/CIB/GEN/09/000

May 31, 2018

TO ALL DEPOSIT MONEY BANKS

PLEDGE OF INTENTION (ONE BILLION Naira) WORTH OF GOVERNMENT/CBN SECURITIES FOR OTC TRADE SETTLEMENT

The Central Bank of Nigeria (CBN) in an effort to enhance efficiency in trading and settlement activities and fully compliance to the Finance Act, hereby directs all Deposit Money Banks (DMBs) to provide a pledge of intention (one billion naira) worth of Government/CBN securities to OTC trade settlement.

The pledge will amount to one billion naira (N1,000,000,000) to participate in OTC trade settlement. 100% of the amount of Naira to be pledged through when required and held in liquid form at all times.

Very truly yours,

Dr. Alvan E. Soyoye
 Director, Financial Markets Department



PRODS/CRIGER/2017/00

Date: 23 August 2017

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

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

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

a. Funding for Liquidity Facility (FLF)

Features

- CBN to provide a liquidity facility on overnight basis and to be collateralised on real business day.
- Authorized Non-Interest Financial Institution (NFI) to provide eligible securities to the CBN as collateral for the facility.
- The value of collateral to be a minimum of 15% (one-fifth) of the value of the facility. For example, if a NFI wishes to take a FLF of N10 billion, it would be required to provide eligible security collateral worth N1.5 billion (that is N10* 15/100=1.5billion).
- The CBN shall specify acceptable companies, from time to time. These shall include, but not limited to the following securities: CBN Safe Custody Account (SCSA) Deposit, CBN Maintenance Note (CMN), CBN Asset-Backed Security (CBNABS), SGNs (that have received liquidity support from the CBN), Warehouse Receipt(s) as accepted by the CBN and IPO, and any other collaterals designated by the CBN that does not compromise the CBN's operations.
- The transaction shall be at a zero-per cent interest rate.
- The opening hours for FLF shall be between 10:00am - 3:00pm, and business day commencing on real-business day.
- At maturity, the transaction amount and the CBN releases back the liquidity and returns the collateral to the NFI.
- Failure to provide adequate funding in the account for the amount of transaction at maturity, the Bank (CBN) shall deduct the unpaid amount at par and recover the facility amount and return the net value to the NFI.
- The Market Support Committee (MSC) may approve an administrative charge in relation to the facility as it deems fit in accordance with Section 4 (1) of the Guidelines for the Operation of NFI Issuances by the CBN.

The determination of the administrative charge shall be based on the cost of money in providing the facility, which includes:

- www.cbn.gov.ng

- ✓ Printing/Stationery cost, and
 - ✓ Any other direct and actual cost(s) that do not contravene the principles of non-interest banking as provided in the CBN guidelines.
- The NFI must be either in clearing and have a temporary debit balance and / or have a liquidity problem.

b. Intra-day Facility (IDF)

Features:

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

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



Dr. Alvan Iloku
Director, Financial Markets Department

- g. The CBN reserves the right to intervene, as a buyer or seller, as it deems fit in the inter-bank market.
- h. Authorised Dealers must report to the CBN, daily (source and applications) indicating the amount, counterparty, deal rate, etc.) of all inter-bank purchases/sales by 4 p.m. daily through the portal provided (<http://www.cbn.gov.ng>). Compliance is mandatory.

2. ON-BOARDING OF FMDQ TRADING SYSTEM

Authorised Dealers are again advised to encourage their corporate clients to on-board the FMDQ-vised FX Trading System immediately, to avoid sanctions, foster the speedy migration of the activities of the I&E FX Window unto the FX Trading System and, in turn, ensure that the objective of deepening the market is achieved.

This circular takes immediate effect.

Please ensure compliance.



Dr. Alvan E. Ikoku
Director, Financial Markets Department



CENTRAL BANK OF NIGERIA

Corporate Head Office,
Central Business District,
P.M.B. 0167,
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Tel: (09-462) 96001-09462347012

Ref: FMD/DIR/CIR/GEN/08/007

April 21, 2017

TO ALL AUTHORISED DEALERS

ESTABLISHMENT OF INVESTORS' & EXPORTERS' FX WINDOW

1. INTRODUCTION

The Central Bank of Nigeria (CBN), in a continuing effort to deepen the foreign exchange (FX) market and accommodate all FX obligations, hereby announces a special window for investors, Exporters & End-users (hereinafter referred to as the "Investors' & Exporters' FX Window" or the "Window"). The purpose of this Window is to boost liquidity in the FX market and ensure timely execution and settlement for eligible transactions.

2. PERMITTED TRANSACTIONS

Transactions eligible to access the Window include:

a) Invisible Transactions (excluding International Airlines Ticket Sales'

Remittances) - Loan Repayments, Loan Interest Payments, Dividends/Income Remittances, Capital Repatriation, Management Services Fees, Consultancy Fees, Software Subscription Fees, Technology Transfer Agreements, Personal Home Remittances and any such other eligible invisible transactions including Miscellaneous Payments as detailed under Memorandum 15 of the CBN Foreign Exchange Manual.

b) Bills for Collection

Note:

The above permitted invisible transactions (a) and Bills for Collection (b) are eligible to purchase foreign currency i.e. US Dollars sourced from the CBN FX Window limited to Secondary

Market Intervention: Sale (MMS) Wholesale (Spot and Forward) only

International Auction (IAT) Sale: Intervention: spot only, no ability to access the CBN FX Window 2.4 - Secondary Market Intervention (Sale) (MMS) – Retail and Wholesale: Spot and Forward)

- c) Any other trade-related payment obligations (at the instance of the customer)

1.8 PARTICIPANTS

The supply of foreign currency to the Window shall be through portfolio investors, exporters, Authorized Dealers and other parties with foreign currency in exchange to trade. The CBN shall also be a market participant in the Window to promote liquidity and professional market conduct.

4.6 PRICE DISCOVERY

Due to the slow progress made by companies in on-boarding the FMDQ Trader's Retail FX Trading & Auction System, participants of the Window shall trade via telephone until appropriate progress is made with the FX Trading System. On-boarding process: Authorized Dealers are therefore advised to promote market transparency by encouraging their corporate clients to on-board to ensure the activities of the Window are conducted on the FX Trading System. Participants are advised to ensure that all trade negotiations are recorded and justified. Consequently, to provide price discovery in the market, FMDQ DTG (Retail Exchange (FMDQ)) shall be charged with polling buying and selling rates and other relevant information from its major participants in the market to provide participants with the relevant price discovery, and the CBN with the indicative market depth and the market microdata to the FX Trading System.

Therefore, FMDQ shall publish on its website (<http://www.fmdq.com>) market rates and any other relevant information here daily as follows:

- (i) Initiative Opening Mid-Rate - 8:00 AM daily
- (ii) Initiative Closing Mid-Rate - 4:00 PM daily

Furthermore, in support appropriate benchmarking and facilitate participants activities of the Investors & Exporters FX Window, FMDQ will develop and publish a new listing, NAPEX (the Nigerian Autonomous Foreign Exchange Listing)

5.0 OPERATIONAL REQUIREMENTS

The following conditions shall apply:

- a) The exchange rates of the transactions in the Window shall be as agreed between Authorised Dealers and their counterparties (i.e. willing buyer and willing seller basis).
- b) The CBN reserves the right to intervene as a buyer or seller, as it deems fit, in the Window.
- c) Authorised Dealers may hold positions subject to their respective Foreign Currency Trading Position Limits (FCTPL).
- d) Authorised Dealers shall not exceed their respective FCTPL without the approval of the CBN. Compliance with the FCTPL shall be strictly monitored by the CBN.
- e) Where an Authorised Dealer has a foreign currency trading position in excess of its limit, it is expected that such excess shall be delevered during trading hours. The Authorised Dealer shall offer the funds to the CBN or to another Authorised Dealer but with the prior express approval of the CBN. Where such funds are sold to other Authorised Dealers, the purchased funds shall only be sold by the buying Authorised Dealer to its customers. An attestation of this compliance must be provided by the buying Authorised Dealer to the selling Authorised Dealer. The funds purchased cannot be held in position overnight by the buying Authorised Dealer or sold to another Authorised Dealer.
- f) Information on transactions between Authorised Dealers shall be reported to the CBN on a daily basis.

All documentation requirements for permitted transactions shall apply.

Authorised Dealers shall render daily returns (hard and soft copy, in a format to be communicated by the CBN) of all transactions in this market to the Directors, Financial Markets and Banking Supervision Departments, Central Bank of Nigeria.

6.0 OTC FX FUTURES

Market participants in the FX market shall have opportunities to hedge their foreign exchange exposures. Authorised Dealers shall provide the market with required FX hedges including forwards, swaps, futures or options. The CBN shall continue to bolster liquidity in the derivatives market with the Naira-settled OTC FX Futures which shall, going forward, settle on NAFEX.

However, outstanding Naira-settled OTC FX Futures contracts i.e., open contracts of *April 2017 to March 2018* maturities as at April 18, 2017 (hereinafter

called, the 'Legacy OTC FX Futures Contracts'), in consideration of the framework of the OTC FX Futures market at the time of execution of the contracts, may settle on the Nigerian Inter-bank Foreign Exchange Fixing (NIFEX) as stipulated as follows:

6.1 In order to uphold market stability and integrity, the CBN (in managing the transition of participants to the Window), shall offer to holders of the Legacy OTC FX Futures Contracts, the choice between

Option A - Settlement of their Legacy OTC FX Futures Contracts at the respective NIFEX rates at the maturity dates of the said contracts; and

Option B - Settlement of their Legacy OTC FX Futures Contracts at the respective NAFEX rates at the maturity dates of the said contracts.

Consequently, market participants who had hedged valid FX exposures with any of the April 2017 to March 2018 OTC FX Futures contracts as at April 18, 2017 (i.e., holders of the Legacy OTC FX Futures Contracts) should communicate their preferred settlement option as depicted above to FMDQ to enable appropriate settlement at the times of maturity of the respective OTC FX Futures contracts.

6.2 The above options shall be made available under the following conditions:

(i) Holders of the Legacy OTC FX Futures Contracts that opt for settlement at the NIFEX rates (i.e., Option A), may source for the foreign currency, i.e., US Dollars, to settle their obligations on the Legacy OTC FX Futures Contracts' underlying eligible transactions from the CBN FX Window (i.e., Secondary Market Intervention Sales (SMIS), the Investors' & Exporters' FX Window or the inter-bank FX market).

(ii) Holders of the Legacy OTC FX Futures Contracts that opt for settlement at the NAFEX rates (i.e., Option B), shall **NOT** be eligible to source or purchase foreign currency i.e., US Dollars sourced from the CBN FX Window (i.e., Secondary Market Intervention Sales (SMIS) – Retail and Wholesale) to settle their obligations on the Legacy OTC FX Futures Contracts' underlying eligible transactions. Holders may source the US Dollars through the Investors' & Exporters' FX Window or the inter-bank FX market to settle their attendant US Dollar liabilities.

- (ii) Holders of the Legacy OTC FX Futures Contracts have a maximum period of forty (40) business days from the date of this Circular, to advise FMDQ of their preferred settlement option for all Legacy OTC FX Futures Contracts. All Legacy OTC FX Futures Contracts without a firm confirmation of the preferred settlement option by the holder after this period shall be settled at either NIFEX or NAFEX depending on the type of the hedged eligible underlying transaction.
- 6.3 Any settlement option (i.e., Option A or Option B) selected by a holder of Legacy OTC FX Futures Contracts will be applied across all Legacy OTC FX Futures Contracts held by that holder i.e., a holder of multiple Legacy OTC FX Futures Contracts will not be permitted to choose more than one (1) settlement option for its Legacy OTC FX Futures Contracts.
- 6.4 Legacy OTC FX Futures Contracts and their attendant eligible underlying transactions shall be revalidated by the CBN and FMDQ where considered necessary.
- 6.5 For the avoidance of doubt, all Naira-settled OTC FX Futures contracts offered by the CBN post the release of this circular shall be settled at the NAFEX rate.

This Circular takes effect from April 24, 2017;



Dr. Alvan E. Ikoku
Director, Financial Markets Department



Website: www.cbn.gov.ng
Email: info@cbn.gov.ng
Tel: 09 462 36760, 46623473

Ref: FMDI/OIR/CIR/GEN/09/008

March 3, 2017

TO ALL AUTHORISED DEALERS

UPDATE TO FOREIGN EXCHANGE DIRECTIVES

In view of the CBN's willingness, capacity, and determination to meet FX demand in the market, and in order to further increase foreign exchange availability to all end-users and ensure that a fair and verifiable exchange rate operates in the market, all banks are hereby directed as follows:

1. Open a teller point for retail FX transactions, including buying and selling, in all locations in order to ensure access to foreign exchange by their customers and other users, without any hindrance;
2. All banks must have an electronic display board in all their branches; showing rates of all trading currencies, and customers must insist on processing FX transactions based on the displayed rates;
3. Banks are mandated to process and meet the demand for Travel Allowances (PTA/BTA) by end-users within 24 hours of such application, as long as the end-users meet basic requirements already outlined in earlier directives; and
4. Banks are mandated to process and meet demands for school fees and medical bills within 48 hours of such application.

Please note that this directive is effective immediately, and non-compliance would attract sanctions, including but not limited to being barred from all future CBN foreign exchange interventions.

Dr Alvan E. Ikoku
Director, Financial Markets Department



Ref: FMD/DIR/CIR/GEN/08/003

February 20, 2017

TO ALL AUTHORISED DEALERS

GUIDELINES FOR THE OPERATIONALISATION OF THE NEW POLICY ON FTA AND SCHOOL FEES

In continuation of the effort to increase Foreign Exchange availability in the Nigerian Foreign Exchange Market, and the need to ease the difficulties encountered by Nigerians in obtaining funds for some livable transactions, the Central Bank of Nigeria (CBN) has decided to introduce the following measures:

1. FOREIGN EXCHANGE SALES

The Central Bank of Nigeria (CBN) shall commence the sales of foreign exchange on weekly basis to banks classified into merchant banks, small banks, medium banks and big banks. The sales shall be for Personal Travel Allowance (FTA) and School fees. Sales shall be every Tuesday.

2. SALES FOR PERSONAL TRAVEL ALLOWANCE (FTA)

The following conditions shall henceforth apply for sales for FTA:

- a) Applicants shall be eighteen (18) years of age and above.
- b) Applicants/beneficiaries shall be holders of Nigerian Passports.
- c) Applicants shall be account holder in the chosen bank.
- d) FTA shall only apply to journeys of not less than five (5) hours flight time.
- e) The flight must originate from Nigeria.
- f) Sale of FTA shall be for travel to be undertaken not more than 14 days from the day of the purchase of FTA.
- g) Applicants shall present verifiable BVNs to their banks.
- h) Applicants shall be entitled to \$4,000.00 per quarter.

3. SALES FOR SCHOOL FEES

- a) Remittances shall be made directly to the school's account.

- b) Applications shall be for not more than \$15,000.00 or its equivalent per term/semester.
- c) Applicants shall be recognized parents/guardians.
- d) Applicants shall provide their Bank Verification Numbers (BVN) to their bankers.
- e) Applicants shall present the following:
 - i) Duly completed Form "A".
 - ii) Admission letter from the school.
 - iii) Invoice from the school.

4. REPORT ON TRANSACTIONS

All banks are expected to submit a daily return of their sale of foreign exchange for PTA and school fees to the Central Bank of Nigeria. The report must reach the Director, Financial Markets Department, on or before 4 p.m. daily in soft and hard copies. The report must indicate Applicant name, Amount purchased, Applicable rate (USD/NGN), Purpose of purchase, Beneficiary name and Passport number.

Any bank that fails to comply with this circular shall be sanctioned.

Please ensure compliance.

This circular supersedes the previous circular, Ref: FMD/DIR/CIR/GEN/08/002.



Dr Alvan E. Ikoku
Director, Financial Markets Department



CENTRAL BANK OF NIGERIA
 Corporate Head Office,
 Plot 53, Abubakar Tafawa Balewa Way,
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 Kaduna Zone,
 P.M.B. DIFC,
 Abuja, FCT

Ref: IAD/CIR/GEN/CIR/08/001

February 1, 2017

CIRCULAR TO ALL AUTHORISED DEALERS
AMENDMENT OF 34 BUSINESS RULES AND GUIDELINES

With respect to clause 18.1 of the 34 Business Rules and Guidelines, which states inter alia:
 "18.1. The Issuer shall ensure that:

- (i) Any dealer or intermediary with CIBI must be verified. If it is not, then, it shall be given highest priority and when it fails to verify, the system shall generate an automatic intraday liquidity facility (ILF) which is retained to cover the margin call.
- (ii) Where there are no securities, the address shall be corrected and the defector suspended from CIBI and from rights to trade securities from the date of default.
- (iii) ILF shall be brought back to normal ILF by the Participant by the close of business day, during which it shall be automatically recovered to ILF at the prevailing ILF rate plus 500 basis points.
- (iv) If any ILF is not repurchased by the Participant by the end business day, such Participant shall not be eligible to receive any CMA cleared volume until such outstanding obligation is settled in accordance with Section 27 of the Guidelines for the Conduct of Repurchase Transactions under CIBI Trading Facility.

Accordingly, all Standing Liquidity Facility (SLF) must be brought back below by 10:00 a.m. on the maturity date, failing which, the outstanding obligation will be automatically refinanced.

The circular is for information only.

Thank you.

Dr. Aliyu B. Thabiri
 Director, Treasury Markets Department



CENTRAL BANK OF NIGERIA

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

Website: www.cbn.gov.ng
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Ref: FMD/DIR/GEN/CIR/07/006

October 6, 2016

To: The General Public

**GUIDELINES FOR GRANTING LIQUID ASSET STATUS TO SUKUK
INSTRUMENTS ISSUED BY STATE GOVERNMENTS**

In view of the need to foster financial system and economic growth and development, as well as complement the efforts of government at various levels, the Central Bank of Nigeria (CBN) has approved "Guidelines for Granting Liquid Asset Status to Sukuk Instruments Issued by State Governments", to enhance the diversification of sources of funding for development at the sub-national levels.

Consequently, members of the public and relevant stakeholders are requested to note the said Guidelines as contained below for operations in the Nigerian financial markets.

Thank you.

A handwritten signature in black ink, appearing to read 'Angela Sere-Ejembi', written over a faint circular stamp.

Dr. (Mrs.) Angela Sere-Ejembi
For: Director, Financial Markets Department

GUIDELINES FOR GRANTING LIQUID ASSET STATUS TO SUKUK INSTRUMENTS ISSUED BY STATE GOVERNMENTS

Definition of Terms

Irrevocable Standing Payment Order (ISPO) – *A written mandate given by the issuer (state government) of a Sukuk to the Accountant General of the Federation (AGF) authorising the AGF to deduct, at source, predetermined sums of money from the statutory allocation of the issuer*

Issue Date – *The date on which a Sukuk is issued*

Maturity Date – *The date on which a Sukuk becomes due and payable*

Secondary Market – *The market where previously issued instruments are traded*

Sinking Fund – *A fund into which an issuer sets aside money over time, in order to retire its debt instruments*

Sukuk – *Certificates of equal value representing undivided shares in the ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity*

1.0 INTRODUCTION

Financial deepening is gradually gaining ground in the Nigerian financial landscape with the introduction of new financial products, including non-interest financial instruments, to cater for the diverse financial needs of the populace and government at various levels. Hence, the adoption of Sukuk issuance by state governments in Nigeria, as an alternative means of financing public expenditure, will contribute to the deepening of the financial system. In the same light, it is expected that other levels of government as well as interested supra-national financial organisations may get involved in Sukuk structuring at some time in the future.

Thus, to ensure the sustainability of this development, the Central Bank of Nigeria (CBN) has considered the need to enhance the quality of Sukuk instruments, by issuing these guidelines to provide for eligibility for the grant of liquidity status to Sukuk issued by state governments at its discount window as well as for the purpose of liquidity ratio computation. This will further deepen the market and promote investment and secondary market activities.

2.0 ELIGIBILITY CRITERIA

2.1 Enabling Legislation

The Sukuk issuance shall be backed by a law enacted by the relevant State House of Assembly, specifying that a sinking fund to be fully funded from the consolidated revenue fund account of the state be established.

2.2 Fiscal Responsibility Law

The state government shall have in place a fiscal responsibility law, with provisions for public debt management, in order to enhance investor confidence.

2.3 State Debt Management Department

The state government shall establish a debt management department in order to ensure transparency and professional management of debt issues.

2.4 Credit Rating

The Sukuk shall, at inception and throughout its tenor, be of investment grade as determined by a rating agency accredited by the Securities and Exchange Commission (SEC).

2.5 Utilisation of Proceeds

A SEC confirmation that the proceeds have been disbursed in line with the provisions of the prospectus shall be submitted to the Director, Financial Policy and Regulation Department (FPRD) of the CBN at the anniversary of the Sukuk issuance. Subsequently, SEC confirmation shall be required on amounts that have not been disbursed by the first anniversary.

2.6 Repayment Structure – Sinking Funds

Repayment structure shall be from a funded sinking fund account (supported by a legislated irrevocable standing payment order (ISPO) and/or other legislated sources of repayments disclosed in the offer documents).

The Trustee(s) to the Sukuk shall submit to Director, FPRD, CBN every six months: (a) a statement of accounts of the sinking funds' investments and (b) a statement of declaration on the sufficiency of the sinking funds' investments and investment income in meeting maturing and redemption obligations.

The Trustees shall advise the Director, FPRD, CBN on the action taken in the event that the Trustees are of the opinion that the sinking fund may be insufficient or there may be the likelihood of default, in line with Sections 255 and 256 of the Investment and Securities Act, 2007 or any amendment thereto.

2.7 Irrevocable Letter of Authority

The Accountant General of the State shall issue an Irrevocable Letter of Authority to deduct at source from the statutory allocation due to the state, approved by the Federal Minister of Finance, in the event of default by or failure of the state to meet its payment obligations.

2.8 Tenor of the Sukuk

The state government Sukuk shall be limited to a maximum maturity of ten (10) years, in order to be considered for liquid asset status.

2.9 Approval

The state government shall provide evidence of approval from both the SEC and the Federal Minister of Finance for the issuance of the Sukuk.

3.0 BENEFITS OF LIQUID ASSET STATUS

3.1 Risk-Weights for Capital Adequacy Ratio

For the purpose of computing the capital adequacy ratio of banks, state government Sukuk with liquid asset status shall be assigned a weight of 20 percent or as may be prescribed by the CBN from time to time.

Sukuk with liquid asset status will also qualify as a liquid asset for the purpose of computing banks' liquidity ratio.

3.2 Repurchase Transactions

State government Sukuk, which meets the criteria for liquid asset status shall be eligible for repurchase (repo) transactions at the CBN. The collateral provided by counterparties towards the repo shall have a "haircut" applied as may be prescribed by the CBN from time to time.

4.0 INVESTMENT LIMITS

The maximum investment a bank shall make in any Sukuk issuance of a state government or its agencies is limited to 10% of the total amount outstanding of that Sukuk. This is an investment limit per issue and not per issuer.

The aggregate portfolio of a bank in Sukuk issued by state governments and their agencies shall not exceed 30% of the bank's total portfolio in debt securities. Debt securities for this purpose include: Nigerian Treasury Bills, FGN Bonds, FGNguaranteed notes, sovereign debt notes, and any other Nigerian sovereign debt securities, CBN bills, bonds collateralised with FGN bonds, state government bonds, state government agency bonds, corporate bonds and dated preference shares.

The underwritten positions of the state government Sukuk shall not be regarded as investments and, therefore, will not be considered in determining these limits. However, a monthly return on the underwritten positions and the sell-off strategy shall be rendered to the Director, Banking Supervision Department (BSD) of the CBN.

5.0 CEILING ON LENDING TO SUB-NATIONAL GOVERNMENTS

Eligible state government Sukuk shall not be included in the computation of the 10 percent ceiling on lending to all tiers of government as specified in the CBN Circular, reference BSD/DIR/GEN/CIR/03/011, dated June 26, 2009.

6.0 RISK-WEIGHTS FOR SUKUK THAT DO NOT QUALIFY AS LIQUID ASSETS

6.1 Capital Adequacy Ratio

For the purpose of computing the capital adequacy ratio of banks, state government Sukuk that do not qualify as liquid assets shall be assigned a riskweight of 50 percent or as may be prescribed by the CBN from time to time.

6.2 General Issues

The state government Sukuk shall comply with all the relevant provisions of the Investment and Securities Act, 2007, including amendments thereto as well as SEC rules, as may be prescribed from time to time.

7.0 APPLICATION PROCEDURE AND OTHER MATTERS

These guidelines shall apply to both previously issued state government Sukuk and new issues. State governments seeking liquid asset status for their Sukuk shall apply to the Director, FPRD, CBN through their financial advisers. The CBN shall regularly publish, on its website, state government Sukuk that qualify for liquid asset status.

8.0 REVIEW OF THE GUIDELINES

These guidelines shall be reviewed from time to time.

Dr. Alvan E. Ikoku
Director, Financial Markets Department
Central Bank of Nigeria, Abuja
October 6, 2016



CENTRAL BANK OF NIGERIA
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Ref: FMD/DIR/GEN/CIR/07/005

August 8, 2016

CIRCULAR TO ALL AUTHORIZED DEALERS

ACCESS TO THE CBN DISCOUNT WINDOW ON AUCTION DAYS

In view of the observed abuse of access to the Central Bank of Nigeria (CBN) Standing Lending Facility by authorized dealers, it has become imperative that some measures be taken to redress the trend and re-define the mode of operation by authorized dealers of the window.

Thus, all authorized dealers are, henceforth, directed to refrain from accessing the discount window of the CBN on the settlement date for government securities' auctions. The securities referred to here are CBN Bills, Nigerian Treasury Bills and Federal Government of Nigeria Bonds.

All authorized dealers are hereby required to note and comply accordingly, as any violation will result in the denial of access to the CBN Standing Lending Facility.

You are reminded that authorized dealers who come to any of CBN's windows are preferred to the interbank foreign exchange market on the same day.

Thank you.

Dr. Alvan E. Ikoku
Director, Financial Markets Department



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Abuja, F.C.T.

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FMD/DIR/GEN/CIR/07/002

JULY 8, 2016

CIRCULAR TO ALL AUTHORISED DEALERS

ONBOARDING CORPORATES ON FMDQ-ADVISED FX TRADING AND SURVEILLANCE SYSTEMS

In furtherance of its efforts in engendering transparency and professionalism in the Nigerian foreign exchange market, the Central Bank of Nigeria (CBN) hereby directs that all FX-related trades by Authorised Dealers (Banks) and Corporate Institutions in the Nigerian FX market, with effect from Monday, August 1, 2016, must be executed through the FMDQ-advised FX Trading, Auction & Surveillance Systems.

Therefore, all Authorised Dealers (i.e. Banks) are to execute all FX trades among themselves and with their clients (i.e. Corporate Institutions) through the FMDQ-advised FX Systems. The deployment of the FMDQ-advised FX Systems will only be to those Corporates that have been screened and pre-approved by FMDQ in line with its on-boarding eligibility criteria.

All Authorised Dealers and Corporate Institutions operating in the Nigerian foreign exchange market are to ensure strict compliance.

Dr. Ahan E. Ikoku
Director, Financial Markets Department



Monika, 2016-06-24 11:01:11
Bank of Communications International
Tel: 001 202 456 2000

CENTRAL BANK OF NIGERIA

Corporate Head Office,
Central Business District,
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FMD/DIR/GEN/07/001

JUNE 24, 2016

CIRCULAR TO ALL DEPOSIT MONEY BANKS

EXTERNALISATION OF DIFFERENTIALS ON OTC FX FUTURES CONTRACTS FOR FOREIGN PORTFOLIO INVESTORS

To facilitate the operational efficiency of the emerging OTC FX Futures Market, organised by FMDQ OTC Securities Exchange (FMDQ), the Central Bank of Nigeria, in line with the powers vested on it by the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 17 of 1998 and the BOF Act of 1991, hereby issues the operational requirements to guide the externalisation of the differentials on OTC FX Futures Contracts for Foreign Portfolio Investors (FPIs):

- i. Along with the requisite certificate of capital importation (CCI), all participating FPIs in the OTC FX Futures Market are required to present an OTC FX Futures Settlement Advice (to be issued by FMDQ) to facilitate the externalisation of the settlement amount (the differential between the OTC FX Futures and the Nigerian Inter-bank Foreign Exchange (NIFEX) fixing on the settlement date) of OTC FX Futures Contracts.
- ii. For the avoidance of doubt, requests for resubmission of settlement amount of OTC FX Futures Contracts by FPIs that are not accompanied with the requisite Settlement Advice from FMDQ, and the CCI should not be processed by any deposit money bank in Nigeria.

S. A. OSH
For SA/Head, Financial Markets Department



CENTRAL BANK OF NIGERIA
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Ref: TMD/DIR/GEN/CIR/05/020

Date: November 4, 2014

CIRCULAR TO ALL BANKS AND DISCOUNT HOUSES

RE: GUIDELINES ON ACCESSING THE CBN STANDING DEPOSIT FACILITY

It has been observed that banks and discount houses have preference for keeping their idle balances at the Central Bank in the Standing Deposit Facility (SDF) thereby constraining the process of financial intermediation. In order to encourage the banks to increase lending to the productive sector of the economy, the guidelines for the operations of the SDF is hereby reviewed as follows:-

1. The remunerable daily placements by banks and discount houses at the SDF shall not exceed N7.5 billion. This shall be remunerated at the SDF rate of 10.0 per cent per annum.
2. Any deposit by a bank or discount house in excess of N7.5 billion shall not be remunerated.

These provisions are without prejudice to the subsisting MPR corridor. For the avoidance of doubt, the SDF remains operative as a monetary policy tool, but patronage of the facility shall be subject to the above modifications.

The MPR corridor remains at +/- 200 basis points around the MPR. SDF will attract an interest rate of MPR minus 200 basis points i.e. 10.0 per cent per annum up to the limit of N7.5 billion, while any deposit over and above the maximum will attract zero interest rate.

The provisions of this circular shall apply with immediate effect.

E. U. IBE
DIRECTOR, FINANCIAL MARKETS DEPARTMENT



CENTRAL BANK OF NIGERIA
Corporate Head Office,
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Website: www.cbn.org.ng
Email: info@cbn.org.ng

Monday, December 10, 2012

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

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

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

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

Thank you.

A handwritten signature in black ink, appearing to read 'E. U. UKEJE'.

E. U. UKEJE
Director, Financial Markets Department



Central Bank of Nigeria

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

December 2012

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

1. Introduction

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

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

2. General Requirements and Terms of Operations

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

i) Participation and Eligibility

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

ii) Request for Admission

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

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

iii) Submission of Mandate

- a) Two (2) representatives of the authorized institution shall be required to initiate and consummate transactions on behalf of the institution.
- b) The institutions shall provide the details of their representatives who have been authorized to initiate and conduct business in the instruments on their behalf. These shall include passport photograph, name, position held in the institution, specimen signature, contact telephone number and any other information that may be required from time to time by the Bank.

iv) Mode of Submission of Transaction Deals

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

v) Operational Account

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

This account shall be used for the purposes of settlements.

vi) Limit of Authority

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

vi) Charges or Fees

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

vii) Announcement

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

ix) Exemption

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

x) Alteration in Conduct and Procedure

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

xi) Suspension and Disqualification from Participation

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

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

3. CBN Non-Interest Banking Window

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

i) CBN Safe-Custody Account (CSCA)

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

Features

The features are as follows:

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

- ii) Market Support Committee (MSC) decisions and advisory;
 - iv) The size of the funds or deposit(s);
 - v) The prevailing conventional banking conditions, such as the money market indicators, and;
 - vi) The alternative investment options.
- i) The giving of a return, reward or gift shall not be a stipulated condition for the contract nor shall it be a standardized custom.
 - j) The giving of return, reward or gift, and, the amount will be decided by the Committee of Governors (COG) on recommendation from the Director, Financial Markets Department or his representative.

ii) CBN Non-Interest Note (CNIN)

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

Features

The features are as follows:

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

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

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

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

Features

The features are as follows:

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

4. Governance Structure

I. Market Support Committee

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

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

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

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

II. NFI Product Development Committee

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

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

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



CENTRAL BANK OF NIGERIA
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Ref: FMD/DIR/GEN/C18/03/004

Date: August 1, 2012

CIRCULAR

REVIEW OF THE REVISED GUIDELINE FOR ACCESSING CBN LENDING WINDOW AND REPO TRANSACTIONS

Our circular dated October 10, 2011 and July 26, 2012 (Ref: TD/PRD/PC/GEN/01/018 and BS/DR/GEN/LR/04/047) refer.

Further to the prohibition of Authorized Dealers from accessing the WDAS and the Standing Lending Facility (SLF) on the same day, Authorized Dealers are henceforth **NOT** allowed to access the WDAS window throughout the term of a Repurchase or SLF transaction with the CBN.

However, Authorized Dealers that have entered into Repurchase or SLF transaction with the CBN prior to the issuance of this circular will not be affected as the transaction would be allowed to run its full course.

This circular takes immediate effect.

E. U. Ikeje
Director, Financial Markets Department



CENTRAL BANK OF NIGERIA

Corporate Head Office

Central Business District

P.M.B. 9197

Marko Road - FCT

011-201-2000000
011-201-2000000
011-201-2000000

Our Ref: FMD/EDCIR/GEN/11/11/153

June 13, 2015

TO ALL AUTHORIZED DEALERS

REFUND OF UNUTILIZED WQAS FUNDS

WITH REFERENCE TO OUR CIRCULAR REF: FMD/EDCIR/GEN/11/11/153 OF DECEMBER 29, 2014 ON THE REVISED GUIDELINES FOR THE OPERATION OF THE FOREIGN EXCHANGE MARKET WHOLESALE DUTCH AUCTION SYSTEM-SPOT (WQAS-SPT)

AUTHORIZED DEALERS ARE HEREBY REMINDED OF THE NEED TO ADHERE STRICTLY TO THE REQUIREMENT THAT ANY UNUTILIZED FUNDS PURCHASED FROM THE WQAS-SPT SHOULD BE RETURNED WITHIN FIVE (5) WORKING DAYS.

ANY AUTHORIZED DEALER FOUND CONTRAVENING THE POLICY SHALL BE SANCTIONED ACCORDINGLY.

I. U. ANUOLUAPE

DIRECTOR
FINANCIAL MARKETS DEPARTMENT



CENTRAL BANK OF NIGERIA
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Our BIC: FMO/DIH/CEN/CHE01008

Friday, 25th May, 2012

TO: ALL DEPOSIT MONEY BANKS/DISCOUNT HOUSES

**APPOINTMENT OF DEPOSIT MONEY BANKS AND DISCOUNT
HOUSES AS MONEY MARKET DEALERS**

Following the adoption of a single-bid auction system at the OMO auctions by the Central Bank of Nigeria to replace the multiple-bid auction system, the Bank has reviewed the operational guidelines for the operation and appointment of Money Market Dealers.

Consequently, all deposit money banks and discount houses are hereby appointed as Money Market Dealers (MMDs) effective Monday, 28th May, 2012.

All deposit money banks and discount houses are hereby requested to note and be guided accordingly.

Thank you

Director, Financial Markets Department



ORDER: FIN/001/2012

DATE: APRIL 2, 2012

TO ALL DEPOSIT MONEY BANKS AND DISCOUNT HOUSES

GUIDELINES FOR THE CONDUCT OF REPURCHASE TRANSACTIONS UNDER CBN STANDING FACILITIES

I. Introduction

1. The CBN offers to enter repurchase transactions (repos) under its Standing Lending Facility (SLF) and Term Repurchase Facility (TRF). The objectives of these facilities are to provide Naira liquidity to eligible institutions that are unable to access funds on the inter-bank market and to set an upper limit on rates. The rates on the facilities are set at margins above expected market rates so as to provide sufficient incentive for banks to look first to the interbank market before seeking recourse to the CBN for funds.
2. These guidelines contain the terms and conditions for the operation of the SLF and the TRF and should be read in conjunction with the Nigerian Master Repurchase Agreement (NMRA). All references to sections in these guidelines are references to sections in the NMRA.
3. The NMRA is the legal document that governs all repos between the two parties that have signed it. The legal nature of a repo involves an agreement to sell securities at an agreed price, and to buy them back at a future date at an agreed price. Important aspects of the NMRA are contained in this guideline but counterparties must ensure they are fully conversant with all aspects of the NMRA.

II. Eligibility

- The SLF and TRF are available only to banks and discount houses that have executed the NMRA with the CBN. All such transactions will be conducted under the NMRA signed between the counterparty and the CBN.

III. Operation, Pricing and Transaction Amounts

- **The Standing Lending Facility is an overnight facility.** It is available on all banking days between the hours of 2pm and 3.30pm. Settlement is for same day value. The SLF rate is set by the Monetary Policy Committee of the CBN and is published on the CBN website (<http://www.cbn.gov.ng>). It is the applicable 'Pricing Rate' pursuant to section 3 of the NMRA.

A handwritten signature in blue ink, appearing to be a stylized 'K' or similar character.

6. *The Term Repurchase Facility is a term facility. It is available on all banking days between the hours of 9am and 3.30pm. Term Repos can be transacted with the CBN for periods and at rates as published on the CBN website. The Term Repo Rate is the applicable 'Pricing Rate' pursuant to section 2 of the NMRA.*
7. *Transactions under these facilities can be conducted in amounts (based on the face values) of a minimum of N100 million and in multiples of N1 million thereafter.*

IV. Other Terms and Conditions of CBN Repo Transactions

Purchase and Repurchase Prices

8. *The Purchase Price is the price at which the Purchased Securities are to be transferred from Seller (borrower) to Buyer (lender) on the Purchase Date. The price will be calculated using appropriate market yields and after applying the appropriate Margin Ratio (detailed below).*
9. *The Repurchase Price is the price at which the Purchased Securities are to be transferred from Buyer to Seller on the Repurchase Date. It is calculated using a money market formula with the applicable rate being either the rate as applied to the SLF (in the case of an SLF transaction) or the relevant Term Repo Rate (in the case of a TRF transaction). In the terminology of the NMRA, the applicable interest rate is defined as the Pricing Rate.*

$$\text{Repurchase Price} = \text{Purchase Price} + (\text{Purchase Price} \times \text{Pricing Rate} \times \text{days} / 365)$$

Purchased Securities

10. *Purchased Securities are the securities that the seller (borrower) must deliver to the buyer (lender) on the Purchase Date. The CBN will accept the following securities under the facilities covered in these guidelines:*
 - Nigerian Treasury Bills (NTBs)
 - Federal Government of Nigeria Bonds
 - CBN Bills
 - Asset Management Corporation of Nigeria (AMCON) Bonds
11. *The maturity dates of all securities to be used must be at least three business days after the Repurchase Date of the transaction.*

Margin Ratio

12. *The Margin Ratio defined in section 2(y), is the 'Market Value of the Purchased Securities at the time the transaction was entered into divided by the Purchase Price'. The CBN will apply a Margin Ratio to compensate for the risk that the value of securities could fall during the period of the repo. The longer the duration of the*

securities, the higher the price volatility and therefore, the higher the risk that the value of the securities could fall during the period of the transaction.

13. For securities with a term-to-maturity of five years or less the *Margin Ratio* will be 1.05, and for securities of greater than five years, the *Margin Ratio* will be 1.10. Where there is a combination of securities provided (i.e. some shorter than five years and some longer than five years), the *Margin Ratio* will be a weighted-average of the securities provided.
14. In recognition of the fall in price of a bond after the coupon is due together with the requirement for the buyer to transfer the coupon to the seller, where a bond provided has an *Interest Payment Date* that falls within the period of the repo, then the applicable *Margin Ratio* for such transaction, will be increased by one half of the coupon rate applicable to the bond. This approach reduces the need for the seller to make a *Margin Transfer* immediately the *Interest Payment Date* has passed.

Example

15. An FGN bond with a semi-annual coupon of 10.50 percent maturing 18 March 2014 (i.e. less than three years to maturity), pays 5.25 percent coupons (i.e. 10.50/2) on 18 March and 18 September each year. The registered owner of the bond at the close of business on the day preceding the coupon payment date (i.e. 17 March and 17 September) receives the coupon. That is, where a bond trade is settled on the coupon date, then the seller receives the coupon.
16. If this bond is used in a repo with a *Purchase Date* before 18 September 2011 and a *Repurchase Date* after 18 September 2011, then the required *Margin Ratio* would be 1.1025 (equaling 1.05 plus 0.0525 percent).

Market Value of Purchased Securities (MVPS)

17. The MVPS will be based on yields as obtained from generally recognized sources. Up-to-date secondary market yields will be obtained where possible or Financial Markets Dealers Association rates may also be used. Ultimately, the CBN will determine the yields applicable to each security.
18. The formula for calculating the price of each security is as follows:

Nigerian Treasury Bills and CBN Bills

$$\text{Settlement Price} = \text{FV} - (\text{FV} \times \text{R} \times \text{Days} / 365)$$

Where: FV = the face value
R = the applicable discount rate
Days = are the day to maturity

Note that in a leap year the base is 366 and not 365.



Federal Government of Nigeria Bonds

Settlement Price =

$$FV \left[\frac{1}{(1+i)^t} + r \left(c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right) \right]$$

$$\frac{\quad}{(1+i)^{tb}}$$

- FV** = the face value
r = the annual coupon divided by two hundred (i.e. the annual coupon interest rate (%))
i = the yield divided by two hundred
c = if the settlement date is the coupon payment date (has the value of 0, otherwise it has the value of 1)
n = the number of full half years between the next coupon payment date and the maturity date
a = the number of days from the settlement date to the next coupon payment date
b = the number of days in the half year ending on the next coupon date

AMCON bonds

19. In the absence of secondary markets yields for AMCON bonds, the CBN will use the equivalent modified duration FGN Bond yield. A margin may be added if the CBN considers that the AMCON bond should trade at a premium (in yield) to FGN bonds.

Margin maintenance

20. Pursuant to the NMRA section 4, the CBN may request that a counterparty make a *Margin Transfer*. The CBN may make such a request in circumstances where the MTS together with the market value of *Margin Transfers* (cash and securities transferred when meeting previous *Margin Transfers*) falls below 102 percent of the aggregate of the repurchase prices of all repo transactions undertaken between the CBN and the particular counterparty.
21. Under the NMRA section 4(g), a *Margin Transfer* can be made in either cash (as *Margin*) or in securities (*Margin Securities*). The CBN would prefer that all *Margin Transfers* be in the form of *Margin Securities*.

22. The value of the *Margin Transfer* (cash plus market value of *Margin Securities*) must be such that the ratio of, *MYPS plus Margin Transfer* divided by the aggregate of all *Repurchase Prices*, restores the *Margin Ratio* to the ratio applicable at the commencement of the repo [the ratio may be a weighted-average in circumstances where some securities have a term-to-maturity of less than five years and some (not more than five years, as detailed in IV 3].
23. When the CBN gives notice of a *Margin Transfer*, the counterparty must transfer to the CBN, the *Cash Margin* and/or *Margin Securities* by 3pm on the day after which the *Margin Transfer* was requested.
24. The CBN will not make *Margin Transfers* to counterparties in these transactions.

Treatment of coupon payments

25. Pursuant to the NMRA section 5, where a transaction extends over two *Payment Dates* (i.e. coupon payment date), the buyer (i.e. CBN) shall credit the seller with income received on the same day that it receives the income.

Substitution of securities

26. The CBN will not allow substitution of securities under these facilities.

Penalty for non-repayment on the Repurchase Date

27. Notwithstanding the rights of a non-defaulting party in 210, where a counterparty does not repay the *Repurchase Price* on the *Repurchase Date* a new repo will have been deemed to have been entered into between the parties, where the *Repurchase Price* becomes the new *Purchase Price* and the new *Pricing Rate* is set at the rate applicable on the Standing Lending Facility plus five percentage points. The duration of the new repo will be overnight.

V. Initiation and Settlement

28. A counterparty wishing to access funds through these facilities must submit a request to Central Securities Clearing System Ltd (CSCS) for it to transfer responsibility from the account of the counterparty to the account of the CBN. The counterparty will provide to the Market Liquidity Management Office, Financial Markets Department, CBN, Lagos, in line with current deadlines, a copy of the confirmation that the securities have been transferred. Once the CBN receives acknowledgement from CSCS that the collateral has been moved, it will credit the counterparty's TTA account with the *Purchase Price* of the repo.

24. On the Repurchase Date, the counterparty's T24 account at the CBN will be debited with the Repurchase Price and the Purchased Securities will be transferred to the counterparty's account at the CSCS.


Emmanuel U. Okoro
Director, Financial Markets Department





Central Bank of Nigeria

Ref: FWD/DIR/GEN/CB/02/004

Date: October 11, 2011

CIRCULAR TO ALL DEPOSIT MONEY BANKS IN NIGERIA

SUSPENSION OF RESERVE AVERAGING SCHEME AND CHANGE IN CASH RESERVE REQUIREMENT

Our circular to all banks referenced FWD/DIR/DIR/GEN/01/014 dated March 3, 2011 on the above subject, reads:

Subject to the decisions reached at the extraordinary meeting of the Monetary Policy Committee held on October 10, 2011, all Deposit Money Banks (DMBs) are hereby notified that the reserve averaging scheme has been suspended effective from October 12, 2011.

The Cash Reserve Ratio has also been increased by 400 basis points from 400 percent to 800 percent effective October 12, 2011. Also, the computation is now on a daily basis with the maintenance is on daily basis.

Accordingly, the computation and maintenance of the CRR are as indicated hereunder:

1. At the beginning of each maintenance period, each bank will be advised of its CRR based on a simple average of its daily adjusted deposit liabilities of the preceding maintenance period and the applicable rate determined by the CRR.
2. The bank's account would be credited with the applicable CRR requirement (and the interest accrued during the maintenance period).

Yours faithfully,

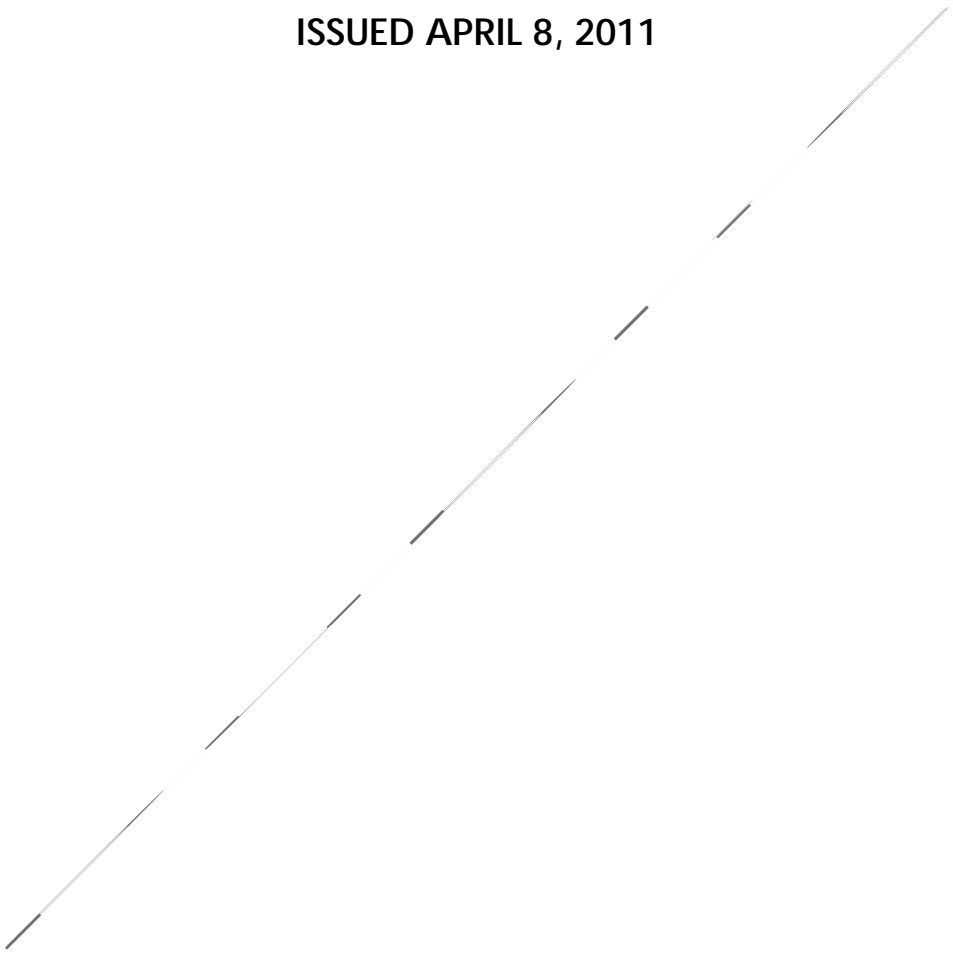
E. U. Ikafe
Ag. Director, Financial Markets Department

Central Bank of Nigeria



GUIDELINES FOR THE USE OF AMCON BONDS IN CBN OPERATIONS

ISSUED APRIL 8, 2011



I. Introduction

The CBN currently conducts operations under the Standing Lending Facility for overnight transactions, and for terms up to 90 days using term repurchase (repo) transactions. Under these facilities the eligible collateral is; CBN Bills, FGN Treasury Bills and FGN Treasury Bonds.

The purpose of this guideline is to outline the terms and conditions under which Government guaranteed zero-coupon bonds issued by the Asset Management Corporation of Nigeria (AMCON) can be used in the current CBN operations. The existing operations using CBN and FGN securities are unchanged, but are under review in light of the recently issued Nigerian Global Master repurchase Agreement (MRA).

II. Eligibility and Limits

The CBN will accept *all* AMCON bonds as collateral in its operations from Money Market Dealers.

III. Pricing

In the absence of reliable secondary market yields the CBN will use an equivalent modified duration FGN bond yield in determining the yield (and accordingly the price) of AMCON bonds. Initially, no liquidity premium will be added to the FGN bond yield but when AMCON bonds are fully traded then actual yields may indicate that a premium or discount could be appropriate.

The CBN will undertake the following steps in determining the amount to be lent:

1. Establishing the equivalent modified duration bond yield,
2. Calculate the resulting price for the zero-coupon bond (for the given settlement date),
3. Apply a haircut of 5 percent haircut (i.e. price / 1.05) for repos of less than 30 days, and of 10 percent (i.e. price/1.10) for repos between 31 and 90 days.

The haircut is applied to compensate the CBN for the risk that the value of securities could fall during the period of the repo. The longer the repo, the greater the risk that the value of the securities could fall during the period of the transaction; hence the justification for a higher haircut for repos longer than 30 days.

The amount to be repaid at maturity of the repo is calculated on the basis of, the amount lent, the applicable repo rate and the numbers of days of the repo.

IV. Initiation and Settlement

A bank must submit a request to Central Securities Clearing System Ltd (CSCS) for it to transfer the security from the account of the bank to the account of the CBN. The bank will in turn provide to the CBN, a copy of the confirmation that the securities have been transferred. This confirmation must be provided to the Market Liquidity Management Office in CBN Lagos, in line with current deadlines. Based on the above stated pricing, the discounted price will be credited to the bank's account at the CBN. At maturity of the repo, the bank's account at the CBN will be debited with the repayment amount and securities will be credited to the bank's account at the CSCS.

V. Example

An institution wishes to raise funds on February 4, 2011 through a 24-day repo of N5,000,000,000 zero-coupon AMCON bonds at the CBN rate of 9.50 percent.

Settlement date:	4-Feb-11
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Coupon:	0%
Maturity date:	30-Dec-13
Nominal value:	N 5,000,000,000
Yield on equivalent FGN bond:	10.78%
Price / 100	73.663
Market Value:	3,683,150,000.00
Haircut	1.05
Amount to be discounted (repaid)	3,683,150,000.00 / 1.05
	3,507,761,905.00

$$\begin{aligned} \text{Amount to be lent} &= 3,507,761,905.00 - (3,507,761,905.00 * .0950 * 24/365) \\ &= 3,485,850,405.98 \end{aligned}$$



O.F. Owolabi
 Director, Financial Markets Department

Central Bank of Nigeria



**GUIDELINES FOR THE OPERATION OF THE
FOREIGN EXCHANGE MARKET: WHOLESAL
DUTCH AUCTION SYSTEM FORWARDS (WDAS-FWD)**

FINANCIAL MARKETS DEPARTMENT

March, 2011

1.0 Introduction

Consistent with the objectives of enhancing efficiency in the Foreign Exchange Market and deepening trading liquidity and risk management in the Nigerian foreign exchange market, the Central Bank of Nigeria (CBN) is releasing these guidelines for operating its foreign exchange (FX) forwards auctions.

2.0 Guidelines

The Central Bank of Nigeria (CBN) shall adopt the Wholesale Dutch Auction System for the forwards auction. Consequently, the guidelines for operating the system are as follows:

2.1. The Central Bank of Nigeria (CBN) shall offer to Authorised Dealers short tenored FX forwards of 1, 2 and 3 months through the Wholesale Dutch Auction System (WDAS-FWD).

2.2. The CBN shall announce on Wednesdays the specific maturity dates for each tenor being auctioned alongside the WDAS-SPT notice by 8:30am on the auction days through the Reuters Dealing 3000 Xtra system. The CBN may state the amounts on offer in the notice. Copies of the announcement shall also be published on the CBN website www.cbn.gov.ng and may be obtained from the Financial Markets Department of the Central Bank of Nigeria at the following location:

**Abuja: 8th floor, Wing C
CBN Head Office
Central Business District, Abuja
Fax: 09-46237841
Tel: 09-46237871, 46237870, 4627838, 46237836**

2.3. The CBN's objective for boosting trading liquidity in the forwards market is to offer risk management support to the exchange rate risk exposures of the end-users. Therefore, all the FX forward purchases by the Authorised Dealers from the CBN must be trade-backed. Authorised Dealers are therefore expected to evidence the existence of the trade transactions before bidding for FX forward purchases from the CBN on behalf of their customers.

2.4. Authorised Dealers shall submit their bids on Wednesdays via Reuters Dealing 3000 Xtra system to the Abuja dealing line. In the event that the Reuters Dealing system is unavailable at 2.45pm, Authorised Dealers shall place bids by calling directly the CBN Dealing Room, Abuja. All bids received via the telephone calls must be regularised and a hard copy delivered to either the CBN FMD Lagos or Abuja office no later than 5pm on the day of the auction. The hard copies shall be signed by the persons whose signatures are given on the Authorised Dealers' valid specimen form at the CBN's disposal. The hard copies submitted to CBN FMD are only to regularise the bids already placed via the telephone.

2.5. The Authorised Dealers shall submit their bids stating the forward points (i.e. forward rates minus the spot rate) and not forward rates, duly signed by two authorised signatories for any particular auction session between 2:00pm and 3:00pm on the day of auction. The Authorised Dealers will explicitly state the points

as (+) points for premium or (-) points for discount. The relevant spot rate shall be the weighted average rate of successful bids of the just concluded WDAS-SPT of that day. The weighted average rate shall be announced with the WDAS-SPT result. The points bid shall be expressed to four decimal places.

For example, from a calculated forward rate by the Authorised Dealer of N152.1704 for a 1M forward, the Authorised Dealer shall bid +1.8696 which is the N152.1704 less the communicated weighted average rate of N150.3008. However, if the forward rate is N148.4312 and the spot rate remains N150.3008, the Authorised Dealer shall bid -1.8696. The signs are important as in some cases they may be negative.

2.6. An Authorised Dealer shall submit a single bid on a single tenor per auction. The bid format shall be advised by the Financial Markets Department.

2.7. The minimum bid amount by an Authorised Dealer for each tenor offered shall be \$500,000.00 (five hundred thousand dollars) and the currencies of transaction shall be the Nigerian Naira (NGN) and United States dollar (USD).

2.8. The CBN reserves the right to determine the amount sold on each tenor and shall exercise its discretion over the amount sold on each tenor to a single Authorised Dealer.

2.9. The CBN shall announce the result of each auction by 4:00pm on the day of the auction via an electronic platform – CBN website and/or news wire service e.g. Reuters. This announcement may include both the marginal and weighted average points of all the successful bids at the auction. A copy of the results shall be communicated by Financial Markets Department (FMD) to the Financial Markets Dealers Association. The detailed results shall later be made available to the market.

2.10. The maximum spread of 50 kobo is allowed on the sale of forwards with less than three (3) months tenor whilst 75 kobo is allowed for tenors above 3 months.

2.11. FX forwards bought from the CBN are not transferable in the inter-bank market. Authorised Dealers shall bid only on behalf of their customers.

2.12. Authorised Dealers are only allowed to sell the forwards bought from the CBN only as forwards to their customers. US Dollars purchased from the WDASFWD must be utilised by the end-user that purchased the forwards within five (5) business days after settlement. However, where there have been swap transactions on the funds, the 5-day utilisation rule shall commence only after the maturity of the final swap. All unutilised funds would be sold to CBN at the lower of the WDAS-FWD rate at which the funds were purchased and current WDAS-SPT selling rate.

2.13. Authorised Dealers shall ensure that their operating accounts are adequately funded on the maturity dates of the forward purchase. The 1% commission shall be calculated on the forward rate and debited on the settlement date. Maturity dates shall be set at spot date (T+2) plus the number of days for the one-month, two-month or three-month benchmarks, in line with internationally accepted practice.

All forwards sold to the CBN must also be settled to the CBN SPECIAL FEM ACCOUNT with JP Morgan Chase, New York.

2.14. The CBN expects the Authorised Dealers not to have any position impact on the FX forwards bought from the CBN as the forwards are bought on behalf of customers. The blotters should be immediately updated once the Authorised

Dealer's success at the auction is known through the announced result and the Authorised Dealers' purchases are simultaneously sold-down to customers.

2.15. Authorised Dealers are to maintain separate blotters for their CBN FX Trading (spot and forwards) transactions and their Inter-bank/Autonomous trading transactions.

2.16. Authorised Dealers are to file reports with the CBN on any customer that defaults on its obligations under forward contracts. The USDollars shall be sold back to the CBN and treated as un-utilised funds. The CBN shall not tolerate defaults by the end-users. Authorised Dealers are expected to exercise due diligence and adopt counterparty risk management standards in managing their market risk exposures in their FX forwards trading business.

2.17. Furthermore, Authorised Dealers are advised to manage counterparty risk in the context of their overall credit risk management framework and encouraged to upgrade their market risk management practices and processes in order to achieve this goal.

2.18. The CBN shall also be prepared to purchase forwards from Authorised Dealers. Details of this facility shall be advised by the Financial Markets Department.

2.19. Forward contracts shall be recognized as off-balance sheet exposures in the books of Authorised Dealers.

3.0 FX Swaps

3.1. The CBN expects the Authorised Dealers to support the end-users' requests for extension and acceleration of their existing forward contracts with FX swap contracts.¹ The CBN cannot offer every tenor to match end-users' varying requirements so broken dates i.e. tenors in between 1M and 2M benchmarks or 2M or 3M benchmarks should be supported by a purchase of the nearest benchmark which can later be extended or accelerated by FX swap contracts.

3.2. The CBN shall offer Authorised Dealers standing FX swap facilities in 7-day, 14-day and 21-day tenors. Authorised Dealers shall call the CBN Dealing Room for swap transactions based on quotes published on the CBN website. The confirmation templates for FX swap transactions are annexed to the Nigerian Master FX Agreement (NMFA).

3.3. All FX swap transactions with customers must be appropriately priced, documented and posted in the books of the Authorised Dealers.

¹ The CBN recognises the fact that when an Authorised Dealer executes a swap sale (i.e. **buy spot/sell forward**) with an end-user, the USDollar from the forward will be delivered to the Authorised Dealer and the end-user will buy another forward. Due to the fact that the end-user is seeking an extension, the Authorised Dealer will invest the delivered USDollar for the tenor of the forward leg of the swap. When the Authorised Dealer executes a swap buy (i.e. **sell spot/buy forward**) the enduser is accelerating its request for USDollar utilisation. The Authorised Dealer will therefore be granting the end-user access to its USDollar liquidity ahead of the maturing forward. This is similar to a loan. The telex date for the end-user's transaction will therefore precede the date of the end-user's receipts of its USDollar from its FX forward transaction i.e. the maturity date of its original forward transaction. When the forward matures and the CBN delivers the USDollar, the Authorised Dealer will receive this from the end-user as repayment for the liquidity (loan) it granted the end-user via the spot sale and forward bought.

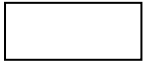
3.4. In order to ensure that the end-users have access to competitive swap rates, the Financial Markets Dealers Association (FMDA) will develop daily swap fixings for 7, 14 and 21 days. These swap fixings will be widely published in the newspapers.

3.5. Contravention of any of these regulations shall attract appropriate sanctions as spelt out in the provisions of relevant laws and CBN guidelines.

4.0 Supremacy of the Guidelines

These Guidelines supersede the Guidelines for FX Derivatives and Modalities for CBN FX Forwards dated January 2011.

O.F. Owolabi
Director, Financial Markets Department



Central Bank of Nigeria

GUIDELINES FOR FX DERIVATIVES IN THE NIGERIAN FINANCIAL MARKETS

GUIDELINES FOR FX DERIVATIVES IN THE NIGERIAN FINANCIAL MARKETS Issued March 22,

2011

1.0 Introduction

Development of the Nigerian financial markets and assurance of financial system stability are two of the four reform pillars of the Central Bank of Nigeria (CBN). The CBN has therefore articulated various financial markets reforms after a series of sensitisation workshops with market operators. The reforms cover products, practices, regulation and supervision. The objective of the CBN is to make our financial markets global, organised, liquid and diversified. The development of the financial markets will enhance the transmission of monetary policy and minimize risk to financial system stability.

In support of the various initiatives led by the Authorised Dealers, over the years, in deepening the Nigerian inter-bank foreign exchange market, the CBN is releasing these guidelines on risk management products Authorised Dealers are allowed to offer to their customers and the modalities under which the CBN intends to boost the trading liquidity in these products.

The Authorised Dealers are expected to be professional in their conduct in ensuring the efficient operations of the FX market. It is imperative to mention that the FX market is under the CBN jurisdiction and Authorised Dealers should avoid causing a shutdown of the market for any reason. Also, unprofessional conduct by the staff of the Authorised Dealers shall not be tolerated.

2.0 Approved Products

The approved hedging products are FX Options, Forwards (Outright and NonDeliverable), FX Swaps and Cross-Currency Interest Rate Swaps. Notably, Authorised Dealers are now allowed to offer European-styled FX call and put option contracts to their customers and in the inter-bank market. The CBN shall grant approvals for Authorised Dealers that qualify to engage in Options. Details on the approval process shall be released in due course. All hedge transactions with the customers must be backed by trade (visible and invisible) transactions.

3.0 Prudential Guidelines on FX Options

The Financial Policy & Regulation and Banking Supervision Departments of the CBN will be developing detailed prudential guidelines on FX Options. These will cover qualifying criteria, limits, capital adequacy charge, spot-hedge position limits (in the absence of a developed inter-bank options market), accounting, returns, staffing requirements, market risk management standards, internal controls standards, etc. Authorised Dealers shall apply to the Banking Supervision Department for approvals to deal in FX Options after which they shall be required

to make presentations to the CBN. This presentation shall cover: strategy, treasury competence, trading systems, market risk management, internal controls, etc.

4.0 FX Forwards (Outright and Non-Deliverable)

Outright FX transactions have always been approved by the CBN. In order to provide hedging opportunities for customers (investors) with long-term perspectives and providing customers with a choice as to where to bank and where to hedge, the CBN is now allowing Non-Deliverable Forwards (NDFs). All hedge transactions with the customers must be backed by trade (visible and invisible) transactions. All settlements of NDFs shall be in Naira.

The maximum tenor allowed for FX Forwards and by implication FX Swaps and Cross-Currency Interest Rate Swaps is now extended to five (5) years. Authorised Dealers may seek specific approval for longer tenors.

As the NDFs will require benchmarks for settlement, the FMDA is expected to ensure appropriate governance over the inter-bank spot market.

5.0 Trading Liquidity in Cross-Currency Interest Rate Swap (CCIRS)

With the anticipated external interest in financing infrastructural gaps in Nigeria, the CBN is supporting the Authorised Dealers with CCIRS trading liquidity. The CBN shall be willing to provide hedges for CCIRS to support projects with long-term foreign exchange exposure. All CCIRS requests to the Financial Markets Department (FMD) of the CBN shall therefore be project-backed. The FMD shall issue detailed guidelines on the CCIRS structures offered by the CBN. Until otherwise determined, the CBN shall not deal in synthetic CCIRS and therefore principal amounts of the currencies (Naira and US Dollar) will have to be exchanged.

6.0 Trade-Backed Requirement

The CBN objective for boosting the trading liquidity in the FX derivatives market is to offer risk management support to the exchange rate risk exposures of the end-users. Therefore, Authorised Dealers are to ensure that their customers are hedging trade (visible and invisible) -related foreign exchange exposures in their obligations and not speculating on the Naira.

The minimum trade documents that an end-user shall present before it can engage in a derivative trade are:

-Visible Trade:

- Form M
- Pro forma Invoice

- Managing Director/Chief Executive and Chief Finance Officer's Statement of Provisional Eligible Transaction

-Invisible Trade:

- Form A
- Demand Note/Invoice (as appropriate)
- Agreement/Certificate of Capital Importation/Official Documentary Proof (as appropriate)
- Managing Director/Chief Executive and Chief Finance Officer's Statement of Provisional Eligible Transaction

For enhanced market liquidity, Authorised Dealers can engage in the approved FX derivatives products with their customers and other Authorised Dealers.

To encourage competitiveness in the pricing of the hedging products, end-users will be allowed to execute their hedging transactions where they receive the best prices/rates and are not compelled to hedge with the Authorised Dealer holding their trade documents.

Authorised Dealers holding an end-user's trade documents will send written confirmations on the end-user's trade documents in its possession to another Authorised Dealer that intends to hedge the end-user (i.e. hedging Authorised Dealer).

This confirmation to the hedging Authorised Dealer will be at the request of the enduser to the Authorised Dealer in possession of the documents. A copy of the request will be forwarded by the end-user to the hedging Authorised Dealer. Authorised Dealers in possession of trade documents must not delay the confirmation of the trade documents in their possession to the hedging Authorised Dealers.

7.0 Accounting & Market Valuation Methodologies

Authorised Dealers will be required to maintain confirmations of all their transactions in FX derivatives and record same in their books as off-balance sheet ledger entries. Authorised Dealers are expected to carry-out daily valuations of their positions in all the FX derivatives applying mark-to-market or mark-to-model methodology.

8.0 Financial Statements and Returns

All FX derivatives will be recognised as off-balance sheet exposures in their financial statements and CBN returns. The Banking Supervision Department shall review the set of returns submitted by the Authorised Dealers and may request additional returns to capture all hedged and un-hedged foreign exchange exposures.

9.0 Supremacy of the Guidelines

These Guidelines supersede the Guidelines for FX Derivatives and Modalities for CBN FX Forwards dated January 2011.

O.F. Owolabi

Director

Financial Markets Department



Central Bank of Nigeria

**GUIDELINES FOR FX DERIVATIVES
AND MODALITIES FOR CBN FX
FORWARDS**

1.0 Introduction

Development of the Nigerian financial markets and assurance of financial system stability are two of the four reform pillars of the Central Bank of Nigeria (CBN). The CBN has therefore articulated various financial markets reforms after a series of sensitisation workshops with the market operators. The reforms cover products, practices, regulation and supervision. The objective of the CBN is to make our financial markets global, organised, liquid and diversified. The development of the financial markets will enhance the transmission of the monetary policy and minimize the risk to financial system stability.

In support of the various initiatives led by the Authorised Dealers, over the years, in deepening the Nigerian inter-bank foreign exchange market, the CBN is releasing these guidelines on the risk management products Authorised Dealers are allowed to offer to their customers and the modalities under which the CBN intends to boost the trading liquidity in these products.

The Authorised Dealers are expected to be professional in their conduct in ensuring the efficient operations of the Foreign Exchange (FX) market. It is imperative to mention that the FX market is under the CBN jurisdiction and Authorised Dealers should avoid causing a shutdown of the market for any reason. Also, unprofessional conduct by the staff of the Authorised Dealers shall not be tolerated.

2.0 Approved Products

The approved hedging products are FX Options, Forwards (Outright and Non-Deliverable), FX Swaps and Cross-Currency Interest Rate Swaps. Authorised Dealers are now allowed to offer European-styled FX call and put option contracts to their customers and in the inter-bank market. All hedge transactions with the customers must be backed by trade (visible and invisible) transactions. The CBN shall grant approvals for Authorised Dealers that qualify to engage in Options. Details on the approval process shall be released in due course.

3.0 Prudential Guidelines on FX Options

The Financial Policy & Regulation and Banking Supervision Departments of the CBN will be developing detailed prudential guidelines on FX Options. These will cover qualifying criteria, limits, capital adequacy charge, spot-hedge position limits (in the absence of a developed inter-bank options market), accounting, returns, staffing requirements, market risk management standards, internal controls standards etc. Authorised Dealers shall apply to the Banking Supervision Department for approvals to deal in FX Options after which they shall be required to make presentations to the CBN. This presentation shall cover: strategy, treasury competence, trading systems, market risk management, internal controls etc.

4.0 FX Forwards (Outright and Non-Deliverable)

Outright Forward FX transactions have always been approved by the CBN. In order to provide hedging opportunities for customers (investors) with long-term perspectives and providing customers with a choice as to where to bank and where to hedge, the CBN is now allowing Non-Deliverable Forwards (NDFs). All hedge transactions with the customers must be backed by trade (visible and invisible)

transactions. As the NDFs will require benchmarks for settlement, the FMDA will ensure appropriate governance over the inter-bank spot market.

The maximum tenor allowed for FX Forwards and by implication FX Swaps and CrossCurrency Interest Rate Swaps is now extended to five (5) years. Authorised Dealers may seek specific approval for longer tenors.

5.0 Trading Liquidity in Cross-Currency Interest Rate Swap (CCIRS)

With the anticipated external interest in financing infrastructural gaps in Nigeria, the CBN is supporting the Authorised Dealers with CCIRS trading liquidity. The CBN will be willing to provide hedges for CCIRS to support projects with long-term foreign exchange exposure. All CCIRS requests to the Financial Markets Department (FMD) of the CBN shall therefore be project backed. The FMD will issue detailed guidelines on the CCIRS structures offered by the CBN. The CBN shall not deal in synthetic CCIRS for now, therefore, principal amounts of the currencies (Naira and US Dollar) will have to be exchanged.

6.0 Trading Liquidity in FX Forwards & Modalities for CBN FX Forwards Operations

The CBN intends to offer to Authorised Dealers short-tenored FX forwards to boost the trading liquidity in hedging products. With a deep forward market it is believed that the demand for foreign exchange will smoothen out and accelerated demand in reaction to anticipatory depreciation in Naira will reduce.

Consequently, the modalities for the CBN FX forwards operations are detailed as follows:

6.1. Documentation

A Nigerian Master FX Agreement (NMFA) shall be executed by any Authorised Dealer that intends to engage in CBN FX Forwards. Specific transactions shall be backed by confirmations duly executed by the signatories of the Authorised Dealers.

Similarly, Authorised Dealers shall execute Master FX Agreements with their customers.

6.2. Trade-Backed Requirement

The CBN objective for boosting the trading liquidity in the forwards market is to offer risk management support to the exchange rate risk exposures of the customers therefore all the FX forward purchases by the Authorised Dealers from the CBN must be tradebacked. Authorised Dealers are therefore expected to evidence the existence of the trade transactions before bidding for FX forward purchases from the CBN on behalf of their customers.

6.3. Auction Style

The Bank shall adopt multiple-price Dutch Auction System. The auctions shall be referred to as Wholesale Dutch Auction System – Forwards (WDAS-FWD) in USDollar/Nigerian Naira.

The auctions shall be conducted by the CBN on Monday and Wednesday on the same day with WDAS-SPT for 1, 2 and 3-month forwards. The CBN may choose to offer longer tenors.

6.4. Auction Notice and Timing

The CBN will announce the amount on offer and the specific maturity dates for each tenor being auctioned alongside the WDAS-SPT notice released at 8.30am on auction days. The auction for forwards shall be conducted between 2PM and 3PM.

6.5. Bid Format

Authorised Dealers shall have no more than one bid (volume and forward points) on a single tenor. The Authorised Dealers shall bid forward points and not forward rates i.e. forward rates plus/minus the spot rate. However, the Authorised Dealers will explicitly state the points as (+) points for premium or (-) points for discount. The relevant spot rate shall be the weighted average rate of successful bids of the just concluded WDASSPT of that day. The weighted average rate shall be announced with the WDAS-SPT result. (For example, from a calculated forward rate by the Authorised Dealer of N152.1704 for a 1M forward the Authorised Dealer shall bid +1.8696 which is the N152.1704 less the communicated weighted average rate of N150.3008. If the forward rate had been N150.3008 and the spot rate N152.1704, the Authorised Dealer shall bid -1.8696. The signs are important as in some cases they may be negative). The points bid shall be expressed to four decimal places.

6.6. Bidding Platform

The bids shall be submitted via electronic means which for now is the Reuters Dealing 3000 Xtra System. In the event that the Reuters Dealing system is unavailable at 2.45pm, Authorised Dealers can place bids by calling the CBN Dealing Room, Abuja directly. All bids received must be delivered in hard copy to either the CBN FMD Lagos or Abuja office no later than 5pm on the day of the auction. The hard copies shall be signed by the persons whose signatures are given on the Authorised Dealers' valid specimen form at the CBN's disposal.

6.7. Bid Result

The results – marginal points and weighted average points shall be announced by 4PM via an electronic platform – CBN website and/or other news wire service e.g. Reuters. A copy of the results shall be communicated by Financial Markets Department (FMD) to the Financial Markets Dealers Association. The detailed results shall later be made available to the market.

6.8. Minimum Allowable Bid Amount

The minimum allowable bid amount by an Authorised Dealer for each tenor offered shall be \$500,000.00

6.9. Individual Allocation Limit

The CBN reserves the right to adjust the amount sold on each tenor and shall exercise its discretion over the amount sold on each tenor to a single Authorised Dealer.

6.10. Maximum Spreads

The maximum spread of 50 kobo is allowed on the sale of forwards with less than three (3) months tenor whilst 75 kobo is allowed for tenors above 3 months. The spreads are graduated due to the attendant counterparty risk in forwards. Authorised Dealers are advised to implement adequate risk management

practices, to mitigate the counterparty risk, and generally upgrade their market risk management practices.

6.11. Squaring the Forward Positions

Authorised Dealers are allowed to sell the forwards bought from the CBN only as forwards to their customers. In circumstances where for any reason a customer has indicated that it will not meet its obligations under agreed forward interest or transaction, an Authorised Dealer can manage its exposures as it seems fit, whether through customer spot or forwards markets. FX purchased from the WDAS-SPT cannot be sold forwards to customers as it must be utilised within five (5) business days after settlement as per the WDAS-SPT guidelines (revised December, 2010).

6.12. Transferability

All FX forwards bought from the CBN are not transferable in the inter-bank market. Authorised Dealers are expected to bid on behalf of their customers.

6.13. Settlement

Authorised Dealers shall ensure their operating accounts are adequately funded on the maturity dates of the forward purchase. ***The 1% commission shall be calculated on the forward rate and debited on the settlement date.*** Maturity dates shall be set at spot date (T+2) plus the one month, two months or three months depending on the tenor. The maturity dates shall be set in line with internationally accepted practice.

All forwards sold to the CBN must also be adequately settled to the CBN SPECIAL FEM ACCOUNT with JP Morgan Chase, New York.

6.14. FX Position Impact

The CBN expects the Authorised Dealers not to have any position impact on the FX forwards bought from the CBN as they are bought on behalf of customers. The blotters should be immediately updated once the Authorised Dealer's success at the auction is known through the announced result and the Authorised Dealers' purchases are simultaneously sold down to customers.

Authorised Dealers are to maintain separate blotters for their CBN FX Trading (spot and forwards) transactions and their Inter-bank/Autonomous trading transactions.

6.15. Defaults by Customers

Authorised Dealers are to file reports with the CBN on any customer that defaults on its obligations under forward contracts. In that circumstance the provision of 6.11 on selling spot or forward shall apply.

7.0 FX Forward Purchases by the CBN

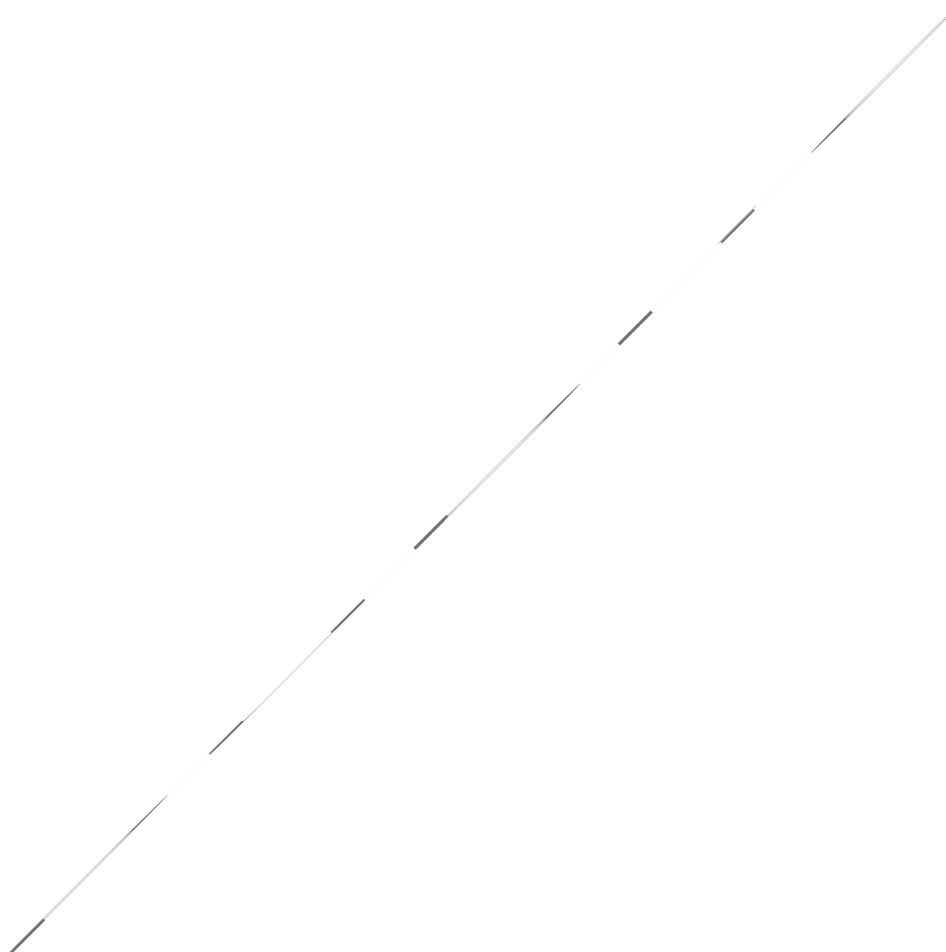
The CBN shall also be prepared to purchase forwards from Authorised Dealers. CBN forward rates shall be advised from time to time.

8.0 Financial Statements and Returns

Forward contracts will be recognised as off-balance sheet exposures in the books of Authorised Dealers. Banking Supervision Department will be reviewing the set of returns submitted by the Authorised Dealers to ensure the hedged and un-hedged foreign exchange exposures in the system are appropriately captured.

Financial Markets Department

January, 2011



Our Ref: FMO/EDC/9/SEM/TA/001
E-mail: fmo@cbn.gov.ng

December 20, 2010

TO ALL AUTHORISED DEALERS

**REVISED GUIDELINES FOR THE OPERATION OF THE
FOREIGN EXCHANGE MARKET: WHOLESALE DUTCH
AUCTION SYSTEM-SPOT (WDAS-SPT)**

Consistent with the objectives of enhancing efficiency in the Foreign Exchange Market through market determination of the Naira exchange rate, the Central Bank of Nigeria will continue to adopt the Wholesale Dutch Auction System (WDAS-SPT) in the year 2011.

Consequently, the guidelines for the operating the system are as follows:

1. The Central Bank of Nigeria (CBN) shall continue to intervene in the Foreign Exchange Market through the Wholesale Dutch Auction System-Spot (WDAS-SPT).
2. The CBN shall announce on Mondays and Wednesdays the amount of offer for each auction by 8.30am through the Reuters Dealing 3000 Xtra system. Copies of the announcement may be obtained from the CBN website www.cbn.gov.ng or Financial Markets Department of the Central Bank of Nigeria at the following location:

Abuja: 8th floor, Wing C
CBN Head Office
Central Business District
Abuja
Fax: 09-46237843
Tel: 09-46237871, 46237870, 46237838, 46237836

3. Authorized Dealers shall submit their bids on Mondays and Wednesdays via Reuters Dealing 3000 Xtra system to the Abuja dealing line.
4. The Authorized Dealers shall submit their bids as per the attached format duly signed by two authorized signatories for every particular auction.



session between 9:30am and 10:30am of the day of auction. The hard copies of bid request should be sent to CBN Abuja.

5. Authorized Dealers shall submit bids for not more than one transaction session.
6. The minimum bid amount by all Authorized Dealer shall be \$500,000.00 (Five hundred thousand dollars) and the currencies of transaction shall be the Nigerian Naira (NGN) and United States dollar (USD).
7. The CBN reserves the right to determine the amount that will be sold to an Authorized Dealer.
8. The CBN shall announce the result of each Auction by 12:00 noon on the day of auction. This announcement shall include both the marginal and weighted average rates of all the successful bids at the auction. Authorized Dealers shall be debited at their bid rate including 1% commission. A copy of result may be obtained from the office mentioned in (2) above.
9. Settlement shall be on-spot basis (T+2). Authorized Dealers shall ensure that they provide adequate (NGN) Naira cover in their current accounts with the CBN on the settlement date. These accounts shall be debited with the (NGN) Naira equivalent of the USD purchased, at the bid rate at the auction is a multiple-price auction. The CBN shall effect delivery of US Dollars purchased by each Authorized Dealer same day.
10. The delivery of the purchased USD shall be into the nominated correspondent bank account used for WDA's transactions by the Authorized Dealer.
11. Funds purchased from CBN at the Auction shall be used for capital transactions only. Such fund shall not be transferable in the inter-bank foreign exchange market including sales to the BDCs, Horex, etc.
12. Authorized Dealers shall continue to bid at the WDA's-SFT on their own accounts, however, it is the expectation of the CBN that where Authorized Dealers have been granted the daily Net Open Position (NOP) limits, WDA's-SFT bids shall be reflective of the immediate demand by the clients of the Authorized Dealer.

11. Authorized Dealers shall remit to the Central Bank of Nigeria any unutilized funds purchased from the WQAS-GPT within five (5) working days. The funds shall be purchased by the CBN from Dealers at a rate that will be communicated on weekly basis.

14. The CBN may also purchase foreign exchange from Authorized Dealers and other participants such as oil companies, etc. at their offer rates. The CBN shall deliver the Naira cover for US Dollar bought from the banks to the banks' Current Accounts at the CBN. The banks shall deliver US Dollars sold to the CBN, to the CBN SPECIAL FEM ACCOUNT with Chase Manhattan Bank, New York.

15. The marginal rate that closes the market shall be the prevailing exchange rate until the next session.

16. Authorized Dealers shall display the bid and offer rates conspicuously in their banking halls. The spread between these rates shall not exceed USD/NGN0.50.

17. **SANCTIONS:**

Contravention of any of the Foreign Exchange Market regulations shall attract appropriate sanctions as spelt out in the provisions of relevant laws and CBN guidelines.



O. OWOJABI
Ag. DIRECTOR
FINANCIAL MARKETS DEPARTMENT

PART D
FINANCIAL POLICY AND REGULATION CIRCULARS, POLICIES AND
GUIDELINES I



CENTRAL BANK OF NIGERIA

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

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E-mail: fprd@cbn.gov.ng

FPR/DIR/GEN/CIR/07/019

December 10, 2018

LETTER TO ALL BANKS

FOREIGN EXCHANGE RESTRICTION ON THE IMPORTATION OF 42 ITEMS

The Central Bank of Nigeria as part of its developmental objective of employment generation and inclusive growth in Nigeria, on July 1, 2015, restricted the availability of foreign exchange to the importation of 41 items, which could be competitively produced within the economy.

This policy has resulted in massive investments and the establishment of cottage industries that now engage in the production of the restricted items across the country. The growth and employment benefits have been phenomenal.

Unfortunately, trade information available to the CBN indicates the circumvention of the policy as the restricted items are being dumped in the country. The implications are that the growth and employment benefits arising from the policy may be eroded if not checked.

The CBN views this development with trepidation. The Economic Intelligence Unit of the Bank in collaboration with the Economic and Financial Crimes Commission would commence immediate investigation of the accounts of the corporates and entities engaged in this unwholesome act with a view to visiting severe sanctions on all the culprits.

Such sanctions would among others include blacklisting the corporates and their directors; closure of their bank accounts; and restricting them from maintaining any bank accounts in any bank under the CBN remit. Banks that provided their platforms for such economic abuses would also be appropriately sanctioned.

Banks are by this notice advised to strict compliance with the Know Your Customer (KYC) and Know Your Customer Business (KYB) requirements and to be properly guided, please.


KEVIN A. AMUGI

DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
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FPB/DIR/CR/GEN/07/012

October 26, 2018

CIRCULAR TO ALL OTHER FINANCIAL INSTITUTIONS IN NIGERIA

CODES OF CORPORATE GOVERNANCE FOR OTHER FINANCIAL INSTITUTIONS IN NIGERIA

The CBN on February 27, 2018 issued the Exposure Draft on the Codes of Corporate Governance for Other Financial Institutions (Financial and Insurance) received from interested subsequent stakeholders and their responses in the attached as appropriate.

Pursuant to the provisions of sections 23 (Subsection (1) (b) of the CBN Act 2007 and 2008, section 27 (a) - (d) of the Banking Other Financial Institutions Act (BOFIA) of 2007, the attached, the CBN hereby issues the Codes of Corporate Governance in respect of the underlisted in Other Financial Institutions:

1. Agricultural Bank
2. Development Finance Bank
3. Family Mortgage Bank
4. Mortgage Reference Companies
5. Finance Companies
6. Bureau De Change

Respectful institutions are required to ensure full compliance with their respective sector code. The full implementation of the codes shall commence with effect from April 1, 2019.

Thank you


KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

CENTRAL BANK OF NIGERIA



CODE OF CORPORATE GOVERNANCE FOR BUREAUX DE CHANGE IN NIGERIA

ISSUE DATE: OCTOBER 24, 2018
EFFECTIVE DATE: APRIL 01, 2019

CODE OF CORPORATE GOVERNANCE FOR BUREAUX DE CHANGE

1.0 Introduction

Bureaux de Change (BDCs) are financial institutions licensed to carry on small scale foreign exchange business on a stand-alone basis in Nigeria, serve as tools for the management of exchange rate and provide economic data for monetary policy decisions. Their activities impact on exchange rates; hence BDCs are important players in the money market.

In 2014, the Central Bank of Nigeria observed some deficiencies in the operational effectiveness of BDCs which militate against the achievement of their objectives. To address this challenge, the CBN commenced the reform of the sub-sector and issued revised guidelines which, among others, reviewed upwards the minimum capital requirement for BDCs.

To further strengthen the institutions and reposition them to perform their statutory roles, the CBN hereby issues the Code of Corporate Governance for BDCs in Nigeria to complement extant operational guidelines and regulations on BDC business.

1.1 Application

The code shall apply to BDCs in Nigeria.

2.0 Board and Management

2.1 Responsibilities of the Board and Management

2.1.1 The Board shall be accountable and responsible for the performance and affairs of the BDC. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the institution the duty of care and loyalty to act in the interest of the BDC's shareholders and other stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities for the BDC.

2.1.3 The Board shall define the institution's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the BDC.

2.1.6 The Board shall appoint the MD/CEO as well as top management staff and establish a framework for the delegation of authority in the BDC, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7 The Board shall establish and monitor agreed performance targets for the management.

2.1.8 The Board shall ensure that a succession plan is in place for the MD/CEO and other management staff.

2.1.9 The Board shall consider, approve and monitor the implementation of the BDC's budget, including setting expenditure limits for management.

2.1.10 The Board shall ensure strict adherence to the Code of Conduct for BDC Directors.

2.2 Composition and Size of the Board

2.2.1 The size of the Board of any BDC shall be limited to a minimum of three (3) and a maximum of five (5).

2.2.2 The MD/CEO shall be the only Executive Director of a BDC.

2.2.3 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime.

2.3 Separation of Powers

2.3.1 The positions of the Board Chairman and the MD/CEO shall be separate. No one person shall combine the two positions in any BDC at the same time. For the avoidance of doubt, no executive Vice Chairman shall be allowed in the Board structure.

2.3.2 Not more than two members of a family shall be on the board of a BDC at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.3.3 Where the BDC is a member of a holding company, not more than two family members shall be allowed to serve on the Boards of the BDC and the holding company.

2.3.4 No two members of a family shall occupy the positions of Chairman and MD/CEO of a BDC.

2.4 Appointment and Tenure

2.4.1 Members of the Board of Directors shall be appointed by the shareholders and approved by the CBN.

2.4.2 To qualify for the position of a Non-Executive Director, it is required that the nominee shall not be an employee of a bank or other financial institution, except where the BDC is promoted by the bank or other financial institution and the proposed director is representing the interest of such an institution.

2.4.3 The procedure for appointment to the Board shall be formal, transparent and documented in the Board charter.

2.4.4 The appointment to the Board of BDCs shall be in accordance with extant regulations issued by the CBN from time to time.

2.4.5 The track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant CBN guidelines.

2.4.6 To ensure continuity and injection of fresh ideas, Non-Executive Directors of BDCs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.7 The tenure of the MD/CEO of the BDC shall be in accordance with the terms of engagement for a tenure of five (5) years renewable every five (5) years subject to CBN approval.

2.4.8 Where the BDC is a member of a Group or is owned by another financial institution, a director in the BDC may be allowed to serve on the Boards of the BDC and its holding company at the same time, provided the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the holding company.

2.4.9 To enhance effectiveness, all Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Board Meetings

2.5.1 To effectively perform its oversight functions and monitor management's performance, the Board shall meet at least once every quarter.

2.5.2 Minutes of meetings of the Board shall be properly written in English language, adopted and signed off by the Board Chairman and Secretary, pasted in the minutes book and domiciled at the BDC's Head Office.

2.5.3 Every Director shall attend all meetings of the Board. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board meetings in each financial year.

2.5.4 Board meetings shall be deemed to be duly constituted where two-thirds of members are present, provided that a majority of directors at the meeting are Non-Executive Directors' (NEDs).

2.5.5 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board meetings held in the financial year and attendance by each Director.

2.6 Remuneration

2.6.1 BDCs shall align executive and Board remuneration with the long term interests of their institutions and their shareholders.

2.6.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate management and members of staff of the BDC.

2.6.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.6.4 Every BDC shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.6.5 The MD/CEO shall not receive sitting allowances and Directors' fees.

2.6.6 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.6.7 BDCs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.7 Board Appraisal

2.7.1 There shall be annual Board and Directors' appraisal covering all aspects of the Board's structure, composition, responsibilities, processes, relationships and performance or as may be prescribed by the CBN.

2.7.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN by the independent consultant, not later than March 31 of the following year.

3.0 SHAREHOLDERS

3.1 Rights and Functions of Shareholders

3.1.1 Shareholders shall have the right to obtain relevant and material information from the BDC on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, BDCs are encouraged to have a website and communicate with stakeholders via the website, newsletters Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the BDC, risk management practices, executive compensation, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives including Corporate Social Responsibilities (CSR), and any other relevant information.

3.2 Equity Ownership

3.2.1 No government, ministry, department or agency shall have direct and/or indirect equity holding in any BDC.

3.2.2 Except as approved by the CBN, no individual, group of individuals, their proxies or corporate entities and/or their subsidiaries shall own controlling interest in more than one (1) BDC.

3.3 Protection of Shareholders' Rights

3.3.1 Every shareholder shall be treated fairly.

3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the shareholders are promptly provided with documentary evidence of ownership interest in the BDCs such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 General Meetings

3.4.1 Notice of general meetings shall be as prescribed by the CAMA 1990 (as amended).

3.4.2 The Board shall ensure that the venue of a general meeting shall be convenient and easily accessible to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

4.0 Rights of other Stakeholders

4.1.1 Employees, customers and other stakeholders of BDCs shall be able to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns bother on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

4.1.2 Where stakeholders' interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.1.3 BDCs shall demonstrate good Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.

5.0 Disclosure and Transparency

5.1 Disclosure

5.1.1 In order to foster good corporate governance, BDCs are required to make timely, quality and robust disclosure beyond the statutory requirements in BOFIA 1991 as amended, CAMA 1990, monetary policy guidelines, all rules and regulations as well as circulars issued by the CBN on foreign exchange activities/business from time to time.

5.1.2 Disclosure in the annual and periodic financial reports or by any other appropriate means shall include, but not limited to, material information on:

- a. Exchange Rates applied in the preparation of the accounts.
- b. Rationale for all material estimates;
- c. Details on Directors:
 - (i) Total NEDs' remuneration, including fees and allowances;
 - (ii) Total Executive compensation, including bonuses paid/payable;

(iii) Organizational Structure.

- d. Governance structure;
- e. Risk Management;
- f. All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistle blowing, including regulatory sanctions and penalties.
- g. Capital Structure/Adequacy;
- h. Opening and closure of branches;
- i. Any service contracts and other contractual relationships with related parties.
- j. Frauds and Forgeries.
- k. Sources and application of funds during the period of reporting.
- l. Details of all domiciliary accounts owned and maintained by the BDC.
- m. All customers' complaints during the reporting period and actions taken thereon.
- n. Any matter not specifically mentioned in this code but which is capable of affecting in a significant form, the financial condition of the BDC or its status as a going concern.

5.2 Transparency and Integrity in Reporting

5.2.1 BDCs shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall enhance the independence and competence of the BDC's internal and external auditors.

5.2.2 Appointment of external auditors shall be approved by the CBN.

5.2.3 External auditors shall render reports to the CBN on BDC's risk management practices, internal controls and level of compliance with regulatory directives.

5.2.4 The MD/CEO of a BDC shall certify in the statutory returns submitted to the CBN that he/she has reviewed the reports, and that based on his/her knowledge:

- i. The report does not contain any untrue statement of a material fact.

- ii. The financial statements and other financial information in the report, fairly represent, in all material respects the financial condition and results of operations of the BDC as of, and for the periods presented in the report.

5.2.5 Rendition of false information to the CBN shall attract appropriate sanctions including monetary penalties and suspension of the MD/CEO for six (6) months in the first instance and possible removal.

5.2.6 There shall be due process in all the procedures of BDCs.

5.2.7 Each BDC should have an Internal Auditor who shall report directly to the Board. The Internal Audit and Compliance functions may be merged and headed by one individual.

5.3 Whistle Blowing

5.3.1 BDC shall have a whistle-blowing policy made known to employees, customers and other stakeholders.

5.3.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the BDC and/or the CBN.

5.3.3 BDCs are required to submit returns on the compliance with the whistleblowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department, CBN, not later than 7 days after the end of the relevant period.

6.0 Risk Management

Every board of BDC shall put in place adequate systems, policies and procedures for the identification, measurement, monitoring and control of the risks inherent in its operations.

7.0 Ethics & Professionalism and Conflict of Interest

7.1 Ethics & Professionalism

7.1.1 To make ethical and responsible decisions, BDCs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 BDCs shall ensure compliance with extant laws and regulations on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

7.1.3 BDCs shall put in place a code of conduct and disclose in the code or a summary of the code such information as:

- (i) the practices necessary to maintain confidence in the institution's integrity;

- (ii) the practices necessary to take into account their legal obligations and the expectations of their stakeholders;
- (iii) The responsibility and accountability of individuals reporting and investigating reports of unethical practices.

7.1.4 The Code shall:

- (a) commit the BDC, its Board and management (and employees) to the highest standards of professional behavior, business conduct and sustainable business practices;
- (b) be developed in collaboration with management and employees;
- (c) receive commitment for its implementation from the Board, the Managing Director/Chief Executive Officer and individual Directors of the company;
- (d) be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
- (e) be formally communicated to the persons to whom it applies; and
- (f) be reviewed regularly and updated when necessary.

7.2 Conflict of Interest

7.2.1 The Board of Directors shall be responsible for managing conflicts of interest. The policy shall, at the minimum, cover the following areas:

- a) Approval & Revision date;
- b) Definition of conflict of interest;
- c) Purpose of the Policy;
- d) Examples of conflict of interest situations; and
- e) Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, either with the Director concerned or with the Chairman of the Board.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 Compliance

8.1 All BDCs shall comply with the provisions of this Code. External auditors of BDCs shall report annually to the CBN, the extent of the BDC's compliance with the provisions of this Code.

8.2 Returns on the status of each institution's compliance with this code shall be rendered to the CBN semi-annually (30th June and 31st December every year) or as may be specified by the CBN from time to time. The returns shall be addressed and submitted to the Director, Other Financial Institutions Supervision Department not later than 2 weeks after the end of the relevant reporting period.

9.0 Sanctions

Failure to comply with the Code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

10.0 Effective Date

This code shall take effect from December 1 2018.

CENTRAL BANK OF NIGERIA



CODE OF CORPORATE GOVERNANCE FOR MORTGAGE REFINANCE COMPANIES IN NIGERIA

ISSUE DATE: OCTOBER 24, 2018

EFFECTIVE DATE: APRIL 01, 2019

CODE OF CORPORATE GOVERNANCE FOR MORTGAGE REFINANCE COMPANIES (MRCs) IN NIGERIA

1.0 Introduction

A mortgage refinance company (MRC) is a specialized, non-deposit taking financial institution established primarily to provide liquidity, medium to long term funding and/or guarantees to mortgage originators and housing finance lenders. The institution is expected to fund the housing deficit in Nigeria. It is also expected to intermediate between mortgage originators and the capital market through the purchase of eligible mortgages and issuance of bonds to finance the purchases.

To achieve these objectives and the long-term strategic goals of its stakeholders, it is imperative that a MRC operates in an efficient manner based on sound corporate governance and ethical principles consistent with extant laws and regulations and international best practices.

This Code is therefore developed to guide an MRC in its governance arrangement including the duties and responsibilities of its Board of Directors, Board Composition, Tenure, Committees and Appraisal. Other critical governance elements covered in the Code include Disclosure and Transparency, Rights of Shareholders and Other Stakeholders, Whistle Blowing, Code of Conduct and Ethics, Risk Management and Conflict of Interest.

The Code is issued pursuant to the relevant provisions of the Central Bank of Nigeria (CBN) Act 2007, Banks and Other Financial Institutions Act (BOFIA) as amended CAP B3, Laws of the Federation of Nigeria (LFN) 2004, other relevant laws and extant CBN Guidelines and Circulars.

1.1 Application

The code shall apply to all licensed MRCs in Nigeria.

2.0 BOARD AND MANAGEMENT

2.1 Responsibility of the Board and Management

2.1.1 The Board shall be accountable and responsible for the performance and affairs of the MRC. Specifically, and in line with the provisions of the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the MRC the duty of care and loyalty to act in the interest of the MRC's shareholders and other stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities of the MRC.

2.1.3 The Board shall define and document the MRC's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the company.

2.1.6 The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the MRC, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7 The Board shall establish and monitor agreed performance targets for the management.

2.1.8 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.

2.1.9 The Board shall ensure that a succession plan is in place for the MD/CEO and other executive Directors and Top Management Staff of the MRC.

2.1.10 The Board shall consider, approve and monitor the implementation of the MRC's budget, including setting expenditure limits for management and Board Committees.

2.1.11 The Board shall approve credit facilities in line with the approved limits of authority of the MRC.

2.1.12 the board shall ensure strict adherence to the CBN Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria.

2.2 Composition and Size of the Board

2.2.1 The number of directors on the board of a MRC shall be a minimum of seven [7] and a maximum of fifteen [15].

2.2.2 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.2.3 The Board shall consist of Executive and Non-Executive Directors. The number of Non-executive Directors shall be more than that of Executive Directors.

2.2.4 The Board of MRCs shall consist of a minimum of two (2) Independent Non-Executive Directors (INEDs). An Independent Director is a member of the Board of Directors who has no direct material relationship with the MRC or any of its officers, major shareholders, subsidiaries and affiliates.

2.3 Separation of Powers of Board

2.3.1 The positions of the Board Chairman and the MD/CEO shall be separate. No one person shall combine the two positions in any MRC at the same time. For the avoidance of doubt, no executive Vice Chairman shall be allowed in the Board structure.

2.3.2 Not more than two members of a family shall be on the board of an MRC at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.3.3 No two members of a family shall occupy the positions of Chairman and MD/CEO or Executive Director of the MRC and Chairman or MD/CEO of an MRC's subsidiary at the same time.

2.4 Appointment and Tenure

2.4.1 Members of the Board of Directors shall be appointed by the shareholders and approved by the CBN.

2.4.2 To qualify for the position of a Non-Executive Director, it is required that the nominee shall not be an employee of a bank or other financial institution, except where the MRC is promoted by the bank or other financial institution and the proposed director is representing the interest of such an institution.

2.4.3 The procedure for appointment to the Board shall be formal, transparent and documented in the Board charter.

2.4.4 The appointment to the Board of MRC shall be in accordance with extant regulations issued by the CBN from time to time.

2.4.5 The track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant CBN guidelines

2.4.6 To ensure continuity and injection of fresh ideas, Non-Executive Directors of MRCs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.7 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.

2.4.8 The tenure of the CEO of a MRC shall be in accordance with the terms of engagement with the MRC subject to a maximum period of ten (10) years. Such tenure shall be limited to two (2) terms of 5 years each. Such a CEO shall not be eligible for appointment in that capacity in the MRC or its subsidiaries after the expiration of three (3) years following cessation of the tenure.

2.4.9 To enhance their effectiveness, Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Board Committees

2.5.1 The Board shall establish at a minimum the following Committees:

- a) Risk Management Committee
- b) Audit Committee
- c) Board Governance and Nominations Committee
- d) Board Credit Committee

Each MRC shall have a Risk Officer and Internal Auditor who shall report directly to the Committee(s) responsible for Risk Management and Audit function(s).

2.5.2 Where there is a Remuneration Committee in addition to the four Committees prescribed in Section 2.5.1, the membership shall comprise NEDs only. Where both Committees (Remuneration Committee and Governance & Nominations Committee) are combined, its membership shall be drawn only from NEDs.

2.5.3 The Remuneration Committee shall determine the remuneration of Executive Directors and management.

2.5.4 The Board and its Committees shall each have a charter to be approved by the CBN. The charter shall be reviewed every three (3) years or as may be determined by the CBN from time to time.

2.5.5 The Chairman of the Board shall not be a member of any Board Committee.

2.5.6 All Board Committees shall be headed by Non-Executive Directors (NEDs).

2.5.7 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the company including external auditors' reports.

2.5.8 The MD/CEO and other Executive Directors (EDs) shall not be members of the BAC.

2.5.9 The Board shall not replace members of the BAC and External Auditors at the same time.

2.6 Board/Board Committees Meetings

2.6.1 To effectively perform its oversight functions and monitor management's performance, the Board and each of the Board Committees shall meet at least once every quarter.

2.6.2 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted by the Board/Board Committees and signed off by the Chairman and Secretary, pasted in the minutes book and domiciled at the MRC's Head Office.

2.6.3 Every Director shall attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings in each financial year.

2.6.4 Board/Board Committee meetings shall be deemed to be duly constituted where two-thirds of members are present, provided that a majority of Non-Executive Directors are present at the meeting.

2.6.5 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

2.7 Remuneration

2.7.1 MRCs shall align top management and Board remuneration with the long term interests of their institutions and their shareholders.

2.7.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the MRC.

2.7.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.7.4 Every MRC shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.7.5 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors' fees.

2.7.6 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.7.7 Where share options are adopted as part of executive remuneration or compensation, the Board shall ensure that the share options are not priced at a discount except with the prior authorization of the relevant regulatory agencies.

2.7.8 Share options shall be tied to performance and subject to the approval of shareholders at AGMs.

2.7.9 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

2.7.10 MRCs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.8 Board Appraisal

2.8.1 There shall be annual Board and Directors' appraisal covering all aspects of the Board's structure, composition, responsibilities, processes, relationships and performance or as may be prescribed by the CBN.

2.8.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN by the independent consultant, not later than March 31 of the following year.

3.0 Shareholders

3.1 Rights and Functions of Shareholders

3.1.1 Shareholders shall have the right to obtain relevant and material information from the MRC on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, MRCs are encouraged to have a website and communicate with shareholders via the website, newsletters Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the MRC, risk management practices, executive compensation, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives including Corporate Social Responsibilities (CSR), and any other relevant information.

3.2 Equity Ownership

3.2.1 Except for investors established by an enabling Act, an equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the company shall apply for a no objection letter from the CBN immediately after the acquisition.

3.2.2 Ownership structure shall be in line with the provision of the enabling Act establishing the MRC or as may be specified from time to time by the CBN.

3.3 Protection of Shareholders' Rights

3.3.1 Every shareholder shall be treated fairly.

3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the MRC promptly provides to shareholders documentary evidence of ownership interest in the MRC such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 General Meetings

3.4.1 Notice of general meetings shall be as prescribed by the Companies and Allied Matters Act (CAMA) 1990 (as amended).

3.4.2 The Board shall ensure that all general meetings of the shareholder hold at a convenient and easily accessible venue to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

3.5 Shareholders' Associations

3.5.1 The Board shall ensure that dealings of the company with shareholders' associations are in strict adherence with the Code for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where an MRC is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

4.0 Rights of other Stakeholders

4.1. Stakeholders shall have the right to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

4.2 Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.3 MRCs shall demonstrate good Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.

5.0 Disclosure and Transparency

5.1 Disclosure

5.1.1 In order to foster good corporate governance, MRCs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 (as amended), CAMA 1990, and other applicable laws and standards.

5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:

- (a) Major items that have been estimated in accordance with applicable accounting and auditing standards.
- (b) Rationale for all material estimates;
- (c) Details on Directors:
 - i. The company's remuneration policy for members of the Board and executives;
 - ii. Total NEDs remuneration, including fees and allowances.
 - iii. Total Executive compensation, including bonuses paid/payable;
 - iv. Details and reasons for share buy-backs, if any, during the period under review;
 - v. Board of Directors' performance evaluation; and
 - vi. Details of Directors, shareholders and their related parties who own 5% and above of the company's' shares as well as other shareholders who, in conjunction with others, control the company.
 - vii. Governance structure:
 - i. Composition of Board Committees including names of chairmen and members of each Committee.
- (d) Risk Assets:

- i. Concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product.
 - ii. Loan quality.
 - iii. Lending/borrowing to/from subsidiaries and associates.
 - iv. Loans and advances/funding or commitment lines from institutions outside Nigeria.
 - v. Insider-related credits in accordance with the extant CBN circular.
- (e) Risk management:
- i All significant risks.
 - ii Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of external auditors' observed lapses thereon.
- (f) Information on strategic modification to the core business.
- (g) All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistleblowing, including regulatory sanctions and penalties.
- (h) Capital structure/adequacy.
- (i) Any service contracts and other contractual relationships with related parties.
- (j) Frauds and Forgeries.
- (k) Contingency Planning Framework.
- (l) Contingent Assets and Liabilities (off balance sheet engagement)
- (m) Any matter not specifically mentioned in this code but which is capable of affecting in a significant form, the financial condition of the company or its status as a going concern.

5.2 Transparency and Integrity in Reporting

5.2.1 MRCs shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall:

- i. entail the review and consideration of the financial statements by the BAC; and
- ii. Enhance the independence and competence of the Institution's external auditors.

5.2.2 The BAC shall be structured in such a way that it:

- i. Has at least three members.
- ii. consists of NEDs only;
- iii. Is chaired by an INED.

5.2.3 The BAC shall be independent and possess technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience (that is, shall be a qualified accountant or other finance professional with experience in finance and accounting matters).

5.2.5 The BAC shall review the integrity of the company's financial reporting and oversee the independence of the external auditors.

5.2.6 The BAC shall meet at least once every quarter. Deliberations shall include at least consideration of the quarterly reports of the internal auditor. All audit queries shall be investigated and resolved promptly.

5.2.7 Every MRC shall have a Chief Compliance Officer (CCO) whose responsibility shall include monitoring compliance with the corporate governance code and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements.

5.2.8 The appointment and removal of the Chief Compliance Officer/ Head of Internal Audit shall be the responsibility of the Board subject to CBN's ratification. The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change. The Head of Internal Audit shall report directly to the Board Audit Committee.

5.2.9 Appointment of external auditors shall be approved by the CBN.

5.2.10 External auditors shall:

- i. render reports to the CBN on MRC's risk management practices, internal controls and level of compliance with regulatory directives.
- ii. Review the work of the internal auditor on each of the MRC's key risk elements to cover risk identification, measurement, monitoring and control.
- iii. Review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
- iv. Report on the level of each key risk element as well as the composite risk profile of the MRC and make recommendations to the Board to enhance the effectiveness of risk management processes in the MRC.
- v. Forward copies of their report to the CBN, together with the external auditor's management letter on the MRC's audited financial statements.

5.2.11 External auditors of MRC shall not provide client services that shall amount to conflict of interest including the following:

- i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- ii. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
- iii. Actuarial services;

- iv. Internal audit outsourcing services; and
- v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.

5.2.12 The tenure of auditors in a given MRC shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be reappointed in the MRC until after a period of another ten (10) consecutive years.

5.2.13 An audit firm shall not provide audit services to a company if one of the company's top officials (Directors, Chief Finance Officer, Chief Audit Executives) was employed by the firm and worked on the company's audit during the immediate past two (2) years.

5.2.14 The MD/CEO of an MRC shall certify in the statutory returns submitted to the CBN that he/she has reviewed the reports, and that based on his/her knowledge:

- i. The report does not contain any untrue statement of a material fact.
- ii. The financial statements and other financial information in the report, fairly represent, in all material respects the financial condition and results of operations of the MRC as of, and for the periods presented in the report.

5.2.15 Rendition of false information to the CBN shall attract appropriate sanctions including monetary penalties and suspension of the MD/CEO for six (6) months in the first instance and possible removal. .

5.2.16 There shall be due process in all the procedures of MRCs.

5.2.17 All insider credit applications pertaining to directors and management staff and parties related to them, irrespective of size, shall be sent for consideration/approval to the Board Credit Committee.

5.2.18 Any director whose facility or that of his/her related interests remains nonperforming for more than one year shall cease to be on the board of the MRC and could be blacklisted from sitting on the board of any other financial institution.

5.2.19 The practice/use of anticipatory approvals by Board Committees shall be limited strictly to emergency cases only and ratified at the next board meeting.

5.2.20 No director-related credit facilities and/or interest thereon shall be written off without CBN prior approval.

5.3 Whistle-Blowing

5.3.1 MRCs shall have a whistle-blowing policy made known to employees and other stakeholders.

5.3.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the company and/or the CBN.

5.3.3 MRCs are required to submit returns on the compliance with the whistleblowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department, not later than 7 days after the end of the relevant period.

6.0 Risk Management

6.1 Every MRC shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

6.2 The Board shall approve the risk management policies of the MRC and ensure their implementation by management.

6.3 Risk management policies shall reflect the MRC's risk management mandate, which shall include:

- a. Clear objectives and enterprise-wide authority for its activities;
- b. Risk philosophy, appetite, vision and mission;
- c. Authority to carry out its responsibilities independently;
- d. Scope of Enterprise Risk Management;
- e. A requirement for it to be communicated throughout the organization to promote transparency;
- f. Periodic review to ensure continued appropriateness;
- g. A requirement for management to report regularly on the effectiveness of the institution's risk management processes and on its aggregate exposures compared to approved limits; and
- h. Authority to follow-up on action taken by management in response to identified issues and related recommendations.

6.4 MRCs shall disclose a summary of the risk management policies in their annual financial statements.

6.5 The risk management policy of an MRC shall clearly describe the roles and responsibilities of the Board, Board Risk Management Committee (BRMC), management and internal audit function.

6.6 Boards of MRCs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.

6.7 The composition of the BRMC shall include at least 2 NEDs and the Executive Director in charge of risk management.

7.0 Ethics, Professionalism and Conflict of Interest

7.1 Ethics & Professionalism

7.1.1 To make ethical and responsible decisions, MRCs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 MRCs shall establish a code of business ethics and conduct and disclose in the code or a summary of the code, such information as:

- i. The practices necessary to maintain confidence in the MRC's integrity;
- ii. The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- iii. The responsibility and accountability of individuals reporting and investigating reports of unethical practices.

7.1.3 The Code should:

- (a) commit the MRC, its Board and Management (and employees) to the highest standards of professional behavior, business conduct and sustainable business practices ;
- (b) Be developed in collaboration with management and employees;
- (c) Receive commitment for its implementation from the Board and the Managing Director/Chief Executive Officer and individual Directors of the company;
- (d) Be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
- (e) Be formally communicated to the persons to whom it applies; and
- (f) Be reviewed regularly and updated when necessary.

7.1.4 Where applicable, MRCs shall establish and disclose a policy concerning trading in the MRC's securities by directors, senior executives and employees. The trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.

7.1.5 Where applicable, the trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.

7.1.6 MRCs shall publish the policy concerning the issue of Board and employee trading in its securities.

7.2 Conflict of Interest

7.2.1 MRC shall have a policy on conflict of interest which shall, at the minimum, cover the following areas:

- a) Approval & Revision date;
- b) Purpose of the policy;
- c) Definition of conflict of interest;
- d) Examples of conflict of interest situations;
- e) Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, at the board meeting for consideration by all members.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 Compliance

8.1 All MRCs shall comply with the provisions of this Code. External auditors of MRCs shall report annually to the CBN, the extent of the MRCs' compliance with the provisions of this Code.

8.2 Returns on the status of each institution's compliance with this code shall be rendered to the CBN semi-annually (30th June and 31st December every year) or as may be specified by the CBN from time to time. The returns shall be addressed and submitted to the Director, Other Financial Institutions Supervision Department not later than 7 days after the end of the relevant period.

9.0 Sanctions

Failure to comply with the code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

CENTRAL BANK OF NIGERIA



CODE OF CORPORATE GOVERNANCE FOR PRIMARY MORTGAGE BANKS IN NIGERIA

ISSUE DATE: OCTOBER 24, 2018

EFFECTIVE DATE: APRIL 01, 2019

10.0 Effective Date

This code shall take effect from April 1, 2019.

CODE OF CORPORATE GOVERNANCE FOR PRIMARY MORTGAGE BANKS IN NIGERIA

1.0 Introduction

Corporate Governance assumed heightened supervisory importance in the Nigerian Banking Industry following the issuance of the Code of Corporate Governance for Banks and Discount Houses by the Central Bank of Nigeria in 2006. This was to address the issue of poor governance practices in the banks, which contributed to the failure of most of the banking institutions.

Neither the 2006 Code nor its subsequent review in 2014 prescribed governance requirements specific to Other Financial Institutions (OFIs). The non-existence of specific codes for this category of institutions contributed to governance weaknesses experienced in many of the institutions in recent times. The intent of this code, therefore, is to entrench good corporate governance in Primary Mortgage Banks (PMBs) in view of the fact that the safety and soundness of a financial institution depends on the effectiveness of the board of directors' in discharging their oversight functions.

The objectives of the Code are to:

- a) Define minimum acceptable corporate governance standards for all licensed PMBs in Nigeria;
- b) Promote high ethical standards among operators; and
- c) Enhance public confidence in PMBs in Nigeria.

1.1 Application

The code shall apply to all licensed PMBs in Nigeria.

2.0 Board and Management

2.1 Responsibilities of the Board and Management

2.1.1 The Board shall be accountable and responsible for the performance and affairs of the PMB. Specifically, and in line with the provisions of the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the PMB the duty of care and loyalty and to act in the interest of the PMB's shareholders and other stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities of the PMB.

2.1.3 The Board shall define and document the PMB's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the PMB.

2.1.6 The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the PMB, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7 The Board shall establish and monitor agreed performance targets for the management.

2.1.8 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.

2.1.9 The Board shall ensure that a succession plan is in place for the MD/CEO, executive directors and management staff of the PMB.

2.1.10 The Board shall consider, approve and monitor the implementation of the PMB's budget, including setting expenditure limits for management and Board Committees.

2.1.11 The Board shall approve credit facilities in line with the approved limits of authority of the PMB.

2.1.12 The Board shall ensure strict adherence to the Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria.

2.2 Board size and composition

2.2.1 The minimum number of Directors on the boards of PMBs shall be seven (7) and a maximum of twelve (12) for both State and National PMBs.

2.2.2 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.2.3 The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors.

2.2.4 The Board of a State PMB shall comprise at least one (1) Independent Non-Executive Director (INED) while that of a National PMB shall comprise a minimum of two (2) INEDs. An Independent Director is a member of the Board of Directors who

has no direct material relationship with the PMB or any of its officers, major shareholders, subsidiaries and affiliates.

2.3 Separation of powers of the board

2.3.1 The positions of the Board Chairman and the Managing Director/Chief Executive Officer (MD/CEO) shall be separate. No one person shall combine the two positions in any PMB at the same time. For the avoidance of doubt, no executive Vice Chairman shall be allowed in the Board structure.

2.3.2 Not more than two members of a family shall be on the board of a PMB at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.3.3 Where the PMB is a member of a holding company, not more than two family members shall be allowed to serve on the Boards of the PMB and the holding company.

2.3.4 No two members of a family shall occupy the positions of Chairman and MD/CEO or Executive Director of the PMB and Chairman or MD/CEO of a PMB's subsidiary at the same time.

2.4 Board Appointment and Tenure

2.4.1 Members of the Board of Directors shall be appointed by the shareholders and approved by the CBN.

2.4.2 Procedure for appointment to the Board shall be formal, transparent and documented in the board charter.

2.4.3 To qualify for the position of a Non-Executive Director, it is required that the nominee shall not be an employee of a bank or other financial institution, except where the PMB is promoted by the bank or other financial institution and the proposed director is representing the interest of such an institution.

2.4.4 The appointment to the Board of PMBs shall be in accordance with extant regulations issued by the CBN from time to time.

2.4.5 To ensure continuity and injection of fresh ideas, Non-Executive Directors of PMBs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.6 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.

2.4.7 Track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with the extant CBN Guidelines.

2.4.8 The tenure of the MD/CEO shall be in accordance with the terms of engagement subject to a maximum period of ten (10) years. Such tenure shall be limited to periods not exceeding five (5) years at a time. Any person who has served as MD/CEO for the maximum tenure (of ten years) in a PMB shall not qualify for appointment in any capacity in the same PMB or its subsidiaries until after a period of three (3) years after the expiration of his tenure as MD/CEO.

2.4.9 Where the PMB is a member of a Group or is owned by another financial institution, a director in the PMB may be allowed to serve on the Boards of the PMB and its holding company at the same time, provided the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the holding company.

2.4.10 To enhance effectiveness, all Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Board Committees

2.5.1 The Board shall establish at a minimum the following Committees:

- a. Risk Management Committee
- b. Audit Committee
- c. Board Governance and Nominations Committee
- d. Board Credit Committee

The functions of Risk Management and Audit Committees may be carried out by one committee for a State PMB. This is without prejudice to the requirements of CAMA 1990 (as amended) on the Statutory Audit Committee which is not a Board Committee.

Each PMB shall have a Risk Officer and Internal Auditor who shall report directly to the Committee(s) responsible for Risk Management and Audit function(s).

2.5.2 Where there is a Remuneration Committee in addition to the four Committees prescribed in Section 2.5.1, the membership shall comprise NEDs only. Where both Committees (Remuneration Committee and Governance & Nominations Committee) are combined, its membership shall be drawn only from NEDs.

2.5.3 The Remuneration Committee shall determine the remuneration of Executive Directors and management.

2.5.4 The Board and its Committees shall each have a charter to be approved by the CBN. The charter shall be reviewed every three (3) years or as may be determined by the CBN from time to time.

2.5.5 The Chairman of the Board shall not be a member of any Board Committee.

2.5.6 All Board Committees shall be headed by Non-Executive Directors.

2.5.7 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the PMB including external auditors' reports.

2.5.8 The MD/CEO and other Executive Directors (EDs) shall not be members of the BAC.

2.5.9 The Board Credit Committee shall comprise members knowledgeable in credit analysis.

2.5.10 The Board shall not replace members of the BAC and External Auditors at the same time.

2.6 Board/Board Committees Meetings

2.6.1 To effectively perform its oversight function and monitor management's performance, the Board and each of the Board Committees shall meet at least once every quarter.

2.6.2 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted and signed off by the Board/Committee Chairman and Secretary, pasted in the minutes book and domiciled at the PMB's Head Office.

2.6.3 Every Director is required to attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings in a financial year.

2.6.4 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

2.6.5 Board/Board Committee meetings shall be deemed to be duly constituted where two-third of members are present, provided that a majority of Non-Executive Directors are present at the meeting.

2.7 Remuneration

2.7.1 PMBs shall align executive and Board remuneration with the long term interests of their institutions and their shareholders.

2.7.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the PMB.

2.7.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.7.4 Every PMB shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.7.5 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors' fees.

2.7.6 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.7.7 Where share options are adopted as part of executive remuneration or compensation, the Board shall ensure that the share options are not priced at a discount except with the prior authorization of the relevant regulatory agencies.

2.7.8 Share options shall be tied to performance and subjected to the approval of the shareholders at Annual General Meetings (AGMs).

2.7.9 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

2.7.10 PMBs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.8 Board Appraisal

2.8.1 There shall be annual Board and Directors' appraisal covering all aspects of the Board's structure, composition, responsibilities, processes relationships and performance or as may be prescribed by the CBN.

2.8.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN by the independent consultant, not later than March 31 of the following year.

3.0 Shareholders

3.1 Rights and Functions of Shareholders'

3.1.1 Shareholders shall have the right to obtain relevant and material information from the PMB on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, PMBs are encouraged to have a website and communicate with shareholders via the website, newsletters, Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the PMB, risk management practices, executive compensation, branch expansion, investments, Board and top management appointments, sustainability initiatives and practices, and any other relevant information.

3.2 Equity Ownership

3.2.1 Except as approved by the CBN, no individual, group of individuals, their proxies or corporate entities and/or their subsidiaries shall own controlling interest in more than one (1) PMB.

3.2.2 An equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the PMB shall apply for a No Objection Letter from the CBN immediately after the acquisition.

3.3 Protection of Shareholders' Rights

3.3.1 Every shareholder shall be treated fairly.

3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the PMB promptly provides to shareholders documentary evidence of ownership interest in the PMB such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 General Meetings

3.4.1 Notice of general meetings shall be as prescribed by the Companies and Allied Matters Act (CAMA) 1990 (as amended).

3.4.2 The Board shall ensure that all general meetings of shareholders hold at a convenient and easily accessible venue to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly documented and fully implemented.

3.5 Shareholders' Associations

3.5.1 The Board shall ensure that dealings of the PMB with shareholders' associations are in strict adherence with the Code for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where a PMB is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

4.0 Rights of other Stakeholders

4.1 Stakeholders shall have the right to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN Whistle Blowing Guidelines.

4.2 Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.3 PMBs shall demonstrate good Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.

5.0 Disclosure and Transparency

5.1 Disclosure

5.1.1 In order to foster good corporate governance, PMBs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 (as amended), CAMA 1990 (as amended), and other applicable laws, regulations and standards.

5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:

- a) Major items that have been estimated in accordance with applicable accounting and auditing standards.

- b) Rationale for all material estimates.
- c) Details on Directors:
 - i. The PMB's remuneration policy for members of the Board and Executives;
 - ii. Total NEDs remuneration including fees, allowances;
 - iii. Total Executive compensation, including bonuses paid/payable;
 - iv. Details and reasons for share buy-backs, if any, during the period under review;
 - v. Board of Directors' performance evaluation; and
 - vi. Details of Directors, shareholders and their related parties who own 5% and above of the PMB's shares as well as other shareholders who, in conjunction with others, control the PMB.
- d) Corporate governance:
 - i. Governance structure; and
 - ii. Composition of Board Committees including names of chairmen and members of each Committee.
- e) Risk Assets:
 - i. Concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product.
 - ii. Loan quality.
 - iii. Lending/borrowing to/from subsidiaries and associates.
 - iv. Loans and advances/funding or commitment lines from institutions outside Nigeria.
 - v. Related party transactions.
 - vi. Insider-related credits in accordance with the extant CBN circular.
- f) Risk management:
 - i. All significant risks; and
 - ii. Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of external auditors' observed lapses thereon.
- g) Information on strategic modification to the core business.
- h) All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistle blowing, including regulatory sanctions and penalties.
- i) Capital Structure/Adequacy.
- j) Any service contracts and other contractual relationships with related parties.
- k) Frauds and Forgeries.
- l) Contingency Planning Framework.
- m) Any matter not specifically mentioned in this code but which is capable of affecting in a significant form, the financial condition of the PMB or its status as a going concern.

5.2 Transparency and Integrity in Reporting

5.2.1 PMBs shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall:

- i. Entail the review and consideration of the financial statements by the BAC; and
- ii. Enhance the independence and competence of the Institution's external auditors.

5.2.2 The BAC shall be structured in such a way that it:

- i. has at least three members.
- ii. consists of NEDs;
- iii. is chaired by an INED.

5.2.3 The BAC shall be independent and possess technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience (that is, shall be a qualified accountant or other finance professional with experience in finance and accounting matters).

5.2.5 The BAC shall review the integrity of the PMB's financial reporting and oversee the independence of the external auditors.

5.2.6 The BAC shall meet at least once every quarter. Deliberations shall include at least consideration of the quarterly reports of the internal auditor. All audit queries shall be investigated and resolved promptly.

5.2.7 Every PMB shall have a Chief Compliance Officer (CCO) whose responsibility shall include monitoring compliance with the corporate governance code and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements.

5.2.8 The office of the CCO and that of the Internal Auditor may be combined in a State and National PMB.

5.3 Appointment and Responsibilities of Chief Compliance Officer

5.3.1 The appointment and removal of the Chief Compliance Officer/Head of Internal Audit shall be the responsibility of the Board subject to CBN's ratification. The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change. The Head of Internal Audit shall report directly to the Board Audit Committee.

5.3.2 The qualification and experience of the Chief Compliance Officer/Head of Internal Audit shall be in accordance with the provisions of extant regulations issued by the CBN from time to time.

5.4 Appointment and Responsibilities of External Auditors

5.4.1 Appointment of external auditors shall be approved by the CBN.

5.4.2 External auditors shall:

- i. render reports to the CBN on PMB's risk management practices, internal controls and level of compliance with regulatory directives.
- ii. review the work of the internal auditor on each of the PMB's key risk elements to cover risk identification, measurement, monitoring and control.
- iii. review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
- iv. report on the level of each key risk element as well as the composite risk profile of the PMB and make recommendations to the Board to enhance the effectiveness of risk management processes in the PMB.
- v. forward copies of their report to the CBN, together with the external auditor's management letter on the PMB's audited financial statements.

5.4.3 External auditors of PMBs shall not provide client services that shall amount to conflict of interest including the following:

- i. Book-keeping or other services related to the accounting records or financial statements of the audit client;
- ii. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
- iii. Actuarial services;
- iv. Internal audit outsourcing services; and
- v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.

5.4.4 The tenure of auditors in a PMB shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be eligible for reappointment in the PMB until after a period of another ten (10) consecutive years.

5.4.5 An audit firm shall not provide audit services to a PMB if one of the PMB's top officials (Directors, top management, Chief Finance Officer, Chief Audit Officer) was employed by the firm and worked on the PMB's audit during the immediate past two (2) years.

5.4.6 The MD/CEO of a PMB shall certify in the statutory returns submitted to the CBN that he/she has reviewed the reports, and that based on his/her knowledge:

- i. The report does not contain any untrue statement of a material fact.

ii. The financial statements and other financial information in the report, fairly represent, in all material respects the financial condition and results of operations of the PMB as of, and for the periods presented in the report.

5.4.7 Rendition of false information to the CBN shall attract appropriate sanctions including monetary penalties and suspension of the MD/CEO for six (6) months in the first instance and possible removal. .

5.4.8 There shall be due process in all the procedures of PMBs.

5.4.9 All insider credit applications pertaining to directors and management staff and parties related to them, irrespective of size, shall be sent for consideration/approval to the Board Credit Committee.

5.4.10 Any director whose facility or that of his/her related interests remains nonperforming for more than one year shall cease to be on the board of the PMB and could be blacklisted from sitting on the board of any other financial institution.

5.4.11 The practice/use of anticipatory approvals by Board Committees shall be limited strictly to emergency cases only and ratified at the next board meeting.

5.4.12 No director-related credit facilities and/or interest thereon shall be written off without CBN prior approval.

5.5 Whistle Blowing

5.5.1 PMBs shall have a whistle-blowing policy, which shall be made known to employees and other stakeholders.

5.5.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the PMB and/or the CBN.

5.5.3 PMBs are required to submit returns on the compliance with the whistleblowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department, not later than 7 days after the end of the relevant period.

6.0 Risk Management

6.1 Every PMB shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

6.2 The Board is responsible for the PMB's policies on risk oversight and management and shall satisfy itself that management has developed and implemented a sound system of risk management and internal control.

6.3 Risk management policies shall reflect the PMB's risk management mandate, which shall include:

- (i) Clear objectives and enterprise-wide authority for its activities;
- (ii) Risk philosophy, vision and mission;
- (iii) Authority to carry out its responsibilities independently;
- (iv) Scope of Enterprise Risk Management;
- (v) A requirement for it to be communicated throughout the organization to promote transparency;
- (vi) Periodic review to ensure continued appropriateness;
- (vii) A requirement for management to report regularly on the effectiveness of the institution's risk management processes and on its aggregate exposures compared to approved limits; and
- (viii) Authority to follow-up on action taken by management in response to identified issues and related recommendations.

6.4 PMBs shall disclose a summary of its risk management policies in its annual financial statements.

6.5 A PMB's risk management policy shall clearly describe the roles and responsibilities of the Board, Board Risk Management Committee (BRMC), management and internal audit function.

6.6 Boards of PMBs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.

6.7 The composition of the BRMC shall include at least 2 NEDs and the Executive Director in charge of risk management.

7.0 Ethics & Professionalism and Conflict of Interest

7.1 Ethics and Professionalism

7.1.1 To make ethical and responsible decisions, PMBs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 PMBs shall establish a code of conduct and disclose in the code or a summary of the code such information as:

- i. The practices necessary to maintain confidence in the PMB's integrity;
- ii. The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
- iii. The responsibility and accountability of individuals reporting and investigating reports of unethical practices.

7.1.3 The Code should:

- (a) Commit the PMB, its Board, management and employees to the highest standards of professional behavior, business conduct and sustainable business practices;
- (b) Be developed in collaboration with management and employees;
- (c) Receive commitment for its implementation from the Board and the Managing Director/Chief Executive Officer and individual Directors of the company;
- (d) Be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
- (e) Be formally communicated to the persons to whom it applies; and
- (f) Be reviewed regularly and updated when necessary.

7.1.4 Where applicable, PMBs shall establish and disclose a policy concerning trading in the PMB's securities by directors, senior executives and employees. The trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.

7.1.5 PMBs shall publish the policy concerning the issue of Board and employee trading in its securities.

7.2 Conflict of Interest

7.2.1 Every PMB shall have in place an approved policy on conflict of interest which shall, at the minimum, cover the following areas:

- a) Approval & Revision date;
- b) Purpose of the policy;
- c) Definition of conflict of interest;
- d) Examples of conflict of interest situations;
- e) Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification with the Board.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 Compliance

8.1 All PMBs shall comply with the provisions of this Code. External auditors of PMBs shall report annually to the CBN, the extent of the PMB's compliance with the provisions of this Code.

8.2 Returns on the status of each institution's compliance with this Code shall be rendered to the CBN semi-annually (30th June and 31st December every year) or as may be specified by the CBN from time to time. The returns shall be addressed and submitted to the Director, Other Financial Institutions Supervision Department not later than 2 weeks after the end of the relevant reporting period.

9.0 Sanctions

Failure to comply with the Code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.


10.0 Effective Date

This code shall take effect from December 1, 2018.



CENTRAL BANK OF NIGERIA

CODE OF CORPORATE GOVERNANCE
FOR DEVELOPMENT FINANCE INSTITUTIONS IN
NIGERIA



ISSUE DATE: OCTOBER 24, 2018
EFFECTIVE DATE: APRIL 01, 2019

CODE OF CORPORATE GOVERNANCE FOR DEVELOPMENT FINANCE INSTITUTIONS IN NIGERIA

1.0 Introduction

Development Finance Institutions (DFIs) are specialized financial Institutions with specific mandate established to support the critical sectors of the economy such as agriculture and manufacturing as well as micro, small and medium scale enterprises (MSMEs) in Nigeria. The objective is to provide funds for MSMEs and large enterprises for economic development.

In an environment where there is constant pressure for management of DFIs to deliver on its objective of meeting socio-economic development and financial system stability, strong corporate governance becomes critical safeguards against unethical practices.

To achieve their mandates, DFIs need to adhere to accepted governance standards, code of ethics and best practices as well as formal laws and extant regulations. This Code is developed to guide licensed DFIs towards entrenching good corporate governance standards and practices to ensure that they are managed safely and soundly where risk-taking activities and business prudence are appropriately balanced so as to protect the interests of all stakeholders.

1.1 Application

The code shall apply to DFIs in Nigeria.

2.0 Board and Management

2.1 Responsibilities of the Board

2.1.1 The Board of Directors shall have the ultimate responsibility for the management of a DFI. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 1990 as amended, Directors owe the DFI a duty of care and loyalty and shall act in the interest of the DFI and its stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities of the DFI.

2.1.3 The Board shall define and document the DFI's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of the goals of the DFI.

2.1.6 Except as prescribed in the enabling Act, the Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the DFI, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7. The Board shall establish and monitor agreed performance targets for the management.

2.1.8 Except as prescribed in the enabling Act, the Board shall ensure that a succession plan is in place for the MD/CEO and other Executive Directors.

2.1.9 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.

2.1.10 Members of the Board are severally and jointly liable for the activities of the institution.

2.1.11 The Board shall ensure strict adherence to the Code of Conduct for Directors of Banks and OFIs as well as compliance with extant laws and regulations.

2.1.12 The Board shall consider, approve and monitor the implementation of the DFI's budget, including setting expenditure limits for management and Board Committees.

2.1.13 The Board shall approve credit facilities in line with the approved limits of authority of the DFI.

2.1.14 The Board shall have in place a charter.

2.2 Size and Composition

2.2.1 The number of Directors on the Board of a DFI shall be a minimum of seven (7) and a maximum of eleven [11] or in accordance with the Act establishing the institution.

2.2.2 Not more than two members of a family shall be on the board of an DFI at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.2.3 The Board shall consist of Executive Directors (EDs) and Non-Executive Directors (NEDs) with more than fifty per cent comprising of NEDs.

2.2.4 Except as prescribed in the enabling Act, the Board of a DFI shall consist of two (2) independent directors as stipulated in the CBN guidelines on the Appointment of Independent Directors.

2.2.5 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.3 Appointment

2.3.1 Procedure for appointment to the Board shall be formal, transparent and documented in the board charter.

2.3.2 Existing CBN guidelines on appointment to the Board of financial institutions shall continue to be applied to DFIs or as provided in the enabling Act establishing the institution.

2.3.3 Track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.

2.3.4 To enhance the effectiveness of Directors, the Directors shall have access to corporate information under conditions of confidentiality; provide training and continuing education and facilitate access to independent professional advice.

2.4 Tenure

2.4.1 Except as prescribed as the enabling Act, the tenure of the MD/CEO of the DFI shall be in accordance with the terms of engagement subject to a maximum period of ten (10) years. Such tenure shall be broken down into periods not exceeding five (5) years at a time. Any person who has served as MD/CEO for the maximum tenure (of ten years) in a DFI shall not qualify for appointment in any capacity in the same DFI or its subsidiaries until after a period of three years after the expiration of his tenure as MD/CEO.

2.4.2 To ensure continuity and injection of fresh ideas, NEDs of DFIs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.3 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.

2.4.4 In the event that the Board of Directors of a DFI is dissolved, a transition period of not more than ninety (90) days shall be permitted for the reconstitution of a new Board of Directors.

2.4.5 Where the DFI is a member of a Group or is owned by another financial institution, a director in the DFI may be allowed to serve on the Boards of the DFI and its holding company at the same time, provided the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the holding company.

2.4.6 To enhance effectiveness, all Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Separation of Powers of the Board

2.5.1 The positions of the Board Chairman and the Managing Director/Chief Executive Officer (MD/CEO) shall be separate except otherwise prescribed by the enabling Act of the DFI. No one person shall combine the two positions in any DFI at the same time. For the avoidance of doubt, no executive Vice Chairman shall be recognized in the Board structure.

2.5.2 Not more than two members of a family shall be on the board of a DFI at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.5.3 Where the DFI is a member of a holding company, not more than two family members shall be allowed to serve on the Boards of the DFI and the holding company.

2.5.4 No two members of the same family shall occupy the positions of Chairman and MD/CEO or Executive Director of the DFI.

2.6 Board Committees

2.6.1 The Board of a DFI shall establish the following Committees to assist in the discharge of its responsibilities:

- i) A Committee, responsible for the oversight of Risk Management and Audit functions. These functions may be carried out by one committee, depending on the size and complexity of the institution. This is without prejudice to the requirements of the Companies and Allied Matters Act (CAMA), 1990, as amended on the Statutory Audit Committee which is not a board committee.

- ii) Each DFI shall have a Risk Officer and Internal Auditor who shall report directly to the board Committee(s) responsible for Risk Management and Audit function(s).
- iii) Board Governance and Nominations Committee
- iv) Board Credit Committee

2.6.2 All Board Committees shall each have a charter to be approved by the CBN.

2.6.3 The Chairman of the Board shall not be a member of any Board Committee.

2.6.4 All Board Committees shall be headed by Non-Executive Directors.

2.6.5 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the DFI, including external auditors' reports.

2.6.6 The MD/CEO shall not be a member of the BAC.

2.7 Board Meetings

2.7.1 To effectively perform its oversight function and monitor management's performance, the Board shall meet at least once every quarter.

2.7.2 Every Director is required to attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings.

2.7.3 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted by the Board/Board Committees and signed off by the Chairman and Secretary, pasted in the minute's book and domiciled at the DFI's Head Office.

2.7.4 Board/Board Committee meetings shall be deemed to be duly constituted where two-thirds of members are present, provided that a majority of directors at the meeting are Non-Executive Directors' (NEDs).

2.7.5 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

2.8 Remuneration

2.8.1 DFIs shall align Board and top management remuneration with the long term interests of their institutions and those of their shareholders.

2.8.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the DFI.

2.8.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.8.4 Every DFIs shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.8.5 A Committee of Non-Executive Directors shall determine the remuneration of executive Directors.

2.8.6 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors' fees.

2.8.7 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.8.8 Where stock options are adopted as part of executive remuneration or compensation, the Board shall ensure that the stock options are not priced at a discount except with the prior authorization of the relevant regulatory agencies.

2.8.9 Stock options shall be tied to performance and subject to the approval of the shareholders at AGMs.

2.8.10 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

2.8.11 DFIs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.8.12 Where there is a Remuneration Committee in addition to the three Committees prescribed in Section 2.6.1, the membership shall comprise NEDs only while the Board Governance and Nomination Committee shall have a combination of EDs and NEDs. However, where both Committees are combined, its membership shall be drawn only from NEDs.

2.9 Board Appraisal

2.9.1 There shall be annual Board and Directors' review/appraisal covering all aspects of the Board's structure, composition, responsibilities, processes and relationships, as may be prescribed by the CBN.

2.9.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN.

3.0 Shareholders

3.1 Rights and Functions of Shareholders

3.1.1 Shareholders shall have the right to obtain relevant and material information from the DFI on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, DFIs are encouraged to have a website and communicate with shareholders via the website, newsletters, village meetings and regular Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the institution, risk management practices, executive compensation, local branch expansion, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives and practices, and any other relevant information.

3.2 Equity Ownership

3.2.1 Except for DFIs established by an enabling Act, an equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the DFI shall apply for a no objection letter from the CBN immediately after the acquisition.

3.2.2 Ownership structure shall be in line with the provisions of the enabling Act establishing the DFI or as may be specified from time to time by the CBN.

3.3 Protection of Shareholders' Rights

3.3.1 Every shareholder shall be treated fairly.

3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the DFI promptly provides to shareholders documentary evidence of ownership interest in the DFIs such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 General Meetings

3.4.1 Notice of general meetings shall be as prescribed by the enabling Act or the Companies and Allied Matters Act (CAMA) 1990 as amended.

3.4.2 The Board shall ensure that the venue of a general meeting shall be convenient and easily accessible to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

3.5 Shareholders' Associations

The Board shall ensure that dealings of the DFIs with shareholders' associations are in strict adherence with the Code for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where a DFI is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

4.0 Rights of Other Stakeholders

4.1 Employees, customers and other stakeholders of DFIs shall have the right to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

4.2 Where such stakeholders' interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.3 DFIs shall demonstrate good sense of Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.

5.0 Disclosure and Transparency

5.1 Disclosure

5.1.1 In order to foster good corporate governance, DFIs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 as amended, CAMA 1990, other applicable laws and standards.

5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:

- (a) Major items that have been estimated in accordance with applicable accounting and auditing standards;
- (b) Rationale for all material estimates;
- (c) Corporate governance:

- i. The DFI's remuneration policy for members of the Board and executives;
 - ii. Total NED's remuneration, including fees and allowances;
 - iii. Total Executive compensation, including bonuses paid/payable;
 - iv. Details and reasons for share buy-backs, if any, during the period under review;
 - v. Board of Directors' performance evaluation;
 - vi. Details of Directors, shareholders and their related parties who own 5% and above of the DFI's shares as well as other Shareholders who, in concert with others, control the DFI;
 - vii. Governance structure;
 - viii. Composition of Board Committees including names of chairmen and members of each Committee;
- (d) Risk Assets:
- i. Concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product.
 - ii. Loan quality.
 - iii. Lending/borrowing to/from subsidiaries and associates.
 - iv. Loans and advances/funding or commitment lines from institutions outside Nigeria.
 - v. Related party transactions.
 - vi. Insider-related credits in accordance with the extant CBN circular.
- (e) Risk management:
- i. All significant risks.
 - ii. Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of external auditors' observed lapses thereon.
- (f) Information on strategic modification to the core business.
- (g) All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistle blowing, including regulatory sanctions and penalties.
- (h) Capital Structure/Adequacy.
- (i) Any service contracts and other contractual relationships with related parties.
- (j) Frauds and Forgeries.
- (k) Contingency Planning Framework.
- (l) Contingent Assets and Liabilities (off balance sheet engagement)

5.2 Transparency and Integrity in Reporting

5.2.1 DFIs shall have a structure in place to independently verify and safeguard the integrity of their financial reporting, which shall:

- i) entail the review and consideration of the financial statements by the BAC/Board; and

ii) enhance the independence and competence of the DFIs internal and external auditors.

5.2.2 The BAC shall be structured in such a way that it:

- i) consists only of Non-EDs;
- ii) is chaired by an Independent director;
- iii) has at least three members.

5.2.3 The BAC shall be of sufficient size, independence and technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience in banking, financial and accounting matters).

5.2.5 The BAC shall review the integrity of the DFI's financial reporting and oversee the independence of the internal and external auditors.

5.2.6 The BAC shall meet at least once every quarter.

5.2.7 The appointment and removal of the Chief Compliance Officer/ Head of Internal Audit shall be the responsibility of the Board subject to CBN's ratification.

The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change.

5.2.8 The qualification and experience of the Chief Compliance Officer/ Head of Internal Audit shall be in accordance with the provisions of the CBN's Competency Framework for the Banking Industry.

The office of the Chief Compliance Officer (CCO) and that of Internal Auditor may be combined depending on the size and complexity of the DFI's business.

The Internal Auditor shall, in addition to ensuring the internal control in the DFI, monitoring compliance with Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements, monitor the implementation of the corporate governance code.

5.2.9 Appointment of external auditors shall be approved by the CBN.

5.2.10 External auditors shall:

- i. render reports to the CBN on DFI's risk management practices, internal controls and level of compliance with regulatory directives.

- ii. review the work of the internal auditor on each of the DFI's key risk elements to cover risk identification, measurement, monitoring and control.
- iii. review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
- iv. report on the level of each key risk element as well as the composite risk profile of the DFI and make recommendations to the Board to enhance the effectiveness of risk management processes in the DFI.
- v. forward copies of their report to the CBN, together with the external auditor's management letter on the DFI's audited financial statements.

5.2.11 External auditors of DFIs shall not provide client services that shall amount to conflict of interest including the following:

- i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- ii. Appraisal or valuation services, fairness opinion or contribution-in kind reports;
- iii. Actuarial services;
- iv. Internal audit outsourcing services;
- v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.

5.2.12 The tenure of auditors in a given DFI shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be reappointed in the DFI until after a period of another ten (10) consecutive years.

5.2.13 An audit firm shall not provide audit services to a DFI if one of the DFI's top officials (Directors, Chief Finance Officer, Chief Audit Officer, etc.) was employed by the firm and worked on the DFI's audit during the immediate past two (2) years.

5.2.14 There shall be due process in all the procedures of DFIs.

5.2.15. All insider credit applications pertaining to directors and management staff and parties related to them, irrespective of size, shall be sent for consideration/approval to the Board Credit Committee.

5.2.16 Any director whose facility or that of his/her related interests remains non-performing for more than one year shall cease to be on the board of the DFI and could be blacklisted from sitting on the board of any other financial institution.

5.3 Whistle Blowing

5.3.1 DFIs shall have a whistle-blowing policy made known to employees, customers and other stakeholders.

5.3.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the DFI and/or the CBN.

5.3.3 DFIs are required to submit returns to the CBN on the compliance with the whistle-blowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department not later than 7 days after the end of the relevant period.

6.0 Risk Management

6.1 Every DFIs shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

6.2 The Board shall approve the risk management policies of the DFI and ensure their implementation by management.

6.3 Risk management policies shall reflect the DFI's risk management mandate, which shall include:

- i. Clear objectives and enterprise-wide authority for its activities;
- ii. Risk philosophy, vision and mission;
- iii. Authority to carry out its responsibilities independently;
- iv. Scope of Enterprise Risk Management (ERM);
- v. A requirement for it to be communicated throughout the organization to promote transparency;
- vi. Periodic review to ensure continued appropriateness;
- vii. A requirement for management to report regularly on the effectiveness of the institution's risk management processes and on its aggregate exposures compared to approved limits; and
- viii. Authority to follow-up on action taken by management in response to identified issues and related recommendations.

6.4 DFIs shall disclose a summary of its risk management policies in their annual financial statements.

6.5 DFIs' risk management policies shall clearly describe the roles and responsibilities of the Board, BRMC, management and internal audit function.

6.6 Boards of DFIs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.

6.7 The composition of a DFI's BRMC shall include at least 2 non-EDs and the executive Director in charge of risk management but chaired by a non ED.

7.0 Ethics & Professionalism and Conflict of Interest

7.1 Ethics & Professionalism

7.1.1 To make ethical and responsible decisions, DFIs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 DFIs shall establish a code of conduct and disclose in the code or a summary of the code such information as:

- i. the practices necessary to maintain confidence in the institution's integrity;
- ii. the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- iii. the responsibility and accountability of individuals reporting and investigating reports of unethical practices.

7.1.3 The Code should:

- i. commit the DFI, its Board and management (and employees) to the highest standards of professional behavior, business conduct and sustainable business practices;
- ii. be developed in collaboration with management and employees;
- iii. receive commitment for its implementation from the Board, the Managing Director/Chief Executive Officer and individual Directors of the company;
- iv. be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
- v. be formally communicated to the persons to whom it applies; and
- vi. be reviewed regularly and updated when necessary.

7.1.4 Where applicable, DFIs shall establish and disclose a policy concerning trading in its securities by Directors, senior executives and employees.

7.1.5 Where applicable, the trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.

7.2 Conflict of Interest

7.2.1 Every DFI shall have in place an approved Conflict of Interest Policy. The policy shall, at the minimum, cover the following areas:

- i. Approval & Revision date;
- ii. Definition of conflict of interest;
- iii. Purpose of the Policy;
- iv. Examples of conflict of interest situations;
- v. Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, either with the Director concerned or with the Chairman of the Board.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 Compliance

8.1.1 Compliance with the code is mandatory for all DFIs.

8.1.2 Returns on the status of each DFI's compliance with this code shall be rendered to the CBN semi-annually or as may be specified by the CBN from time to time.

8.1.3 Failure to comply with the code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

9.0 Sanctions

Failure to comply with the Code will attract appropriate sanctions in accordance with BOFIA or as may be specified in any applicable legislation or regulation.

10.0 EFFECTIVE DATE

This code shall take effect from December 1, 2018.

CENTRAL BANK OF NIGERIA



CODE OF CORPORATE GOVERNANCE FOR FINANCE COMPANIES IN NIGERIA

ISSUE DATE: OCTOBER 24, 2018

EFFECTIVE DATE: APRIL 01, 2019

CODE OF CORPORATE GOVERNANCE FOR FINANCE COMPANIES

1.0 Introduction

Finance Companies (FCs) play a complimentary role to banks in the business of financial intermediation. This segment of the financial system is expected to mobilize funds by way of borrowings, debt issuance and fund raising from local and foreign investors for lending to small, micro and medium enterprises. Their activities were expected to deepen the market and complement the financial inclusion drive of the CBN.

The Operational Guidelines for Finance Companies in Nigeria was revised in 2014 as part of initiatives to establish financial stability as well as reposition the finance company sub-sector for greater effectiveness in the financial sector landscape.

To complement these efforts, the CBN hereby issues the Code of Corporate Governance for Finance Companies. The Code is expected to enhance good governance practices, engender public confidence to attract investments and promote efficiency and transparency in the sub-sector.

The Code is issued pursuant to the relevant provisions of the Central Bank of Nigeria (CBN) Act 2007, Banks and Other Financial Institutions Act (BOFIA) CAP B3, Laws of the Federation of Nigeria (LFN) 2004, other relevant laws and extant CBN Guidelines and Circulars.

1.1 Application

The code shall apply to all licensed FCs in Nigeria.

2.0 BOARD OF DIRECTORS AND MANAGEMENT

2.1 Responsibilities of the Board

2.1.1 The Board shall be accountable and responsible for the performance and affairs of the FC. Specifically, and in line with the provisions of the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the FC the duty of care and loyalty to act in the interest of the FC's shareholders and other stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities of the FC.

2.1.3 The Board shall define and document the FC's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the FC.

2.1.6 The Board shall appoint the CEO as well as top management staff and establish a framework for delegation of authority in the FC, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7 The Board shall establish and monitor agreed performance targets for the management.

2.1.8 The Board shall ensure that a succession plan is in place for the MD/CEO, executive directors and management staff of the FC.

2.1.9 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.

2.1.10 The Board shall ensure strict adherence to the Code of Conduct for Directors.

2.1.11 The Board shall consider, approve and monitor the implementation of the FC's budget, including setting expenditure limits for management and Board Committees.

2.2 Composition and Size of the Board

2.2.1 The size of the Board of any FC shall be limited to a minimum of 5 and a maximum of 9 with more than fifty per cent of board membership comprising non-executive directors (NEDs).

2.2.2 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.2.3 The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors.

2.2.4 The Board of FCs shall comprise at least one (1) Independent Non-Executive Director (INED). An Independent Director is a member of the Board of Directors who has no direct material relationship with the FC or any of its officers, major shareholders, subsidiaries and affiliates.

2.3 Separation of Powers

2.3.1 The positions of the Board Chairman and the MD/CEO shall be separate. No one person shall combine the two positions in any FC at the same time. For the avoidance of doubt, no executive Vice Chairman shall be allowed in the Board structure.

2.3.2 Not more than two members of a family shall be on the board of a FC at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.3.3 Where the FC is a member of a holding company, not more than two family members shall be allowed to serve on the Boards of the FC and the holding company.

2.3.4 No two members of a family shall occupy the positions of Chairman and MD/CEO or Executive Director of the FC and Chairman or MD/CEO of a FC's subsidiary at the same time.

2.4 Appointment and Tenure

2.4.1 Members of the Board of Directors shall be appointed by the shareholders and approved by the CBN.

2.4.2 To qualify for the position of a Non-Executive Director, it is required that the nominee shall not be an employee of a bank or other financial institution, except where the FC is promoted by the bank or other financial institution and the proposed director is representing the interest of such an institution.

2.4.3 The procedure for appointment to the Board shall be formal, transparent and documented in the Board charter.

2.4.4 The appointment to the Board of FCs shall be in accordance with extant regulations issued by the CBN from time to time.

2.4.5 The track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant CBN guidelines.

2.4.6 To ensure continuity and injection of fresh ideas, NEDs of FCs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.7 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.

2.4.8 The tenure of the MD/CEO of the FC shall be in accordance with the terms of engagement subject to a maximum period of ten (10) years. Such tenure shall be broken down into periods not exceeding five (5) years at a time. Any person who has served as MD/CEO for the maximum tenure (of ten years) in an FC shall not qualify for appointment in any capacity in the same FC or its subsidiaries until after a period of three (3) years after the expiration of his tenure as MD/CEO.

2.4.9 Where the FC is a member of a Group or is owned by another financial institution, a director in the FC may be allowed to serve on the Boards of the FC and its holding company at the same time, provided the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the holding company.

2.4.10 To enhance effectiveness, all Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Board Committees

2.5.1 The Board shall at the minimum, establish the following Committees:

- a) Risk Management Committee
- b) Audit Committee
- c) Board Governance and Nominations Committee
- d) Board Credit Committee

The functions of Risk Management and Audit may be carried out by one committee particularly in small institutions. This is without prejudice to the requirements of CAMA 1990 (as amended) on the Statutory Audit Committee which is not a Board Committee.

Each FC shall have a Risk Officer and Internal Auditor who shall report directly to the Committee(s) responsible for Risk Management and Audit function(s) respectively.

2.5.2 Where there is a Remuneration Committee in addition to the four Committees prescribed in Section 2.5.1, the membership shall comprise NEDs only. Where both Committees (Remuneration Committee and Governance & Nominations Committee) are combined, its membership shall be drawn only from NEDs.

2.5.3 The Remuneration Committee shall determine the remuneration of Executive Directors and management.

2.5.4 The Board and its Committees shall each have a charter to be approved by the CBN. The charter shall be reviewed every three (3) years or as may be determined by the CBN from time to time.

2.5.5 The Chairman of the Board shall not be a member of any Board Committee.

2.5.6 All Board Committees shall be headed by Non-Executive Director (NEDs).

2.5.7 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the FC including external auditors' reports.

2.5.8 The MD/CEO and other Executive Directors (EDs) shall not be members of the BAC.

2.5.9 The Board Credit Committee shall comprise members knowledgeable in credit analysis.

2.5.10 The Board shall not replace members of the BAC and External Auditors at the same time.

2.6 Board/Board Committees Meetings

2.6.1 To effectively perform its oversight functions and monitor management's performance, the Board and each of the Board Committees shall meet at least once every quarter.

2.6.2 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted and signed off by the Board/Committee Chairman and Secretary, pasted in the minutes book and domiciled at the FC's Head Office.

2.6.3 Every Director shall attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings in each financial year.

2.6.4 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

2.6.5 Board/Board Committee meetings shall be deemed to be duly constituted where two-third of members are present, provided that a majority of NEDs are present at the meeting.

2.7 Remuneration

2.7.1 FC shall align executive and Board remuneration with the long term interests of their institutions and their shareholders.

2.7.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the FC.

2.7.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.7.4 Every FC shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.7.5 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors' fees.

2.7.6 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.7.7 Where share options are adopted as part of executive remuneration or compensation, the Board shall ensure that the stock options are not priced at a discount except with the prior authorization of the relevant regulatory agencies.

2.7.8 Share options shall be tied to performance and subject to the approval of shareholders at AGMs.

2.7.9 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

2.7.10 FCs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.8 Board Appraisal

2.8.1 There shall be annual Board and Directors' appraisal covering all aspects of the Board's structure, composition, responsibilities, processes, relationships and performance or as may be prescribed by the CBN.

2.8.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN by the independent consultant, not later than March 31 of the following year.

3.0 Shareholders

3.1 Rights and Functions of Shareholders

3.1.1 Shareholders shall have the right to obtain relevant and material information from the FC on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, FCs are encouraged to have a website and communicate with shareholders via the website, newsletters Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the FC, risk management practices, executive compensation, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives including Corporate Social Responsibilities (CSR), and any other relevant information.

3.2 Equity Ownership

3.2.1 Except as approved by the CBN, no individual, group of individuals, their proxies or corporate entities and/or their subsidiaries shall own controlling interest in more than one (1) FC.

3.3 Protection of Shareholders' Rights

3.3.1 Every shareholder shall be treated fairly.

3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the FC promptly provides to shareholders documentary evidence of ownership interest in the FCs such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

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3.4.1 Notice of general meetings shall be as prescribed by the CAMA 1990(as amended).

3.4.2 The Board shall ensure that all general meetings of the shareholders hold at a convenient and easily accessible venue to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

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3.5.1 The Board shall ensure that dealings of the FC with shareholders' associations are in strict adherence with the Code of Conduct for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where an FC is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

4.0 Rights of other Stakeholders

4.1 Stakeholders shall have the right to freely communicate their concerns about any illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

4.2 Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.3 FCs shall demonstrate good Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.

5.0 Disclosure and Transparency

5.1. Disclosure

5.1.1 In order to foster good corporate governance, FCs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 (as amended), CAMA 1990, and other applicable laws and standards.

5.1.2 Disclosure in the website, annual and periodic financial reports or by any other appropriate means shall include, but not limited to, material information on:

- i. Major items that have been estimated in accordance with applicable accounting and auditing standards;
- ii. Rationale for all material estimates;
- iii. Details on Directors;
- iv. Governance structure;

- v. Risk Assets;
- vi. Risk management;
- vii. Information on strategic modification to the core business;
- viii. All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistle blowing, including regulatory sanctions and penalties.
- ix. Capital Structure/Adequacy;
- x. Opening and closure of branch
- xi. Any service contracts and other contractual relationships with related parties;
- xii. Frauds and Forgeries;
- xiii. Contingency Planning Framework;
- xiv. Contingent Assets and Liabilities (off balance sheet engagement)

5.2 Transparency and Integrity in Reporting

5.2.1 FCs shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall:

- i. entail the review and consideration of the financial statements by the BAC; and
- ii. enhance the independence and competence of the FC's internal and external auditors.

5.2.2 The BAC shall be structured in such a way that it:

- i. has at least three members.
- ii. consists of NEDs only;
- iii. is chaired by an INED.

5.2.3 The BAC shall be independent and possess technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience (that is, shall be a qualified accountant or other finance professional with experience in finance and accounting matters).

5.2.5 The BAC shall review the integrity of the FC's financial reporting and oversee the independence of the internal and external auditors.

5.2.6 The BAC shall meet at least once every quarter. Deliberations shall include at least consideration of the quarterly reports of the internal auditor. All audit queries shall be investigated and resolved promptly.

5.2.7 Every FC shall have a Chief Compliance Officer (CCO) whose responsibility shall include monitoring compliance with the corporate governance code and

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements.

5.2.8 The office of the CCO and that of the Internal Auditor may be combined in a Financial Company (FC).

5.2.9 Appointment of external auditors shall be approved by the CBN.

5.2.10 External auditors shall:

- i. render reports to the CBN on FC's risk management practices, internal controls and level of compliance with regulatory directives.
- ii. review the work of the internal auditor on each of the FC's key risk elements to cover risk identification, measurement, monitoring and control.
- iii. review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
- iv. report on the level of each key risk element as well as the composite risk profile of the FC and make recommendations to the Board to enhance the effectiveness of risk management processes in the FC.
- v. forward copies of their report to the CBN, together with the external auditor's management letter on the FC's audited financial statements.

5.2.11 External auditors of FCs shall not provide client services that shall amount to conflict of interest including the following:

- i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- ii. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
- iii. Actuarial services;
- iv. Internal audit outsourcing services;
- v. Management or human resource functions

5.2.12 The tenure of auditors in a given FC shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be re-appointed in the FC until after a period of another five (5) consecutive years.

5.2.13 An audit firm shall not provide audit services to an FC if one of the FC's top officials (Directors, Chief Finance Officer, Chief Audit Officer, etc.) was employed by the firm and worked on the FC's audit during the immediate past two (2) years.

5.2.14 The MD/CEO of an FC shall certify in the statutory returns submitted to the CBN that he/she has reviewed the reports, and that based on his/her knowledge:

- i. The report does not contain any untrue statement of a material fact.
- ii. The financial statements and other financial information in the report, fairly represent, in all material respects the financial condition and results of operations of the FC as of, and for the periods presented in the report.

5.2.15 Rendition of false information to the CBN shall attract appropriate sanctions including monetary penalties and suspension of the MD/CEO for six (6) months in the first instance and possible removal.

5.2.16 There shall be due process in all the procedures of FCs.

5.2.17 All insider credit applications pertaining to directors and management staff and parties related to them, irrespective of size, shall be sent for consideration/approval to the Board Credit Committee.

5.2.18 Any director whose facility or that of his/her related interests remains nonperforming for more than one year shall cease to be on the board of the FC and could be blacklisted from sitting on the board of any other financial institution.

5.2.19 The practice/use of anticipatory approvals by Board Committees shall be limited strictly to emergency cases only and ratified at the next board meeting.

5.2.20 No director-related credit facilities and/or interest thereon shall be written off without CBN prior approval.

5.3 Whistle Blowing

5.3.1 FCs shall have a whistle-blowing policy made known to employees and other stakeholders.

5.3.2 The policy shall contain mechanisms, including assurance of confidentiality that encourages all stakeholders to report any unethical activity to the institution and/or the CBN.

5.3.3 FCs are required to submit returns on the compliance with the whistleblowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department, not later than 7 days after the end of the relevant period.

6.0 Risk Management

6.1 Every FCs shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

6.2 The Board shall approve the risk management policies of the FC and ensure their implementation by management.

6.3 Risk management policies shall reflect the FC's risk management mandate, which shall include:

- i. Clear objectives and enterprise-wide authority for its activities;
- ii. Risk philosophy, appetite, vision and mission;

- iii. Authority to carry out its responsibilities independently;
- iv. Scope of Enterprise Risk Management (ERM);
- v. A requirement for it to be communicated throughout the organization to promote transparency;
- vi. Periodic review to ensure continued appropriateness;
- vii. A requirement for management to report regularly on the effectiveness of the institution's risk management processes and on its aggregate exposures compared to approved limits; and
- viii. Authority to follow-up on action taken by management in response to identified issues and related recommendations.

6.4 FCs shall disclose a summary of the risk management policies in their annual financial statements

6.5 The risk management policy of an FC shall clearly describe the roles and responsibilities of the Board, Board Risk Management Committee (BRMC), management and internal audit function.

6.6 Boards of FCs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.

6.7 The composition of an FC's BRMC shall include at least 2 NEDs and must be chaired by a NED.

7.0 Ethics & Professionalism and Conflict of Interest

7.1 Ethics & Professionalism

7.1.1 To make ethical and responsible decisions, FCs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 FCs shall establish a code of conduct and disclose in the code or a summary of the code such information as:

- i. the practices necessary to maintain confidence in the FC's integrity;
- ii. the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- iii. the responsibility and accountability of individuals reporting and investigating reports of unethical practices.

7.1.3 The Code shall:

- a) commit the FC, its Board and Management and employees to the highest standards of professional behavior, business conduct and sustainable business practices;
- b) be developed in collaboration with management and employees;
- c) receive commitment for its implementation from the Board and the Managing Director/Chief Executive Officer and individual Directors of the company;
- d) be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
- e) be formally communicated to the persons to whom it applies; and
- f) be reviewed regularly and updated when necessary.

7.1.4 Where applicable, FCs shall establish and disclose a policy concerning trading in the FC's securities by directors, senior executives and employees. The trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.

7.1.5 FCs shall publish the policy concerning the issue of Board and employee trading in its securities.

7.2 Conflict of Interest

7.2.1 Every FC shall have in place an approved policy on conflict of interest. The policy shall, at the minimum, cover the following areas:

- i. Approval and Revision date;
- ii. Definition of conflict of interest;
- iii. Purpose of the Policy;
- iv. Examples of conflict of interest situations; and
- v. Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, at the board meeting for consideration by all members.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 Compliance

8.1 All FCs shall comply with the provisions of this Code. External auditors of FCs shall report annually to the CBN, the extent of the FC's compliance with the provisions of this Code.

8.2 Returns on the status of each institution's compliance with this code shall be rendered to the CBN semi-annually (30th June and 31st December every year) or as may be specified by the CBN from time to time. The returns shall be addressed and submitted to the Director, Other Financial Institutions Supervision Department not later than 7 days after the end of the relevant period.

9.0 Sanctions

Failure to comply with the Code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

10.0 Effective Date

This code shall take effect from December 1, 2018.

CENTRAL BANK OF NIGERIA



CODE OF CORPORATE GORVERNANCE FOR MICROFINANCE BANKS IN NIGERIA

ISSUE DATE:OCTOBER24 2018
EFFECTIVE DATE:APRIL 01, 2019

CODE OF CORPORATE GOVERNANCE FOR MICROFINANCE BANKS

1.0 Introduction

In view of the importance of micro and small enterprises to the growth of an economy, the Central Bank of Nigeria (CBN) in 2005 introduced the Microfinance Policy and Regulatory Framework to support the development of the sub-sector. However, by 2014, some of the licensed Microfinance Banks (MFBs) had become insolvent, a development largely attributed to poor governance practices and gross insider abuses.

To strengthen corporate governance practices in MFBs in Nigeria, the CBN, pursuant to the provisions of Section 2(d) of the CBN Act 2007 and Section 57 of the Banks and Other Financial Institutions Act (BOFIA) CAP B3 LFN 2004, hereby issues this Code of Corporate Governance for Microfinance Banks in Nigeria.

The objectives of the Code are to:

- i. Define minimum acceptable corporate governance standards for all licensed MFBs in Nigeria;
- ii. Promote high ethical standards among operators; and
- iii. Enhance public confidence in MFBs in Nigeria.

1.1 Application

The code shall apply to all licensed MFBs in Nigeria.

2.0 Board of Directors and Management

2.1 Responsibilities of the Board

2.1.1 The Board shall be accountable and responsible for the performance and affairs of the MFB. Specifically, and in line with the provisions of the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the MFB the duty of care and loyalty to act in the interest of the MFB's shareholders and other stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities of the MFB.

2.1.3 The Board shall define and document the MFB's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the MFB.

2.1.6 The Board shall appoint the CEO as well as top management staff and establish a framework for delegation of authority in the MFB, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7 The Board shall establish and monitor agreed performance targets for the management.

2.1.8 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.

2.1.9 The Board shall ensure that a succession plan is in place for the MD/CEO for Unit MFBs; and MD/CEO and executive directors for state and National MFBs.

2.1.10 The Board shall consider, approve and monitor the implementation of the MFB's budget, including setting expenditure limits for management and Board Committees.

2.1.11 The Board shall approve credit facilities in line with the approved limits of authority of the MFB.

2.1.12 The Board shall ensure strict adherence to the Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria.

2.2 Composition and Size of the Board

2.2.1 The minimum and maximum number of Directors on the boards of MFBs shall be five (5) and seven (7) for Unit MFBs; five (5) and nine (9) for State MFBs; and seven (7) and twelve (12) for National MFBs, respectively.

2.2.2 The MD/CEO shall be the only Executive Director of a Unit MFB.

2.2.3 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria for Approved Persons' Regime for financial institutions. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.2.4 The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors.

2.2.5 The Board of MFBs shall consist of a minimum of one (1) Independent Non-Executive Director (INED) for Unit MFBs and state MFBs and two (2) for National MFBs. However, a state MFB with a Board size of more than 7 members shall be required to have a minimum of two (2) INEDs. An Independent Director is a member of the Board of Directors who has no direct material relationship with the MFB or any of its officers, major shareholders, subsidiaries and affiliates.

2.3 Separation of Powers

2.3.1 The positions of the Board Chairman and the MD/CEO shall be separate. No one person shall combine the two positions in any MFB at the same time. For the avoidance of doubt, no executive Vice Chairman shall be allowed in the Board structure.

2.3.2 Not more than two members of a family shall be on the board of an MFB at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.3.3 Where the MFB is a member of a holding company, not more than two family members shall be allowed to serve on the Boards of the MFB and the holding company.

2.3.4 No two members of a family shall occupy the positions of Chairman and MD/CEO or Executive Director of the MFB and Chairman or MD/CEO of an MFB's subsidiary at the same time.

2.4 Appointment and Tenure

2.4.1 Members of the Board of Directors shall be appointed by the shareholders and approved by the CBN.

2.4.2 To qualify for the position of a Non-Executive Director, it is required that the nominee shall not be an employee of a bank or other financial institution, except where the MFB is promoted by the bank or other financial institution and the proposed director is representing the interest of such an institution.

2.4.3 The procedure for appointment to the Board shall be formal, transparent and documented in the Board charter.

2.4.4 The appointment to the Board of Microfinance Banks shall be in accordance with extant regulations issued by the CBN from time to time.

2.4.5 The track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant CBN guidelines.

2.4.6 To ensure continuity and injection of fresh ideas, Non-Executive Directors of MFBs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.7 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.

2.4.8 The tenure of the MD/CEO of the MFB shall be in accordance with the terms of engagement subject to a maximum period of ten (10) years. Such tenure shall be broken down into periods not exceeding five (5) years at a time. Any person who has served as MD/CEO for the maximum tenure (of ten years) in an MFB shall not qualify for appointment in any capacity in the same MFB or its subsidiaries until after a period of three (3) years after the expiration of his tenure as MD/CEO.

2.4.9 Where the MFB is a member of a Group or is owned by another financial institution, a director in the MFB may be allowed to serve on the Boards of the MFB and its holding company at the same time, provided the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the holding company.

2.4.10 To enhance effectiveness, all Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Board Committees

2.5.1 The Board shall at the minimum, establish the following Committees:

- a) Risk Management Committee
- b) Audit Committee
- c) Board Governance and Nominations Committee
- d) Board Credit Committee

The functions of Risk Management and Audit may be carried out by one committee for a Unit or State MFB. This is without prejudice to the requirements

of CAMA 1990 (as amended) on the Statutory Audit Committee which is not a Board Committee.

Each MFB shall have a Risk Officer and Internal Auditor who shall report directly to the Committee(s) responsible for Risk Management and Audit function(s) respectively.

2.5.2 Where there is a Remuneration Committee in addition to the four Committees prescribed in Section 2.5.1, the membership shall comprise

NEDs only. Where both Committees (Remuneration Committee and Governance & Nominations Committee) are combined, its membership shall be drawn only from NEDs.

2.5.3 The Remuneration Committee shall determine the remuneration of Executive Directors and management.

2.5.4 The Board and its Committees shall each have a charter to be approved by the CBN. The charters shall be reviewed every three (3) years or as may be determined by the CBN from time to time.

2.5.5 The Chairman of the Board shall not be a member of any Board Committee.

2.5.6 All Board Committees shall be headed by Non-Executive Directors (NEDs).

2.5.7 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the bank including external auditors' reports.

2.5.8 The MD/CEO and other Executive Directors (EDs) shall not be members of the BAC.

2.5.9 The Board Credit Committee shall comprise members knowledgeable in credit analysis.

2.5.10 The Board shall not replace members of the BAC and External Auditors at the same time.

2.6 Board/Board Committees Meetings

2.6.1 To effectively perform its oversight functions and monitor management's performance, the Board and each of the Board Committees shall meet at least once every quarter.

2.6.2 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted and signed off by the Board/Committee Chairman and Secretary, pasted in the minute's book and domiciled at the MFB's Head Office.

2.6.3 Every Director shall attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings in each financial year.

2.6.4 Board/Board Committee meetings shall be deemed to be duly constituted where two-thirds of members are present, provided that a majority of directors at the meeting are Non-Executive Directors' (NEDs).

2.6.5 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

2.7 Remuneration

2.7.1 MFBs shall align executive and Board remuneration with the long term interests of their institutions and their shareholders.

2.7.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the MFB.

2.7.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.7.4 Every MFB shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.7.5 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors' fees.

2.7.6 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.7.7 Where share options are adopted as part of executive remuneration or compensation, the Board shall ensure that the stock options are not priced at

a discount except with the prior authorization of the relevant regulatory agencies.

2.7.8 Share options shall be tied to performance and subject to the approval of shareholders at AGMs.

2.7.9 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

2.7.10 MFBs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.8 Board Appraisal

2.8.1 There shall be annual Board and Directors' appraisal covering all aspects of the Board's structure, composition, responsibilities, processes, relationships and performance or as may be prescribed by the CBN.

2.8.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN by the independent consultant, not later than March 31 of the following year.

3.0 Shareholders

3.1 Rights and Functions of Shareholders

3.1.1 Shareholders shall have the right to obtain relevant and material information from the MFB on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, MFBs are encouraged to have a website and communicate with shareholders via the website, newsletters, Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the MFB, risk management practices, executive compensation, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives including Corporate Social Responsibilities (CSR), and any other relevant information.

3.2 Equity Ownership

3.2.1 Except where prior approval of the CBN is granted, no individual, group of individuals, their proxies or corporate entities and/or their subsidiaries shall own controlling interest in more than one (1) MFB.

3.2.2 In order to discourage government from having majority shareholding in MFBs, government direct and indirect equity holding in any MFB shall be divested to private investors within a maximum period of five (5) years from the date of investment and limited to 10%. For existing investment above five years, the MFB shall within two (2) years from the commencement of this Code comply with this provision.

3.3 Protection of Shareholders' Rights

3.3.1 Every shareholder shall be treated fairly.

3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the MFB promptly provides to shareholders documentary evidence of ownership interest in the MFB such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 General Meetings

3.4.1 Notice of general meetings shall be as prescribed by the Companies and Allied Matters Act (CAMA) 1990 as amended.

3.4.2 The Board shall ensure that all general meetings of the shareholders hold at a convenient and easily accessible venue to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

3.5 Shareholders' Associations

3.5.1 The Board shall ensure that dealings of the MFB with shareholders' associations are in strict adherence with the Code of Conduct for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where a MFB is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

4.0 Rights of other Stakeholders

4.1 Stakeholders shall have the right to freely communicate their concerns about any illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

4.2 Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.3 MFBs shall demonstrate good Corporate Social Responsibility to their stakeholders such as customers, employees, host communities, and the general public.

5.0 Disclosure and Transparency

5.1 Disclosure

5.1.1 In order to foster good corporate governance, MFBs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 (as amended), CAMA 1990 (as amended), and other applicable laws, regulations and standards.

5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:

- i. Major items that have been estimated in accordance with applicable accounting and auditing standards;
- ii. Rationale for all material estimates;
- iii. Details on Directors;
- iv. Governance structure;
- v. Risk Assets;
- vi. Risk management;
- vii. Information on strategic modification to the core business;

- viii. All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistleblowing, including regulatory sanctions and penalties.
- ix. Capital Structure/Adequacy;
- x. Opening and closure of branch/cash Centre (for state and national MFBs);
- xi. Any service contracts and other contractual relationships with related parties;
- xii. Frauds and Forgeries;
- xiii. Contingency Planning Framework;
- xiv. Contingent Assets and Liabilities (off balance sheet engagement)

5.2 Transparency and Integrity in Reporting

5.2.1 MFBs shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall:

- i. entail the review and consideration of the financial statements by the BAC; and
- ii. enhance the independence and competence of the MFB's internal and external auditors.

5.2.2 The BAC shall be structured in such a way that it:

- i. has at least three members.
- ii. consists of NEDs;
- iii. is chaired by an independent NED (INED) except in the case of a unit MFB where a NED may serve as chairman.

5.2.3 The BAC shall be independent and possess technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience (that is, shall be a qualified accountant or other finance professional with experience in finance and accounting matters).

5.2.5 The BAC shall review the integrity of the MFB's financial reporting and oversee the independence of the internal and external auditors.

5.2.6 The BAC shall meet at least once every quarter. Deliberations shall include at least consideration of the quarterly reports of the internal auditor. All audit queries shall be investigated and resolved promptly.

5.2.7 Every MFB shall have a Chief Compliance Officer (CCO) whose responsibility shall include monitoring compliance with the corporate governance code and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements.

5.2.8 The office of the CCO and that of the Internal Auditor may be combined in a unit and state MFB.

5.2.9 The appointment and removal of the Chief Compliance Officer/Head of Internal Audit shall be the responsibility of the Board subject to CBN's ratification. The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change. The Head of Internal Audit shall report directly to the Board Audit Committee.

5.2.10 Appointment of external auditors shall be approved by the CBN.

5.2.11 External auditors shall:

- i. render reports to the CBN on MFB's risk management practices, internal controls and level of compliance with regulatory directives.
- ii. review the work of the internal auditor on each of the MFB's key risk elements to cover risk identification, measurement, monitoring and control.
- iii. review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
- iv. report on the level of each key risk element as well as the composite risk profile of the MFB and make recommendations to the Board to enhance the effectiveness of risk management processes in the MFB.
- v. forward copies of their report to the CBN, together with the external auditor's management letter on the MFB's audited financial statements.

5.2.12 External auditors of MFBs shall not provide client services that shall amount to conflict of interest and self-review including the following:

- i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- ii. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
- iii. Actuarial services;

- iv. Internal audit outsourcing services; and
- v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.

5.2.13 The tenure of auditors in a given MFB shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be re-appointed in the MFB until after a period of another five (5) consecutive years.

5.2.14 An audit firm shall not provide audit services to a MFB if one of the MFB's top officials (Directors, Chief Finance Officer, Chief Audit Officer, etc.) was employed by the firm and worked on the MFB's audit during the immediate past two (2) years.

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6.6 Boards of MFBs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.

6.7 The composition of the BRMC shall include at least two (2) NEDs and the Managing Director for a Unit MFB or Executive Director in charge of risk management for a State or National MFB.

7.0 Ethics, Professionalism and Conflicts of Interest

7.1 Ethics and Professionalism

7.1.1 To make ethical and responsible decisions, MFBs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 MFBs shall establish a code of conduct and disclose in the code or a summary of the code such information as:

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7.1.5 MFBs shall publish the policy concerning the issue of Board and employee trading in its securities.

7.2 Conflict of Interest

7.2.1 Every MFB shall have in place an approved policy on conflict of interest.

The policy shall, at the minimum, cover the following areas:

- i. Approval & Revision date;
- ii. Definition of conflict of interest;
- iii. Purpose of the Policy;
- iv. Examples of conflict of interest situations; and
- v. Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, at the board meeting for consideration by all members.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 Compliance

8.1 All MFBs shall comply with the provisions of this Code. External auditors of MFBs shall report annually to the CBN, the extent of the MFB's compliance with the provisions of this Code.

8.2 Returns on the status of each institution's compliance with this code shall be rendered to the CBN semi-annually (30th June and 31st December every year) or as may be specified by the CBN from time to time. The returns shall be addressed and submitted to the Director, Other Financial Institutions Supervision Department not later than 2 weeks after the end of the relevant reporting period.

9.0 Sanctions

Failure to comply with the Code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

10.0 EFFECTIVE DATE

This code shall take effect from December 1, 2018.



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FPR/DIR/GEN/CIR/07/018

OCTOBER 25, 2018

CIRCULAR TO ALL STAKEHOLDERS ON GUIDELINES FOR LICENSING AND REGULATION OF PAYMENT SERVICE BANS IN NIGERIA

The Central Bank of Nigeria on October 1, 2018 issued an Exposure Draft (ED) on the Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria. Deadline for the receipt of comments and observations issued on October 18, 2018 and stakeholders' inputs being thereafter have been used to update the Guidelines.

The essence of the Regulation is to leverage on technology to promote financial inclusion and ensure access to financial services to the vast pool of unbanked and financially excluded of the society.

Accordingly, the CBN hereby issues the Guidelines for Licensing and Regulation of Payment Service Banks (PSBs) in Nigeria.


KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

GUIDELINES FOR LICENSING AND REGULATION OF PAYMENT SERVICE BANKS IN NIGERIA

OCTOBER 2018

1.0 Introduction

The Central Bank of Nigeria (CBN), in furtherance of its mandate to promote a sound financial system in Nigeria and the need to enhance access to financial services for low income earners and unbanked segments of the society, continues to be innovative in deepening the financial services sector.

The National Financial Inclusion Strategy (NFIS) seeks to ensure that over 80 per cent of the bankable adults in Nigeria have access to financial services by 2020. The CBN in collaboration with stakeholders launched the NFIS on 23rd October, 2012 with a view to reducing the exclusion rate to 20 per cent by 2020.

Despite several initiatives including the Introduction of Microfinance banking, Agent Banking, Tiered Know-Your-Customer Requirements and Mobile Money Operation (MMO) in pursuit of this objective, the inclusion rate remains below expectation.

The CBN, in the circumstance and in collaboration with critical stakeholders in the digital financial ecosystem, such as the Nigerian Communication Commission, commercial banks, mobile money operators and telecommunication companies have conducted several study tours of other jurisdictions that have made significant progress in driving financial inclusion.

In view of the challenges to effective outreach to rural communities as well as the need to complement the services provided by other licensed entities, the CBN issues this regulation to provide for the licensing and operations of Payment Service Banks (PSBs) in Nigeria. PSBs are expected to leverage on mobile and digital channels to enhance financial inclusion and stimulate economic activities at the grassroots through the provision of financial services.

Accordingly, PSBs are envisioned to facilitate high-volume low-value transactions in remittance services, micro-savings and withdrawal services in a secured technology-driven environment to further deepen financial inclusion and help in attaining the policy objective of 20 per cent exclusion rate by 2020.

This Guidelines is issued pursuant to powers conferred on the CBN Governor by the CBN Act 2007 and BOFIA 1991 (as amended). It covers the definition; objectives; eligible promoters; licensing requirements; corporate governance; business conduct; and permissible activities. The requirements for prudential regulation; supervision; Know Your Customer (KYC), consumer protection as

well as Risk Management of the proposed Payment Service Banks in Nigeria are also covered.

2.0 Objective

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

3.0 Structure of Payment Service Banks

Payment Service Banks shall:

- i. Operate mostly in the rural areas and unbanked locations targeting financially excluded persons, with not less than 25% financial service touch points in such rural areas as defined by the CBN from time to time;
- ii. Enter into direct partnership with card scheme operators. Such cards shall not be eligible for foreign currency transactions;
- iii. Deploy ATMs in some of these areas;
- iv. Deploy Point of Sale devices;
- v. Be at liberty to operate through banking agents (in line with the CBN's Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria);
- vi. Roll out agent networks with the prior approval of the CBN;
- vii. Use other channels including electronic platforms to reach-out to its customers;
- viii. Establish coordinating centres in clusters of outlets to superintend and control the activities of the various financial service touch points and banking agents;
- ix. Be technology-driven and shall conform to best practices on data storage; security and integrity; and
- x. Set up consumer help desks (physical and online) at its main office and coordinating centres.

The Payment Service Banks shall use the words "Payment Service Bank" in its name to differentiate it from other banks.

Furthermore, the name of a PSB shall not include any word that links it to its parent company.

4.0 Permissible and Non-Permissible Activities

4.1 Permissible Activities

Payment Service Banks shall carry out the following activities:

- i. Accept deposits from individuals and small businesses, which shall be covered by the deposit insurance scheme;
- ii. Carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria;
- iii. Sale of foreign currencies realized from inbound cross-border personal remittances to authorized foreign exchange dealers;
- iv. Issue debit and pre-paid cards on its name;
- v. Operate electronic wallet;
- vi. Render financial advisory services;
- vii. Invest in FGN and CBN securities; and
- viii. Carry out such other activities as may be prescribed by the CBN from time to time.

4.2 Non-Permissible Activities

Payment Service Banks shall not carry out the following activities:

- i. Grant any form of loans, advances and guarantees (directly or indirectly);
- ii. Accept foreign currency deposits;
- iii. Deal in the foreign exchange market except as prescribed in 4.1 (ii & iii) above;
- iv. Insurance underwriting;

- v. Undertake any other transaction which is not prescribed by this Guidelines;
- vi. Accept any closed scheme electronic value (e.g. airtime) as a form deposit or payment;
- vii. Establish any subsidiary except as prescribed in the CBN Regulation on the Scope of Banking and Ancillary Matters, No 3, 2010.

5.0 Eligible Promoters

The following may promote PSBs:

- i. Banking Agents;
- ii. marketing companies);
- iii. Postal services providers and courier companies;
- iv. Mobile Money Operators (MMOs that desire to convert to Payment Service Banks shall comply with the requirement of this Guideline);
- v. Financial technology companies (Fintech);
- vi. Financial Holding Companies; and
- vii. Any other entity on the merit of its application subject to the approval of the CBN.
- viii. Telecommunications companies (Telcos), through subsidiaries;
- ix. Retail chains (supermarkets, downstream petroleum Where the promoter of a PSB is a regulated entity, it shall be required to obtain approval or a 'no objection letter' from its primary regulator and submit same at the licensing application stage to the CBN.

Switching companies which already have record / data of the financial system operators shall not be allowed to own PSB to avert conflict of interest.

6.0 Licensing Requirements

The promoters of a PSB shall be required to submit a formal application for the grant of a Payment Service Bank license addressed to the Governor of the CBN.

The promoters of a PSB shall make a formal presentation of the proposal to the Director, Financial Policy and Regulation Department (FPRD), CBN. The proposal should cover the following amongst others:

- i. business case;
- ii. vision and strategy;
- iii. governance arrangements;
- iv. risk management;
- v. compliance; and
- vi. financial viability.

6.1 Requirements for grant of Approval-In-Principle (AIP)

A) The application shall be accompanied with the following:

- i. A non-refundable application fee of ₦500,000 (five hundred thousand Naira only) in bank draft, payable to the Central Bank of Nigeria or such other amount as the CBN may specify from time to time;
- ii. Evidence of minimum capital deposit in line with Section 6.6 of this Regulation, to be verified by the CBN;
- iii. Evidence of capital contribution made by each shareholder;
- iv. Evidence of name reservation with the Corporate Affairs Commission (CAC);
- v. Detailed business plan or feasibility report which shall, at a minimum, include:
 - i. Objectives of the PSB;
 - ii. Justification for the application;
 - iii. Proposed ownership structure in a tabular form, indicating the names of potential investors, profession/business and percentage shareholdings;
 - iv. Detailed bio-data/resume of proposed shareholders;

- v. Source(s) of funding of the proposed equity contribution for each investor. Where the source of funding the equity contribution is a loan, such shall be a long-term facility of at least 7-year tenor and shall not be taken from the Nigerian banking system;
 - vi. Board and board committee charters stating the roles and responsibilities of the board and sub-committees;
 - vii. Criteria for selecting board members;
 - viii. Board composition and detailed resumes of proposed directors. The total number of directors shall be between 5 and 7, including at least two independent directors;
 - ix. Completed Fitness and Propriety Questionnaire; and sworn declaration of net worth executed by the proposed directors and significant shareholders;
 - x. Bank Verification Number (BVN) and Tax Clearance Certificate of each proposed director and significant shareholders;
 - xi. Organizational structure, showing functional units, responsibilities, reporting relationships and grade of heads of departments/units;
 - xii. List of proposed top management staff (AGM and above) and their detailed resumes, stating qualification (including photocopies of academic and professional credentials), experience, and records of accomplishments, etc.;
 - xiii. Schedule of services to be rendered;
 - xiv. Sales, distribution and marketing strategy showing geographic coverage;
 - xv. Five-year financial projection of the proposed bank indicating expected growth, profitability and the underlying assumptions; and
 - xvi. Details of information technology requirements and facilities.
- vi. For corporate investors, promoters shall forward the following additional documents:
 - i. Certificate of Incorporation and certified true copies of other incorporation documents;

- ii. Board resolution supporting the company's decision to invest in the equity shares of the proposed bank;
- iii. Names and addresses (business and residential) of owners, directors and their related companies, if any; and
- iv. Audited financial statements & reports of the company and Tax Clearance Certificate for the immediate past 3 years.
- v. Draft copy of the company's Memorandum and Articles of Association (MEMART). At a minimum, the MEMART shall contain the following information:
 - i. Proposed name of the bank
 - ii. Object clause
 - iii. Subscribers to the MEMART
 - iv. Procedure for amendment
 - v. Procedure for share transfer/disposal
 - vi. Appointment of directors'
 - vii. A written and duly executed undertaking by the promoters that the bank will be adequately capitalized for the volume and character of its business at all times, and that the CBN shall have powers to supervise and regulate its operations;
 - viii. For regulated foreign institutional investors, an approval or a 'no objection letter' from the regulatory authority in the country of domicile;
 - ix. Shareholders' agreement providing for disposal/transfer of shares as well as authorization, amendments, waivers, reimbursement of expenses;
 - x. Statement of intent to invest in the bank by each investor;
 - xi. Technical Services Agreement;
 - xii. Detailed Manuals and Policies, particularly:
 - a) Manual of Operations;

- b) Asset/Liability Management Policy (ALM Policy) that highlights the bank's permissible assets and liabilities, sets the standards for managing its interest rate, duration risk and liquidity risk, and delineates the composition, duties, and operational procedures for the bank's Asset/Liability Management Committee;
- c) Financial Management Policy that highlights the bank's financial management policies and procedures, and system of internal controls. The Policy should include, at a minimum:
 - i. Accounting policies and principles;
 - ii. Roles and responsibilities of the senior management officials responsible for financial management;
 - iii. Treasury operations, including funds management, vouchers, payroll and procurement;
 - iv. Financial record keeping and reporting; and
 - v. Auditing and periodic testing of internal controls.
- d) Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) Policy;
- e) Enterprise-Wide Risk Management Framework;
- f) Code of Ethics and Business Conduct that specifies high standards for honesty, integrity, and impartiality for the bank's employees, officers, and directors and provides guidance on avoiding conflicts of interest, self-dealing, and other types of impropriety as specified in the BOFIA or by the Bank. Every director and officer of the bank shall be required to sign the Code of Ethics and Business Conduct;
- g) Any other information that the CBN may require from time to time.

B) Following the receipt of an application with complete and satisfactory documentation, the CBN shall communicate its decision to the applicant within 90 days. Where the CBN is satisfied with the application, it shall issue an Approval-in-Principle (AIP) to the applicant.

C) The proposed bank shall not incorporate/register its name with the CAC until an AIP has been obtained from the CBN in writing, a copy of which shall be presented to the CAC for registration.

6.2 Requirements for Granting of Final License

Not later than six (6) months after obtaining the A.I.P, the promoters of a proposed PSB shall submit application for the grant of a final license to the CBN. The application shall be accompanied with the following:

- i. Non-refundable licensing fee of ₦2, 000,000.00 (Two Million Naira Only) in bank draft payable to the Central Bank of Nigeria;
- ii. Certified True Copy (CTC) of Certificate of Incorporation of the bank;
- iii. CTC of MEMART; CTC of Form CAC 1.1;
- iv. Evidence of location of Head Office (rented or owned) for the takeoff of the business;
- v. Schedule of changes, if any, in the Board and Shareholding after the grant of AIP;
- vi. Evidence of ability to meet technical requirements and modern infrastructural facilities such as office equipment, computers, telecommunications, to perform the bank's operations and meet CBN and other regulatory requirements;
- vii. Copies of letters of offer and acceptance of employment in respect of the management team;
- viii. Detailed resumes of top management staff;
- ix. Completed Fitness and Propriety Questionnaire; and sworn declaration of net worth executed by top management staff;
- x. Bank Verification Number (BVN) and Tax Clearance Certificate of each top management staff;
- xi. Comprehensive plan on the commencement of the bank's operations with milestones and timelines for roll-out of key payment channels; and xiii. Board and staff training programme.

6.3 Conduct of Pre-Licensing Inspection

As a requirement to the grant of final license, the CBN shall conduct an inspection of the premises and facilities of the proposed bank to, amongst others:

- i. Check the physical structure of the office building and infrastructure provided for take-off of the PSB;
- ii. Sight the original copies of the documents submitted in support of the application for license;
- iii. Meet with the Board and Management team whose resumes had earlier been submitted to the CBN;
- iv. Verify the capital contributions of the promoters; and
- v. Verify the integration of its infrastructure with the National Payments System.

6.4 Requirements for commencement of operations

The bank shall, through a letter, inform the CBN of its readiness to commence operations and such information shall be accompanied by one copy each of the following:

- i. Shareholders' Register;
- ii. Share certificate issued to each investor;
- iii. Opening statement of affairs signed by at least two directors and auditors;
- iv. Enterprise Risk Management Framework (ERMF);
- v. Internal control policy;
- vi. Minutes of pre-commencement board meeting; and
- vii. Evidence of integration of the bank's infrastructure with the National Payments System.

6.5 Post-commencement Requirements

A PSB shall:

- i. Comply with all guidelines and regulations issued by the CBN and other sector regulators.
- ii. Maintain adequate accounting system and keep records that capture information which reflect the financial condition of the bank.
- iii. Maintain an unimpaired minimum capital at all times.
- iv. Always comply with the requirements incidental to the authorization to perform banking operations as stipulated by the CBN.

6.6 Financial Requirements

The minimum capital requirement, application and licensing fees for PSBs are as follows:

Minimum capital	₦ 5,000,000,000.00
Non-refundable application Fee	₦ 500,000.00
Non-Refundable Licensing Fee	₦ 2,000,000.00
Change of name fee	₦ 1,000,000.00

The CBN may vary these requirements from time to time.

Promoters should note that in compliance with the BOFIA, the investment of the Share Capital Deposit shall be subject to availability of investment instruments. Upon the grant of license or otherwise, the CBN shall refund the sum deposited to the applicant, together with the investment income, if any, after deducting administrative expenses and tax on the income.

7.0. Corporate Governance

7.1 The provisions of the CBN code of corporate governance for banks shall be applicable to PSBs.

7.2 The provisions of the Revised Assessment Criteria for Approved Persons' Regime for Financial Institutions shall be applicable to PSBs.

7.3 Where a PSB is a related company to an existing infrastructure provider which provides services to other financial institutions, the PSB shall ensure that its dealings with the infrastructure provider are at arms-length.

8.0. Business Conduct (Fair Competition)

A) The following conditions shall guide business conduct between PSBs, their parent companies and other related entities (where applicable):

- i. A parent company or any other related entity of a PSB, which renders services to its PSB shall extend similar services to other entities that so desire on the same terms and conditions. In other words, all intra-group transactions shall be at arms-length.
- ii. A parent company or any other related entity of a PSB is prohibited from offering any preferential treatment, which negate fair competition, to its subsidiary.
- iii. Preferential treatment by a parent company or any other related entity shall, among others, include:
 - a. Precluding its subsidiary's competitor from using its infrastructure or services.
 - b. Offering lower quality of service to its subsidiary's competitors.
 - c. Offering such infrastructure or services at differential pricing
 - d. Precluding any specific infrastructure or service as may be prescribed by the CBN from time to time.

B) Failure of a parent company or any other related entity to abide by these fair competition clauses may lead to revocation of license of the PSB.

C) All services between the parent company and subsidiary shall be guided by service level agreements and/or shared services agreements which shall be submitted for CBN approval prior to implementation.

9.0. Prudential Regulation

9.1 Minimum Capital Requirement

- i. The minimum capital of PSBs shall be ₦5,000,000,000.00 (Five Billion Naira only) or such other amount that the CBN may prescribe from time to time.
- ii. Maintenance of Statutory Reserves by PSBs shall be in line with Section 16 of BOFIA.

- iii. The CBN may, as it deems appropriate, require a PSB to maintain additional capital for specific risks.

9.2 **Payment of Dividend**

A PSB shall not declare or pay dividend on its shares until it has:

- i. Completely written-off all its preliminary and pre-operational expenses;
- ii. Made adequate provisions to the satisfaction of the CBN for actual and contingent losses;
- iii. Satisfied the minimum Capital Adequacy Ratio requirement as stipulated in Section 9.3 of this Regulation;
- iv. Met all matured obligations;
- v. Comply with all relevant CBN regulations on dividend payments; and
- vi. Obtained the approval of the CBN in respect thereof.

9.3 **Capital Adequacy Ratio**

- i. The capital adequacy ratio of a PSB shall be measured as the percentage of its shareholders' funds unimpaired by losses to its total risk weighted assets. The minimum Capital Adequacy Ratio (Qualifying Capital/Total Risk Weighted Assets) for PSBs shall be 10 per cent or as may be prescribed by the CBN from time to time.
- ii. Capital measurement approach for PSBs shall be as applicable to Deposit Money Banks (DMBs) or as may be prescribed by the CBN from time to time.

9.4 **Investment of Deposit Liabilities**

- i. PSBs shall maintain not less than 75% of their deposit liabilities in CBN securities, Treasury Bills (TBs) and other short-term federal government debt instruments at any point in time.
- ii. PSBs shall have the privilege to make their investments from the CBN window.
- iii. All funds in excess of the PSB's operational float should be placed with DMBs.

9.5 Participation in Payment and Settlement System

Payment Service Banks shall participate in the payment and settlement system and have access to the inter-bank and the CBN collateralised repo window for its temporary liquidity management.

9.6 Cash Reserve Requirement

Cash Reserve Requirement shall be prescribed by the CBN from time to time

9.7 Limit of Investment in Fixed Assets (Including Branch Expansion)

Investments in fixed assets by PSBs shall be as may be prescribed by the CBN from time to time.

9.8 Revaluation of Fixed Assets

Requirement for revaluation of fixed asset shall be in line with the Prudential Guidelines for DMBs or as may be prescribed by the CBN from time to time.

10.0 Supervision of Payment Service Banks

10.1 PSBs shall be supervised by the Central Bank of Nigeria.

10.2 Where a PSB is a subsidiary or associate of a legal entity, the entity shall be required to comply with all extant CBN Guidelines and circulars as they relate to the PSB's operations.

10.3 PSBs shall render quarterly returns indicating the number of financially excluded customers on-boarded during the quarter to which the returns relate.

10.4 PSBs shall render such other returns, in such format and frequency, as the CBN may prescribe from time to time.

11.0 Know Your Customer (KYC) Requirements

PSBs shall comply with relevant provisions of the Money Laundering (Prohibition) Act, 2011 (as amended), Terrorism Prevention Act, 2011 (as amended), CBN AML/CFT Regulations for Banks and Other Financial Institutions 2013, other extant laws and regulations on KYC issued by the CBN.

11.1 PSBs shall adopt risk-based approach in the conduct of KYC and ensure that every customer complies with the KYC requirements. All accounts shall be subjected to continuous suspicious transactions monitoring and any suspicious transaction shall be reported to the appropriate agency.

11.2 PSBs shall maintain robust, effective and efficient AML/CFT software solutions to monitor thresholds as may be prescribed by the Bank from time to time. They shall also designate officers to monitor compliance.

11.3 For the purpose of KYC, customers under the Tier 1 account category shall require name and phone number as identification requirements.

11.4 Tier 2 and 3 account category customers shall be required to comply with the requirements of Tiered KYC.

12.0 Consumer Protection

The CBN Consumer Protection Framework shall be applicable to PSBs.

13.0 Risk Management

13.1 Credit Risk Management (Including credit concentration risk)

In accordance with Section 4.2 (i) of this Regulation, PSBs are not permitted to grant any form of loans and advances. As such, the provisions for management of credit risk applicable to DMBs shall not apply to PSBs.

13.2 Capital Measurement Approach for Credit Risk

Without prejudice to Section 13.1 above, Capital measurement approach for credit risk for PSBs shall be as applicable to DMBs or as may be prescribed by the CBN from time to time.

13.3 Management of other Risks

Management of other Risks (such as Market, Operational, Liquidity, Strategic, Information Technology and Reputational Risks) shall be as may be prescribed by the CBN from time to time.

13.4 Internal Controls

- i. The provisions regarding internal controls, audit and compliance by the PSBs shall be as applicable to DMBs, with appropriate enhancements to take care of the Information System related aspects and operations through agents.
- ii. PSBs shall implement appropriate controls to ensure strict confidentiality of customers' data and information.

14.0 Payment System Security

All CBN regulations on operations of electronic payment channels shall be applicable to PSBs.

15.0 Revocation of License

This shall be in line with the provision of BOFIA or through voluntary liquidation subject to the approval of the CBN.

16.0 GLOSSARY

For the purpose of this Guidelines, the following terms will have the meanings assigned hereunder:

S/N	TERM	MEANING
1.	Arm's-length	This describes a relationship/dealing between two parties, who act freely and independently of each other (keeping personal relationship aside where this exists). It means that terms of a transaction between related parties should not differ from the terms that would have applied between unrelated persons in a comparable transaction.
2.	Banking Agent	An entity engaged by a financial institution to provide specific financial services on its behalf using the agent's premises.
3.	Coordinating Centre	An office of a PSB that coordinates activities of its financial services touch points within a particular cluster/zone/region.
4.	Financial service touch points	A location where a customer can access basic financial service including cash-in, cash-out and transfers/remittances
5.	Electronic wallet	A pre-loaded system-based account, which may be operated using an electronic device
6.	Rural Areas	Rural areas include villages, settlements, hamlets and the hinterlands, as well as such other areas without adequate banking facilities as may be prescribed by the CBN from time to time.

7.	Service Level Agreement	Service level agreement (SLA) is a contract between a service provider (either internal or external) and the end user that defines the level of service expected from the service provider.
8.	Shared services agreements	Provision of a service by one part of an organization or group where that service had previously been found in more than one part of the organization or group
9.	Significant shareholder	A shareholder who owns (directly or indirectly) up to five per cent of the equity shares of a financial institution
10.	Small Business	This is an independently owned and operated company that is limited in size and revenue, that is, has less than 300 employees and total assets that is less than 100 million Naira

FINANCIAL POLICY AND REGULATION DEPARTMENT

October 2018



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FPR/DIR/GDN/CIR/07/01A

October 22, 2018

CIRCULAR TO ALL MICROFINANCE BANKS

REVIEW OF MINIMUM CAPITAL REQUIREMENT FOR MICROFINANCE BANKS IN NIGERIA

Given the role of microfinance banks in economic growth and development, the Central Bank of Nigeria (CBN) introduced the Microfinance Policy, Regulatory and Supervisory Framework on December 15, 2008 (revised in 2013). The key focus of the policy was, among others, to increase financial inclusion rate in the country, improve access to financial services for the active rural poor and pursue poverty eradication.

The microfinance banking sub-sector, in pursuit of the above objectives, had been contending with such challenges as inadequate capital base, weak corporate governance, ineffective risk management practices, dearth of requisite capacity and infra-soft. The CBN has reviewed the state of health of the sub-sector and is of the view that microfinance banks, as presently constituted, would be unable to meet the critical targets set out in the Microfinance Policy, hence the need for specific reforms to strengthen the sub-sector and reposition microfinance banks towards improved performance.

Consequently, the CBN, in exercise of the powers conferred on it by the Banks and Other Financial Institutions Act and in furtherance of its mandate to promote a sound financial system in Nigeria, hereby increases the minimum capital requirement of microfinance banks as follows:

- 1) Unit Microfinance Bank: ₦200,000,000 (Two hundred million Naira)
- 2) State Microfinance Bank: ₦1,000,000,000 (One billion Naira)
- 3) National Microfinance Bank: ₦5,000,000,000 (Five billion Naira)

To meet these requirements, existing microfinance banks are expected to explore the possibility of mergers and acquisitions and/or direct injection of funds. The revised Regulatory and Supervisory Guidelines for Microfinance Banks, Code of Corporate Governance for Microfinance Banks and sector-specific Prudential Guidelines for Microfinance Banks would be issued in due course.

Institutions that meet the capital requirements as well as demonstrate the existence of strong corporate governance in their operations would be allowed to open account at the CBN office within their state of operation. Such institutions would also be charged for micro-funding activities of the CBN and the Development Bank of Nigeria.

The new minimum capital requirement takes immediate effect for new applications while existing microfinance banks shall be required to FULLY comply with effect from April 01, 2020.



KEVIN N. AMIGO

DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



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FPR/DIR/GEN/CIR/07/007

September 10, 2018

CIRCULAR TO ALL COMMERCIAL, MERCHANT AND NON-INTEREST BANKS

REDESIGNED CREDIT RISK MANAGEMENT SYSTEM (CRMS): ADDITIONAL REGULATORY GUIDELINES FOR THE OPERATION OF THE REDESIGNED CRMS

Further to the Redesign CRMS Go-cms in February 2017 and issuance of regulatory guidelines for same, attached document provides additional guidelines relating to:

- Companies/banks legally registered in Nigeria where ALL or SOME of their Board members are Non-Nigerian Non-Resident Directors (NINRDs)
- Federal, State or Local Government guarantee of loans or credit to (a) companies/banks legally registered or established in Nigeria
- Subject period for cross review in the CRMS
- Loans to employees, directors and staff of Commercial Merchant and Non-Interest Banks

Should there be need for additional clarification please do not hesitate to contact the Director, Financial Policy and Regulation Department, Central Bank of Nigeria or send an email to cbn@cbn.gov.ng

DR. HASSAN MAHMUD

FOR: DIRECTOR FINANCIAL POLICY AND REGULATION DIVISION

CENTRAL BANK OF NIGERIA



**ADDITIONAL
REGULATORY GUIDELINES FOR THE
OPERATION OF THE REDESIGNED
CREDIT RISK MANAGEMENT SYSTEM (CRMS)**

FOR

**COMMERCIAL, MERCHANT AND
NON-INTEREST BANKS**

SEPTEMBER 2018



SECTION 1: DEFINITION OF TERMS (ADDITIONAL)

In furtherance of the extant Guideline's Section-1 (Definition of Terms), the additional terminology for Non-Nigerian Non-Resident Director (NNNRD):

Eligibility and Qualifying Circumstances

- **Eligibility**
 - This option is only available to Directors/Promoter(s) of entities legally registered/established in Nigeria, seeking to borrow from a CBN regulated lending institution in Nigeria but have one or more NNNRD as a Director/Promoter.
 - The borrowing entity already has a valid and authenticated Taxpayer Identification Number (TIN)

- **Qualifying Circumstances for the NNNRD – The Director/Promoter,**
 - does not have any type of personal bank account or banking relationship in/with any bank operating with a valid license issued by the Central Bank of Nigeria
 - must be a non-Nigerian, but where dual citizenship exists, provision of BVN is required
 - must not be based/resident in Nigeria
 - does not have a valid Work Permit
 - does not have a valid Residency Permit
 - must be 18years old or above
 - must possess a valid international passport with at least six (6) months to expiration date



SECTION 2: INTRODUCTION

2.1 Background

In the exercise of the powers conferred on the Central Bank of Nigeria by Section 57 of the CBN Act 2007, the Regulatory Guidelines the Redesignated Credit Risk Management Systems (CRMS) for Commercial, Merchant and Non-Interest Banks was released on February 27th 2017 via CBN Circular FPR/DIR/GEN/CRM/06/012.

These additional guidelines

- are to address some grey areas in the rendition requirements and to ensure full compliance with the operations of the Credit Risk Management System (CRMS).
- shall apply to all Commercial, Merchant and Non-Interest Banks licensed and regulated by the Central Bank of Nigeria and authorized to grant credit facilities or loans to its customers.

2.2 Compliance with this Guideline

Participating Institutions shall continue to strictly comply with the provision of the extant and this additional Guidelines.



SECTION 3: UNDERLYING BASIS AND OBJECTIVES OF THE ADDITIONAL GUIDELINES

3.1 Underlying Basis Remain

- a) Individual borrowers must be uniquely identified by Bank Verification Number (BVN)
- b) ALL non-individual (corporate entities) must be uniquely identified by Taxpayer Identification Number (TIN)
- c) ALL Directors/Promoters of borrowing entities must be uniquely identified and reported for each loan record created on the CRMS.
- d) Rendition on the CRMS is required **before disbursement of any loan or credit facility**. This process of submission does not interfere with any Participating Bank's decision to extend a loan or credit to its customer. Consequently, rendition is only required after approval to disburse is given.

3.2 Objectives of the Additional Guidelines:

The aim of establishing the Credit Risk Management System (CRMS) remains to identify and minimize activities of serial defaulting and predatory borrowers in the financial services industry and to assist in strengthening the credit appraisal processes of Participating Institutions.

The objective of this additional regulatory guideline is to provide compliance clarification and guidance for rendition of credit/loan transactions under the following circumstances:

- a) Companies/Entities legally registered in Nigeria, by the CAC, but ALL or SOME Directors on their Board fall into the NNHRD category.
- b) Federal, State or Local Government guarantee of loans or credit to Companies/Entities legally registered/established in Nigeria.
- c) Sunset period for closed records on the CRMS.
- d) ALL categories of loans to employees (directly and indirectly) of Commercial, Merchant and Non-Interest Banks.



SECTION 4: IMPLEMENTATION OF THE ADDITIONAL GUIDELINES

4.1 Companies/Entities legally registered in Nigeria, by the CAC, where ALL or SOME Directors on their Board are NNNRD(s)

Participating Institutions may not be in a position to consistently satisfy the requirements of Section 5.4 of the approved CRMS Regulatory Guidelines which explicitly requires the submission of the BVN of ALL its Directors/Promoter(s).

Consequently, for purposes of accountability,

- 1) where **ALL** Directors of the borrowing entity are NNNRDs, shall avail themselves to a transparent and documented process of validating their international passport details (data page) with the Embassy/High Commission of the issuing country, through a participating bank.
 - a) using the prescribed template (Appendix-1), a participating bank shall individually submit each NNNRD's international passport details to his/her Embassy/High Commission in Nigeria for validation.
 - b) upon completion of the validation, the first reporting bank will submit relevant documents, through the CRMS for the generation of an NNNRD-ID after review and approval by designated CBN staff. This process is enumerated in Appendix-2.
 - c) For an international passport to be eligible for process **1b** (above), it must remain valid at least 6months to its expiration date.
 - d) thereafter, the lending bank shall provide same to the borrowing entity for them to share with other lending/reporting banks for purposes of full and complete compliance with regulatory requirements of submitting details of **ALL** Directors.
- 2) where there is **only one Nigerian Director and one or more NNNRD(s)**, the sole Nigerian Director provide his/her BVN to the lending bank while the remaining NNNRD(s) will avail themselves to the process **1a-d** above



- 3) where there are two or more Nigerian Directors and other Director(s) are NNNRD(s); all the Nigerian Directors shall provide their BVN to the lending bank while the NNNRD(s) will avail themselves to the process 1a-d above

Nevertheless, in all cases of NNNRDs, a participating bank must obtain and retain evidence of compliance with Sections 36 & 38 of the Immigrations Act 2015.

4.2 Federal, State or Local Government guarantee of loans or credit to any company or entity legally registered or established in Nigeria

All lending institutions are to ensure that National or State Assembly Approval(s) are in place as a precondition to accept Federal, State or Local Government guarantee for any loan/exposure/credit to a company or entity legally registered or established in Nigeria.

4.3 Sunset period for closed records on the CRMS

The sunset period of 5years shall apply to any closed record on the CRMS. Consequently, the CRMS shall automatically move such record(s) to permanent archives and shall only be available on official request to the CBN by a participating institution.

4.4 ALL categories of loans to employees (direct and indirect) of Commercial, Merchant and Non-Interest Banks

All participating and reporting banks shall cease to treat all categories of staff loans as payroll/HR issues. Consequently, all staff loans shall have credit files which are expected to have duly executed Loan/Credit Offer Letters clearly stating the approved terms.



APPENDIX-1

<DATE>

The Consular Section

<Country>

<Address-1>

<Address-2>

Dear Sir,

REQUEST FOR VALIDATION OF INTERNATIONAL PASSPORT - <Surname, First Name, Other Names> of <name of Non-Individual Borrower>

The above mentioned individual is a <Director or Promoter> in <name of Non-Individual Borrower> which is legally registered in Nigeria and operates from <address of non-Individual Borrower>.

<name of Non-Individual Borrower> has applied for a loan/facility from us and there is need to satisfy the Central Bank of Nigeria's requirement of identifying all Directors/Promoters of legally registered or established entities seeking to obtain loans/facilities from regulated lending financial institutions in Nigeria.

In this instance, <name of NNIRD> is a Non-Nigerian Non-Resident Director of <name of Non-Individual Borrower> and has provided the attached color copy of his International Passport with the following details:

- Name: <surname>, <first name> <other names>
- Gender/Sex:
- Passport No:
- Date of Issue (DD/MM/YYYY):
- Date of Expiration (DD/MM/YYYY):

Kindly validate the authenticity of these details with a written reply to us (with separate copies to The Director, Financial Policy and Regulation Dept and The Director, Banking Supervision Department at the Central Bank of Nigeria, Head Office, Abuja).

Yours sincerely,

<name>
Managing Director/CEO

<name>
Chief Compliance Officer or Chief Risk Officer

cc: The Director, Financial Policy and Regulation Dept; Central Bank of Nigeria, Abuja
The Director, Banking Supervision Dept; Central Bank of Nigeria, Abuja



APPENDIX-2

NNIRD Identity Validation Process

The participating institution shall undertake the following sequential steps:

- 1) The non-individual borrower to formally submit to the participating institution a clear colour copy of the eligible NNIRD's international passport data page (hereafter referred to as Data Page) with a cover letter signed by at least two Directors.
- 2) where there is more than one eligible NNIRD, the required information should be submitted separately.
- 3) the participating institution shall
 - a. prepare a cover letter to the eligible NNIRD's Embassy or High Commission in Nigeria with separate copies to the Director Financial Policy and Regulation Departments and Director Banking Supervision at the CBN;
 - b. prepare cover letters signed by either the Chief Compliance Officer or Chief Risk Officer and the MD/CEO (with full names and titles, not representatives) using the prescribed template – Appendix 1;
 - c. submit the cover letter to eligible NNIRD's Embassy or High Commission in Nigeria along with lending bank's acknowledgment copy of the Non-Individual Borrower's cover letter and the clear colour copy of the eligible NNIRD's Data Page. Send copies to the two designated offices mentioned in 3a above;
 - d. where there is more than one eligible NNIRD, items 3a-c should be prepared and submitted separately;
 - e. obtain and retain acknowledged copies of the documents submitted to the Embassy or High Commission in Nigeria and the two CBN offices mentioned in 3a above;
 - f. The response from the Embassy or High Commission of the eligible NNIRD should be affixed with an official stamp (with date).

4.0 CRMS Submission Process

1. Where the response from the Embassy or High Commission is an unambiguous and favorable validation of the eligible NNIRD's Data Page, the participating bank can commence the normal record creation process for non-individual borrower.
2. Upon successful creation of the new record and a CRMS Reference Number obtained, the additional CRMS rendition steps required to submit the NNIRD's details are



captured in the "CRMS Manual for Uploading/Attaching Validated Details of Non-Nigerian Non-Resident Directors/Promoters" which is available on the CRMS portal.

3. For each NNNRD, the clear PDF version of documents to be uploaded are:
 - a. the Non-Individual Borrower's cover letter to the participating bank (acknowledgement copy)
 - b. color copy Data Page of the NNNRD
 - c. participating institution's cover letter to the Embassy or High Commission and the CBN (acknowledgement copies)
 - d. response from the Embassy or High Commission to the participating institution (acknowledgement copy)

PLEASE NOTE THAT THE DATES ON ANY OF THE DOCUMENTS MENTIONED IN THIS GUIDANCE NOTES MUST BE EARLIER THAN THE DATE THE CREDIT RECORD IS CREATED ON THE CRMS



CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
Plot 6, 3187
Garki, Abuja

Tel: 011-46217401
E-mail: fpandreg@cbn.gov.ng

June 20, 2018

FPFR/AMR/CIBN/REG/01/028

CIRCULAR TO BANKS

IMPOSITION OF TARGETED SANCTIONS ON NINETEEN (19) INDIVIDUALS IDENTIFIED AS OBSTRUCTING THE IMPLEMENTATION OF CONAKRY AGREEMENT

The ECOWAS Authority of Heads of State and Government adopted a resolution on February 4, 2018 to impose targeted sanctions on nineteen (19) individuals identified to be obstructing the implementation of the Conakry Agreement aimed at resolving the political crisis in Guinea-Bissau.

The Resolution was subsequently ratified by the Peace and Security Council (PSC) of the African Union and authorized by the United Nations Security Council resolution 2402 (2018).

You are by this circular, required to report to the CBN within five working days, the existence of account(s) operated by the attached targeted individuals and their related interests. You are also required to ensure that your subsidiaries and associate companies conduct similar checks and render suspicious transaction reports to the NFIU, accordingly.

A nil return would be required where no such account(s) exists.

KEVIN N. AMEGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

TARGETED SANCTIONS: LIST OF NINETEEN (19) INDIVIDUALS IDENTIFIED AS OBSTRUCTING THE IMPLEMENTATION OF CONAKRY AGREEMENT

1. Braima Camara
2. Rui Dia De Sousa
3. Soares Sambu
4. Abel Da Silva Gomes
5. Manuel Nascimento Lopes
6. Eduardo Mamadu Balde
7. Maria Aurora Abissa Sano
8. Florentino Mendes Viegas
9. Orlando Mendes Viegas
10. Certocio Biote
11. Domingos Quade
12. Carlitos Barai
13. Domingos Malu
14. Antonio Sedja Man
15. Bacari Bisi
16. Botche Cande
17. Herson Goadjabi Vaz
18. Victor Madinga
19. Fernando Vaz



CENTRAL BANK OF NIGERIA

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P.M.B. 0187
Garki, Abuja

Tel:.....
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June 5, 2018

Ref: FPR/DIR/GEN/CR/07/001

CIRCULAR TO ALL BANKS ON THE REDESIGNED CRMS: NOTICE OF COMMENCEMENT OF CRMS COMPLIANCE STATUS CHECKS

The CBN Circular Ref: FPR/DIR/GEN/CRM/06/012 (dated February 27, 2017), on Regulatory Guidelines for the Redesigned Credit Risk Management System for Commercial, Merchant and Administrative Banks in Nigeria (the CRMS Regulatory Guidelines) states:

Section 8.2 of the aforementioned circular requires the Chief Financial Officer to ensure that total loans/advances/credits reported on FINA or any regulatory platform for such submissions of returns **MUST** match total value of credits/exposures reported in the CRMS (including the distribution of exposures by "Source Lines"). The CBN shall commence conduct of monthly compliance status checks of each bank's CRMS returns to verify compliance with this requirement.

Given that banks must complete their routine End-of-Month processes in order to generate balances required to correctly update the outstanding balance of each line CRMS record, there is need to align the CRMS Compliance Status Check with the extant Circular Ref: BSD/DIR/GEN/LAB/07/011 (dated April 23, 2014) on the "Timeline for Rendition of Statutory Returns through the FINA Application to the CBN and ACAC". This circular specifically provides a 3-day grace period after month end for banks to submit their End-of-Month returns.

All banks are by this Notice advised to ensure that not later than the 3rd day after each month end, live CRMS records are updated to ensure their totals match the FINA month end returns.

OPERATIONALING COMPARISON OF BALANCES IN FINA AND CRMS

To enable each bank download its own CRMS records for at any particular historical date on the CRMS platform, an additional feature/sub-menu labelled "Historical Outstanding Balances Report" has been added to the "Queries and Reports" menu.

Further clarifications may be made to the under listed:

NAME	E-MAIL	PHONE NUMBER
Dr. Valentine UYURUKA	CBNCRMS1@cbn.gov.ng	0708 412 5888
Mr. Chibuzo ITODI	CBNCRMS1@cbn.gov.ng	0708 408 1988

Thank you;



A.S. TURUK

For: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



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

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
P.M.B. 6187
Cash, Abuja

April 9, 2018

FPD/DIR/GEN/DIR/07/003

CIRCULAR TO BANKS AND OTHER FINANCIAL INSTITUTIONS

CBN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018

Pursuant to the requirements of the Financial Action Task Force (FATF) Recommendation 28 on effective, proportionate and dissuasive sanctions and the Inter-Governmental Action Group against Money Laundering in Abuja Africa (IGAMA) 2007 Mutual Evaluation recommendation that "Nigeria's AML/CFT sanctions regime should be reviewed and made to be proportionate and dissuasive," the Central Bank of Nigeria (CBN) in collaboration with the Office of the Attorney-General of the Federation (OAGF) have developed a robust administrative sanctions regime.

The Administrative Sanctions Regime has been drafted to give it legal effect and ensure compliance with FATF and IGAMA requirements.

Banks and other financial institutions are by the Group informed of the attached "CBN AML/CFT Administrative Sanctions Regime" the application of which comes into effect as at the date of the Gazette.

Kindly ensure compliance, please.

KEVIN M. AMOO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

**MONEY LAUNDERING (PROHIBITION) ACT, 2011
(AS AMENDED)**

**CENTRAL BANK OF NIGERIA ANTI-MONEY LAUNDERING
AND COMBATING THE FINANCING OF TERRORISM
(ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018**



ARRANGEMENT OF REGULATIONS Regulation:

PART I—OBJECTIVES AND APPLICATION

1. Objectives.
2. Application.

PART II—ADMINISTRATIVE SANCTIONS AND PENALTIES

3. Administrative sanctions.
4. Penalties.
5. Conditions for the imposition of administrative sanctions.

PART III—CIRCUMSTANCES TO DETERMINE SANCTIONS TO APPLY

6. Determination of the nature and seriousness of contravention.
7. Conduct of the regulated financial institution or person concerned in its management after the contravention.
8. Previous record of the financial institution or person concerned in its management.
9. General considerations.

PART IV—MISCELLANEOUS

10. Interpretation
11. Citation SCHEDULE

B 2

S. I. No. 1 of 2018

**MONEY LAUNDERING (PROHIBITION) ACT, 2011
(AS AMENDED)**

CENTRAL BANK OF NIGERIA ANTI-MONEY LAUNDERING
AND COMBATING THE FINANCING OF TERRORISM
(ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018

[1st Day of February, 2018]

Commencement.

In exercise of the powers conferred on me by section 23 (2) (e) of the Money Laundering (Prohibition) Act, 2011 (as amended) and all other powers enabling me in that behalf, I, ABUBAKAR MALAMI SAN, Attorney-General of the Federation and Minister of Justice make the following Regulations—

PART I—OBJECTIVES AND APPLICATION

Objectives.

1.—(1) These Regulations are made in furtherance of the Money Laundering (Prohibition) Act, 2011 (as amended) and Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism for Banks and Other Financial Institutions in Nigeria) Regulations, 2013.

(2) These Regulations provide Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance administrative sanctions regime for financial institutions under the supervisory purview of the Central Bank of Nigeria (CBN).

Application.

2. These Regulations shall apply to financial institutions under the supervisory purview of the CBN.

Administrative Sanctions.

PART II—ADMINISTRATIVE SANCTIONS AND PENALTIES

3. From the commencement of these Regulations and subject to the relevant provisions of the—

- (a) Money Laundering (Prohibition) Act, 2011 (as amended) ;
- (b) Terrorism (Prevention) Act, 2011 (as amended) ;
- (c) Terrorism Prevention (Freezing of International Terrorists Funds and Other Related Measures) Regulations, 2013 ; and
- (d) Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism for Banks and Other Financial Institutions in Nigeria) Regulations, 2013, the Central Bank of Nigeria shall apply the administrative sanctions and penalties for contravening the provisions of these Regulations by financial institutions under the supervisory purview of the CBN as set out under the Schedule to these Regulations.

Penalties.

4. Without prejudice to the provisions of regulation 3 of these Regulations, the penalties that the CBN shall apply for contraventions of the—

(a) Money Laundering (Prohibition) Act, 2011 (as amended)

;

(b) Terrorism (Prevention) Act, 2011 (as amended) ;

(c) Terrorism Prevention (Freezing of International Terrorists Funds and Other Related Measures) Regulations, 2013 ; and

(d) Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism for Banks and Other Financial Institutions in

Conditions of the imposition of administrative sanctions.

Nigeria) Regulations, 2013, shall include administrative sanctions and penalties as listed out under the Schedule to these Regulations.

5.—(1) The administrative sanctions under these Regulations shall be imposed consequent upon—

(a) the examination of a financial institution and observance of contraventions by CBN Examiners ; or

(b) the recommendation of relevant agencies.

Determination of the nature and seriousness of contravention.

(2) In determining the sanctions to apply, all the circumstances of the case shall be taken into account including the nature and seriousness of the contravention, conduct of the regulated financial institution or person concerned in its management after the contravention, previous record of the financial institution or person concerned and other general considerations.

PART III—CIRCUMSTANCES TO DETERMINE SANCTIONS TO APPLY

6. In determining the nature and seriousness of any contravention observed, the CBN shall consider—

(a) whether the contravention was deliberate, dishonest or reckless ;

(b) the duration and frequency of the contravention ;

(c) the amount of any benefit gained or loss avoided due to the contravention ;

(d) whether the contravention reveals serious or systemic weaknesses of the management systems or internal rules relating to all or part of the business ;

(e) the nature and extent of any money Laundering or financing of terrorism crime facilitated, occasioned or otherwise attributable to the contravention ;

- (f)) whether there are a number of smaller issues, which individually may not justify administrative sanction, but would apply when taken collectively ; and
- (g) any potential or pending criminal proceedings in respect of the contravention which may be prejudiced or barred where a penalty is imposed pursuant to the Schedule to these Regulations.

7. In considering the conduct of the regulated financial institution or person concerned in its management after the contravention, the CBN shall consider—

Conduct of the regulated financial institution or person concerned in its management after the contravention.

(a) how quickly, efficiently and effectively the financial institution or person concerned in its management brought the contravention to the attention of the CBN or any other relevant regulatory authority ;

(b) the degree of co-operation with CBN examiners or other supervisory agency during the examination ;

(c) any remedial step taken when the contravention was identified, including disciplinary action taken against the staff involved, where appropriate, addressing any systemic failure and taking action designed to ensure that similar problem do not arise in the future ;

Previous record of the financial institution or person concerned in its management.

(d) the likelihood that the same type of contravention will reoccur where no administrative sanction is imposed ; and

(e) whether the contravention was admitted or denied.

8. In considering the previous record of the financial institution or person concerned in its management; the CBN shall consider—

(a) whether it has taken any previous action resulting in a settlement, sanction or whether there were relevant previous criminal conviction ;

General considerations.

(b) whether the financial institution or person concerned in its management has previously been requested to take remedial action ; and

(c) the general compliance history of the institution or person.

9.—(1) In addition to the provisions of regulations 6, 7 and 8 of these Regulations, the CBN shall consider—

- (a) the prevalence of the contravention ;
- (b) the action taken by it in previous similar cases ;
- and (c) any other relevant consideration.

(2) Where the Board, a director or officer responsible for ensuring compliance with any relevant provision of these Regulations has been penalized in three consecutive examination cycles and the breach continues, the CBN may suspend or remove the Board, director, or officer of that institution.

(3) The bank shall disclose in detail the penalty paid as a result of the contravention in its published Annual Report.

PART IV—MISCELLANEOUS Interpretation.

10. In these Regulations—

“beneficial owner” means—

- (a) the natural person who ultimately owns or controls a customer ;
- (b) the natural person on whose behalf a transaction is being conducted ; and
- (c) a person who exercises ultimate effective control over a legal person or arrangement ;

“business relationship” means a business, professional or commercial relationship between a relevant person and a customer, which is expected by the relevant person, at the time when contact is established, to have an element of duration ;

“cash” means notes, coins or travellers’ cheques in any currency ;

“control” means a power under the trust instrument or by law, whether exercisable alone, jointly with another person or with the consent of another person, to—

- (a) dispose of, advance, lend, invest, pay or apply trust property ;
- (b) vary the trust ;
- (c) add or remove a person as a beneficiary or to or from a class of beneficiaries ;
- (d) appoint or remove trustees ; or
- (e) direct withhold consent to or veto the exercise of a power such as is mentioned in paragraphs (a), (b), (c) or (d).

“Customer due diligence measures” means—

- (a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source ;
- (b) identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, on a risk-sensitive basis, to verify his identity so that the relevant person is satisfied that he knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and
- (c) obtaining information on the purpose and intended nature of the business relationship.

"Financial Institution" include banks, body corporates, associations or group of persons, whether corporate or incorporate which carries on the business of investment and securities, a discount house, insurance institution, debt factorization and conversion firm, bureau de change, finance company, money brokerage firm whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project consultancy, financial consultancy, pension funds management and such other business as the Central Bank or other appropriate regulatory authorities may from time to time designate ;

"money laundering" is as defined in the Money Laundering Prohibition Act, 2011 (as amended) ;

"politically exposed person" has the meaning given to it under the Money Laundering (Prohibition) Act, 2011 (as amended) and the Terrorism (Prevention) Act, 2011 (as amended) ;

"shell Company" means an incorporated company that possesses no significant asset and does not perform any significant operations ; and

"terrorist financing" means an offence under Part II of the Terrorism (Prevention) Act, 2011.

11. These Regulations may be cited as the Central Bank of Nigeria Citation.

Anti-Money Laundering and Combating the Financing of Terrorism (Administrative Sanctions) Regulations, 2018.

MADE at Abuja this 1st day of February, 2018.

ABUBAKAR MALAMI, SAN

Attorney-General of the Federation and Minister of Justice

EXPLANATORY NOTE

(This note does not form part of the above Regulations but is intended to explain its purport)

These Regulations provide Administrative sanctions on Anti-money Laundering and Combating the Financing of Terrorism (AM/CFT) infractions by financial institutions under the regulatory purview of the Central Bank of Nigeria.

B 30

Extraordinary



Federal Republic of Nigeria

Official Gazette

No. 17 Lagos - 2nd February, 2018 Vol. 105

Government Notice No. 1

The following is published as supplement to this Gazette:

S.I. No. Short Title Page

1 Central Bank of Nigeria Anti-Money Laundering and Combating the Financing of Terrorism (Administrative Sanctions) Regulations, 2018 B1-29

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CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
PM 3, DMT
Caro, Abuja

FP/DIR/GENCIR/01/032

March 6, 2018

CIRCULAR TO ALL DEPOSIT MONEY BANKS AND DEVELOPMENT FINANCE INSTITUTIONS

COMMENCEMENT OF THE NON-OIL EXPORTS STIMULATION FACILITY (NESF)

The Central Bank of Nigeria (CBN) introduced the Non-Oil Export Stimulation Facility (NESF) to accelerate growth in the non-oil sector of the economy and foreign reserve generation.

The CBN hereby informs all participating financial institutions that implementation of the NESF has commenced.

All enquiries on the NESF should be directed to the Director, Capital Markets Finance Department, Central Bank of Nigeria, Giza Road Headquarters, Central Business District, Abuja or email itaw@cbn.gov.ng

A copy of the NESF Guidelines is hereby attached, please:

DR. HASSAN MAHMUD
For, DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

**NON-OIL EXPORT STIMULATION FACILITY (NESF)
GUIDELINES**

March, 2018

1.0 Introduction

The Non-Oil Export Stimulation Facility (NESF) was introduced by the Central Bank of Nigeria (CBN) to diversify the revenue base of the economy and to expedite the growth and development of the non-oil export sector. The Facility will help redress the declining export financing and reposition the sector to increase its contribution to economic development.

2.0 Objectives of the Facility

The objectives of the Facility are to:

- (i) Improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets;
- (ii) Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports;
- (iii) Shore up non-oil export sector productivity and create more jobs;
- (iv) Support non-oil export-oriented companies to upscale and expand their export operations as well as capabilities; and
- (v) Broaden the scope of export financing instruments.

3.0 Eligibility Criteria

3.1 Eligible Borrowers/Beneficiaries

Non-oil export-oriented enterprise that fulfills the under-listed conditions shall be eligible to participate under the NESF:

- 3.1.1 Duty incorporated in Nigeria under the Companies and Allied Matters Act (CAMA).
- 3.1.2 Has verifiable export off-take contract(s).
- 3.1.3 Satisfactory credit reports from at least two licensed Indigenous Credit Bureau in line with the provisions of CBN Circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.

3.2 Eligible Transactions

Eligible transactions that shall qualify for funding under the NESF shall include:

- (i) Export of goods processed or manufactured in Nigeria;
- (ii) Export of commodities and services, which are allowed under the laws of Nigeria;
- (iii) Imports of plant & machinery, spare parts and packaging materials, required for export-oriented production that cannot be sourced locally;
- (iv) Reexcitation, expansion, modernization and technology upgrade of non-oil export industries;
- (v) Export value chain support services such as transportation, warehousing and quality assurance infrastructure;
- (vi) Working capital/stocking facility; and
- (vii) Structured trade finance arrangements.

4.0 Participating Financial Institutions (PFIs)

The following shall be eligible to participate under the Facility:

- (i) Deposit Money Banks (DMBs).
- (ii) Development Finance Institutions (DFIs).

5.0 Features of the NESF

5.1 Lending Limit

Term loans under the Facility shall not exceed 70% of verifiable total cost of the project subject to a maximum of ₦5,000,000,000.00.

5.2 Tenor

The NESF shall have a tenor of up to 10 years and shall not exceed the 31st December, 2027.

Working capital/stocking facility shall be for one year with the option of roll-over once subject to the approval of the CBN.

5.3 Repayment

Repayments of principal and interest shall be quarterly and in accordance with the agreed repayment schedule.

5.4 Moratorium

- a) Moratorium shall be for one (1) year.
- b) In case of construction, option of roll over for a period of up to one (1) year may be allowed, subject to approval by the CBN.

5.5 Interest Rates

The Facility shall be granted at an all-inclusive interest rate of 9% per annum.

5.6 Interest charges during Project Implementation / Construction

Interest charges during implementation/ construction phase of the project shall be dependent on the status and transactional structure of the projects. They shall be categorized as follows:

- a) **Capitalization of interest** - interest payable during the implementation and construction period shall be added to the total facility, subject to the 70% limit on total cost of project.
- b) **Pre-funding of interest** - interest payable during implementation and construction shall be from a pre-funded Debt Service Account.

6.0 Application Procedures

6.1 Submission of Requests

A PFI shall submit application to CBN on behalf of its customer in the prescribed format.

In the case of loan syndication, the lead bank shall submit application on behalf of other banks. All correspondence with respect to the application shall be with the lead bank.

6.2 Documentation Requirement

Each request for a facility is to be accompanied by the following documents:

- a) Written request from the project promoter to a PFI seeking funding under the NESF.
- b) Completed application form.
- c) Certified true copies of documents on business incorporation.
- d) Applicant's preceding three (3) years tax clearance certificate.
- e) Audited statement of accounts for the last three (3) years (where applicable) or the most recent management account for companies less than three (3) years in operations.
- f) Feasibility study/ business plan of the project.
- g) Relevant permits/ licenses/ approvals (where applicable).
- h) Verifiable export orders/ contracts or other export agreement and arrangements/ commitments.
- i) Environmental Impact Assessment (EIA) report (where applicable).
- j) Draft letter of offer by PFI, loan repayment schedule and credit risk report of the customer.
- k) Any other document(s) that may be required by CBN.

6.3 Collateral Requirement

PFI's shall submit Irrevocable Standing Payment Order (ISPO) in respect of all projects approved under the scheme.

6.4 Participation Agreement

A participation agreement shall be signed between CBN and each PFI.

7.0 Monitoring and Evaluation (M & E)

Monitoring and Evaluation of projects funded under the Facility shall include on-site and off-site verification and routine monitoring of projects by CBN and PFIs.

8.0 Roles and Responsibilities of Stakeholders

The roles and responsibilities of stakeholders under the scheme shall be as follows:

8.1 The Central Bank of Nigeria (CBN)

The CBN shall:

- a) Provide loanable fund for the implementation of the scheme.
- b) Issue the NESF guidelines.
- c) Act as the managing agent.
- d) Determine lending limits and applicable rates.
- e) Provide regulatory and supervisory oversight.
- f) Sanction PFIs for infractions.
- g) Monitor and evaluate the projects.
- h) Conduct impact assessment from time to time.
- i) Review the NESF guidelines as may be deemed necessary from time to time.
- j) Invoke ISPO in case of default.

8.2 The Participating Financial Institutions (PFIs)

The PFIs shall:

- a) Disburse funds to eligible export companies at the approved rates.
- b) Ensure timely disbursement of funds to approved projects.
- c) Ensure due diligence is followed in the administration of credit facilities.
- d) Bear the credit risk on loans granted to beneficiaries under the NESF.
- e) Ensure timely remittance of principal and interest payments due to the CBN.
- f) Monitor and ensure proper utilization of funds.
- g) Comply with the operating guidelines of the Facility.
- h) Comply with documentation requirements in section 6.2 above; and
- i) Render periodic returns in prescribed formats or as may be specified by CBN from time to time.

8.3 Beneficiary

The beneficiary shall:

- a) Utilize the funds for the purpose for which it was granted.
- b) Adhere strictly to the terms and conditions of the loan and comply with all relevant laws and regulations.
- c) Make the project site(s) and records accessible to CBN and PFIs for inspection.
- d) Provide periodic reports on the status of the project in prescribed format as well as periodic financial statements in line with extant company registration regulations.
- e) Comply with the operating guidelines of the Facility; and
- f) Repay maturing loan obligations in line with approved repayment schedule.

9.0 Discontinuation of the Facility

All undistributed funds, repaid amounts or discontinued facility shall be reported and funds returned to CBN within 5 working days giving details of the facility and reasons for discontinuation.

10.0 Infractions and Sanctions

10.1 Penalty for defaults

- a) In the event of default in loan repayment of principal and/ or interest by the borrower, the PFI shall have the right to charge its prevailing interest rate on the amount in default.
- b) Failure of PFI to disburse funds to the borrower within the period agreed in the loan agreement shall attract a penal charge of the maximum lending rate of the PFI for the period that funds were not disbursed;
- c) Failure to remit principal and interest to the CBN shall attract a penal charge of the maximum lending rate of the PFI for the period that funds were not remitted; and
- d) Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by section 60 of the Banks and Other Financial Institutions Act (BOFIA).

11.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN. The Amendment would not have retroactive effect.

All enquiries and returns should be addressed to:

The Director,
Development Finance Department,
Central Bank of Nigeria,
Corporate Headquarters,
Central Business District,
Abuja, Nigeria.
Tel.: +234-9-46238600.



0919227401

Tel: +234 9 419 3000
E-mail: info@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
P.M.B. 3101
Garki, Abuja

PERIODIC REPORT 2017

February 16, 2018

MEMORANDUM TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

ANNOUNCEMENT TO THE COMMERCIAL BANKING SYSTEM (CBS) (CBS-CB MEMO)

In view of the efforts by the Central Bank of Nigeria to ensure access to finance and inclusive growth, the CBN has adopted the Global Compact Attributes Small Business (G-CASB) framework to include small and medium enterprises (SMEs). It is expected that the review of the Guidelines for CBN membership will assist SMEs to grow.

The global G-CASB framework can be accessed on the CBN Website: www.cbngov.ng

Please note that the CBN will continue to provide the Guidelines for CBN membership to help SMEs expand to fulfil the needs of the commercial banking sector.

For further information, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Central Business District, P.M.B. 3101, Garki, Abuja.

Yours faithfully,

KEVIN H. AMADI
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

Central Bank of Nigeria



**GUIDELINES FOR COMMERCIAL AGRICULTURE CREDIT
SCHEME (CACS)**

Section 1

General Provisions

1.1 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria, represented by the Federal Ministry of Agriculture and Rural Development (FMARD) established the Commercial Agriculture Credit Scheme, hereinafter referred to as Commercial Agriculture Credit Scheme (CACCS), for promoting commercial agricultural enterprises in Nigeria, which is a sub-component of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund will complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back Programme, Agricultural Credit Support Scheme and other similar development initiatives.

1.2 Funding

The scheme shall be financed from the proceeds of the N200billion three (3) year bond raised by the Debt Management Office (DMO). The fund shall be made available to the participating bank(s) to finance commercial agricultural enterprises.

1.3 Objectives of the Scheme

The objectives of the scheme are:

- (i) To fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate;
- (ii) Enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation;
- (iii) Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector; and
- (iv) Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

1.4 Governance of the Scheme

The Scheme shall be under the management of the Central Bank of Nigeria through the Board of Directors and the Committee of Governors. The Committee of Governors shall be responsible for the overall administration of the Scheme while the Development Finance Department shall be in charge of the day-to-day implementation of the Scheme.

The Development Finance Department shall report to the Committee of Governors on all CACS issues.

1.5 Target Agricultural Commodities and Value Chains

The key Agricultural commodities to be covered under the Scheme are:

- (i) **Production:**
 - o **Cash Crops:** Cotton, Oil Palm, Fruit Trees. Rubber, Sugar Cane, Jatropha Curcas and Cocoa.
 - o **Food Crops:** Rice, Wheat, Cassava, Maize/Soya, Beans/Millet, Tomatoes and Vegetables
 - o **Poultry:** Broilers and Eggs Production
 - o **Livestock:** Meat, Dairy and Piggery
 - o **Aquaculture:** Fingerlings and Catfish
- (ii) **Processing:** Feed mills Development, Threshing, Pulverization and other forms of transmutation for value addition.
- (iii) **Storage:** Commodities, Agro-Chemicals and Warehousing.
- (iv) **Farm Input Supplies:** Fertilizers, Seeds/Seedlings, Breeder Stock, Feeds, Farm equipment & Machineries.
- (v) **Marketing:** Agricultural commodities under the focal investment areas.

1.6 Definition of Commercial Agricultural Enterprise:

For the purpose of this Scheme, a commercial enterprise is any farm or agro-based enterprise with agricultural asset (excluding land) of not less than ₦100 million for an integrated farm with prospects of growing the assets to ₦250 million within the next three years and ₦50 million for non-integrated farms/agro-enterprise with prospects of growing the assets to ₦150 million, except in the case of on-lending to farmers' cooperative societies.

1.7 Eligibility for Participation in the Scheme

(A) Participating Bank

- (i) The Central Bank of Nigeria has approved the participation of all deposit money banks, including non-interest banks, under the Scheme. All Participating Banks (PBs) are required to sponsor projects from any of the target areas indicated in the Guidelines and bear all the credit risk of the loans they will be granting.
- (ii) The single obligor for any project from a participating bank under the Scheme shall be ₦2.0 billion while for State Governments shall be ₦1.0 billion. However, for special schemes and programmes for agricultural development, State Governments may be granted concessionary approval for more than ₦1.0 billion.

(B) Borrower:

(i) Corporate and Large Scale Commercial Farms/Agro-Enterprises

The borrower shall:

- o Be a limited liability company with asset base of not less than ₦100 million and having the prospect to grow the net asset to ₦250 million in the next three years and comply with the provision of the Company and Allied Matters Act (1990);
- o Have a clear business plan;
- o Provide up-to-date record on the business operation if any;
- o Have out growers programme, where appropriate; and
- o Satisfy all the requirements specified by its lending bank.

ii) Medium Scale Commercial Farms/Agro-Enterprises

To participate in the Scheme the borrower shall:

- o Be a limited liability company with asset base of not less than ₦50 million and having the prospect to grow the net asset to ₦150 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990).
- o Have a clear business plan to provide up-to-date record on the business operation o Have out growers programme, where appropriate to satisfy all the requirements specified by its lending bank.

(iii) **State Government /FCT**

To participate under the Scheme, the States shall;

- o Submit an expression of interest;
- o Present an Irrevocable Standing Payment Order (ISPO) in favour of the participating bank, duly signed by the State Governor, Commissioner of

Finance and the State Accountant General;

- o Adhere to the repayment agreement reached with the PB; upon contravention, the CBN shall assist the PB to invoke the ISPO;
- o Have appropriate/functional structures on ground or set up structures for the deployment of the funds, which must include existing, registered Cooperative Societies/Unions;
- o Commit to deploy CACS funds to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS; and
- o Satisfy all the requirements specified by the lending bank.

1.8 Procedure for Applying for the Loan

All applications for loans under the Scheme shall be made to the participating banks. All applications under the Scheme shall be treated by participating banks with due diligence.

1.9 Loan Tenor

- (i) Loans shall have a maximum tenor that is based on the gestation period of the enterprise/or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule taking into consideration, the gestation period of the enterprise.

1.10 Verification and Monitoring on Projects

- o All projects shall be verified by the Central Bank of Nigeria after release of fund and drawdown to ensure banks fully comply with the objectives of the Scheme. The Development Finance Department of the CBN shall periodically monitor the projects funded under the Scheme, and report to the Committee of Governors.

1.11 Alteration in Other Terms and Condition of CACS Loan

- o Participating banks shall be required to secure written consent of the Central Bank of Nigeria before making any change(s) to the stipulated terms and conditions governing any on-going CACS facility.

1.12 Exit Date

- o The Scheme shall terminate on September 30, 2025. This exit date does not apply to the tenor of individual loans and overdrafts which are based on their gestation period.

1.13 The Key Stakeholders of the Scheme are:

- 1) Federal Government of Nigeria Represented by Federal Ministry of Agriculture and Rural Development (FMA&RD)
- 2) Central Bank of Nigeria (CBN)
- 3) Debt Management Office (DMO)
- 4) Participating Banks
- 5) Borrowers
- 6) Nigeria Agricultural Insurance Corporation (NAIC)

1.14 Responsibilities of Stakeholders

For effective implementation of the scheme and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

(a) The Federal Government of Nigeria (FGN)

- (i) The President of the Federal Republic of Nigeria shall grant approval for the Scheme.
- (ii) The Federal Government of Nigeria shall be the issuer of the Bond.

(b) The Central Bank of Nigeria (CBN)

The Central Bank of Nigeria shall:

- (i) Specify the rate at which PBs lend to borrowers under the Scheme;
- (ii) Wholly absorb the subsidy which may arise in the pricing of the loan to borrowers;
- (iii) Absorb all other incidental/administrative expenses;
- (iv) Release funds to participating banks after confirmation of intent/readiness of banks to disburse funds;

- (v) Receive and process the monthly returns made by the PBs in relation to their loans under the Scheme;
- (vi) Conduct spot checks on the PBs as well as monitor and evaluate the borrowers' projects in order to ascertain the performance of the Scheme;
- (vii) Retrieve funds when guidelines are not adhered to by the participating banks or borrower;
- (viii) Retrieve funds from the PBs at the expiration of the loan tenure;
- (ix) Make provision for the N200billion bond repayment;
- (x) Ensure penal charges on infractions;
- (xi) Arbitrate between the PBs and project promoters, where necessary;
- (xii) Conduct impact assessment of the scheme;
- (xiii) Review the Guidelines from time to time;

(c) Debt Management Office

- (i) Issue the Bond on behalf of the FGN
- (ii) Raise money from the market

(d) Participating Banks

The participating banks shall:

- (i) Ensure due diligence is followed in the administration of credit facilities;
- (ii) Guarantee safety and purposeful application of funds for on-lending;
- (iii) Bear 100 per cent credit risk;
- (iv) Lend funds under the Scheme at the rate specified by the CBN;
- (v) Submit to the CBN, the Credit Risk Management System (CRMS) report of the borrower;
- (vi) In the case of State Governments, submit a copy of the letter of offer by the bank, Letter/Evidence of Acceptance by the state, House of Assembly Resolution to Borrow, Irrevocable Standing Payment Order (ISPO), List of State Cooperatives or utilization plan; Disbursement and Repayment schedules;
- (vii) Educate and enlighten the borrower to take NAIC insurance policies for the various items across the agricultural value chain;
- (viii) Ensure that the borrower obtains NAIC insurance covers as condition precedent to the draw down/disbursement of the loan;
- (ix) Calculate the premium due, in consultation with NAIC, in respect of the various insurances that would be effected on the projects of the borrower and deduct the premium from the approved loan on behalf of NAIC. The lending bank shall apply the pre-determined premium rate supplied by NAIC from time to time. Alternatively, the premium could

be paid by the client and the receipts and insurance policy submitted to the bank; and

- (x) Render monthly returns under the Scheme to the CBN on the reporting format.

(e) Borrowers

The borrowers shall:

- (i) Utilize the funds for the purpose for which it was granted;
- (ii) Insure the project being financed with the Nigerian Agricultural Insurance Corporation (NAIC);
- (iii) Make the project records available for inspection and verification by the CBN, and PBs;
- (iv) Adhere strictly to the terms and conditions of borrowing under the Scheme;
- (v) State Governments/FCT shall utilize the funds as specified by the CACS objectives; and
- (vi) Obtain NAIC certificate, evidencing payment of insurance premium in line with section 13 of NAIC Act.

(f) Nigerian Agricultural Insurance Corporation (NAIC)

NAIC's responsibilities shall include:

- 1) Provision of insurance cover for all the Agricultural projects in the event of losses arising from the various hazards insured in the value chain;
- 2) To ensure that the subsidized portion of the premium in the production policies is collected from both the Federal and State Governments;
- 3) Provide the pre-determined premium rate from time to time to the lending bank;
- 4) Prompt settlement of claims in an efficient and effective manner;
- 5) Issue and incorporate the financial interest of the lending bank as the first loss payee into the policy document to the extent of their right and interests;
- 6) Provision of advisory and other risk management services;
- 7) Inspection and monitoring of farms and projects;
- 8) The provision of training for the agricultural desk officers of banks on the Agricultural Insurance needs of CACS loan beneficiaries; and
- 9) Provision of extension services and other ancillary services that may arise from time to time.

1.15 Returns by Banks should be made to the address below:

Director,
Development Finance Department,
Central Bank of Nigeria,
Central Business District;
Abuja.

Tel: No.: +234 9 4623 8600

1.16 Repayment, Repatriation or Discontinuation of a Credit Facility

- (i) Repayment proceeds from CACS projects shall be repatriated on quarterly basis to the CBN. Whenever a credit facility is discontinued, the PB shall repatriate the funds within 5 working days to the CBN, giving details of the credit facility.
- (ii) Repayment proceed shall be ploughed back under the Scheme as loans for new projects or enhancement for participating projects.

1.17 Disbursement of Fund

- (i) PBs and borrowers should strictly adhere to agreed disbursement/repayment schedule. Any deviation from the schedule should be mutually agreed between the parties and the CBN informed accordingly.
- (ii) Disbursement of funds must be in accordance with the due diligence of the Participating bank.

1.18 Amendments

This Guidelines is subject to review from time to time as may be deemed necessary by the Central Bank of Nigeria.

Section 2

Applicable to Conventional Banks Only

2.1 Interest Rate

- (i) Agricultural credit from the participating banks shall be in the form of loans.
- (ii) Interest on CACS facility shall not exceed 9.0 per cent inclusive of all charges to be shared between the participating bank and the CBN: 7% and 2%, respectively.

2.2 Collateral

The security which may be offered to a participating bank for the purpose of any loan under the scheme may be one or more of the following:

- (i) A charge on land in which the borrower holds a legal interest or a right to farm, or a charge on the land including fixed assets, crops or livestock.
- (ii) A charge on the movable property of the borrower.
- (iii) A life insurance policy, a promissory note or other negotiable security
- (iv) Stocks and shares; and
- (v) Any other collateral acceptable to the participating bank(s).

2.3 Infractions and Sanctions

- (i) Delay in release of funds by the PB(s) shall attract a penalty at the bank's maximum lending rate for the period the fund was not disbursed. In addition, such PBs shall be barred from further participation under the scheme;
- (ii) Non- rendition or false returns shall attract the penalty stipulated by section 60 of BOFIA;
- (iii) Charging interest rate higher than prescribed shall attract the penalty stipulated by Section 60 of BOFIA;
- (iv) Notwithstanding the agreement between the PB and the project promoter, the CBN has the right to reject a request from any PB that contravenes any section of the Guidelines.
- (v) Any participating bank that fails to repatriate expired project funds within 5 working days to the CBN shall be charged at the bank's maximum lending rate for the period the fund was not repatriated.
- (vi) Any other breach of the guidelines as may be specified from time to time.

Section 3

Applicable to Non-Interest Banks Only

3.1 Modalities for the Non-Interest Window

3.1.1 Participating Banks

All Non-Interest Financial Institutions (NIFIs)

3.1.2 Types of Financing and Tenor

Long term financing for projects under the target activities, agricultural commodities and value chains.

The tenor for the Restricted Profit Sharing Investment between the CBN and the NIFI shall be for the maximum term specified for financing of projects under the original scheme, which is seven years (but should not exceed the exit date of the scheme).

Maximum tenor for financing of projects by NIFIs under the window is to run concurrently with the period described above.

Working capital facility shall have a tenor of 1 year with a provision of roll over not more than 2 times (i. e. maximum of 3 years).

The Facility allows for moratorium commensurate with the gestation period of the project.

3.2 Description of the Non-Interest Window

The Non-Interest window shall be structured as a two-tiered structure as follows:

3.2.1 Tier 1: Between the CBN and the NIFI

A Restricted Profit-Sharing Agreement (Restricted Mudaraba) shall be executed between the CBN and NIFI.

The CBN, as Capital Provider disburses the funds for investment by the NIFI as the Implementing Party, based on a Business Plan commitment to be signed by the NIFI committing itself to the following terms:

- a) Investment shall only be for financing of projects under the target activities, commodities and value chains;
- b) The financing shall have an overall target profit rate of 9.0 per cent;
- c) The profit distribution ratio between the CBN as Capital Provider and the NIFI as the Implementing Party shall be in the ratio of 2:7 (i. e. CBN 22% and NIFI 78%);
- d) The NIFI commits itself to achieving a target profit rate of 2% accruing to CBN;

3.2.2 Tier 2: Between the NIFI and the Investor

The NIFI finances the customer (Client) using CBN approved non-interest financial contracts appropriate with the type of financing requested, like Murabahah, Salam, Istisna', Ijara, Wakalah, etc.

3.3 Repayments

Repayments under the facility shall be amortized.

3.4 Credit Risk

As part of the investment terms, the NIFI shall bear the credit risk of repayment by investor, and the collaterals pledged by the borrowers are to mitigate that risk.

3.5 Collateral/Security

Eligible securities under this window include the following:

- a) Federal Government of Nigeria Sukuk;
- b) CBN Non-Interest Liquidity Management Instruments (such as CBN Safe Custody Account (CSCA), CBN Non-Interest Note (CNIN) and CBN Asset-Backed Securities (CABS);
- c) Sukuk backed by the guarantee of the Federal Government;
- d) Sukuk given regulatory treatment by the CBN; and
- e) Any other securities acceptable to the CBN.

3.6 Participation Agreement

Eligible NIFIs shall sign Participation Agreement with the CBN.

Please, refer to Section 1 for the General Provisions governing the Scheme

Financial Policy & Regulation Department

February, 2018



09-4637401

Tel: 09-4637401
E-mail: info@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
Plot 4197
Barr, Abuja

FP/DIR/GEN/CB/DA/023

Abuja 18, 2018

Circular to all Banks

AMENDMENT TO THE COMMERCIAL AGRICULTURAL CREDIT SCHEME (CACCS) GUIDELINES

The Central Bank of Nigeria has reviewed the Guidelines for Commercial Agricultural Credit Scheme (CACCS) to enhance its effectiveness and further mitigate the risk faced by participating financial institutions in financing the agricultural sector. The revised draft sections 16 and 17 of the Guidelines add introduce significant changes, including a requirement that necessarily the Nigeria Agriculture Insurance Corporation (NAIC) should provide insurance cover for all agricultural farm/enterprise under the CACCS in line with the NAIC act.

In furtherance of the above, the CBN hereby directs the immediate commencement of insurance premium payments by participants under the CACCS Scheme.

The revised Guidelines may be accessed at the Bank's website www.cbni.gov.ng. Participating financial institutions and stakeholders are requested to note that these guidelines supersede other related versions.

Further enquiries on the contents of the circular may be referred to the General Development Finance Department, Central Bank of Nigeria, Abuja.

KEVIN AMIGO

DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT

CENTRAL BANK OF NIGERIA



COMMERCIAL AGRICULTURE CREDIT SCHEME GUIDELINES

AUGUST 2017

These revised Guidelines for Commercial Agriculture Credit Scheme [hereinafter referred to as CACS] are issued by the Central Bank of Nigeria [hereinafter referred to as “the CBN” or “the Bank”] in exercise of the powers conferred on it by the Central Bank of Nigeria Act CAP C4 LFN 2010 and the Banks and Other Financial Institutions Act CAP B3 LFN 2010 [hereinafter referred to as “BOFIA”].

These Guidelines take immediate effect and supersedes the Guidelines for Commercial Agriculture Credit Scheme (CACS) 2010 and subsequent amendments in respect thereof. It is subject to review from time to time as may be deemed necessary by the Central Bank of Nigeria.

GUIDELINES FOR COMMERCIAL AGRICULTURE CREDIT SCHEME (CACs)

CENTRAL BANK OF NIGERIA (CBN) AND FEDERAL GOVERNMENT OF NIGERIA

1.0 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria, represented by the Federal Ministry of Agriculture and Rural Development (FMARD) established the Commercial Agriculture Credit Scheme for promoting commercial agricultural enterprises in Nigeria, which is a sub-component of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund will complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back scheme, Agricultural Credit Support Scheme and other similar developmental initiatives.

2.0 Funding

The scheme shall be financed from the proceeds of the ₦200 billion, three (3) year bond raised by the Debt Management Office (DMO). The fund shall be made available to participating bank(s), to finance commercial agricultural enterprises.

3.0 Objectives of the Scheme

The objectives of the scheme are:

- (i) To fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate;
- (ii) Enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation;
- (iii) Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector; and
- (iv) Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

4.0 Governance of the Scheme

The Scheme shall be under the management of the Central Bank of Nigeria through the Board of Directors and the Committee of Governors. The Committee of Governors shall be responsible for the overall administration of the Scheme while Development Finance Department shall be in charge of the day-to-day implementation of the Scheme.

The Development Finance Department shall also report to the Committee of Governors on all CACS issues.

5.0 Target Agricultural Commodities and Value Chains

A Key Agricultural commodities to be covered under the Scheme are:

(i) **PRODUCTION:**

- **Cash Crops:** Cotton, Oil Palm, Fruit Trees, Rubber, Sugar Cane, Jatropha Carcus and Cocoa.
- **Food Crops:** Rice, Wheat, Cassava, Potato, Yam Maize/Soya, Beans/Millet/Guinea Corn. Sesame Seed, Tomatoes and Vegetables
- **Poultry: Broilers and Eggs Production**
- **Livestock: Meat, Dairy and Piggery**
- **Aquaculture:** Fingerlings and Catfish

(ii) **PROCESSING:** Feed mills Development, Threshing, Pulverisation and Other forms of transmutation for value addition.

(iii) **STORAGE:** Commodities, Agro-Chemicals and Warehousing

(iv) **FARM INPUT SUPPLIES:** Fertilizers, Seeds/Seedlings, Breeder Stock, Feeds, Farm Equipment & Machineries.

(v) **MARKETING:** Agricultural commodities under the focal investment areas.

B Five agricultural commodities namely Rice, Fish, Wheat, Sugar and Cotton as well as their value chains which constitute a huge proportion of food import bill annually shall attract 60% of the fund.

6.0 Definition of Commercial Agricultural Enterprise

For the purpose of this Scheme, a commercial enterprise is any farm or agro-based enterprise with agricultural asset (excluding land) of not less than ₦100 million for an integrated farm with prospects of growing the assets to ₦250 million within the next three years and ₦50 million for non-integrated farms/agro-enterprise with prospects of growing the assets to ₦150 million, except in the case of onlending to farmers' cooperative societies.

7.0 Eligibility for Participation in the Scheme

(A) Participating Bank

- (i) The Central Bank of Nigeria has approved the participation of all deposit money banks under the Scheme. All participating banks are required to sponsor projects from any of the target areas indicated in the Guidelines and bear all the credit risk of the loans they will be granting.
- (ii) The single obligor for any project from a participating bank under the Scheme shall be ₦2.0 billion while for State Governments shall be ₦1.0 billion. However, for special schemes and programmes for agricultural development, State Governments may be granted concessionary approval for more than ₦1.0 billion.

(B) Borrower

(i) Corporate and Large Scale Commercial Farms/Agro-Enterprises

The borrower shall:

- o Be a limited liability company with asset base of not less than ₦100 million and having the prospect to grow the net asset to N250 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990).
- o Have a clear business plan
- o Provide up-to-date record on the business operation if any.
- o Have out growers programme, where appropriate
- o Satisfy all the requirements specified by its lending bank

(ii) Medium Scale Commercial Farms/Agro-Enterprises

To participate in the Scheme the borrower shall:

- o Be a limited liability company with asset base of not less than N50 million and having the prospect to grow the net asset to N150 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990)
- o Have a clear business plan
- o Provide up-to-date record on the business operation
- o Have out growers programme, where appropriate
- o Satisfy all the requirements specified by its lending bank

(iii) State Government/FCT

To participate under the Scheme, the States shall;

- o Submit an expression of interest
- o Present an Irrevocable Standing Payment Order (ISPO) in favour of the participating bank, duly signed by the State Governor, Commissioner for Finance and the State Accountant General

- o Adhere to the repayment agreement reached with the participating bank, upon contravention; the CBN shall assist the PB to invoke the ISPO.
- o Have appropriate/functional structures on ground or set up structures for the deployment of the funds, which must include existing, registered Cooperative Societies/ Unions. The cooperatives must be at least six (6) months old with proven track records of repayment.
- o Deploy CACS funds disbursed to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS.
- o Satisfy all the requirements specified by the lending bank.

8.0 Modalities of the Scheme

- (i) Agricultural credit from the participating banks shall be in the form of loans.
- (ii) Interest on CACS facility shall not exceed 9.0 per cent inclusive of all charges to be shared between the participating bank and the CBN; 7% and 2% respectively.
- (iii) The Scheme shall terminate on September 30, 2025. This exit date does not apply to the tenor of individual loans and overdrafts which are based on their gestation period

9.0 Acceptable Collateral

The security which may be offered to a participating bank for the purpose of any loan under the scheme may be one or more of the following:

- (i) A charge on land in which the borrower holds a legal interest or a right to farm, or a charge on the land including fixed assets, crops or livestock;
- (ii) A charge on the movable property of the borrower;
- (iii) A life insurance policy, a promissory note or other negotiable security;
- (iv) Stocks and shares; and
- (v) Any other collateral acceptable to the participating bank(s).

10.0 Loan Tenor

- (i) Loans shall have a maximum tenor that is based on the gestation period of the enterprise /or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule taking into consideration, the gestation period of the enterprise.

11.0 Limit of Liability under the Scheme

The maximum interest rate to the borrower under the scheme shall not exceed 9 per cent, inclusive of all charges.

12.0 Procedure for Applying for the Loan

All applications for loans under the Scheme shall be made to the participating banks. All applications under the Scheme shall be treated by PB's with due diligence.

13.0 Verification and Monitoring on Projects

All projects shall be verified by the Central Bank of Nigeria after release of fund and drawdown to ensure banks fully comply with the objectives of the Scheme. The Development Finance Department of the CBN shall periodically monitor the projects funded under the Scheme, and report to the Committee of Governors.

14.0 Alteration in Other Terms and Condition of CACS Loan

Participating banks shall be required to secure written consent of the Central Bank of Nigeria before making any change(s) to the stipulated terms and conditions governing any on-going CACS facility.

15.0 Infractions and Sanctions

Participating Banks

- (i) Diversion of funds by participating banks shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PBs shall be barred from further participation under the scheme.
- (ii) Non- rendition or false returns shall attract the penalty stipulated by Section 60 of BOFIA.
- (iii) Charging interest rate higher than prescribed shall attract the penalty stipulated by BOFIA section 60.
- (iv) Any participating bank that fails to disburse the fund within 14 days of receipt to the borrower shall be charged a penalty interest rate of MPR+300 basis points for the period the fund was not disbursed;
- (v) Notwithstanding the agreement between the participating bank and the project promoter, the CBN has the right to reject a request from any participating bank that contravenes any section of the Guidelines.

- (vi) Failure to disburse funds in line with the agreed Disbursement Schedule shall attract penalty at the bank's lending rate as at the time of infraction.
- (vii) Any participating bank that fails to repatriate expired project funds within 5 working days to the CBN shall be charged a penalty interest rate of MPR + 300 basis points for the period the fund was not repatriated.
- (viii) Any other breach of the guidelines as may be specified from time to time.

16.0 Key Stakeholders of the Scheme

- (i) Federal Government of Nigeria (FGN), represented by Federal Ministry of Agriculture and Rural Development (FMA&RD).
- (ii) Central Bank of Nigeria (CBN).
- (iii) Debt Management Office.
- (iv) Participating Banks.
- (v) Borrowers.
- (vi) Nigerian Agricultural Insurance Corporation (NAIC).

17.0 Responsibilities of Stakeholders

For effective implementation of the scheme and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

(a) The FGN

- (i) The President of the Federal Republic of Nigeria shall grant approval for the Scheme.
- (ii) The Federal Government of Nigeria shall be the issuer of the Bond.

(b) The CBN

The Central Bank of Nigeria (CBN) shall:

- (i) Specify the rate at which PBs lend to borrowers under the Scheme
- (ii) Wholly absorb the subsidy which may arise in the pricing of the loan to borrowers
- (iii) Absorb all other incidental/administrative expenses
- (iv) Release funds to participating banks at 2% interest rate after confirmation of intent/readiness of banks to disburse funds
- (v) Receive and process the monthly returns made by the PBs in relation to their loans under the Scheme
- (vi) Conduct spot audit on the PBs as well as monitor and evaluate the borrowers' enterprises in order to ascertain the performance of the Scheme
- (vii) Retrieve funds when guidelines are not strictly adhered to by the participating banks

- (viii) Prepare monthly reports to the Committee of Governors and Board of CBN
- (ix) Retrieve funds from the PBs at the expiration of the loan tenure.
- (x) Make provision for the N200billion bond repayment.
- (xi) Ensure penal charges on infractions
- (xii) Arbitrate between the PBs and Project Promoters
- (xiii) Conduct impact assessment of the scheme
- (xiv) Review the Guidelines from time to time.

(c) Debt Management Office

- (i) Issued the Bond on behalf of the FGN
- (ii) Raised money from the market

(d) Participating Banks

The participating banks shall:

- (i) Ensure due diligence is followed in the administration of credit facilities;
- (ii) Guarantee safety and purposeful application of funds for onlending;
- (iii) Bear 100 per cent credit risk;
- (iv) Lend funds under the Scheme at the specified rate;
- (v) Submit to the CBN, Letter of offer by the bank, Letter/Evidence of Acceptance by the state, Irrevocable Standing Payment Order (ISPO), List of State Cooperatives or Evidence of Intervention project, Disbursement schedule, Repayment schedule, the Credit Risk Management System (CRMS) report of the borrower;
- (vi) NAIC Insurance Cover; and
- (vii) Render monthly returns under the Scheme to the CBN in line with the reporting format.

(e) Borrowers

The borrowers shall:

- (i) Utilize the funds for the purpose for which it is granted;
- (ii) Insure the project being financed with the Nigerian Agricultural Insurance Corporation (NAIC);
- (iii) Make the project records available for inspection and verification by the CBN, and PBs;
- (iv) Adhere strictly to the terms and conditions of borrowing under the Scheme;
- (v) State Governments/FCT shall utilize the funds as specified by the CACS objectives; and
- (vi) A farmer whose crop or livestock is covered by Section 7 of this Decree may take out an insurance cover under the scheme but

where the farmer is also a beneficiary of an agriculture loan or credit facility from the Government, a bank or other financial institution (in this Decree referred to as “lending institution”) he shall take out an insurance cover under scheme (Sub-Section 13 of NAIC Act).

(f) Nigerian Agricultural Insurance Corporation (NAIC)

NAIC’s responsibilities shall include:

- (i) Provision of insurance cover for all the Agricultural projects in the event of losses arising from the various hazards insured in the value chain;
- (ii) To ensure that the subsidized portion of the premium in the production policies is collected from both the Federal and State Governments;
- (iii) Provide the pre-determined premium rate from time to time to the lending bank;
- (iv) Prompt settlement of claims in an efficient and effective manner;
- (v) Issue and incorporate the financial interest of the lending bank as the first loss payee into the policy document to the extent of their right and interests;
- (vi) Provision of advisory and other risk management services;
- (vii) Inspection and monitoring of farms and projects;
- (viii) The provision of training for the agricultural desk officers of banks on the Agricultural Insurance needs of CACS loan beneficiaries; and
- (ix) Provision of extension services and other ancillary services that may arise from time to time.

Participating Banks under the NAIC insurance cover Guidelines shall:

- (i) Educate and enlighten the borrower to take NAIC insurance policies for the various items across the agricultural value chain.
- (ii) Obtain NAIC insurance covers as condition precedent to the draw down/disbursement of the loan.
- (iii) Calculate the premium due, in consultation with NAIC, in respect of the various insurances that would be effected on the projects of the borrower and deduct the premium from the approved loan on behalf of NAIC. The lending bank shall apply the pre-determined premium rate supplied by NAIC from time to time.
- (iv) Collect premium which shall be regarded as tentative or provisional premium, subject to NAIC’S confirmation. The processing of the application and approval would however, continue once the provisional premium has been worked out and built into the loan as

part of the project cost. Alternatively, the premium could be paid by the client and therefore treated separately from the loan.

18.0 Returns by Banks should be made to the address below:

Director,
Development Finance Department,
Central bank of Nigeria,
Central Business district
Abuja.
Tel: No.: +234 9 4623 8600

19.0 Repayment, Repatriation or Discontinuation of a Credit Facility

- (i) Repayment proceeds from CACS projects shall be repatriated on quarterly basis to the CBN. Whenever a credit facility is discontinued, the PB shall repatriate the funds within 5 working days to the CBN, giving details of the credit facility.
- (ii) Repayment proceed shall be ploughed back under the Scheme as loans for new projects or enhancement for participating projects.

20.0 Disbursement of Fund

- (i) PBs and borrowers should strictly adhere to agreed disbursement/repayment schedule. Any deviation from the schedule should be mutually agreed between the parties and the CBN informed accordingly.
- (ii) Disbursement of funds must be in accordance with the due diligence of the Participating bank.

Financial Policy & Regulation Department

August 2017



CENTRAL BANK OF NIGERIA

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FPF/DIR/GEN/CIR/DP/PIT

April 21, 2017

Director of all Banks, Other Financial Institutions and Mobile Payments Operators

GUIDE TO CHARGES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

The Guide to Bank Charges issued in 2011 might have affected developments in the financial market, provide clarity on banking terms, and reduce ambiguity in loan transactions. However, the need to address the absence of a tariff regime for other financial institutions in Nigeria remains outstanding in the operations of the CBN, and also the problem of current charges have necessitated further review of the Guide as demanded by a broad spectrum of stakeholders. The review was intended to reassess the concerns of both consumers and users of financial services in Nigeria.

We reviewed CBNs previous fee charges on current accounts and services that banks, other financial institutions and mobile payment operators offer to their customers. Banks, other financial institutions and mobile payment operators are required to present any other product, service and/or charge not covered by the Guide to the Central Bank of Nigeria for prior written approval.

"The Guide to Charges by Banks and Other Financial Institutions in Nigeria: 2017" is hereby issued and shall effect from May 1, 2017. It replaces the Guide to Bank Charges that came into effect in April 1, 2011.


KEVIN H. AMEGBE
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



THE GUIDE TO CHARGES

BY

BANKS

AND

OTHER FINANCIAL INSTITUTIONS

IN NIGERIA

2017

Effective May 1, 2017

PREFACE

The "Guide to Charges by Banks and Other Financial Institutions" (the Guide) provides a basis for the application of charges on various products and services offered by banks and Other Financial Institutions (OFIs) in Nigeria to their customers. This document applies to banks and other financial institutions under the supervisory purview of the Central Bank of Nigeria (CBN).

The charges prescribed in the Guide were arrived at after extensive consultation with stakeholders. The intendment of the Guide is to enhance flexibility, transparency and competition in the Nigerian banking industry.

Where a charge is stipulated as "negotiable", banks and OFIs are required to draw the attention of customers to their rights to negotiate and the two parties are required to mutually agree on the applicable interest and/or charge via a verifiable means.

Although the Guide provides for charges on various products and services of banks and OFIs, it is not exhaustive. Banks and OFIs are required to present any new product, service or charge not covered by this Guide to the Central Bank of Nigeria for prior written approval.

A glossary of terms is provided to define/explain the terminologies used in the Guide.

This Guide to Charges, which replaces the Guide to Bank Charges issued in 2013, takes effect from May 1, 2017, and may be reviewed from time to time to reflect changes in the business environment.

	DESCRIPTION	RATE
1.1	Current account in credit balance	Negotiable
1.2	Savings Account	Minimum of 30% of MPR p.a. (not applicable if a customer makes more than 4 withdrawals in a month)
1.3	Term Deposit Accounts	Negotiable
1.4	Domiciliary Accounts:	
	1.4.1 Current Accounts	Negotiable
	1.4.2 Savings Accounts	Negotiable
1.5	Deposits held as collateral	Negotiable subject to minimum of 30% of MPR p.a.

Section 1: Interest on Deposits

Section 2: Interest Rates and Lending Fees

	DESCRIPTION	RATE
2.1	Interest Rate[1]:	
	2.1.1 Local Currency Loans	Negotiable (the rate should anchor MPR, reflecting the risk-based pricing model). Also, when the bank intends to introduce a new rate different from the agreed rate, the bank should notify the customer of the new rate at least 10 business days in advance of the application of the new rate.
	2.1.2 Mortgage Financing	Negotiable subject to a maximum of MPR + 5%
	2.1.3 Interest Rate - Foreign currency Loans	Negotiable
	2.1.4 Interest on authorized OD	Negotiable (the rate should anchor MPR, reflecting the risk-based pricing model). Also, when the bank intends to introduce a new rate different from the agreed rate, the bank should notify the customer of the new rate at least 10 business days in advance of the application of the new rate.
	2.1.5 Unauthorized OD/Credit	Not permissible except as a result of facility repayment (where it occurs, Penal Rate as provided in Section 2.1.9 shall apply)
	2.1.6 Drawing against Uncleared Effects	Negotiable (the rate should anchor MPR, reflecting the risk-based pricing model).
	2.1.7 Equipment Leasing	Negotiable (the rate should anchor MPR, reflecting the risk-based pricing model). Also, when the bank intends to introduce a new rate different from the agreed rate, the bank should notify the customer of the new rate at least 10 business days in advance of the application of the new rate.

2.1.8 Discountable instruments e.g. Usance bill, Bankers' Acceptance, Commercial Papers, Promissory Notes etc.	Negotiable
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Section 3: Current Account Maintenance Fee

	DESCRIPTION	RATE
3.1	Current Account Maintenance Fee (CAMF): Applicable to current accounts ONLY in respect of customer-induced debit transactions to third parties and debit transfers/lodgments to the customer's account in another bank. Note that CAMF is not applicable to Savings Accounts	Negotiable subject to a maximum of <u>N</u> 1 per mille

Section 4: Commission on Bonds Guarantees & Indemnities, Etc.

	DESCRIPTION	RATE
4.1	Bid bond/Tender Security/Bid Security	Negotiable subject to a maximum of 1% of the Bond value (one-off charge)
4.2	Performance bond (chargeable from date of contingent liability)	Negotiable subject to a maximum of 1% of the Bond value (one-off charge)
4.3	Advance Payment Guarantee (APG) (chargeable from date of contingent liability)	Negotiable subject to a maximum of 1% of the APG value (one-off charge)
4.4	Third-party Cheque Indemnities	To be discouraged – However, negotiable for nonclearing financial institutions e.g. Micro-finance banks
4.5	Bank Guarantee	Negotiable subject to a maximum of 1% (one-off charge)

4.6	Other Bonds, Guarantees and Indemnities	Negotiable subject to a maximum of 1% (one-off charge)
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Section 5: Foreign Exchange Commission/Charges

	DESCRIPTION	RATE
	Purchases:	
5.1	Purchases from CBN	As may be advised by the CBN.
5.2	Inter-bank purchases	As may be advised by the CBN
5.3	Inward Telegraphic/SWIFT and other transfers expressed in foreign currency	No charge
5.4	Travelers Cheques	As may be advised by the CBN
5.5	Foreign Currency purchases from customers	Interbank foreign exchange bid rate
	Sales:	
5.6	Outward Telegraphic/SWIFT and other transfers	Swift cost recovery, 0.5% commission on transfer plus associated offshore bank charges (where applicable)
5.7	Foreign currency sales to customers	As may be advised by the CBN
5.8	Commission on withdrawals from Domiciliary Accounts (whether savings or current account)	0.05% of transaction value or \$10, whichever is lower
5.9	Foreign draft purchase	0.1% of the value of the cheque + Offshore charges
5.10	Collection Charge on Cheques	1% of cheque value or Naira equivalent of US \$10 whichever is lower

Section 6: Bills for Collection

	DESCRIPTION	RATE
	Bills for collection (Inward)	

6.1	Collection:	
	6.1.1 Commission on Bills for Collection	Negotiable subject to a maximum of 0.5% of the bill value
	6.1.2 Postage (where applicable)	Actual cost of postage
	6.1.3 Communication charge (where applicable)	Actual cost of communication
6.2	Holding charges after nonpayment, chargeable one month after due date	N 5,000 per month
6.3	Extension charges for sight bills altered to tenured (usance) bills	N3,000 plus cost of SWIFT
6.4	Protest charges plus Notary Public Fees	Cost of postage, (chargeable only where the agreement specifies that the customer will pay)
	Bills for Collection (Outward)	
6.5	Collection commission:	Negotiable subject to a maximum of 0.5% Commission on Bills for Collection
6.6	Bills for Collection - Negotiation	Negotiable

Section 7: Straight Forward Handling Documents

	DESCRIPTION	RATE
7.1	Export Documents Delivery	Negotiable subject to a maximum of N 5,000 plus cost of courier
7.2	Import Documents:	
	7.2.1 Delivery	Negotiable subject to a maximum of N 5,000 plus cost of courier

7.2.2 Bills for collection against acceptance	Negotiable subject to a maximum of <u>₦</u> 5,000 plus cost of courier
7.2.3 Bills for Collection against payment	Cost of courier

Section 8: Inward and Outward Letters of Credit

	DESCRIPTION	RATE
	Inward Letters of Credit (Export)	
8.1	Processing and Registration of Nigerian Export (NXP) Form	<u>₦</u> 5,000 flat
8.2	Advising Commission:	
	8.2.1 Where a Nigerian bank simply verifies authenticity of the Credit and delivers same.	<u>₦</u> 5,000 flat
	8.2.2 Where a Nigerian bank has to rewrite the Credit at the instance of the customer	0.05% of the value, subject to a minimum of Naira equivalent of US \$25
8.3	Commission on Confirmation of LC	Minimum of <u>₦</u> 5,000 subject to a maximum of 0.5% of the face value.
8.4	Letter of Credit - Negotiation	Negotiable
	Outward Letters of Credit (Im port)	
8.5	Purchase of Form A	<u>₦</u> 100 per form
8.6	Form M:	
	8.6.1 Processing	<u>₦</u> 3,000 in addition to maintenance fee on e-Form platform in line with CBN directive
	8.6.2 Amendment	Negotiable subject to a maximum of <u>₦</u> 5,000

	8.6.3 Revalidation/ Extensions	Negotiable subject to a maximum of ₦5,000
8.7	LC Establishment Commission	
	8.7.1 For credits up to 180	1% of face value
	DESCRIPTION	RATE
	days	
	8.7.2 For credits up to 270 days	1.25% of face value
	8.7.3 For credits up to 360 days (these charges are on the period of validity of the credit)	1.5% of face value
8.8	Renewal and extension in the LC value:	
	8.8.1 Renewals	Commission on applicable LC establishment
	8.8.2 Extensions	₦5,000.00 flat
8.9	Increases or Enhancements in the LC value:	Additional establishment commission should be charged on the amount of any increase for the unexpired period of validity of credit (in line 8.7
8.10	Amendment of LC at the instance of the customer	₦2,000 per application
8.11	Usance Bill under Credit Guarantee Commissions:	
	8.11.1 Where the bill is less than one year	₦3 per mille per month
	8.11.2 Where the bill exceeds one year	₦5 per mille per month
8.12	Pre-Arrival Assessment Report (PAAR)	₦2,500 flat irrespective of payment mode

Section 9: Internal Transactions (Within Nigeria)

	DESCRIPTION	RATE
9.1	Bank Drafts	
	9.1.1 Customer	Current Account: - ₦300
		Savings Account: - ₦500
9.1.2 Non-Customer	₦500 + 0.1% of Draft value	
9.2	Draft Repurchase	No charge
9.3	Charge paid by nonaccount holders for initiating cash transactions (e.g. local money transfer, Prepaid Card loading), subject to maximum daily limit of ₦20,000	₦200 flat. However, banks are enjoined to undertake KYC on such customers.
9.4	Cash handling charge	As may be advised by the CBN
9.5	Special Clearing of Cheques	Negotiable
9.6	Standing Order Charge (InBranch) at the instance of the customer	(a) Intra-bank ₦300 (One-off)
		(b) Inter- bank ₦300 (one-off) plus applicable in-Branch Electronic Funds Transfer charge
9.7	Direct Debit	As may be advised by CBN
9.8	Safe Custody	Negotiable
9.9	Stopped Cheques	₦500 per order
9.10	Purchase/sale of Treasury Bills for customers	a. Processing fee – ₦100 flat
		b. Custodian fee – in line with extant Guidelines on Custodianship on Money Market and Other Fixed Income Instruments (applicable on Treasury bills purchase)
		(c) Settlement of trade via S4 – Cost recovery

Section 10: Electronic Banking

	DESCRIPTION	RATE
10.1	Internet Banking:	
	10.1.1 Hardware Token	Cost recovery subject to a maximum charge of ₦ 3,500
	10.1.2 Software Token – One Time Password (OTP)	No charge. However, where the OTP is sent to the customer via SMS, a charge of not more than ₦ 4/SMS shall apply
	10.1.3 Hardware Token replacement	Cost recovery subject to a maximum of ₦ 3,500 (Customer to bear cost only in the event of physical damage, loss of token or replacement after expiration)
	10.1.4 Bills Payment (Including Bills Payment through other E-channels)	0.75% of transaction value but not more than ₦ 1,200
10.2	Electronic Funds Transfer:	
	10.2.1 Below ₦ 10,000,000	₦ 50
	10.2.2 ₦ 10,000,000 and above	₦ 50
	10.2.3 RTGS	₦ 550
10.3	Card Maintenance Fee	
	10.3.1 Foreign Currency Denominated debit/credit cards	\$20 p.a. (or its equivalent)
	10.3.2 Naira debit/credit card	₦ 50 monthly
10.4	Credit Card Charges:	
	10.4.1 Issuance Fee	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	10.4.2 Replacement fee (at customer's instance for lost or damaged cards)	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	10.4.3 Renewal fee (upon expiry of existing cards)	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	10.4.4 Interest charges	Negotiable
	DESCRIPTION	RATE

10.5	Debit Card Charges:	
	10.5.1 Issuance Fee	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	10.5.2 Replacement fee (at customer's instance for lost or damaged cards)	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	10.5.3 Renewal fee (upon expiry of existing cards)	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	10.5.4 Prepaid card loading/unloading	No charge
10.6	ATM Transactions:	
	10.6.1 On-us (withdrawal from issuing bank's ATM)	No charge
	10.6.2 Not on-us (withdrawal from other bank's ATM) in Nigeria.	₦ 65 after the third withdrawal within the same month
	10.6.3 International withdrawals (per transaction) whether debit/credit card	Exact cost by international acquirer (cost recovery)
	DESCRIPTION	RATE
10.7	Merchant Service Commission (MSC): General Merchant (Including Domestic, International Travels and Entertainment)	Negotiable
10.8	Bulk Payments (e.g. Salaries, Dividends etc.)	Negotiable subject to a maximum of ₦ 50 per beneficiary payable by the sender
10.9	Transaction Alerts	

	10.9.1 SMS alert (Mandatory) However, where a customer opts not to receive sms alert, the customer should issue an indemnity (for losses that may arise as a result) to the bank.	Not more than N4 /SMS. (Fees on alerts are restricted to only customer-induced transactions). All associated notifications relating to a particular transaction should be consolidated into a single SMS alert.
	10.9.2 Email notification	No charge
10.10	PIN reissue	No charge
10.11	PIN reset	No charge
10.12	Use of Unstructured Supplementary Service Data (USSD)	Cost recovery

Section 11: Miscellaneous

	DESCRIPTION	RATE
11.1	Reactivation of accounts	No charge
11.2	Closure of Account (savings, current, or domiciliary)	No charge
11.3	Insurance Premium paid on behalf of customers	Exact Premium (customer to choose from a list of at least 3 insurance companies to be recommended by the bank)
11.4	Issuance of statement of account:	
	11.4.1 Mandatory monthly issuance of statement of account on current and savings accounts	No charge

	11.4.2 Special request for statement of account (request in a manner other than agreed on mandatory issuance)	Maximum of N20 per page
11.5	Returned Cheques:	
	11.5.1 Due to reasons other than the account being unfunded	No charge
	11.5.2 Due to the account being unfunded	1% of amount or ₦5,000 whichever is higher (to be borne by drawer only). This is without prejudice to the Dud Cheque Act
11.6	Business visit initiated by customer:	
	11.6.1 Local	No charge
	DESCRIPTION	RATE
	11.6.2 Foreign	Negotiable
11.7	Status enquiry at the request of customer Define in glossary	₦500 per request
11.8	Letter of Discharge for facilities repaid by customer	No charge
11.9	Verification of customers' documents with Government Agencies:	
	11.9.1 Search at Corporate Affairs Commission (CAC), land registry, legal search etc.	Cost recovery
	11.9.2 Obtaining Certified True Copy (CTC)	Cost recovery

	11.9.3 Perfection of security for credit facilities.	Cost recovery
11.10	Confirmation of overseas enquiries to correspondent bank at the instance of the customer	N500 plus Cost of Postage (if applicable)
11.11	Intermediation fees for commercial papers (to be borne by the issuer)	Negotiable
11.12	Issuance of withdrawal Booklet/Passbook	No charge
11.13	Customized deposit booklet	Cost Recovery
11.14	Over-the-counter cash withdrawals below the limit set by the CBN cash withdrawal/lodgment policy	No charge
11.14	Intra-bank cash Deposits/withdrawals within limits approved by the CBN	No charge
11.15	Cost of Cheque Books	
	11.16.1 Cheque Books	Cost recovery
	11.16.2 Counter Cheque	N50 per leaflet

PART 2 (A): MICRO-FINANCE BANKS

Section 1: Interest on Deposits

	DESCRIPTION	RATE
1.1	Current accounts	Negotiable
1.2	Savings accounts	Minimum of 30% of MPR p.a. (not applicable if a customer makes more than 4 withdrawals in a month)
1.3	Term Deposit Accounts	Negotiable

Section 2: Interest Rates and Lending Fees

	DESCRIPTION	RATE
	INTEREST RATES	
2.1	Interest Rate on loans, authorized overdrafts and other advances/facilities ¹ Note that when there is a change in the agreed rate, the customer must be notified within 5 business days in advance of application of the new rate.	Negotiable
2.2	Unauthorized Overdraft	Not permissible except overdraft occasioned by loan and advances repayment and interest. Where this occurs, Penal Rate, as in 2.5 below, shall apply
2.3	Drawing against Uncleared Effects	Negotiable
2.4	Micro	Negotiable

	Leasing/Microfinance related Hire purchase	
2.5	Penal rate² for late repayment of loans, authorized overdrafts, micro leases, microfinance-related hire purchase and other advances/facilities, including unauthorized overdraft as in 2.2 above.	Maximum of 1% flat per month on unpaid amount in addition to charging current rate of interest on outstanding debt (without prejudice to the provisions of the Prudential Guidelines on the limitation of accruals)
	Lending Fees	
2.6	Management fee³ covering processing, appraisal, ancillary and other related	Negotiable subject to maximum of 1% of the principal amount disbursed (one off charge).

Three (3) days from the date of execution, shall be allowed within which the contract may be rescinded provided no draw down has been made

¹ Three (3) days shall be allowed within which there will be no penal charge on late repayments.

³ Management fee is chargeable for all fresh requests and renewals of expired facilities. No charges for requests declined'

	DESCRIPTION	RATE
	fees on a new loan application (one-off charge).	
2.7	Facility Enhancement Fee	Negotiable subject to maximum of 1% of the additional amount disbursed (one off charge). Where this fee applies, management fee shall not apply.
2.8	Restructuring Fee (Restructuring at the instance of customer) Management fee is not applicable in the case of a restructured facility	Negotiable, subject to a maximum of 0.50% on the outstanding amount being restructured (one off charge).
2.9	Commitment Fee: A fee charged by a financial institution for an undisbursed facility in order to keep the line of credit open	Negotiable, subject to a maximum of 1% of the undisbursed amount (one-off charge)

2.10	Advisory/Consultancy fee	Negotiable. But only applies where there is a written advisory/consultancy agreement between the bank and the customer
2.11	Credit Reference Reports⁴	Cost recovery
2.12	Charges for Consortium Lending	
	2.12.1 Agency Fee	Negotiable
	2.12.2 Management Fee	Negotiable subject to a maximum of 1% of principal amount (One-off charge) ¹
	2.12.3 Commitment/Non-Drawing Fee	Negotiable subject to a maximum of 0.5% of the undisbursed amount (one-off charge)

⁴ This is applicable to only customer-induced credit reference reports. For loans granted, this cost would be part of the management fee and therefore, the customer should not be charged. For credits not granted as a result of negative credit report, full cost recovery should be borne by the customer.

	DESCRIPTION	RATE
	2.12.4 Commission charges for underwriting services	Negotiable

Section 3: Current Account Maintenance Fee

	DESCRIPTION	RATE
3.1	<p>Current Account Maintenance fee:</p> <p>Current Account Maintenance Fee – applicable to current accounts ONLY in respect of customer-induced debit transactions to third parties and debit transfers/lodgments to the customer's account in another bank. Note that CAMF is not applicable to Savings Accounts</p>	Negotiable subject to a maximum of <u>N</u> 1 per mille

Section 4: Commission on Guarantees & Indemnities

	DESCRIPTION	RATE
4.1	Advance Payment Guarantee (APG)	Negotiable subject to a maximum of 1% of the APG value (one-off charge)
4.2	Guarantees And Indemnities	Negotiable Subject To A Maximum Of 1% (One-Off Charge)

Section 5: Internal Transactions (Within Nigeria)

	DESCRIPTION	RATE
5.1	Bank Drafts	
	5.1.1 Customer	<u>₦</u> 350
	5.1.2 Non-Customer	<u>₦</u> 550
5.2	Draft Repurchase	No charge
5.3	Charges paid by non-account holders for initiating cash transactions (e.g. local money transfer, Prepaid Card loading). This is subject to a maximum daily limit of <u>₦</u> 20,000	Correspondent bank's charge plus <u>₦</u> 50
5.4	Cash handling charge	As may be advised by CBN
5.5	Special clearing of cheques	Negotiable
5.6	Standing Order Charge (InBranch) at the instance of the customer	
	5.6.1 Intra-bank	<u>₦</u> 300 (One-off)
	5.6.2 Inter- bank	<u>₦</u> 300 (one-off) plus recurring external transfer cost applicable (correspondent bank charge)
5.7	Direct Debit	Correspondent bank's charge plus <u>₦</u> 50
5.8	Safe Custody	Negotiable
5.9	Stopped cheques	<u>₦</u> 500 per order

Section 6: Electronic Banking

	DESCRIPTION	RATE
6.1	Internet Banking Token:	
	6.1.1 Hardware Token	Cost recovery subject to a maximum charge of ₦4,000
	6.1.2 Software Token (OTP)	No charge. However, where the OTP is sent to the customer via SMS, a charge not more than ₦4/SMS shall apply in respect of the sms
	6.1.3 Hardware Token Replacement	Cost recovery subject to a maximum of ₦4,000 (Customer to bear cost only in the event of physical damage, loss of token or replacement after expiration)
6.2	Transfers within Nigeria:	
	6.2.1 Intra-bank	No charge
	6.2.2 Inter-bank	Correspondent bank's charge plus ₦50
	6.2.3 Transfers to non-account holders, subject to Tiered-KYC requirements	Correspondent bank's charge plus ₦50
6.3	Electronic Funds Transfer (on customer's Electronic Device):	
	6.3.1 Below ₦10,000,000	₦60 per transaction
	6.3.2 ₦10,000,000 and above	
	6.3.3 Bills Payment	Negotiable subject to a maximum of the lower of 0.75% of transaction amount or ₦1,200 (Biller/Merchant to pay)
	6.3.4 Usage of USSD Code for transactions	Cost recovery
6.4	Naira Debit Card Charges:	
	6.4.1 Issuance Fee	₦1,000 (one-off charge. The same charge applies irrespective of card type (i.e. regular or premium card)
	6.4.2 Replacement Fee (at customer's instance for lost or damaged cards)	₦1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	DESCRIPTION	RATE

	6.4.3 Renewal Fee (upon expiry of existing cards)	₦ 1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	6.4.4 ATM Bill Payment	₦ 100
	6.4.5 Debit card maintenance charges	₦ 50/Month, applicable only to month card is used
	6.4.6 Prepaid card loading/unloading	No charge
6.5	ATM Transactions:	
	6.5.1 On-us (withdrawal from issuing bank's ATM)	No charge
	6.5.2 Not on-us (withdrawal from other bank's ATM)	₦ 65 after the third withdrawal within the same month
	6.5.3 On approved Independent ATMs	No charge
6.6	Merchant Service Commission (MSC) General Merchant (Including Domestic, International Travels and Entertainment)	Negotiable
6.7	Bulk Payments (e.g. Salaries, Dividends etc):	Negotiable subject to a maximum of ₦ 50 per beneficiary payable by the sender
6.8	Transaction Alert	
	6.8.1 SMS alert (Mandatory) However, where a customer opts not to receive sms alert, the customer should issue an indemnity (for losses that may arise as a result) to the bank.	Not more than ₦ 4/SMS (fees on alerts are restricted to only customer-induced transactions). All associated notifications relating to a particular transaction should be consolidated into a single SMS alert
	6.8.2 Email notification	No charge

Section 7: Miscellaneous

	DESCRIPTION	RATE
7.1	PIN reissue	₦ 100
7.2	PIN reset	No charge
7.3	Reactivation of accounts	No charge
7.4	Closure of Accounts	No charge
7.5	Insurance Premium paid on behalf of customers	Exact Premium (customer to choose from a list of at least 3 insurance companies to be recommended by the bank)
7.6	Issuance of statement of account:	
	7.6.1 Mandatory monthly issuance of statement of account on current and savings accounts. MFB and customer should agree on mode of transmission of statement (pick options from uniform account opening form)	No charge
	7.6.2 Special request for statement of account (request in a manner other than agreed on mandatory issuance)	Maximum of ₦ 20 per page
7.7	Business Visit	No charge
7.8	Status enquiry at the request of customer (e.g. Confirmation Letter, Embassy Letter, Reference Letter, Letter of Indebtedness/Nonindebtedness etc.)	₦ 500 per request
7.9	Verification of customers' documents with Government	
	DESCRIPTION	RATE

	Agencies:	
	7.9.1 Search at Corporate Affairs Commission (CAC), land registry, Legal Search, etc.	Cost recovery
	7.9.2 Obtaining Certified True Copy (CTC)	Cost recovery
	7.9.3 Perfection of security for credit facilities, Deed of Assignment, Deed of Release etc.	Cost recovery
7.10	Issuance of withdrawal Booklet/Passbook	No charge
7.11	Customized deposit booklet	Cost Recovery
7.12	Over-the-counter cash withdrawals below the limit set by the CBN cash withdrawal/lodgment policy	No charge
7.13	Intra-bank cash Deposits/withdrawals within limits approved by the CBN	No charge
7.14	Cost of Cheque Books:	
	7.14.1 Cheque Books	Cost recovery
	7.14.2 Counter Cheque	<u>N</u> 50 per leaflet

PART 2 (B): PRIMARY MORTGAGE BANKS

Section 1: Interest on Deposits

	DESCRIPTION	RATE
1.1	Current accounts (Mortgage focused)	Negotiable

1.2	Savings accounts	Minimum of 30% of MPR p.a. (not applicable if a customer makes more than 4 withdrawals in a month)
1.3	Term Deposit Accounts	Negotiable

SECTION 2: INTEREST RATES AND LENDING FEES

	DESCRIPTION	RATE
2.1	Interest Rate on:	
	2.1.1 NHF Loan	6% per annum as prescribed for NHF loans (No additional interest is allowed). Note that the 6% is shared as follows: Contributors: 2% FMBN: 2% PMB: 2%
	2.1.2 Real Estate Construction Finance	Negotiable
	2.1.3 Mortgage Finance	Negotiable subject to a maximum of MPR + 5%
2.2	Lending Fees	
	2.2.1 Management fee ¹ covering processing, appraisal, ancillary and other related fees on a new loan application (oneoff charge).	Negotiable subject to maximum of 1% of the principal amount disbursed (one off charge).
	2.2.2 Facility Enhancement Fee Where this fee applies, management fee shall not apply	Negotiable subject to maximum of 1% of the additional amount disbursed (one off charge).

2.2.3 Restructuring Fee (Restructuring at the instance of customer) Where restructuring fee applies, management fee shall not apply)	Negotiable, subject to a maximum of 0.50% on the outstanding amount being restructured (one off charge).
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¹ Management fee is Chargeable for all fresh requests and renewals of expired facilities. No charges for requests declined'

	DESCRIPTION	RATE
	2.2.4 Penal Rate for late repayment of loans ²	Maximum of 1% flat per month on unpaid amount in addition to charging current rate of interest on outstanding debt (without prejudice to the provisions of the Prudential Guidelines on the limitation of accruals)
	2.2.5 Commitment Fee: A fee charged by a financial institution for an undisbursed facility in order to keep the line of credit open	Negotiable, subject to a maximum of 1% of the undisbursed amount (one-off charge)
	2.2.6 Advisory/Consultancy fee	Negotiable (only applies where there is a written advisory/consultancy agreement between the bank and the customer)
2.3	Credit Reference Reports³	Cost recovery
2.4	Charges for Consortium Lending	
	2.4.1 Agency Fee	Negotiable
	2.4.2 Management Fee	Negotiable subject to a maximum of 1% of principal amount (one-off charge)'
	2.4.3 Commitment/Non-Drawing Fee	Negotiable subject to a maximum of 0.5% of the undisbursed amount
	2.4.4 Commission charges for underwriting services	Negotiable

² Seven (7) days shall be allowed within which there will be no penal charge on late repayments.

³ This is applicable to only customer-induced credit reference reports. For loans granted, this cost would be part of the management fee and therefore, the customer should not be charged. For credits not granted as a result of negative credit report, full cost recovery should be borne by the customer.

SECTION 3: CURRENT ACCOUNT MAINTENANCE FEE

	DESCRIPTION	RATE
3.1	<p>Current Account Maintenance Fee (CAMF):</p> <p>Applicable to current accounts ONLY in respect of customer induced debit transactions to third parties and debit transfers/lodgments to the customer's account in another bank. Note that CAMF is not applicable to Savings Accounts</p>	Negotiable subject to a maximum of <u>N1</u> per mille

SECTION 4: ELECTRONIC BANKING

	DESCRIPTION	RATE
4.1	Internet Banking:	
	4.1.1 Hardware Token	Cost recovery subject to a maximum charge of <u>N3,500</u>
	4.1.2 Software Token / One Time Password (OTP)	No charge. However, where the OTP is sent to the customer via SMS, a charge of not more than <u>N4/SMS</u> shall apply
	4.1.3 Hardware Token replacement	Cost recovery subject to a maximum of <u>N3,500</u> (Customer to bear cost only in the event of physical damage, loss of token or replacement after expiration)
	4.1.4 Bills Payment (Including Bills Payment through other Echannels)	<u>N100</u>
4.2	Electronic Funds Transfer:	
	4.2.1 Below N10,000,000	N50 per transaction
	4.2.2 N10,000,000 and above	

	4.2.3 RTGS	₦550
4.3	Naira Annual debit/credit Card Maintenance Fee	₦50 per month
4.4	Credit Card Charges:	
	4.4.1 Interest charges	Negotiable
	4.4.2 International withdrawals (per transaction)	Exact cost by international acquirer (Cost Recovery)
4.5	Debit Card Charges:	
	4.5.1 Issuance Fee	₦1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	4.5.2 Replacement Fee (at customer's instance for lost or damaged cards)	₦1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	4.5.3 Renewal Fee (upon expiry of existing cards)	₦1,000 (one-off charge). The same charge applies irrespective of card type (i.e. regular or premium card)
	DESCRIPTION	RATE
	4.5.4 International withdrawals (per transaction)	Exact cost by international acquirer (Cost Recovery)
	4.5.5 Prepaid card loading/unloading	No charge
4.6	ATM Transactions:	
	4.6.1 On-us (withdrawal from issuing bank's ATM)	No charge
	4.6.2 Not on-us (withdrawal from other bank's ATM)	₦65 after the third withdrawal within the same month
4.7	Merchant Service Commission (MSC): General Merchant (Including Domestic, International travels and Entertainment)	Negotiable
4.8	Bulk Payments (e.g. Salaries, Dividends etc.):	Negotiable subject to a maximum of ₦50 per beneficiary payable by the sender
4.9	Transaction Alert	

	4.9.1 Mandatory SMS alert. (Where a customer opts not to receive sms alert, the customer should indemnify the bank against any loss that may result from the customer's decision not to receive sms alert).	Not more ₦4/SMS. (Fees on alerts are restricted to only customer-induced transactions). All associated notifications relating to a particular transaction should be consolidated into a single SMS alert.
	4.9.2 Email notification	No charge
4.10	PIN reissue	No charge
4.11	PIN reset	No charge
4.12	Use of Unstructured Supplementary Service Data (USSD)	Cost recovery

SECTION 5: MISCELLANEOUS

	DESCRIPTION	RATE
5.1	Reactivation of accounts	No charge
5.2	Closure of Accounts	No charge
5.3	Insurance Premium paid on behalf of customers	Exact Premium (Customer to choose from a list of at least 3 insurance companies to be recommended by the bank)
5.4	Issuance of statement of account:	
	5.4.1 Mandatory monthly issuance of statement of account on current and savings accounts. PMB and customer should agree on mode of transmission of statement (pick options from uniform account opening form)	No charge
	5.4.2 Special request for statement of account (request in a manner other than agreed on mandatory issuance)	Maximum of ₦50 per page

5.5	Reimbursement for business visit	No charge
5.6	Status enquiry at the request of customer (e.g. Confirmation Letter, Embassy Letter, Reference Letter, Letter of Indebtedness/Nonindebtedness etc.)	₦500 per request.
5.7	Verification of customers' documents with Government Agencies:	
	DESCRIPTION	RATE
	5.7.1 Search at Corporate Affairs Commission (CAC), land registry, Legal Search, etc.	Cost recovery
	5.7.2 Obtaining Certified True Copy (CTC)	Cost recovery
	5.7.3 Perfection of security for credit facilities, Deed of Assignment, Deed of Release etc.	Cost recovery
5.8	Issuance of withdrawal Booklet/Passbook	Cost recovery
5.9	Customized deposit booklet	Negotiable
5.10	Over-the-counter cash withdrawals below the limit set by the CBN cash withdrawal/lodgment policy	No charge
5.11	Intra-bank cash Deposits/withdrawals within CBN approved limits	No charge
5.12	Minimum amount for opening accounts	Subject to the CBN three-tiered KYC requirements
5.13	Cost of Cheque Books:	
	Cheque Books	Cost recovery
	Counter Cheque	₦100 per leaflet

PART 2 (C): FINANCE COMPANIES

Section 1: Interest on Borrowings

	DESCRIPTION	RATE
1.1	Borrowings	Negotiable

Section 2: Interest Rates and Lending Fees

	DESCRIPTION	RATE
2.1	Interest Rate on Loans and Advances	Negotiable
2.2	Lending Fees	
	2.2.1 Management fee ¹ covering processing, appraisal, ancillary and other related fees on a new loan application (one off charge).	Negotiable subject to maximum of 1% of the principal amount disbursed (one off charge).
	2.2.2 Facility Enhancement Fee (Where enhancement fee applies, management fee shall not apply)	Negotiable subject to maximum of 1% of the additional amount disbursed (one off charge).
	2.2.3 Restructuring Fee (For restructuring at the instance of customer) Where restructuring fee applies, management fee shall not apply)	Negotiable, subject to a maximum of 0.5% on the outstanding amount being restructured (one off charge).
	2.2.4 Penal Rate for late repayment of loans	Maximum of 1% flat per month on unpaid amount in addition to charging current rate of interest on outstanding debt (without prejudice to the provisions of the Prudential Guidelines on the limitation of accruals)
	2.2.5 Commitment Fee	Negotiable, subject to a maximum of 1% of the Undisbursed amount (one-off charge)

2.3	Advisory/Consultancy fee	Negotiable. The fee only applies where there is a written advisory/consultancy agreement between the finance company and the customer
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¹ Management fee is chargeable on all fresh requests and renewals of expired facilities.
No charges for requests declined

	DESCRIPTION	RATE
2.4	Credit Reference Reports²	Cost recovery
2.5	Charges for Consortium Lending	
	2.5.1 Agency Fee	Negotiable
	2.5.2 Management Fee	Negotiable subject to a maximum of 1% of principal amount (one-off charge)
	2.5.3 Commitment/Non-Drawing Fee	Negotiable subject to a maximum of 1% of the undisbursed amount
	2.5.4 Commission charges for underwriting services	Negotiable

This is applicable to only customer-induced credit reference reports. For loans granted, this cost would be part of the management fee and therefore, the customer should not be charged. For credits not granted as a result of negative credit report, full cost recovery should be borne by the customer.

Section 3: Miscellaneous

	DESCRIPTION	RATE
3.1	Insurance Premium paid on behalf of customers	Exact Premium (Customer to choose from a list of at least 3 Insurance Companies to be recommended by the bank)
3.2	Business visit	No charge
3.3	Verification of customers' documents with Government Agencies:	
	3.3.1 Search at Corporate Affairs Commission (CAC), land registry, Legal Search, etc.	Cost recovery

3.3.2 Obtaining Certified True Copy (CTC)	Cost recovery
3.3.3 Perfection of security for credit facilities, Deed of Assignment, Deed of Release, etc.	Cost recovery

PART 3: MOBILE MONEY OPERATORS

Section 1: Agent-Initiated Transactions

	MOBILE PAYMENT TRANSACTION/REQUEST	RATE
1.1	Cash-in (Deposit into Mobile Money Operator Wallet)	
	1.1.1 On-Us Agent (borne by customer)	<u>₦</u> 100
	1.1.2 Off-Us Agent (borne by customer)	Minimum of <u>₦</u> 50 subject to 1.5% of transaction value or <u>₦</u> 500, whichever is lower
1.2	Intra-Scheme Money Transfer	
	1.2.1 Sending to Account Holder	Minimum of <u>₦</u> 50 subject to 1% of transaction value or <u>₦</u> 300, whichever is lower
	1.2.2 Sending to Non-Account Holder	Minimum of <u>₦</u> 50 subject to 1.5% of transaction value or <u>₦</u> 500, whichever is lower
1.3	Inter-Scheme Money Transfer (from one mobile money operator to another mobile money operator or financial institution)	Minimum of <u>₦</u> 50 subject to 1.5% of transaction value or <u>₦</u> 500, whichever is lower
1.4	Bill Payment	<u>₦</u> 100
1.5	Cash-out	No charge
1.6	Account Opening	No charge
1.7	BVN Verification	Cost recovery

Section 2: Self-Service, Customer Initiated Transactions

	MOBILE PAYMENT CUSTOMER TRANSACTION/REQUEST	RATE
2.1	Cash-in (Deposit into MPO Wallet) Customer Initiated Direct Debit from Bank Account	<u>₦</u> 20
2.2	Intra-Scheme Money Transfer	
	2.2.1 To Account Holder	<u>₦</u> 100
	2.2.2 To Non-Account Holder	Minimum of <u>₦</u> 50 subject to 1.5% of transaction value or <u>₦</u> 500, whichever is lower
2.3	Inter-Scheme Money Transfer (from one mobile money operator to another mobile money operator or financial institution)	<u>₦</u> 100
2.4	Bill Payment	<u>₦</u> 100
2.5	Cash-out (to be borne by sender)	Minimum of <u>₦</u> 50 subject to 1% of transaction value or <u>₦</u> 500, whichever is lower
2.6	Account Opening	No charge
2.7	Bulk Payments	
	2.7.1 To Account Holder	Minimum of <u>₦</u> 100 subject to 1% of transaction value or <u>₦</u> 300, whichever is lower
	2.7.2 To Non-Account Holder	Minimum of <u>₦</u> 150 subject to 1% of transaction value or <u>₦</u> 500, whichever is lower

Section 3: Other Transactions

	MOBILE PAYMENT CUSTOMER TRANSACTION/REQUEST	RATE
3.1	Hardware Token	<u>N</u> 3,500 (one- off)
3.2	Software Token	No charge. However, where the OTP is sent to the customer via SMS, a charge of not more than <u>N</u> 4/SMS shall apply
3.3	Mobile Payment Card Issuance fee	<u>N</u> 1,000
3.4	Mobile Payment Card Renewal fee (upon expiry of existing card)	<u>N</u> 1,000
3.5	Mobile Payment Card Replacement fee (at customer's instance for lost or damaged cards)	<u>N</u> 1,000
3.6	SMS Alerts	Cost recovery
3.7	PIN reissue	No charge
3.8	PIN reset	No charge
3.9	Use of Unstructured Supplementary Service Data (USSD)	Cost recovery
3.10	Monthly issuance of statement of account	No charge
3.11	Special request for statement of account	<u>N</u> 200

PART 4 – GLOSSARY

TERMS	DEFINITION
Advance Payment Guarantee	An irrevocable commitment by a bank on behalf of its customer to secure upfront payments made to the customer by a third party or principal for a contract awarded to the customer in line with the terms of the contract.
Advising Commission	This is a commission earned by a bank for verifying the authenticity of a letter of credit and for delivering same to the beneficiary. Usually, the bank that performs this function is based in the exporter's country and is called the Advising bank.
Advisory/Consultancy fees	Fees charged by financial institutions where there is an agreement for advisory/consultancy services.
Agency Fee	Money paid to a member of the syndicate in a consortium/syndicated lending arrangement for acting as agent of other members of the syndicate.
Amendment Fee	Fee charged for modifying the terms of a letter of credit/Form M at the instance of the applicant
Bank Guarantee	An irrevocable undertaking of a bank that the liabilities of a debtor (e.g. the bank's customer) would be met.
Bankers' Acceptance (BA)	BA is a promissory note which is drawn on and accepted by a bank. It specifies the amount, the date, and the person to which the payment is to be made.
Bid bond/Tender Security/Bid Security	This is a guarantee issued by a third party, usually a bank, to a principal (the client) on behalf of a contractor (a bank's customer) that the contractor has the financial capacity to execute the contract.
Bills for Collection	A payment mode for International Trade where transaction documents are sent by the seller's bank to the buyer's bank against which payment or acceptance are made by the buyer, before shipping documents are released. In a Bill for Collection Against Acceptance, a bank releases document to the buyer on acceptance of the bills of exchange/draft while in a Bill for Collection against Payment, the bank releases documents to the buyer upon payment.
Bills Payment	A process of e-banking used by financial institutions to collect payments for utilities (such as public utility, cable subscriptions, etc.) on behalf of their customers.
Bulk payment	This involves payment to multiple beneficiaries.

Card Issuance fee	Fee charged by bank for issuance of a plastic payment card (such as debit/credit prepaid cards) that allows a cardholder access to his/her bank account.
Cheque	A negotiable instrument drawn on a bank to pay a specific amount of money to a named beneficiary upon demand or specified date. Examples include Bills of exchange, drafts etc.
Collection Charge on Cheques	Fee charged by a bank for collection of proceeds of foreign cheques on behalf of their customers.
Commercial Papers	A commercial Paper is a short term debt financing instrument issued by a company which can be readily traded. Such instruments may or may not carry a bank's guarantee.
Commitment Fees	A fee charged by a financial institution for an unused credit line in order to keep the line of credit open.
Commission on Confirmation of LC	This is a commission charged by a bank for verifying the authenticity of an LC and for adding its name to the LC. Confirmation is normally added at the request of the Issuing Bank.
Confirming Bank	It is the bank that adds its confirmation to a credit upon the issuing bank's authorization or request
Consortium Lending	Consortium lending is a type of financing arrangement in which two or more banks come together to jointly finance a single borrower.
Contingent Liability	A contingent liability is an obligation that may arise upon the occurrence of specified condition(s) as indicated in a contract.
Counter Cheque	This is a blank cheque provided to a customer whose cheque is not available at the point of withdrawal from the current account.
Credit Reference Report	A credit reference report provides a snapshot of a borrower's credit accounts and repayment record. It is generally used to determine the creditworthiness of the borrower.
Current Account Maintenance Fee (CAMF)	This is a monthly fee chargeable on current accounts based on the level of customer-induced debit transactions that occurred in the account during the month. This fee is not applicable to all bank-induced debits and customer-induced transfers to other accounts in the same name and in the same bank.
Discountable Instruments	These are money market instruments that are issued at less than their face value and are redeemed at their face value upon maturity.

Domiciliary Account	Domiciliary Account is a bank account denominated in foreign currency and can be current or savings account.
Equipment Leasing	An arrangement through which the owner of an equipment (lessor, e.g. a bank) conveys the right to use the equipment to another party (the lessee, e.g. a bank's customer) for a specified period of time (the lease term) and for specified periodic payments (lease rental).
Establishment Commission	A commission charged by a bank for initiating a letter of credit on behalf of a customer.
Facility Enhancement Fee	This is a fee charged where there is an agreement for additional amount to be extended to a customer within the same tenor as an existing facility.
Facility Restructuring fee	Facility Restructuring Fee is a fee charged where there is an agreement to change the terms and conditions of an existing facility. This will usually apply when there is need to renegotiate a facility.
FPRD	Financial Policy and Regulation Department – A department in the CBN.
Indemnities	An undertaking given to compensate for (or to provide protection against) loss, incurred penalty or from a contingent liability.
Letter of Credit	A written undertaking by a bank on behalf of the importer (buyer) to pay specified sum in specified currency, provided the exporter (seller) meets specified condition and submit the prescribed documents within a fixed timeframe.
Letters of Credit Expiry Date	The last day the beneficiary of a letter of credit (usually the exporter) should fulfil the terms of the credit, failing which (and in the absence of an extension or renewal) the letter of credit becomes invalid.
Management Fee	This is a fee charged by a bank for processing an application for a facility and for the general administration of the facility over its lifetime. It is chargeable only once in the life of a facility.
MPR (Monetary Policy Rate)	This is the policy rate set by the Monetary Policy Committee to anchor interest rate direction in the economy.
Negotiable	This refers to a rate that is open to discussion between a financial institution and its customer.
Negotiation of Documents	Negotiation means the giving of value for draft(s) and/or document(s) by the bank authorized to negotiate. Mere examination of the documents without giving value does not constitute a negotiation.

NHF Loan	National Housing Fund Loan.
One-Off	This refers to fees/obligations that are non-recurring i.e. payable only once during the tenor of a facility.
OD (Overdraft)	This is a loan arrangement where a bank allows a current account customer to make withdrawals above the balance in the account up
Past Due	Bill or loan that has not been paid on the maturity date/due date.
Penal Rate	This is the interest rate that financial institutions charge customers for failing to make payments on loans and advances as at when due. It is charged in addition to the agreed interest rate(s).
Perfection of Security	This is the process of registering a financial institution's interest in an asset held as collateral with the appropriate statutory authority so that it is made legally enforceable in the event of default.
Performance Bond	This is a guarantee issued by a third party, usually a bank, to a principal (the client) on behalf of a contractor (a bank's customer) against failure of the contractor to meet obligations specified in the contract.
Revalidation of Documents	Official approval or confirmation of a document after a change has been effected on the same document.
Sight bill	This is a bill of exchange which is payable on presentation to the drawee i.e. on demand.
SWIFT	Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network to allow financial and non-financial institutions (e.g. corporates) to transfer financial transactions through a 'financial message'
Third Party Cheque Indemnities	A written undertaking by a third party (such as a bank), on behalf of one of the parties (the first party) to a transaction or contract, to cover the other party (the second party) against specific loss or damage arising from dishonouring the cheque of the first party.
Usance Bill	This is a bill of exchange which allows the drawee have a period of credit. The term can begin from the date of the bill of lading or from the date of acceptance by the drawee and is stated in days or months.

**PART 5 - MINIMUM DISCLOSURE REQUIREMENTS IN OFFER LETTERS
FOR CREDIT FACILITIES/LOANS GENERAL REQUIREMENTS**

S/N		
1	Name of borrower	This includes the name of the borrower.
2	Contact details of the borrower	This should clearly state the address (location), telephone number, email, etc. of the borrower.
3	Credit type	This states the type of facility approved for the borrower.
4	Purpose of the credit	This states the reason for which the facility is granted.
5	Amount	This is the amount approved for the facility.
6	Collateral	The bank should disclose the asset pledged by the borrower as security for the facility (e.g. shares, landed property, cash, etc.).
7	Loan tenor	This spells out the approved duration for the facility.
8	Interest rate	This is the annual interest rate to be charged by the bank on the amount outstanding (except for overdrafts).
9	Variable rate information	This should clearly state the possibility of changes in rates in line with money market conditions. It should include notification and time lines for concurrence by customers to the changes. The new rates (both increase and decrease) can only apply 10 days after the notification. The variable rate information should also outline the bank's responsibilities in the event of such movements in rates.
10	Fees and commissions	The fees and commissions are as contained in the Guide. These should be stated in percentage and Naira terms.
11	Repayment terms	This should state the frequency (i.e. monthly, quarterly, bullet etc.) of repayment of principal and interest on outstanding balance.

		It should also state the date on which the repayments fall due.
12	Repayment schedule	The bank should provide in details, the periodic amounts to be repaid by the borrower within the tenor of the facility.
13	Early Liquidation Terms	This includes all information the borrower needs to know, including rights/obligations, or penalties, in the event of liquidation of the facility, before the expiry date, in line with Guide.
14	Late repayment	This should detail all penalties that will be borne by the borrower in the event of default, in line with the Guide.
15	Grace period	<p>a. Seven (7) days shall be allowed within which there will be no penal charge on late repayments.</p> <p>b. Seven (7) days from the date of execution, shall be allowed within which loan contracts can be rescinded.</p>
16	Insurance requirements applicable (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
17	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, receipt by the bank of collateral documentation, execution of loan offer letter, etc.

CONSUMER LOANS

This encompasses the various types of loans given to individuals either to finance the acquisition of an asset or to execute personal projects. Some of these loans are unsecured and are based on the borrower's ability to repay.

- (a) Unsecured personal loans;
- (b) Secured personal loans;
- (c) Computer loans;
- (d) Auto loans;
- (e) Other forms of bridging finance availed to borrowers.

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Item financed	This states the consumer good(s) to which the bank is financing.
3	Itemization of amount financed	This gives a breakdown of the item(s) being
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Payment schedule	The bank should also disclose with details, all necessary repayment information including the monthly, quarterly or other repayment sums as was agreed with the borrower.
7	Prepayment Terms	This includes all information the borrower needs to know during the consummation of the facility, such as the customer's rights (and penalties) in the event of his decision to pay off the facility before its expiration, etc.
8	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.

9	Collateral	The bank will be required to disclose the property, goods, shares and/or other assets pledged by the borrower as security for the facility.
10	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
11	Repayment terms	This includes all information the borrower needs to know before the consummation of the facility, which includes information such as the bank's right to call in the facility (in the event of certain occurrences), etc.
12	Loan tenor	This spells out the approved duration for the facility.
13	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, perfection of collateral documentation, etc.

MORTGAGE LOANS

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Description of the property financed	This should describe location and other features of property being financed by the bank.
3	Itemization of amount financed	This gives a breakdown of the item(s) being financed.
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Payment schedule	The bank should also disclose with details, all necessary repayment information including the monthly, quarterly or other repayment sums as was agreed with the borrower

7	Prepayment Terms	This includes all information the borrower needs to know during the consummation of the facility, such as the customer's rights (and penalties) in the event of his decision to pay off the facility before its expiration, etc.
8	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
9	Collateral	Usually, the security for the loan is the property being financed.
10	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
11	Repayment terms	This includes all information the borrower needs to know before the consummation of the facility, which includes information such as the bank's right to call in the facility (in the event of certain occurrences), etc.
12	Loan tenure	This spells out the approved duration for the facility.
13	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, perfection of collateral documentation, etc.

OVERDRAFTS

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Reason for the loan	This should describe the customer's needs which the overdraft is aimed to finance.
3	Overdraft limits	The limits on the OD line should be clearly stated.
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.

5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
7	Collateral	Usually, the security for the loan should be clearly stated.
8	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
9	Repayment terms	This includes all information the borrower needs to know before the consummation of the facility, which includes information such as the bank's right to call in the facility (in the event of certain occurrences), etc.
10	Loan tenure	This spells out the approved duration for the facility.

MINIMUM DISCLOSURE REQUIREMENTS FOR CONTINGENT LIABILITIES

PRODUCTS	DISCLOSURE REQUIREMENTS
Bid Bond	<ul style="list-style-type: none"> - Bank should issue offer letter stating all terms and conditions; - Where customer provides cash – Place in an investment account at an agreed rate; - Where bank provides funds – Parties should agree on a rate and other transaction dynamics
Performance Bond	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, based on risk assessment
Advance Payment Guarantee	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, specifically utilization of proceeds to be received; - Appointment of quantity surveyor/expert
Bank Guarantee	<p>Letter stating all terms and most importantly when risk</p> <ul style="list-style-type: none"> - Where customer provides cash – Place in an investment account at an agreed rate.
Indemnities	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions and specify when risk crystallizes.

CENTRAL BANK OF NIGERIA



**GUIDELINES ON THE REGULATION AND SUPERVISION OF NON-
INTEREST (ISLAMIC) MICROFINANCE BANKS IN NIGERIA**

GUIDELINES ON THE REGULATION AND SUPERVISION OF NON-INTEREST (ISLAMIC) MICROFINANCE BANKS IN NIGERIA

1.0 INTRODUCTION

The role of Microfinance Banks (MFBs) in poverty reduction, increased access to financial services, contribution to financial stability and economic development have been established in Nigeria and around the globe. Beyond making credit facilities available to Micro, Small and Medium Enterprises (MSMEs) and the promotion of savings culture, MFBs also serve as veritable means of employment generation and enhancing financial inclusion.

Since 2005 when the Central Bank of Nigeria (CBN) issued the first Regulatory and Supervisory Framework for Microfinance Banks (MFBs) in Nigeria (revised in 2013), a number of MFBs were established across all states in Nigeria and the Federal Capital Territory (FCT) and have continued to thrive and cater for the economically active poor in the country.

However, despite the increased number of MFBs in Nigeria, a large percentage of Nigerians still lack access to financial services. This could be attributed to high cost of transactions, abhorrence of Interest and apathy to unethical investment by a significant part of the populace. It is in the light of these and other reasons, that the development of this Guidelines becomes imperative.

The Guidelines is aimed at among other things, offering the public an alternative system of micro finance banking that operates based on the concept of profit and loss sharing rather than charging of interest. It is expected that the introduction of this concept would engender broader and healthier competition among MFBs which may in the long run reduce the cost of doing business.

Furthermore, the introduction of the new banking model by the CBN (Central Bank of Nigeria Regulation on the Scope of Banking Activities and Ancillary Matters No. 3, 2010); the release of the Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria in 2011 and the licensing of some Non-Interest Financial Institutions (NIFIs) further necessitated the need to develop and issue an operating guidelines for Non-interest Microfinance Banks (NIMFB) especially given the increasing number of requests from promoters interested in setting up such banks.

It is expected that the introduction of non-interest microfinance banking services will enhance financial inclusion by bringing to the formal sector, individuals, communities and corporations that were not captured by the conventional Microfinance Banks (MFBs). It will equally assist the economically active poor that patronize these institutions in alleviating poverty in a sustainable way that will in the long run reduce their vulnerabilities, improve their earning capacity and general wellbeing.

Accordingly, this Guidelines is applicable to Non-Interest Micro Finance Banks (NIMFBs) operating under the principles of Islamic Commercial Jurisprudence, one of the categories of Non-Interest Financial Institutions (NIFIs) under the Central Bank of Nigeria "Guidelines for the Regulation and Supervision of Institutions Offering Noninterest Financial Services in Nigeria, June 2011".

1.1 OBJECTIVE

The objective of this Guidelines is to provide the minimum standards for the operation of NIMFBs in Nigeria and is applicable to NIMFBs only.

1.2 LEGAL FRAMEWORK

This Supervisory and Regulatory Guidelines is issued by the Central Bank of Nigeria (CBN) pursuant to the powers conferred on it by the provisions of Section 33 (1) (b) of the CBN Act 2007; Sections 23(1); 55(2); 59(1)(a); 61 of Banks and Other Financial Institutions Act (BOFIA) 1991 (as amended) and Section 4(1)(c) of the "Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010". It shall be read together with the provisions of other relevant sections of BOFIA 1991 (as amended), the CBN Act 2007, Companies and Allied Matters Act (CAMA) 1990 (as amended) and circulars/guidelines issued by the CBN from time to time.

1.3 DEFINITION OF TERMS

a. Non-Interest (Islamic) Financial Institution (NIFI)

A Non-interest (Islamic) Financial Institution (NIFI) means a bank or Other Financial Institution (OFI) under the purview of the Central Bank of Nigeria (CBN) which transacts banking business, engages in trading, investment and commercial activities and also provides financial products and services in accordance with the principles of Islamic Commercial Jurisprudence.

A Non-Interest (Islamic) Microfinance Bank (NIMFB) therefore means any Microfinance Bank licenced by the CBN to undertake the business of providing

financial services, engages in trading, investment and commercial activities and also provides financial products and services as specified in Section 2 of this Guidelines.

b. NIMFB Target Clients

A NIMFB target clients shall include the economically active low-income earners, low income households, the un-banked and under-served people such as: physically challenged; youths; micro-entrepreneurs; informal sector operators; subsistence farmers in urban and rural areas.

c. Micro-Enterprise

A microenterprise is a business that operates with very small start-up capital. The management is often built around the sole owner or micro-entrepreneur. It provides employment for a few people mainly the immediate family members and does not often require formal registration to commence operation.

The management and accounting requirements are very simple and flexible. Generally, most micro-entrepreneurs work informally, without business licences or formal records of their activities. The scope of economic activities of microenterprises typically includes primary production and crafts, value added processing, distributive trades and diverse services.

d. Micro Financing

Micro financing is the provision of broad range of financial and non-financial services to low-income clients such as the operators of micro-enterprises, peasant farmers, artisans, fishermen, youths, women, retirees etc. in the formal and informal sectors. The financing are usually unsecured, but typically granted on the basis of the applicant's character and the combined cash flow of the business and household.

The tenure of micro financing is usually within 180 days (6 months). Tenures longer than six (6) months would be treated as special cases. In the case of agriculture, or projects with longer gestation period, however, a maximum tenure of twelve (12) months is permissible and in housing microfinance, a longer tenure of twenty-four (24) months is permissible.

The maximum principal amount of any financing granted by NIMFBs shall not exceed N500,000, or one (1) per cent of the shareholders fund (SHF) unimpaired by losses and/or as may be reviewed from time to time by the CBN.

Micro financing may also require joint and several guarantees of one or more persons. The repayment may be on a daily, weekly, bi-monthly, monthly basis or in accordance with amortization schedule in the financing contract.

e. Free Funds

Free funds are calculated as the Shareholders' Funds unimpaired by losses minus net fixed assets and non-current investment (including cost of establishing the new outlet).

f. Related Party

A related party is an individual or group of individuals that is related in some ways to any of the Directors and Management staff of a NIMFB. This could include a family member, relative, shareholder, related company or proxy or associates.

g. Specialized Insured Institutions Department (SIID)

This refers to the Specialized Insured Institutions Department (SIID) of the Nigeria Deposit Insurance Corporation (NDIC).

h. Riba

This is any excess amount, value or benefit in any form over and above the principal which is without due counter consideration. Charging or paying of interest is an example of riba.

i. Musharaka

This is a kind of partnership contract in which the partners agree to contribute capital to an enterprise, whether existing or new. Profits generated by that enterprise are shared in accordance with the percentage specified in the musharaka contract, while losses are shared in proportion to each partner's share of capital.

j. Mudaraba

This is a kind of partnership where one partner provides capital to a second partner for investing in a commercial enterprise. The investment comes from the first partner called **rabbul maal** while the management is carried out by the second partner called the **mudarib**. Profit is shared according to pre agreed sharing ratio while loss is borne by the fund provider (rabbul maal)

except in the case of proven negligence, misconduct or breach of contract by the manager (mudarib).

k. Murabaha

This means a sale contract whereby the institution sells to a customer a specified asset, in which the selling price is the sum of the cost price and an agreed profit margin. The sale contract is usually preceded by a promise to purchase from the customer.

l. Istisna

This is the sale of a specified asset, with an obligation on the part of the seller to manufacture/construct it using his own materials and to deliver it on a specific date in return for a specific price to be paid in one lump sum or installments.

m. Ijara

This is a leasing contract between a lessor who owns an asset and a lessee who needs to use the asset but cannot afford to buy same or does not want to own it. The lessee pays the lessor rentals for the use of the asset. The amount of rental and period of the rent must be agreed at the beginning of the contract by the parties. Ownership of the asset remains with the lessor throughout the period of the lease and seeks to recover the capital cost of the equipment plus a profit margin out of the lease rentals receivable during the period of the lease.

n. Advisory Committee Of Experts (ACE)

The Advisory Committee of Experts (ACE) globally known as Shari'ah Board is part of the Governance structure of NIFIs. It comprises of individuals knowledgeable in the field of Islamic Commercial Jurisprudence (Fiqh al Muamalat) who advice the NIFI on its operations to ensure compliance with the principles underpinning its operations.

o. Financial Regulation Advisory Council Of Experts (FRACE)

FRACE is the central advisory regulatory body set up by the Central Bank of Nigeria comprising of individuals knowledgeable in the field of Islamic Commercial Jurisprudence to provide the following roles among others:

- Give expert opinion and assistance on non-interest non-interest (Islamic) banking and finance matters referred to it by the CBN;

- Endorse and validate application documents for new products and services, advert materials etc. from NIFIs to ensure that they comply with the provisions of Islamic commercial Jurisprudence;
- Resolve disputes arising between board of directors and the ACE of NIFIs, etc.

p. Profit Equalization Reserve (PER)

Is a reserve created by appropriating money out of the profits earned on the comingled pool of assets before the allocation to NIFI (as Mudarib) and the PSIAHs (as the Rabbul Mal). It is used to smoothen profit payout to Profit Sharing Investment Account Holders (PSIAHs) during period of low returns from the assets financed by PSIAHs deposit.

q. Investment Risk Reserve (IRR)

The amount appropriated by a NIFI out of the Mudaraba profits, before allocating the Mudarib's share of profit, in order to maintain a certain level of return on investment for unrestricted investment account holders.

2.0 PERMISSIBLE AND NON PERMISSIBLE ACTIVITIES

2.1 Permissible Activities

A NIMFB shall be allowed to engage in the provision of such products and services that are permissible for MFBs operating in Nigeria provided they comply with the principles under this model and are approved by the CBN. It shall use only such products and services after obtaining the approval of its Advisory Committee of Experts (ACE) and the CBN.

2.2 Non Permissible Activities

A NIMFB shall not engage in any business operation involving any of the following:

- Riba (interest);
- Uncertainty or ambiguity relating to the subject matter, terms and conditions of a contract;
- Gambling;
- Speculation, such as short selling, and other derivatives not compliant with the principles underpinning the operations of NIFIs;
- Unjust enrichment;
- Exploitation/unfair trade practices;

- Dealings in pork, alcohol, intoxicants, arms & ammunition, pornography and;
- Other transactions, products and services, which are not compliant with the principles of Islamic commercial jurisprudence.

In addition to the above, NIMFBs are also not allowed to engage in the following activities:

- i. Acceptance of public sector (government) deposits except for the provision of payment services such as salary, gratuity, pension for employees of the various tiers of government, disbursement of financing programme by government agencies, groups and individuals for poverty alleviation on nonrecourse basis provided it is in compliant with the provisions of the principles underpinning this model;
- ii. Foreign exchange transactions;
- iii. International commercial papers;
- iv. International corporate finance;
- v. International electronic funds transfer;
- vi. Clearing house activities except collection of money or proceeds of banking instruments on behalf of their customers including clearing of cheques through correspondent banks;
- vii. Collection of third party cheques and other instruments for the purpose of clearing through correspondent banks;
- viii. Leasing, renting, and sale/purchase of any kind with its directors, officers, employees or persons who either individually or in concert with their family members and beneficiaries own five per cent (5%) or more of the equity of the NIMFB, without the prior approval in writing of the CBN; and
- ix. Dealing in land for speculative purposes

3.0 OWNERSHIP AND LICENSING REQUIREMENTS

3.1 Ownership Requirements

- i. A NIMFB may be established by individuals, group of individuals, community development associations, private corporate entities, foreign investors as well as local and state governments.
- ii. No individual, group of individuals, their proxies or corporate entities and/or their subsidiaries shall own controlling interest in more than one NIMFB, except as approved by the CBN.
- iii. A financial holding company that intends to set up any category of NIMFB as a subsidiary shall be required to meet the prescribed capital and other requirements stipulated in this Guidelines.

- iv. Government participation in the establishment/ownership of NIMFBs shall be structured according to the following models:

a. Fully-Owned Government Model

In this model, the State or Local Government (LG) is allowed to establish either a State or Unit NIMFB and own one hundred percent (100%) of the equity of the NIMFB. The State or LG shall progressively divest its interest to private investors within a maximum period of five (5) years.

b. Public Private Partnership (PPP) Model

Under this model, State Government could collaborate with private sector entities to set up State NIMFBs, but shall progressively divest its interest within a maximum period of five (5) years. The management and governance of the NIMFB shall be private sector led. The maximum shareholding ratio for the government shall be 60% and the contribution of public/government shall be valued at an agreed valuation method subject to CBN approval.

c. Government-Supported Co-operative Model

A State Government may support a cooperative society already operating in its area to set up a Unit NIMFB with the understanding that, in the course of operations, the members of the society, through personal savings or accumulated profits, will progressively repay the Government's investment and thus become full owners of the bank within a maximum period of five (5) years. The State Government and the cooperative society shall have 75:25 maximum shareholding ratio in this model. The NIMFB shall be run professionally by the private sector and all facilities and infrastructure provided by the government shall be valued and capitalized.

3.2 LICENSING REQUIREMENTS

3.2.1 Categorization

There shall be three (3) categories of NIMFBs:

Category 1: Unit NIMFB

A Unit NIMFB is authorized to operate in one location. It shall be required to have a minimum paid-up capital of ₦20 million (twenty million Naira) and is

allowed to have only one branch outside the head office within the same Local Government Area subject to availability of free funds of at least ₦20 million and compliance with the prescribed minimum prudential requirements.

Category 2: State NIMFB

A State NIMFB is authorized to operate in one State or the Federal Capital Territory (FCT). It shall be required to have a minimum paid-up capital of ₦100 million (one hundred million Naira) and is allowed to open branches within the same State or the FCT, subject to the availability of free funds and the prior approval of the CBN for each new branch or cash centre.

Category 3: National NIMFB

A National NIMFB is authorized to operate in all the states of the federation including the FCT. It shall be required to have a minimum paid-up capital of ₦2 billion (two billion Naira), and is allowed to open branches in all States of the Federation and the FCT, subject to the availability of free funds and the prior approval of the CBN for each new branch or cash centre.

The prescribed minimum capital requirement for each category of NIMFB may be reviewed from time to time by the Central Bank of Nigeria.

3.2.2 Transformation Path

- a. A Unit NIMFB that intends to transform to a State NIMFB shall be required to surrender its licence and obtain a State NIMFB licence, subject to fulfilling the stipulated licensing requirements as provided in Section 3.2 of this Guidelines.

A State NIMFB that intends to transform to a National NIMFB must have at least five (5) branches which are spread across the Local Government Areas in the State of its original operation. This is to ensure that the State NIMFB has gained the experience necessary to manage a National NIMFB. It shall also be required to surrender its State NIMFB licence and fulfill other stipulated licensing requirements as provided in Section 3.2 of this Guidelines.

- b. No new promoter(s) shall be allowed to apply for a National NIMFB licence, that is, a National NIMFB shall emerge through organic growth from a State NIMFB.

3.2.3 Licensing Documentation Requirements

1. Promoter(s) seeking a licence for NIMFB business in Nigeria shall apply in writing to the Governor of the Central Bank of Nigeria. The application shall indicate which of the three (3) categories of licences is being applied for.

2. Such application shall be accompanied with the following:
 - a. Evidence of payment of non-refundable application fee of ₦50,000, ₦100,000 and ₦250,000 for Unit, State and National NIMFBs respectively in bank drafts or by e-payment, in favour of the Central Bank of Nigeria;
 - b. The deposit of the minimum capital requirement for the relevant category of NIMFB, which shall be made through e-payment into the CBN Non-interest Share Capital Deposit Account. The capital thus deposited together with the realized income (if any) shall be released to the promoters after the grant of a final licence;
 - c. Evidence of name availability reserved with the Corporate Affairs Commission (CAC);
 - d. Satisfactory, verifiable and acceptable evidence of payment by the proposed shareholders of the minimum capital requirement for the category of licence being applied for; including personal statement that the capital does not originate from bank credit, any form of credit, questionable sources and any illicit activity such as money laundering; proceeds from terrorism etc.
 - e. Certificate of capital importation issued by an authorized dealer in the case of foreign capital;
 - f. Bank Verification Number (BVN) of all directors and shareholders (for individual shareholders), tax clearance and three (3) years audited financial statements for corporate investors;
 - g. A copy of detailed feasibility report disclosing relevant information that shall include:
 - i. The aims and objectives of the proposed NIMFB which shall be in consonance with the principles under this model;
 - ii. The justification for the establishment of the NIMFB;
 - iii. The services that the NIMFB intends to provide;
 - iv. The branch expansion programme (if any) within the first five years in the case of State and National NIMFBs;
 - v. The proposed training programme for staff and management succession plan which shall lay more emphasis on building their capacity in the field of Islamic banking and finance;
 - vi. A five-year financial projection for the operation of the NIMFB, indicating its expected growth and profitability;
 - vii. Details of the assumptions upon which the financial projection has been made;
 - viii. The organizational structure (Organogram) of the NIMFB, setting out in detail, the functions and responsibilities of the top management team. It should clearly show a direct reporting relationship between the Advisory Committee of Experts (ACE) and the Board of Directors

- (BOD) and an indirect (dotted line) relationship with the Managing Director (MD);
- ix. Also, the organogram should show a direct reporting relationship between the Internal Auditor and the BOD and an indirect relationship with the MD;
 - x. A structure for an Internal Shari'ah Review Mechanism to be headed by a Senior Management staff with appropriate qualification in Islamic Commercial Jurisprudence. The functions of the head of such department/unit should be clearly spelt out. The unit should work hand-in-hand with the ACE, the Risk Management Department /Division/Unit and the Internal Audit Department/Division/Unit of the NIMFB;
 - xi. The composition of the ACE and the Curriculum Vitae (CV) of each member of the proposed ACE. The qualifications and experience expected of the ACE members shall be as contained in the "Guidelines on the Governance of Advisory Committees of Experts (ACE) For Non-Interest (Islamic) Financial Institutions in Nigeria" dated February 20, 2015 or as shall be stipulated by the CBN from time to time;
 - xii. Proposed social performance management framework indicating the social values to the clients over a five (5) year period;
 - xiii. Appropriate management information systems (MIS), internal controls, enterprise risk management framework and procedures including manuals of operations (MOP). The risk management manual should be robust and comprehensive with clear procedure for the identification of both inherent and emerging risks attributable to Islamic banking products and services as well as mitigants to manage such risks which are compliant with the principles underpinning this model. While the MIS should take cognizance of the specificities of the products and services and the general transactions of the NIMFB; and
 - xiv. The conclusions based on the assumptions made in the feasibility report.
- h. A copy of the draft Memorandum and Articles of Association (MEMART) which shall state that its business operations will be conducted in accordance with the principles underpinning this model of operation.
3. A letter of intent to subscribe to and payment for the shares of the proposed NIMFB, signed by each subscriber.
 4. A list of promoters/proposed shareholders in tabular form, showing their business and residential addresses (not post office addresses) and the names and addresses of their bankers.

5. Names, CVs and copies of credentials of the proposed members of the Board of Directors. The CVs must be personally signed and dated. No proposed NIMFB shall incorporate/register its name with the Corporate Affairs Commission (CAC) until a written Approval-In-Principle (AIP) has been communicated to the promoters by the CBN, a copy of which shall be presented to the CAC.
6. In considering an application for a licence, the CBN shall satisfy itself that:
 - a. The promoters and the proposed Management team are approved persons to invest in/manage a financial services firm in Nigeria as contained in the CBN's guidelines of Approved Persons Regime and other extant regulations of the CBN;
 - b. The promoters have submitted the names, CVs and credentials of the top management team and members of the ACE of the proposed NIMFB;
 - c. The minimum paid-up capital/shareholders' funds of the relevant category being applied for is acceptable and the source is verifiable and found satisfactory to the CBN;
 - d. The management of the proposed NIMFB have the requisite qualifications and experience as specified in Section 5.1.2 of this guidelines;
 - e. The earnings prospect of the company is realizable; and
 - f. The objects of the company as disclosed in its Memorandum and Articles of Association (MEMART) agreed with the permissible activities for NIMFBs. The CBN shall before the issuance of an Approval-in-Principle (AIP) arrange an appraisal interview for the promoters of the proposed NIMFB. The date, place and time for the interview shall be communicated to the promoters in writing.
7. If satisfied, the Governor may grant a licence to the NIMFB and where the grant of licence is declined, the promoters shall be communicated in writing and their capital deposit refunded.
8. The CBN may at any time vary or revoke the conditions of a licence or impose additional conditions.
9. Where a licence is granted subject to some conditions, the NIMFB shall comply with those conditions to the satisfaction of the CBN within such period, as the CBN may deem appropriate in the circumstances. Any NIMFB that fails to comply with such conditions shall be guilty of an offence under Section 60 of BOFIA, 1991 (as amended).
10. Every licenced NIMFB shall be required to add "Microfinance Bank" after its name which shall be registered with the Corporate Affairs Commission (CAC) in compliance with the Companies and Allied Matters Act (CAMA) 1990 as amended.

The font size of all characters in its full name, which shall appear on all banking instruments, signage and sign boards, shall be the same. Failure to comply with this requirement at its Head Office and branches shall attract a penalty of N100,000, N150,000 and N250,000 for Unit NIMFB, State NIMFB and National NIMFB, respectively per office/branch where non-compliance is observed.

3.2.4 Application and Licensing Fees

The application and licensing fees, which may be varied at the instance of the CBN, shall be as follows:

	Unit NIMFB	State NIMFB	National NIMFB
Non-refundable Application fee	₦50,000	₦100,000	₦250,000
Non-refundable Licensing fee	₦100,000	₦250,000	₦1,000,000

A NIMFB wishing to upgrade/downgrade its licence status shall be required to pay the applicable non-refundable application and licensing fee.

3.2.5 Grant of Approval-In-Principle

The Central Bank of Nigeria, on receipt of an application, which is deemed complete in all respect, shall process the application and if satisfied with the overall quality of the proposal, grant Approval-In-Principle (AIP) for establishing a NIMFB within three (3) months of receipt of the application. It should be noted, that an AIP does not confer a permission to commence operation before the grant of a final licence.

3.2.6 Conditions for Grant of Final Approval and Commencement of Business

A NIMFB with an AIP shall be granted a final operating licence and may commence business upon satisfying and complying with the following conditions:

- a. Submission of:
 - i. A copy of the shareholders' register in which the equity interest of each shareholder is properly reflected;
 - ii. A copy of the share certificate issued to each shareholder or other verifiable and admissible evidence of the said shareholding;
 - iii. Certified true copy of Form CAC 2 (Return of Allotments) filed with the CAC;

- iv. Certified true copy of Form CAC 7 (Particulars of Directors), and a written confirmation that the Certified true copy of the Memorandum and Articles of Association (MEMART) were approved by the CBN and filed with the CAC;
 - v. The opening statement of affairs audited by an approved firm of accountants practicing in Nigeria;
 - vi. Certified true copy of the certificate of incorporation of the company (together with the original for sighting purposes only);
 - vii. A copy each of the letters of offer and acceptance of employment by top management staff and a written confirmation that the Management team approved by the CBN has been put in place; and
 - viii. A letter of undertaking to comply with all the rules and regulations guiding the operations of NIMFBs.
- b. The NIMFB shall inform the CBN of the location and address of its Head Office in Nigeria (certified true copy of Form CAC 3) and shall confirm that all infrastructures for take-off are in place. In addition, the NIMFB shall show evidence that appropriate MIS, internal controls, Enterprise-Wide Risk Management (ERM) and procedures including manuals of operations have been put in place.
 - c. The NIMFB shall be informed in writing by the CBN that it may commence business after satisfactory physical inspection of its premises.
 - d. The NIMFB shall inform the CBN in writing of the date of commencement of business.

3.3 ADDITIONAL REQUIREMENT

Every licenced NIMFB shall be recognized by a uniform symbol designed by the CBN for all Non-interest Financial Institutions (NIFIs). All the signages and promotional materials of the NIMFBs shall bear this symbol to facilitate recognition by customers and the general public.

3.4 MEMBERSHIP OF NATIONAL ASSOCIATION OF MICROFINANCE BANKS

Every NIMFB shall be required to be a financial member of the National Association of Microfinance Banks (NAMMB) and is required to pay its annual subscription to NAMMB not later than 31st January of every year.

4.0 NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC) NON-INTEREST DEPOSIT INSURANCE COVERAGE

4.1 Compliance with non-Interest Deposit Insurance Scheme

In accordance with Section 15 (1) of the Nigeria Deposit Insurance Corporation (NDIC) Act 2006, every licenced MFB shall be required to insure its deposit liabilities with the Corporation. However, NIMFBs shall only use existing NDIC Non-Interest Deposit Insurance Scheme.

4.2 Compliance with Staff Fidelity Insurance (TAKAFUL)

A NIMFB shall have fidelity insurance (takaful) coverage as provided for in Section 33 of the NDIC Act 2006 or up to such level as may be prescribed from time to time by the NDIC. However, NIMFBs shall use the services of licenced takaful companies only.

5.0 BOARD AND MANAGEMENT

5.1 BASIC REQUIREMENTS

5.1.1 Directors

- a. The maximum number of Directors on the Board of a Unit NIMFB shall be seven (7), while the minimum shall be five (5). For a State or National NIMFB, however, the maximum number of Directors (Executive Directors inclusive) shall be at the discretion of the CBN. To qualify for the position of a Director in an NIMFB, it is required that the nominee must not be a current employee of a bank or other financial institution, except where the NIMFB is promoted by the bank or other financial institution and the proposed Director is representing the interest of such an institution.

In the circumstance where a current employee of a bank or other financial institution is proposed for the position of director, the consent of the employer must be given in writing to the CBN. The requirement that no person shall serve as a director in more than two (2) institutions in all sub-sectors under the regulatory purview of the CBN shall be complied with in all cases. That is, a person can concurrently be a director in a NIMFB and also a director in another institution in a different sub-sector;

- b. At least two (2) members of the Board of Directors other than the Executive Management shall be required to have a minimum of eight (8) years banking or related financial industry experience. In addition, one (1)

of the board members shall have non-interest (Islamic) finance experience and or qualification and one member shall be an independent director;

- c. The appointment of Directors and management staff shall be approved by the CBN;
- d. Executive directors of a NIMFB shall hold office for a fixed term of not more than 5 years and such term may be renewed only once, while non-executive directors shall serve for a fixed term of not more than 4 years and such term may be renewed only twice. For the avoidance of doubt, the maximum tenure of an executive director (including the Managing Director) shall not exceed a total of 10 years while a non-executive director shall not serve for periods exceeding 12 years in total. Any executive director who has served two 5-year terms may also serve as Managing Director, if so appointed, for a maximum period of two 5-year terms (a combined maximum of 20 years).

A Unit NIMFB shall not appoint an Executive Director other than the Managing Director.

5.1.2 Management

The following minimum qualifications and experiences are mandatory for officers who would occupy key/top management positions in a NIMFB:

a. Managing Director/Executive Director:

- i. A minimum of first degree or its equivalent in any discipline (additional qualification or degree in any finance or business related discipline may be an added advantage). In addition to the above, the MD shall have relevant qualification and or experience in non-interest (Islamic) finance as the CBN deems fit;
- ii. Minimum of eight (8) years post-qualification experience out of which, at least, five (5) must be in the financial services industry and at least, three (3) at the senior management level;
- iii. Evidence that the candidate possesses proven skills and competences in practical microfinance banking and has undergone the Microfinance Certification Programme and obtained a Certificate in Microfinance Banking issued by the Chartered Institute of Bankers of Nigeria (CIBN).

b. Departmental Heads:

- i. A minimum of first degree or its equivalent in any discipline (additional qualification or degree in any finance or business related discipline may be an advantage);
- ii. A minimum of five (5) years post-graduation experience out of which, at least four (4) must have been in the financial services industry and at least, two (2) at the senior management level;
- iii. In addition to i and ii above, the Head of Operation, Marketing and Finance, Risk Management and Internal Audit shall have relevant qualification and or experience in non-interest (Islamic) finance;
- iv. Evidence that the candidate possesses proven skills and competences in practical microfinance banking and has undergone the Microfinance Certification Programme and obtained a Certificate in Microfinance Banking issued by the Chartered Institute of Bankers of Nigeria (CIBN).

Any other qualification or experience which the CBN may deem adequate for positions (a) or (b) above.

c. Head Internal Shari'ah Compliance/Audit Unit:

There shall be an Internal Shari'ah Compliance Unit/department to be headed by an individual with proven knowledge in the field of Islamic Commercial Jurisprudence (Fiqh al Mua'amalat), whose responsibilities shall include the following among others:

- i. To review and validate contract documents to ensure their compliance with the principles of Islamic commercial jurisprudence;
- ii. Continuous review of the bank's processes to ensure they do not contravene the provisions of the principles underpinning this model;
- iii. To ensure that the bank's management implements the decisions of the bank's ACE and CBN FRACE;
- iv. To conduct Shari'ah audit on a periodic basis;
- v. To ensure the bank disposes (to charity) any Non-Permissible Income (NPI) earned in the course of its operation under the supervision of its ACE; and
- vi. To carry out any other related duty assigned to it by the management of the bank.

The Internal Audit and Internal Shari'ah Compliance (ISC) functions may be combined in a Unit NIMFB where the officer possesses the requisite qualification and experience for both functions. However, the functions shall be performed by separate officers for State and National NIMFBs.

A NIMFB shall be required to carry out status enquiry on any employed or appointed management staff with their previous employer (s). Any NIMFB that fails to obtain prior approval of the CBN for the appointment of its Directors and top management staff within two (2) weeks of the date of such appointment shall be liable to a penalty of N100,000, N250,000 and N500,000 for Unit NIMFB, State and National NIMFB respectively and the nullification of such appointment.

5.2 Certification and Capacity Building

In addition to the requirement for top management to possess requisite certification in microfinance management from the Chartered Institute of Bankers of Nigeria (CIBN); knowledge of Non-Interest (Islamic) finance from a recognised institution is required.

The management of NIMFBs shall ensure that all staff are adequately trained in the field of non-interest (Islamic) finance.

Top management staff shall therefore be required to submit evidence of the CIBN certification not later than three (3) years after assumption of office.

Failure to comply with the above conditions shall be a ground for the removal of the affected officer(s).

6.0 Financing Modes and Instruments

NIMFBs shall transact business using only such financing modes and instruments that are compliant with the principles under the Non-interest (Islamic) model and as approved by the CBN.

7.0 FUNDING, ACCOUNTING AND OTHER RELATED MATTERS

7.1 Sources of Funds

The sources of funds of an NIMFB could consist of the following:

- a. Shareholders' funds (paid-up share capital and reserves);
- b. Deposits/Savings of customers;
- c. Grants/donations from individuals, organizations, various tiers of government, and commercial funding from international sources in line with non-interest (Islamic) principles with prior approval of the CBN;
- d. A NIMFB may charge such commissions or fees as may be necessary in accordance with the principles under this model and the Guide to Bank

Charges. The funds received as commissions and fees shall constitute the bank's income and shall not be shared with depositors; and

- e. Any other source of funds that is compliant with the principles under this model as may be approved by the CBN.

7.2 Books of Account

- a. The Board of Directors of NIMFB shall ensure that the institution keeps proper books of account with respect to all transactions at the principal administrative office and in all its branches in English Language only;
- b. For the purpose of sub-section (a) of this section, proper books of account shall contain all information necessary to explain all transactions and give a true and fair view of the state of affairs of the NIMFB and be presented in compliance with International Financial Reporting Standards (IFRS) and Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises (SMEGA) as adopted by the Financial Reporting Council (FRC) of Nigeria. However, for transactions, products and activities not covered by these standards, the relevant provisions of the Accounting and Auditing Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards shall apply;
- c. Where in the opinion of the CBN, books of accounts are not properly kept, the Bank shall apply the provision of section 24 (4) of BOFIA, 1991 (as amended);
- d. If any person being a Director, Manager or Officer of a NIMFB fails to take all reasonable steps to secure compliance with any of the provisions herein, he or she shall be appropriately sanctioned in line with the provisions of this Guidelines.

7.3 Rendition of Returns

In compliance with the provisions of Section 25 of BOFIA, 1991 (as amended), the following monthly returns shall be submitted by all NIMFBs:

- a. Statement of Assets and Liabilities;
- b. Statement of Profit or Loss and Other Comprehensive Income;
- c. Schedule of financings and Investments on sector basis (number and value)
- d. Schedule of liabilities (deposits) on maturity basis (number and value)
- e. Schedule of equity of Profit Sharing Investment Accounts Holders (PSIAHs)
- f. Profits rate structure.

- g. Schedule of balances held with banks and other financial institutions.
- h. Returns on:
 - i. Mudaraba deposits from other MFBs, other financial institutions, individuals and non-financial institutions;
 - ii. Mudaraba deposits (placements) to other MFBs, other financial institutions, individuals/non-financial institutions, shareholders, and affiliates (if any);
 - iii. Financings to Directors, Management Staff and related parties;
 - iv. Non-performing financing and investment;
 - v. Off balance sheet engagements;
 - vi. Non-performing other assets; and any other returns specified by the CBN.

All monthly returns must reach CBN and NDIC not later than 14 days after the end of each month. The Managing Director/Chief Executive Officer and the Chief Accountant [or equivalent] of the NIMFB shall sign and attest to the authenticity of the contents of the returns.

Deposit Money Banks (DMBs) having NIMFB subsidiary shall be required to submit returns on the microfinance activities separately in accordance with the provisions of this Guidelines.

The frequency and content of the returns may be reviewed from time to time by the CBN.

8.0 COMPLIANCE WITH EXISTANT ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM (AML/CFT) LAWS AND REGULATIONS

NIMFBs shall comply with the provisions of the Money Laundering (Prohibition) Act 2011 (as amended), Terrorism (Prevention) Act 2011, CBN AML-CFT Regulation 2013, and all relevant Circulars issued by the CBN from time to time.

NIMFBs shall have a Compliance Officer (CO) who shall be a management staff designated to monitor compliance with the above requirements.

The CO can serve as the Internal Shari'ah Compliance (ISC) Officer both functions.

Penalties for non-compliance with the aforementioned requirements and all applicable Circulars shall be in accordance with the relevant provisions enunciated in the respective Acts.

9.0 ESTABLISHMENT OF A NIMFB AS A SUBSIDIARY OF DEPOSIT MONEY BANKS

Deposit Money Banks (DMBs) can own a NIMFB as a subsidiary in line with the licensing requirements for the establishment of a NIMFB as contained in this Guidelines.

10.0 CORPORATE GOVERNANCE

The cardinal objective of sound corporate governance in a bank is to ensure that the bank's affairs are conducted in an orderly and responsible manner and that the expectations of various stakeholders are met. Corporate governance further defines the roles and responsibilities of the Board and Management.

In view of the need to ensure that operations are effectively monitored and controlled to guard against abuses, the Code of Corporate Governance sets acceptable procedures and guidelines for the conduct of insider-related activities.

NIMFBs shall comply with the following:

- i. The relevant provisions of BOFIA 1991 (as amended) and CAMA 1990 (as amended);
- ii. The provisions of relevant Code of Corporate Governance issued by the CBN and any subsequent amendments thereto; and
- iii. The provisions of other corporate governance code issued by any relevant institution in Nigeria recognized by law.

NIMFBs shall have an internal review mechanism to ensure compliance with the principles of Islamic Commercial Jurisprudence and an Advisory Committee of Experts (ACE) as part of their governance structure. The appointment of members of the ACE shall be subject to the approval of the CBN.

10.1 Composition of the Advisory Committee of Experts (ACE)

A minimum of three (3) persons shall be appointed as members of ACE for a Unit, State and National NIMFB respectively.

However, considering the nature and size of NIMFBs' operations, a Unit NIMFB with the prior approval of the CBN may engage the services of the ACE of an existing NIFI licenced by the CBN.

10.1.1 Qualification of Members of ACE

A member of ACE shall:

- i. Be an individual and not a corporate body or institution;
- ii. At a minimum, have an academic qualification or possess necessary knowledge, expertise or experience in the field of Islamic Commercial Jurisprudence (Fiqh al Mua'amalat);
- iii. In addition to the requirement in i & ii above, it is desirable for the member to possess the following:
- iv. Skills in the philosophy of Islamic Law (Usul al Fiqh);
- v. Good knowledge of written and spoken Arabic and English languages as well as basic knowledge in the areas of business or finance especially Islamic Finance.

The ACE may engage the services of a consultant(s) or an officer(s) of the NIMFB who have expertise in the field of business, economics, law, accounting or any other field that will assist it in making informed decision. Such consultant(s)/officer(s) may attend meetings of the ACE but shall not take part or exercise voting rights in giving a Shari' ah legal opinion or verdict by the ACE.

10.1.2 Disqualification

Members of the ACE shall be persons of acceptable reputation, character and integrity. The CBN reserves the right to disqualify any member or proposed member who fails to meet the requirements prescribed in the Guidelines on the Governance of Advisory Committees of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria of February 2015, or any other requirement(s) as may be determined by the CBN from time to time.

No person shall be appointed or remain a member of an ACE who:-

- i. Is of unsound mind or as a result of ill-health is incapable of carrying out his/her duties;
- ii. Is declared bankrupt or suspends payments or compounds with his/her creditors including his/her bankers;
- iii. Is convicted by a court of competent jurisdiction of any offence involving dishonesty or fraud;
- iv. Is guilty of serious misconduct in relation to his/her duties;
- v. Fails to attend 75% of the meetings of the ACE in a year without satisfactory excuse;
- vi. In the case of a person possessing professional qualification, is disqualified or suspended (except on his own request) from practicing his profession in Nigeria by the order of any competent authority made in respect of the person;
- vii. No person who has been a member of an ACE, director of or directly concerned in the management of a NIMFB or any other financial institution which failed or was wound up by a court of competent

jurisdiction shall, without the express authority of the CBN, act or continue to act as an ACE member of any other NIMFB;

- viii Any person whose appointment with a NIMFB or any other financial institution has been terminated or who has been dismissed for reason of gross misconduct, fraud, dishonesty or conviction for an offence involving dishonesty or fraud shall not be appointed by any other NIMFB in Nigeria as an ACE member;
- ix Where a member of an ACE becomes unfit to hold such appointment as provided for in this Guidelines and/or in the letter of approval from the CBN, the NIMFB shall terminate the appointment of the ACE member.

10.2 Resignation, Termination and Dismissal

A NIMFB shall notify the CBN with immediate effect of any resignation, termination of appointment or dismissal of a member of the ACE. The notice shall state the reason(s) for such resignation/termination or dismissal.

However, in case of the resignation or termination of the appointment of an ACE member of an NIMFB operating with a minimum number of three members, the NIMFB shall seek the approval of the CBN for a replacement within one month of the date of disengagement.

10.3 Restrictions on Ace Membership

A member of Financial Regulatory Advisory Council of Experts (FRACE) shall not be a member of the Advisory Committee of Experts (ACE) of a NIMFB.

A member of the ACE of a bank or financial institution under the supervisory purview of the CBN shall not be a member of the ACE of a NIMFB.

10.4 Duties and Responsibilities of The ACE to The NIMFB

- i Accountability for all its decisions, opinions and views provided by them;
- ii Advising the NIMFB's board and management on non-interest banking and finance and jurisprudence-related matters so as to ensure the institution's compliance with the principles underpinning this model;
- iii Reviewing and endorsing policies and guidelines related to the principles underpinning non-interest (Islamic) finance. This shall include a periodic review of products and services to ensure that operational activities and transactions of the institution are made in accordance with those principles;
- iv Reviewing, endorsing and validating relevant documents for new products and services to ensure that they comply with the principles of Islamic Commercial Jurisprudence. These include:

- i. Terms and conditions contained in forms, contracts, agreements or other legal documentation used in executing the transactions; and
 - ii. The product manual, marketing materials, sales illustrations and brochures used to describe the product or service.
- v Ensuring that the necessary ex-post considerations are observed after the product offering stage, namely the internal review processes and compliance reporting. This is in order to monitor the NIMFB's consistency in compliance with the principles underpinning this model and effectively manage Shari'ah non-compliance risk that may arise over time;
- vi Assisting or advising related parties to the NIMFB, such as its legal counsel or other consultants on Islamic jurisprudence-related matters;
- vii Providing written opinion to the NIMFB in respect of new products and other issues referred to it;
- viii Providing support to the NIMFB in respect of questions or queries that may be raised regarding the compliance of its products to the principles underpinning this model;
- ix Issuing recommendations on how the NIMFB could best fulfill its corporate social responsibility as well as promote non-interest banking and finance;
- x Providing checks and balances to ensure compliance with principles underpinning this model;
- xi Assisting the internal audit of the NIMFB on Shari'ah Compliance Audit;
- xii Carrying out any other related duty (ies) assigned to it by the board of the NIMFB.

10.5 Duties and Responsibilities of NIMFB to the ACE

To ensure the smooth running of the ACE, a NIMFB shall: -

(i) Refer all Islamic Commercial Jurisprudence related issues to the ACE

The NIMFB shall refer all issues on Islamic Jurisprudence in its business operations to the ACE for advice and decision. The submission for advice or decision shall be made in a comprehensive manner for effective deliberation by the Committee. This shall include explaining the processes involved, documents to be used and other necessary information.

(ii) Implement the ACE's advice and decision

The NIMFB shall be responsible for implementing the ACE's advice and decisions.

(iii) Ensure that product documents are validated

The NIMFB shall obtain validation of the ACE relating to Shari'ah issues in all product documentations.

(iv) Prepare a Shari'ah Compliance Manual

The NIMFB shall prepare a Shari'ah Compliance Manual which shall be endorsed by the ACE. The Manual shall provide a general guideline on the operational procedures of the ACE as well as a code of ethics and conduct for its members. The NIMFB shall ensure that adequate systems are in place to monitor compliance with the code.

(v) Provide the ACE access to all relevant documents

The NIMFB shall provide the ACE with the necessary assistance and access to all relevant records, transactions, manuals or other information that it may require to perform its duties.

(vi) Provide the ACE with sufficient resources

The NIMFB shall provide the ACE with sufficient financial resources, independent expert consultation, reference materials, training and development or any other support the ACE may require to perform its duties effectively.

(vii) Remuneration of the Members of ACE

The Board of the NIMFB shall determine the remuneration of ACE members. The remuneration shall be commensurate with the expected duties and functions of the Committee.

10.6. Reporting Relationship

- a. The ACE shall directly report to the Board of Directors of the NIMFB and have a dotted line reporting relationship to the MD/CEO. All cases of noncompliance with the principles of non-interest (Islamic) banking shall be recorded and reported to the Board by the ACE, and it shall recommend appropriate remedial measures. In cases where the issue of non-compliance is not effectively or adequately addressed or no remedial measures were taken by the NIMFB, the ACE shall inform the CBN;
- b. In the case of conflict of opinion among members of the ACE of a NIMFB concerning any of its rulings, the board of directors of the NIMFB may refer the matter to the FRACE, which shall have the final authority on the matter.

10.7 Report of the ACE to the Board of NIMFBs

- a. The Board and Management of a NIMFB shall ensure that the decisions and opinions of the ACE are appropriately issued and disseminated to all stakeholders.
- b. The ACE shall issue an annual report, which complies with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Governance Standard (No. 1) regarding the basic elements of an ACE report. The NIMFB shall also publish the ACE report in its annual financial report.

10.8 Independence of the ACE

- 10.8.1. For the effective discharge of its oversight responsibilities, the independence of the ACE shall be upheld at all times. It shall not succumb to pressure, undue influences or similar appendages that may be caused to bear by the Management of the NIMFB.
- 10.8.2. Members of the ACE shall not have such relationships with the NIMFB, its related companies or officers that could interfere or be reasonably perceived to interfere with the exercise of independent judgment by the ACE.
- 10.8.3. The management of a NIMFB has an obligation to provide the ACE with complete, accurate and adequate information in a timely manner before all meetings and on an ongoing basis in order for the ACE to fulfill its responsibilities.
- 10.8.4. The ACE shall have independent access to the NIMFB's Internal Shari'ah Compliance Unit/Department to ascertain if internal control and compliance have been appropriately followed.

10.9 Competence of Members of the ACE

Members of the ACE shall at all times demonstrate the competence and ability to understand:

- the technical requirements of the business;
- the inherent risks in the business; and
- the management processes required to conduct its operations effectively with due regard to the interest of all stakeholders.

10.9.2. The NIMFB shall facilitate continuous professional development of members of the ACE as well as the officer(s) of the internal Shari'ah Compliance Unit of the institution.

10.9.3 The NIMFB shall specify and adopt a process for formal assessment of the effectiveness of the ACE and of the contribution of each ACE

member to its effectiveness. The process should also identify relevant gaps to enable appropriate training and exposure for the ACE members.

10.10 Confidentiality and Consistency required Of ACE

- 10.10.1 Internal and privileged information obtained by the ACE in the course of its duties shall be kept confidential at all times and shall not be misused.
- 10.10.2 Notwithstanding the above, the ACE shall not be liable for breaching the confidentiality and secrecy principle if sensitive information is reported to the CBN in good faith for corrective actions in the performance of its duty in reporting serious breaches of Shari'ah by the NIMFB or in compliance with the order of a court of competent jurisdiction.
- 10.10.3 The NIMFB shall ensure that the ACE follows a structured process in making its decisions and rulings in such a way as to ensure quality and consistency of the decisions and their proper documentation and disclosure.
- 10.10.4 The NIMFB shall ensure that the ACE adopts a specified process for changing, amending or revising any pronouncements/resolutions issued by it. Appropriate and timely disclosure shall be made to all stakeholders and/or the public whenever the ACE and/or its members depart from or revise any of its pronouncements/resolutions.
- 10.10.5 In the event of divergence of opinion between a NIMFB ACE and the Financial Regulation Advisory Council of Experts (FRACE) on a particular issue, the opinion of the FRACE shall prevail.

11.0 PUBLICATION OF AUDITED FINANCIAL STATEMENTS

11.1 Publication

All NIMFBs shall comply with the International Financial Reporting Standards (IFRS). For transactions, products and services not covered by the IFRS, the relevant provisions of Standards issued by AAOIFI shall apply.

NIMFBs shall comply with relevant provisions of circulars issued by the CBN on disclosure requirement for financial institutions and other disclosure requirements contained in CAMA 1990 (as amended) and BOFIA 1991 (as amended). In addition, they shall also comply with the relevant standards on disclosure issued by standards setting organisations including the following:

- Financial Reporting Council (FRC) of Nigeria; and
- Islamic Financial Services Board (IFSB).

NIMFBs shall have an internal review and audit mechanism to examine and evaluate on periodic basis the extent of compliance with the rules and principles pertinent to this model.

Every NIMFB shall submit its audited financial statements and the abridged version of the accounts to the Director, Other Financial Institutions Supervision Department (OFISD) for approval not later than four (4) months after the end of the company's financial year. The Domestic Report on the Accounts from the External Auditors shall be forwarded to the Director, OFISD not later than three (3) months after the end of the accounting year.

Upon approval for the publication of the accounts by the Central Bank of Nigeria, the NIMFB shall be required to display the abridged version of the audited financial statements in a conspicuous place at its Head Office and all its branches.

Any NIMFB that fails to comply with the above requirements shall be liable to a fine of N5,000 for each day during which the offence continues and the immediate display of the abridged audited accounts.

All approved audited accounts shall disclose in detail, the penalties paid as a result of the contravention of BOFIA, 1991 [as amended], Circulars or Policy Guidelines in force during the year in question and the auditor's report shall reflect such contraventions.

No NIMFB shall hold its Annual General Meeting (AGM) without prior approval of its Annual Audited Account by the CBN. Contravention of this requirement shall attract a penalty of N250,000, N500,000 and N1,000,000 for a Unit NIMFB, State NIMFB and National NIMFB respectively. In addition, the Chairman and the Managing Director/CEO of the NIMFB shall be suspended from office for a period of three (3) months.

11. 2 Penalties for Late/False inaccurate Rendition of Accounts and Returns.

For lateness in submitting its audited annual accounts, returns or any other information as may be required by the CBN, the penalty shall be a fine of N5,000 for each day during which such infraction occurs. Subsequent failure/refusal to render returns in the prescribed format shall be a ground for the revocation of an NIMFB's licence. For submitting any

false/inaccurate information to the CBN, the penalty shall be a fine of N250,000 and a warning letter to the Managing Director of the NIMFB. Subsequent rendition of false or inaccurate returns/information shall lead to the removal of the Managing Director.

12.0 PRUDENTIAL REQUIREMENTS

12.1 General Prudential Requirements

All NIMFBs shall comply with the following requirements:

12.1.1 Compulsory Investment in Compliant Instruments

A NIMFB shall be required to maintain not less than 5% of its deposit liabilities in liquidity management instruments compliant with the principles underpinning this model and as approved by the CBN. Non-compliance shall attract a fine of 1% of the amount not invested. Investment in such instruments by any NIMFB shall, however, not exceed 10% of its deposit liabilities at any point in time.

12.1.2 Liquidity Ratio

The operation of an NIMFB requires the maintenance of high quality liquid assets to meet frequent requests for funds from clients and for field operations. However, in view of the paucity of eligible liquidity management instruments, NIMFBs shall be required to maintain a minimum liquidity ratio as may be determined by CBN from time to time.

12.1.3 Capital Adequacy Ratio

- a. The Capital Adequacy Ratio (CAR) of a NIMFB shall be measured as a percentage of the shareholders' funds unimpaired by losses to its risk weighted assets. The minimum CAR (Capital/Risk Weighted Assets Ratio) for NIMFBs shall be 10 per cent or such percentage as may be determined by the CBN from time to time. Furthermore, every NIMFB is expected to maintain a ratio of not more than 1:10 for its shareholders fund unimpaired by losses to its total net financing portfolio;
- b. A NIMFB shall at all times maintain the minimum capital adequacy ratio as may be prescribed by the CBN from time to time;
- c. The CBN may require a NIMFB to maintain additional capital as it considers appropriate in respect of market risks, concentration risk and other specific risks.

- d. When any of the above ratios (as in 12.1, 12.2 and 12.3) do not meet the prescribed benchmarks, the NIMFB shall be prohibited from any or all of the following until the required ratio is restored:
 - i. Financing and undertaking further investment;
 - ii. Mobilization of deposit from the public;
 - iii. Payment of dividend to shareholders;
 - iv. Raising funds from the investing public; and
 - v. Opening additional branch(es)/cash Centre(s).

In addition, the NIMFB shall be required to submit, within a specified period, a recapitalization plan acceptable to the CBN. Failure to comply with the above shall constitute grounds for the revocation of the operating licence of the NIMFB or such other penalties as may be deemed appropriate. Every NIMFB is enjoined to ensure that its shareholders' funds unimpaired by losses do NOT fall below the prescribed minimum capital requirement, notwithstanding meeting the capital adequacy benchmark.

12.1.4 Limit of Investment in Fixed Assets

The maximum amount, which a NIMFB can invest in fixed assets, is 20% of its shareholders' funds unimpaired by losses.

Any contravention shall attract a penalty of 1% of the excess investment in fixed assets and prohibition of further investment in fixed assets until the requirement is achieved.

12.1.5 Revaluation of Fixed Assets

Prior approval of the CBN must be obtained by a NIMFB before it could revalue any of its assets.

Prior approval of the CBN must be obtained by a NIMFB before the recognition of the revaluation surplus on fixed assets in its books, taking into consideration that:

- a. The basis of the underlying fixed assets valuations was stated and the valuation made by qualified professional valuer whose identity and qualifications are indicated in the valuation report;
- b. The difference between the market and the carrying values of the eligible fixed assets being revalued is to be discounted by 55 per cent;
- c. The revaluation of fixed assets is applicable to own premises only; and
- d. The revaluation of fixed asset is permissible after a minimum period of five (5) years after the date of purchase of the asset or the last revaluation date.

12.1.6 Fixed Assets/Long-Term Investments and Branch Expansion

No NIMFB shall be allowed to finance any of the following other than from the shareholders' funds unimpaired by losses:

- a. Acquisition of fixed assets;
- b. Equity investments in permissible activities and investments in long-term permissible instrument subject to CBN's approval in writing; and
- c. Branch expansion.

In consideration of a request for the approval of any or a combination of the above, reference shall be made to the aggregate value of the existing investment(s) and the current request(s) against the shareholders' funds' unimpaired by losses.

12.1.7 Maintenance of Capital Funds

- a. The impact of delinquent risk assets which may result in capital erosion, calls for stringent maintenance of capital funds. Every NIMFB shall therefore maintain a Reserve Fund into which it shall transfer from its profit after tax for each year (before dividend), subject to the following provisions:
 - i. Where the amount of the NIMFB's reserve fund is less than 50 per cent of its paid-up capital, an amount which shall not be less than 50 per cent of the NIMFB's net profit for the year;
 - ii. Where the amount of the NIMFB's reserve fund is 50 per cent or more, but less than 100 per cent of its paid-up capital, an amount which shall not be less than 25 per cent of the NIMFB's net profit for the year; or
 - iii. Where the amount of the NIMFB's reserve fund is equal to 100 per cent or more of its paid up capital, an amount equal to 12.5 per cent of the NIMFB's net profit for the year.
- b. A NIMFB shall not appropriate any sum or sums from its reserve fund unless prior approval in writing is obtained from the CBN;
- c. The CBN may however, from time to time, vary the proportion of net profit transferable to Statutory Reserves. No accretion shall be made to the reserve fund until:
 - i. All preliminary and pre-operational expenses have been written off;
 - ii. Adequate provision has been made for assets deterioration; and
 - iii. All identifiable losses have been fully provided for.

12.1.8 Restrictions on Declaration of Dividend

- a. A NIMFB shall not declare or pay out dividend until it has:

- i. Completely written-off all its preliminary and pre-operational expenses;
 - ii. Made the required provisions for non-performing asset and other erosions in asset values;
 - iii. Satisfied the minimum Capital Adequacy Ratio requirement; and
 - iv. Met all matured obligations.
- b. Where the payment of dividend would result in withdrawal of any part of the available reserves due to inadequacy of the profit for the year or where the statutory report of the auditors on the Annual Accounts of the bank is not satisfactory, the NIMFB may declare dividend only after obtaining the prior approval of the CBN.
- c. Where a NIMFB declares or pays any dividend in contravention of this provision, the Directors and the Chief Executive Officer of the NIMFB shall be liable to a penalty of ten (10) per cent of the gross dividend paid and such other sanctions as may be deemed appropriate by the CBN.

12.1.9 Limit of Exposure to a Single Obligor and Related Party

- a. The maximum exposure by a NIMFB to any individual customer, director or related parties shall not exceed 1 percent, and in the case of group customers, a maximum of five (5) per cent of the NIMFB's shareholders' fund unimpaired by losses or as may be prescribed by the CBN from time to time.
- b. In addition, aggregate insider-related exposure at any time shall not exceed five (5) per cent of its shareholders' funds unimpaired by losses. For this purpose, financing under a staff scheme shall not apply, but shall be in accordance with the staff conditions of service.

Any contravention shall attract a penalty of N250,000 and a letter of warning to the Managing Director. Subsequent defaults will be a ground for the removal from office of the affected Officer(s).

12.1.10 Financing Portfolio Composition

The value of the financing portfolio of a NIMFB shall, at all times, be a minimum of 80 per cent for micro financing and a maximum of twenty (20) per cent for small and medium enterprises (SMEs).

12.1.11 Maximum Equity Investment Holding Ratio

The aggregate value of the equity participation of a NIMFB in all permissible enterprises shall NOT exceed 7.5 per cent of its shareholders' funds unimpaired by losses.

12.1.12 Provision for Classified Assets

- a. Provision for performing and non-performing risk assets and other assets shall be as stated hereunder:

Days at Risk (No. of days missed payment)	Description	Provisioning Requirement or Allowance for Probable Loss (%)
0	Performing	1
1 – 30 days	Pass and Watch	5
31 – 60 days	Substandard	20
61 – 90 days	Doubtful	50
91 or more days and for restructured financing	Lost	100

- b. All NIMFBs shall be required to review their total exposures and other assets at least once every thirty days, and make appropriate provisions;
- c. As part of its monthly returns, every NIMFB shall send a schedule of its total exposure, showing the provisions made for losses or deterioration in the quality of its risk assets to the Director, OFISD, CBN and the Director, SIID of the NDIC.

12.1.13 Contingent Items

- a. The following shall be construed as contingent items in the books of a NIMFB:
- i. Guarantees and indemnities;
 - ii. On-financing funds with recourse; and
 - iii. Any other item as may be specified by the CBN from time to time.

b. A NIMFB's investments in Bankers Acceptances (BAs) and Commercial Papers (CPs) compliant with its model of operation shall be treated as part of its financing portfolio.

12.1.14 Divestment of Government's Interest in Government Owned/Sponsored NIMFBS

In all cases where a state or local government participates in the ownership/establishment of a NIMFB, government shall progressively divest its interest within a maximum period of five (5) years. In the case of Public Private Partnership (PPP) arrangements, the first right of refusal shall be given to the private partner.

12.2 Special Prudential Standards

The following traditional banking regulations shall be adjusted from time to time at the discretion of the CBN to accommodate the peculiarities of NIMFB.

12.2.1 Unsecured Financing Limits:

Any unsecured exposure to an individual of an aggregate amount in excess of fifty thousand naira [N50,000] is not permitted. For the purpose of applying this regulation to micro financing of NIMFBs, group guarantees or third party guarantees of an individual acceptable to the NIMFB shall qualify as collateral.

12.2.2 Financing Documentation Requirements:

In deference to the nature of micro financing as well as the relative simplicity of the customer base and the nature of financial services demanded, a reduced documentation may be applicable.

12.2.3 Restriction of Co-Signers to Receive Financing from the Same NIMFB:

The restriction prohibiting a commercial bank from lending to an individual who has co-signed or otherwise guaranteed a loan from the same bank shall not apply to group financing of a NIMFB.

12.2.4 Cash Reserve Requirements:

The mandatory Cash Reserve Requirements (CRR) for Deposit Money Banks shall not apply to a NIMFB. A NIMFB shall however be required to have compulsory investment of five per cent (5%) of its total deposit liabilities in liquidity management instruments that are compliant with the principles underpinning this model and which shall qualify as specified liquid asset in computation of its liquidity ratio.

12.3 Portfolio- At- Risk [PAR]

- a. **PAR:** is the outstanding principal amount of all exposures that have at least one installment past due for one or more days in all sale-based, lease and construction contracts like in Murabaha, Salam, Istisna', Ijara etc. The amount includes the unpaid principal balance but excludes the accrued income. Under PAR, exposures are considered past due if payment has fallen due and remained unpaid.
- b. Repayments shall apply first to any income due, and then to any installment of principal that is due but unpaid, beginning with the earliest installment. The number of days of lateness is based on the due date of the earliest installment that has not been fully paid.
- c. **LIMIT:** PAR shall not exceed 5 per cent of the bank's total exposure at any given time.
- d. **PAST DUE EXPOSURE:** This is any exposure which repayment is past due for at least one day in accordance with the agreed repayment term in the contract. Such exposures whether restructured or refinanced shall attract appropriate provisions. The past due exposure shall remain in the account of the NIMFB until it is fully repaid or written off.
- e. **ACCRUAL OF INCOME EARNED:** No accrual of income to the income statement shall be allowed after the exposure has become past due, rather it should be transferred to the income-in-suspense account. All income already accrued and/or booked shall be reversed from income and the accrued income transferred to income-in-suspense account. This provision is for the purpose of passing entries in the books of the NIMFB, without prejudice to the right of the bank to collect the income due to it from its clients.
- f. **RESTRUCTURED EXPOSURES:** These represent exposures that have been renegotiated or modified to either lengthen or postpone the original scheduled installment payments, or substantially alter the original terms of the contracts. Restructured exposures, which shall include refinanced exposures, shall be treated as non-performing and the income thereon shall be transferred to the income-in-suspense account. No exposure shall be restructured more than two (2) times.

It should be noted that NIMFBs shall not earn extra income on a restructured sale-based contracts (like Murabaha, Istisna'a etc) but may do so on a restructured lease-based or equity-based contracts (like Ijara,

Musharaka etc) based on mutual agreement between the bank and the customer.

However, a NIMFB may charge penalty for default by its customer(s), but such penalty shall be given out to charity in line with the principles underpinning this model.

- g. **WRITING OFF FULLY PROVIDED NON-PERFORMING EXPOSURES:** Exposures that have been fully provided for except director-related exposures may be written off in accordance with the bank's policy and communicated to the CBN. Director related exposures shall require prior approval of the CBN before such can be written off as Non-Performing Exposure.

12.4 Implementation of Recommendations in Examination Report

The Board and management of licenced NIMFBs shall ensure the implementation of all recommendations contained in the CBN/NDIC Examination Reports. Failure to do so shall attract a penalty of N100,000 for each recommendation not fully implemented. Persistent non-implementation of the recommendations contained in the Examination Reports shall be considered a ground for the removal of the affected Board member(s) and management staff from office.

13.0 CONDUCT OF BUSINESS STANDARDS

13.1 Branding

In line with the provisions of Section 43 (1) of BOFIA 1991 (as amended), NIMFBs shall not include the word "Islamic" as part of their registered or licenced names except with the written consent of the Governor. They shall, however, be recognized by a uniform symbol designed by the CBN. All the signages and promotional materials of NIMFBs shall bear the symbol to facilitate recognition by customers and the general public.

13.2 Approval of Contracts, Products and Services

All contracts, products and services to be offered by NIMFBs shall be reviewed and approved by each institution's ACE.

The introduction of new products/services shall require the prior written approval of the CBN.

The NIMFB shall ensure that it explains in detailed and simple language (understandable to any prospective customer) terms and conditions of each contract to be entered into. The bank shall obtain signed agreement from the customer that he had fully understood details of the contract(s).

13.3 Product Literature

All applications for product/advertisement materials forwarded to the CBN for approval shall include names and signatures of all the ACE members.

14.0 PROFIT SHARING INVESTMENT ACCOUNTS

14.1 NIMFBs shall ensure the proper execution of investment contracts with its Profit Sharing Investment Account (PSIA) holders.

14.2 NIMFBs shall inform their prospective PSIA client(s) in writing, that the burden of loss rests with the client(s) and that the institution will not share in the loss unless there is proven negligence, breach of contract or misconduct for which the institution is responsible. For the avoidance of doubt, misconduct includes fraud and other illegal conduct and also willful investment of funds in breach of the principle underpinning this model or investment mandate as contained in the contract. While negligence includes failure in conducting due diligence resulting in losses or earning prohibited income.

14.3 NIMFBs may maintain a Profit Equalization Reserve (PER) which would serve as an income smoothing mechanism and risk mitigation tool to hedge against volatility of returns to investment account holders. They may also maintain an Investment Risk Reserve (IRR) for PSIA holders to cushion against future losses.

14.4 The basis for computing the amounts to be appropriated to the PER and IRR should be pre-defined and disclosed.

15.0 ASSESSMENT OF SOUNDNESS

In response to the changing financial landscape, a risk based approach to the supervision of NIMFBs is adopted. For this purpose, a robust, dynamic and proactive Risk Based Supervision (RBS) Framework had been developed to provide an effective process to assess the safety and soundness of all MFBs operating in Nigeria. This is to be achieved by evaluating the MFB's risk profile, financial condition, risk management practices and compliance with applicable laws and regulations.

Inherent risk is intrinsic to all business activities and arises from exposure to, and uncertainty from, potential future events. Inherent risk would therefore be evaluated by considering the degree of probability and the potential size of an adverse impact on an institution's capital or earnings. The effectiveness of the risk management control functions put in place by the NIMFB shall form the

basis for moderating the level of aggregate inherent risk associated with any particular activity.

The framework considers risks on a consolidated basis and groups them into the following categories for assessment purposes:

- Market risk
- Operational risk (Shari'ah non-compliance risk and Fiduciary risk)
- Liquidity risk
- Legal and regulatory risk
- Strategic risk
- Credit risk

The existence and level of each inherent risk in the identified significant activities shall be assessed as **low, moderate, above average** or **high**. Supervisory efforts will therefore be focused on materially high risk activities but not to the total exclusion of other activities.

The Composite Risk Rating or final rating shall be the outcome of the Overall Net Risk moderated by Capital and Earnings. Accordingly, the assessment will include a review of the quality, quantity, and availability of externally and internally generated capital. In reviewing an NIMFB's ability to generate capital internally, profitability shall be considered on both consolidated and unconsolidated basis.

16.0 REQUIREMENTS FOR INCREASE IN SHARE CAPITAL

All increases in share capital in any form shall be approved by the CBN. Application in respect of this shall be supported with the following documents:

- a. Board resolution authorizing the increase;
- b. Shareholders' resolution to increase the share capital;
- c. Evidence of payment of stamp duty;
- d. Corporate Affairs Commission (CAC) registration of the increase;
- e. Form CAC 2 showing the allotment of the additional capital;
- f. Share certificates issued to shareholders (letter of intent);
- g. Photocopy of the share register showing the entries of allotment;
- h. Evidence of payment for the new allotment of shares by the shareholders. No cash payment shall be allowed for any significant acquisition i.e. up to 5% of the shares in a NIMFB;
- i. Statements of accounts from banks showing evidence of payment for the shares;

- j. Vouchers showing evidence of internal transfer or payment for the rights issues allotted;
- k. Copies of letters to shareholders conveying allotment of shares;
- l. For corporate investors, board resolution shall accompany the application; and
- m. Any other information that may be required or stipulated by the CBN.

17.0 DISCLOSURE OF INTEREST BY DIRECTORS AND OFFICERS OF NIMFBs.

- a. Every Director and Officer of a NIMFB, who has any personal interest, whether directly or indirectly in a financing facility or vendor services from a NIMFB in which he/she is serving, shall promptly declare the nature of his/her interest in writing to the Board of Directors of the NIMFB and the declaration shall be discussed at the Board meeting.
- b. Every Director or Officer of a NIMFB who holds any office or possesses any property, whether directly or indirectly, which might create conflict with his/her duties or interest as a Director or Officer of the NIMFB, shall declare at a meeting of the Board of Directors of the NIMFB, the fact, nature, character and extent of such interests. Any Director or Officer who contravenes either of these regulations shall be liable to a fine of N500,000 or removal from office.
- c. Relevant AAOIFI and IFSB guidance notes/ standards should be adopted where applicable.

18.0 DISCLOSURE OF REQUIRED INFORMATION TO CREDIT REFERENCE BUREAUX

- a. A NIMFB shall be required to supply information on all its financing/loan customers to licensed Credit Bureaux from time to time. In addition, every NIMFB shall provide:
 - i. Details of non-performing facilities in its portfolio, where the amount owed is not in dispute, the customer has not made any satisfactory proposals for repayment following formal demand, and the customer has been given at least twenty-eight (28) days' notice of the intention to disclose that information to the Credit Reference Bureau;
 - ii. Information on its customers involved in financial malpractices, including the issuance of dud cheques;
 - iii. No information other than that referred to in the above sub-sections (i) and (ii) shall be divulged by any institution to the Credit Reference Bureau without customers' consent.
- b. Nothing in this section shall prevent NIMFBs and Credit Reference Bureaux from disclosing the information referred to in paragraphs (i) and

- (ii) above provided the information is disclosed in good faith and/or in the normal course of business;
- c. Every customer of a NIMFB has a right to know his credit status that has been forwarded to the Credit Reference Bureau; and
- d. In addition to the above, NIMFBs are required to comply with the relevant provisions of the Guidelines for the Licensing, Operation and Regulation of Credit Bureaux and Credit Bureau Related Transactions in Nigeria.

19.0 OPERATIONAL REQUIRMENTS AND CONTROLS

19.1 Opening/Relocation and Closing of Branches/Cash Centres

- a. All NIMFBs shall obtain approval from the CBN, in writing, to open new branches or cash centres;
- b. Any NIMFB that contravenes the provisions of paragraph (a) of this Section shall be liable to pay penalties of N250,000, N500,000 and N1,000,000 per branch/cash center for a Unit, State and National NIMFB respectively. In addition, such unapproved branch office or cash centre shall be closed within a period of thirty (30) days;
- c. All NIMFBs shall obtain approval from the CBN, in writing, to close existing branches or cash centres;
- d. Any NIMFB that contravenes the provisions of paragraph (c) of this section shall be liable to pay penalties of N250,000, N500,000, and N1,000,000 per branch/cash center for a Unit, State and National NIMFB respectively;
- e. Any NIMFB that relocates its Head Office, branch or cash centre without prior approval of the CBN in writing shall be liable to pay a penalty of N500,000 irrespective of the category of NIMFB;
- f. Failure to close an unapproved branch office or cash centre in line with the provisions of these Guidelines shall attract a fine of N5, 000 for each day of infraction, irrespective of the category of NIMFB;

19.2 Change of Name

Every NIMFB shall be required to obtain CBN’s approval before effecting a change of name as contained in its operational licence. The applicable fees, which may be varied at the instance of the CBN, shall be as follows:

	UNIT NIMFB	STATE NIMFB	NATIONAL NIMFB
Change of Name Fee	N20,000	N50,000	N100,000

Any NIMFB that fails to obtain prior approval of the CBN for change of name shall be liable to a penalty of N500, 000 irrespective of the category of the NIMFB.

19.3 Display of Licence

A copy of a NIMFB's licence shall be displayed in a conspicuous position at its Head Office as well as in all branches and cash centers if any. Any NIMFB that contravenes this provision shall be liable to pay a fine of N100,000 for each location without the display of the licence.

19.5 Internal Controls

- a. Every NIMFB shall have an Internal Audit Unit/department, which shall ensure that the operations of the company conform to the laws, as well as to its internal rules and regulations. The Internal Auditor shall forward his report directly to the Board of Directors to strengthen Corporate Governance in the NIMFB.
- b. In addition to the Internal Audit Unit, there shall be an Internal Shari'ah Compliance Unit whose responsibilities shall include monitoring compliance with the principles underpinning the operations of the NIMFB. The head of such Unit shall forward his report to the Advisory Committee of Experts (ACE) to ensure compliance with the principles underpinning this model.
The Internal Audit and Internal Shari'ah Compliance functions may be combined in a Unit NIMFB where the officer possesses the requisite qualification and experience for both functions. However, the functions shall be performed by separate officers for State and National NIMFBs.
- c. Every NIMFB shall include a statement on the effectiveness of the internal control, signed off by at least two members of its Board of Directors as part of its audited financial statements. Also, a declaration on the risks inherent in the business of the NIMFB and the controls put in place to mitigate such risks shall be part of the directors' reports.
- d. The report of the ACE of every NIMFB shall form part of the annual financial statement and shall be signed by all the members.
- e. Every fraud or attempted fraud must be reported along with the statement of assets and liabilities within one month of its occurrence to the Director of OFISD (CBN) and Director of SIID (NDIC). Where no frauds/forgeries and defaults occurred during the month, a nil return shall be rendered. Where it is established that an officer of a NIMFB has been involved in fraud or unethical behavior at any time in the course of his/her career, the officer shall be removed from office by the NIMFB and blacklisted by the CBN.

- f. Every NIMFB shall develop, implement and submit evidence of implementation of an internal control framework. The internal control framework adopted by the NIMFB shall be developed in line with the Committee of Sponsoring Organizations of the Tread way Commission (COSO) 2004 and shall comprise the following areas of internal control: of Control environment; of Risk assessment; of Control activities; of Information and communication; and of Monitoring.

Failure to comply with any of the above provisions shall attract a fine of N100,000.

20.0 APPOINTMENT OF CHIEF EXECUTIVE/ PRINCIPAL OFFICERS AND EXTERNAL AUDITORS

20.1 Appointment of Chief Executive and Principal Officers

The appointment or replacement of the Chief Executive Officer or any of the Principal Officers of any NIMFB shall be approved by the CBN. An application for the approval of the appointment shall be forwarded to the CBN within two (2) weeks of appointment.

Any contravention of this provision shall attract a penalty of N100,000, N250,000 and N500,000 for Unit NIMFB, State NIMFB and National NIMFB respectively and may lead to the nullification of the appointment.

20.2 Appointment and Responsibilities of External Auditors

20.2.1 NIMFBs shall comply with the requirements of Section 29 of BOFIA 1991 (as amended) and applicable guidelines/directives issued by the CBN, as well as the relevant provisions of CAMA 1990 (as amended) regarding the appointment, resignation, rotation, change and removal of auditors.

20.2.2 Every NIMFB shall appoint an approved external auditor, whose primary duty shall be to prepare a report for the shareholders on the annual financial statements of the company. The report shall contain an opinion on the true and fair view of the financial statements and such other information as may be prescribed from time to time by the CBN.

- a. The approved auditor shall satisfy the following requirements:
 - i. Be a member of a recognized professional accountancy body in Nigeria;
 - ii. Currently in professional practice as accountant and auditor in Nigeria.

- b. No person or auditing firm shall be appointed as the auditor of a NIMFB if:
- i. He/she has interest in that NIMFB other than as a depositor;
 - ii. He/she is a Director, Officer or agent of such institution;
 - iii. It is a firm in which a Director of the NIMFB has interest as partner or Director;
 - iv. It is a firm in which a Director of the NIMFB is the spouse of a partner or Director; and
 - v. He/she is indebted to the NIMFB.
- c. Any external auditor who is subsequently affected by Section 20.2.2(b) above shall immediately cease to continue as the auditor of the NIMFB.
- d. If any NIMFB fails to appoint or fill a vacancy for an approved auditor, the CBN shall appoint a suitable person for that purpose and shall fix the remuneration to be paid by the NIMFB to such auditor.
The appointment of an approved auditor shall not be determined without a prior written approval of the CBN.

20.2.3 The Responsibilities of an Approved External Auditor shall include the following amongst others:

- a. To immediately report to the CBN formally if he/she is satisfied that:
 - i. there has been a contravention of BOFIA, 1991 [as amended] or that an offence under any other law, guidelines, circulars, etc has been committed by the NIMFB or any of its officers; or
 - ii. losses have been sustained by the NIMFB which had substantially reduced its capital funds; or
 - iii. any irregularity which jeopardizes the interest of depositors or customers of the NIMFB has occurred; or
 - iv. the firm is unable to confirm that the claims of the depositors or customers are covered by the assets of the NIMFB.
- b. To forward to the CBN a domestic report on the activities of the NIMFB not later than three (3) months after the end of the financial year of such NIMFB.
- c. To have access, at all times, to the books, accounts and vouchers of the NIMFB and be entitled to require from Directors, Managers and Officers of the NIMFB all information and explanation considered necessary for the performance of the audit.
- d. In order to enhance transparency in reporting, no Audit Firm shall serve the same institution as External Auditor for a continuous period exceeding ten (10) years.

- e. Any approved auditor who acts in contravention of the foregoing requirements or fails either deliberately or negligently to comply with the requirements of this Section shall be reported to his respective professional body for appropriate sanction.

In case of grave contraventions, the auditor may be suspended from further acting as the approved auditor to all financial institutions under the supervisory purview of the CBN.

21.0 SCHEME OF ARRANGEMENT

No NIMFB shall enter into any "Scheme of Arrangement" with its investors without obtaining the prior approval of the CBN. Any NIMFB that is unable to meet its obligations to its depositors or investors shall submit its proposals to restore liquidity or viability and for eventual settlement of its outstanding obligations to the Director of OFISD for consideration and approval. Notification of the scheme shall also be made to the Director of SIID by the NIMFB. Failure to comply with this provision will attract a penalty of N100,000, N200,000 and N300,000 for Unit, State and National NIMFBs respectively.

22.0 RESTRUCTURING AND RE -ORGANIZATION

Except with the prior consent of the Governor of the CBN, no NIMFB shall enter into an agreement or arrangement:

- a. Which will result in a change in the control of the NIMFB;
- b. For the sale, disposal or transfer of the whole or any part of the business of the NIMFB;
- c. For the amalgamation or merger of the NIMFB with any other company;
- d. For the restructuring of the NIMFB; and
- e. To employ a managing agent or to transfer its business to any such agent.

Failure to obtain the consent of the CBN before going into any form of restructuring or re-organisation shall attract a penalty of N500,000 regardless of the category of the NIMFB.

23.0 PARTICIPATION OF EXISTING FINANCIAL INSTITUTIONS IN NON-INTEREST MICROFINANCE BANKS' ACTIVITIES

23.1 Deposit Money Banks (DMBs):

- a. A Deposit Money Bank (DMB) wishing to establish a NIMFB could do so by complying with the licensing requirement of NIMFBs as contained in this Guidelines.

Also, a Financial Holding Company which has a DMB as a subsidiary can apply for a license to establish a NIMFB by complying with the requirements as contain in this Guidelines.

23.2 Non-Governmental Organization Microfinance Institutions (NGO-MFIs)

An NGO-MFI, however, wishing to obtain an operating licence as a microfinance banks shall be required to meet the stipulated provisions in the Regulatory and Supervisory Guidelines for NIMFBs in Nigeria. A transforming NGO-MFI shall be required to provide an Institutional Assessment by a rating agency that specializes in rating microfinance service providers and a Certified Statement of Affairs by a firm of Chartered Accountants acceptable to the CBN. The institutional assessment shall include the NGO financial position, governance structure, human resources, risk management policy, control procedures, accounting as well as management information systems. The institution shall also be required to submit separate monthly returns of its microfinance portfolio, aside from its other lending activities.

The application for transformation to NIMFB shall be supported by:

- i. Board resolution approving the transformation and stating the objectives;
- ii. Detailed feasibility report including a business plan specifying what the NIMFB plans to achieve in the next five years;
- iii. CVs and copies of credentials of the proposed Board of the NIMFB and commitment letters to serve as Board member as well as the subscribed capital, if any;
- iv. Draft Memorandum and Articles of Association;
- v. Proposed name of the NIMFB;
- vi. Details of assets & liabilities to transfer to the NIMFB - the transfer shall be admissible at the value assessed/determined by the audit/consulting team during institutional assessment phase; and
- vii. Payment of application fee for an NIMFB licence as specified in these Guidelines

In consideration of meeting the minimum capital requirement/shareholders' funds, an existing institution may be exempted from depositing the paid-up capital requirement (as the case may be) with the Central Bank of Nigeria. Its capital shall, however, be subject to verification by the CBN for confirmation.

24.0 COLLABORATION TO REGULATE DEPOSIT/SAVINGS MOBILIZING INSTITUTIONS

- a. To prevent regulatory arbitrage in the sub-sector, the CBN shall collaborate with other relevant agencies of the government to monitor

the activities of financial cooperatives and NGOs that have significant operations due to their micro savings/deposit taking activities from their members. Any of these Institutions that attain total assets of N20,000,000 (twenty million Naira only) and or total membership/clients of two thousand (2,000) shall be encouraged to transform to the relevant category of MFB, subject to meeting the licensing requirements.

- b. Collaboration between the CBN, NDIC, Securities and Exchange Commission (SEC), National Insurance Commission (NAICOM), Corporate Affairs Commission (CAC), National Association of Microfinance Banks (NAMB), Association of Non-Bank Microfinance Institutions in Nigeria (ANMFIN), and other relevant government agencies shall be promoted to reduce arbitrage in the practice of microfinance.

25.0 CONDITIONS FOR REVOCATION OF LICENCE

The grounds for revoking a licence granted to a NIMFB may be any or all of the following:

- a. Submission of false information/data during and/or after the processing of the application for licence;
- b. The use of proxies or disguised names to obtain a licence to operate as a NIMFB;
- c. Engaging in functions/activities outside the permissible scope of its licence as specified in Section 2.2 of this guidelines;
- d. Persistent failure to comply with request for information/data in the form required/specified by the CBN;
- e. Engaging in activities prejudicial to the Nigerian economy;
- f. Failure to redeem matured obligations to customers;
- g. Failure to render statutory monthly returns for a continuous period of 6 months or for a cumulative period of 6 months in a financial year;
- h. Unauthorized shop closure;
- i. Failure to comply with any directive issued by the CBN;
- j. Technical insolvency i.e. where an NIMFB's assets are insufficient to cover its liabilities;
- k. Such other conditions applicable to Banks and Other Financial Institutions under BOFI Act (as amended) which constitute a ground for revocation of licence; and
- l. Any other act(s), which in the opinion of the CBN constitute(s) a violation or a serious default.

26.0 EXIT CONDITIONS

The condition for exit of a licensed NIMFB shall be as prescribed by the relevant sections of the framework for the regulation of non-interest financial institutions and BOFI Act (as amended) as applicable to other deposit taking financial institutions and the Companies and Allied Matters Act (CAMA) 1990 as amended.

27.0 RISK MANAGEMENT

NIMFBs are required to put in place appropriate policies, systems and procedures to identify, measure, monitor and control their risk exposures. In addition, they are required to put in place a robust risk management system that recognizes the unique risks faced by NIMFBs such as displaced commercial, fiduciary, transparency, Shari'ah non-compliance, reputational, equity investment, rate of return and other emerging risks. Further details and guidance are provided in documents issued by the CBN and international standard setting organizations including:

- i. CBN Prudential Guidelines;
- ii. Risk Management Guidelines issued by the Basel Committee on Banking Supervision; and
- iii. IFSB Guiding Principles of Risk Management for Institutions Offering Only Islamic Financial Services.

28.0 RECOMMENDED MINIMUM OPERATIONAL TEMPLATE FOR NON-INTEREST (ISLAMIC) MICRO FINANCE IN NIGERIA

MEASURES	ITEM	RECOMMENDED STANDARD FOR NIMFBs
CAPITAL	Capital Adequacy Ratio	10% minimum (S.12.1.3 of the NIMFB Guidelines.)
	Adjusted Capital to Net Financing Ratio	1:10 maximum (S.12.1.3 of the NIMFB Guidelines.)
	Maintenance of Capital Funds	S.12.1.7 of the NIMFB Guidelines.
	Maximum Investments in Fixed Assets	20% of Shareholders' Funds Unimpaired by Losses (SHF) S.12.1.4 of the NIMFB Guidelines.

	Maximum Equity Investment Holding Ratio	≤ 7.5% of SHF (S.12.1.11 of the NIMFB Guidelines.)
ASSET	Maximum amount per micro financing	N500,000.00 or 1% of SHF (S.1.3 d of the NIMFB Guidelines.)
	Micro financing as a percentage of total exposures.	Financing 80% (S.12.1.10 of the NIMFB Guidelines.)
	Portfolio at Risk (PAR)	≤ 5% (S.12.3 of the NIMFB Guidelines.)
	Net Financing portfolio as a percentage of total assets	60% minimum
	Growth in Outreach	>20% annually
	Maximum aggregate insider related exposures	≤ 5% of SHF (S.12.1.9b of the NIMFB Guidelines.)
	Single obligor limit (Individual exposures)	≤ 1% of SHF (S.12.1.9a of the NIMFB Guidelines.)
	Single obligor limit (Group exposures including cooperatives and corporate bodies)	≤ 5% of SHF (12.1.9a of the NIMFB Guidelines.)
	Savings as a of percentage total deposits	60% minimum
	Percentage financing to deposits	80%
	Financing portfolio profitability (Group Lending)	> 10%
	Financing Officer Productivity / Case Load (No. of active clients per financing Officer)	250 – 300

	Provision for classified accounts	S.12.1.12 of the NIMFB Guidelines
	Adequacy of provisioning on classified assets	100%
	Enterprises Risk Management Framework (ERMF)	ERMF should be in place and operational.
CORPORATE GOVERNANCE: BOARD, MANAGEMENT AND STAFF	Frequency of board meetings (minimum)	At least once per quarter
	Minimum Board Committees	Audit; Credit and Risk Management; and Finance & General purpose
	Advisory Committee of Experts (ACE)	The composition, qualification and experiences of the members of ACE is as contained in Section 10 of this guidelines
	Minimum number of Unit Heads	Operations; Credit & Marketing; Finance & Admin.; and Internal Audit/Shari'ah Compliance Audit
	Minimum management committees	Finance & Admin.; Credit; and Assets & Liabilities
	No. of finance Officer per branch	To be determined by the number of clients
	No. of customers per group	Not less than 5 and not more than 30.
	Purpose of the financing and repayment cash flow	Must be clearly stated and from verifiable income source(s)

	Financing methodology	<ul style="list-style-type: none"> ▪ Group solidarity model is more cost effective and highly recommended. ▪ Individual financing but group responsibility. ▪ Repeat financing increment, say N10,000 – N20,000, should be based on past repayment records. ▪ Cash collateral/contractual savings – not less than 10% of principal amount of financing and refundable.
	Financing / outreach to women	<ul style="list-style-type: none"> • Encourage formation of and linkage with women groups. • Annual incremental financings to women as a proportion of the bank's portfolio and client outreach.
	Micro financing tenure	6 months. For agriculture or projects with longer gestation a maximum tenure of 12 months is permissible. In housing microfinance, a maximum tenure of 24 months is permissible (S.1.2.IV of the NIMFB Guidelines.)
	Follow up for repayments	7 days after disbursement, weekly collection
	First financing disbursement	Minimum of 4 weeks after enrolment as a client or member of solidarity group.
	First repayment installment starts	15 days after financing disbursement
	financing repayment frequency	Weekly, except agricultural financing
	No. of installment to complete repayment	Should depend on the duration of the contract
	Group member's mandatory savings	Minimum of N100.00 per week
	Mandatory financing	Optional

	Service charge	Market determined but transparent. Display of indicative rate of return and fees board is mandatory
EARNINGS	Operational Self-sufficiency (OSS) – a measure of total operating income to total costs (operating costs + financing loss provision + financing cost), that is: OSS = $\frac{\text{Operating Income} \times 100}{\text{operating costs} + \text{Loss provision} + \text{financing cost}}$	> 100%
	Financial Self-sufficiency (FSS) - a measure of a NIMFB's adjusted operating income to adjusted direct and indirect costs (i.e. operating costs + loss provision + financing cost), that is: FSS = $\frac{\text{Adjusted Operating Income} \times 100}{\text{Adjusted (operating costs} + \text{loss provision} + \text{financing cost)}}$ NB: Operating income and expenses are adjusted for inflation and concessional loans (Qard).	> 120%

	Financial Sustainability	<ul style="list-style-type: none"> Operate at full-cost recovery basis. Maintain lean operational costs in order to record positive ROA and ROE.
	Operating Expenses to Total Assets	≤15%
	Staff Costs to Total Assets	≤10%
	Administrative Expenses to Total Assets	≤5%
	Total Expenses to Total Assets	≤30%
LIQUIDITY	Liquidity Ratio	10% (S.12.1.2 of the NIMFB Guidelines.)
	Minimum investment in compliant instruments	Minimum of 5% and Maximum of 10% (S.12.1.1 of the NIMFB Guidelines.)
SOCIAL PERFORMANCE MEASUREMENT	Mission and Vision	Should be clear and focused on the active poor, women, vulnerable groups or the unbanked.
	Transparent and responsible pricing	Prices, terms and conditions of contract (including charges and all fees) should be clear, transparent, and adequately disclosed in a form understandable and affordable to the clients.
	Avoidance of over indebtedness	Reasonable steps should be taken to ensure that financing will be granted only if the customers have demonstrated adequate ability to repay and will not put the customers at significant risk of over indebtedness.
	Disclosure of required information to Credit Reference Bureaux (CRBs)	Information on all credit clients should be supplied to licenced CRBs from time to time (S.18 of the NIMFB Guidelines.)

BUSINESS PLAN	Strategic Plan and Annual Budgeting	<ul style="list-style-type: none"> • Adherence to Board's approved strategic plan. • Board's approval of annual budget.
	Funding / Financial Strategy	Clear financial strategy evidenced by a diversified funding base.
OTHER PARAMETERS	Office accommodation	Simple and cost effective
	Own office building	<ul style="list-style-type: none"> • Prior CBN's approval strictly required for construction. • At no time should depositors' funds be used for this purpose.
	Branch expansion (including meeting points, customer service point, cash centres and branches)	<ul style="list-style-type: none"> • Simple, standardized, and cost effective branch structure. • Prior CBN's approval strictly required. • At no time should depositors' funds be used for this purpose.
	Decision making hierarchy	Guided by authorization limits as approved by the Board of Directors.
	Manning level	Lean middle and top management
	Management Information System (MIS)	<ul style="list-style-type: none"> • Simple, robust with relevant modules, and e-FASS/FINA compliant. • Cost included in the prescribed 20% for fixed assets.
	Staff Training	<ul style="list-style-type: none"> • On-the-job at zero cost. • Low cost staff training budget as a function of net profit. • Training in Islamic Finance as well as Microfinance Certification Programme (MCP) is compulsory for top management, that is, the Managing Director and Departmental Heads, and

		highly recommended for other staff.
	Administration of contract	<ul style="list-style-type: none"> • Regular review and monitoring of contract at least once every thirty days (§.12.1.12b of the NIMFB Guidelines). • Monitoring activities should be supported with periodic field visits (Places of business) to the clients.
	Key operational objective	Wide outreach at low operational unit costs and group Solidarity model.



CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Bank of Nigeria
P.M.B. 9001
Lagos, Nigeria

Ref: **CP/REG/2017/0000000000**
Circular Reference No: **CP/REG/2017/0000000000**

February 28, 2017

Ref: **CP/REG/2017/0000000000**

CIRCULAR TO ALL COMMERCIAL, MERCHANT AND NON-INTEREST BANKS ON IDENTIFICATION OF SOME BUSINESS RECORDS WITHOUT FIVE (5) MINUTES FROM THE STOP-GAP TO THE REDESIGNED CREDIT RISK MANAGEMENT SYSTEM (CRMS)

Bankers in Compliance with CP/REG/2017/0000000000 issued June 22, 2017, the redesigned Credit Risk Management System (CRMS) has gone live on 20th February 2017 while the CRMS Regulatory Checklist was issued with Circular CP/REG/2017/0000000000 dated November 22, 2017.

As part of measures to safeguard the integrity of data stored and to adequately address instances of any business's unwillingness to provide valid BVN or TIN during the onboarding phase of account setup that triggers the instant issuance of such records as follows:

- **Account records without BVN**
 - a. **Business Documents**
 - Business Card
 - Tax Identification Number (TIN) Form (BIR Form 100)
 - License
 - Power of Attorney
 - Affidavit
 - b. **Person's Business Qualification**
 - Full Name (Surname, First Name, Middle Name)
 - Address (Home, Office, Shop/Store, Mailing and Current Address)
 - Gender
 - Date of Birth
 - Nationality
- **Credit Business Relationship** - a relationship existing with credit record
 - Credit by CBN/CBN for the
 - Relationship (Yes)

- Outstanding Amount (if any)
- **Migrated records without TIN**
 - 1. Borrower Identification
 - Borrower Code
 - Name of Company/Firm
 - Address
 - List of Directors and their TIN
 - 2. Borrower's Borrower Identification
 - Name of Company/Firm
 - Borrower's Bank Name, Bank/Branch Address and Account Number
 - Address
 - 3. Credit Record(s) Identification - a sub-schedule capturing each credit record's
 - Credit ID/CRIS Ref No.
 - Status (listed/true)
 - Outstanding Amount (if any)

The information should be submitted to the Director, Financial Policy & Regulation Department within four weeks from the date of this letter. Soft copies of the same information may be forwarded to directors@cbmr.gov.eg

Yours faithfully,


KEVIN AMIGO
 Director, Financial Policy & Regulation Department



IN-ICT/AN/REG/REG/001/2017
 Director, Financial Policy & Regulation Department
 Central Bank of Nigeria

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
 Central Business District
 P.M.B. 0187
 Abuja, Nigeria

February 27, 2017

TO: SUPERINTENDENT

CIRCULAR TO ALL BANKS ON REGULATORY GUIDELINES FOR THE REDESIGNED CREDIT RISK MANAGEMENT SYSTEM (CRMS) FOR COMMERCIAL, MERCHANT AND NON-INTEREST BANKS IN NIGERIA

Following the successful rollout of the Credit Risk Management System (CRMS), the Regulatory Guidelines for Commercial, Merchant and Non-Interest Banks in Nigeria has been developed and attached herewith for necessary actions please.

The remaining requirements of the Regulatory Guidelines above that shall still be issued going live on 21st February 2017.

We expect your total cooperation on ensuring compliance with the requirements of the Guidelines. However, any residual breach from 1st April 2017 would be appropriately sanctioned.

Yours faithfully,

KEVYN AMLAGO
 Director, Financial Policy & Regulation Department

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Section 1. DEFINITION OF TERMS

- "Act" – refers to the Central Bank of Nigeria Act, 2007.
- "AMCOM" – refers to the Asset Management Corporation of Nigeria
- "Approved CRMS Code Book" – refers to the codebook with CRMS approved codes with description
- "Banks" - shall have the same meaning as defined in BOFIA 2004
- "Board of Directors"- refers to the Board of Directors of a legal entity
- "BOFIA 2004" – refers to Banks and Other Financial Institutions Act, CAP B3, LFN 2004
- "BVN" – means Bank Verification Number
- "CAC" – means Corporate Affairs Commission
- "CBN" – means the Central Bank of Nigeria.
- "Credit Bureau" (CB)/Credit Reference Company - means an institution that collects information from creditors and available public sources on a borrower or potential borrowers' credit history.
- "Credit File" – means an electronic or physical docket containing the Data Subject's personal and Credit Information that are collected, processed and maintained by an institution.
- "Credit Information" – means the history of a Data Subject with regard to credit and financial obligations that an institution may collect from Data Providers.
- "Credit Report" – means credit information issued by a participating institution containing all or part of the data subject's information and data available in the credit file or a summary thereof.
- "CRMS Reference Number" – refers to the unique reference number generated by the CRMS after validation and incorporation of credit details submitted by Participating Institutions for each transaction.

- "CRMS" – means Credit Risk Management System (provided by the CBN)
- "Data" – refers to information contained in rendered returns
- "Database" - means a set of information administered by participating institutions.
- "EBA" – means Eligible Bank Assets (refers to non-performing loans purchased by AMCON from Eligible Financial Institutions.)
- "FINA" – refers to the IFRS compliant financial regulatory application/platform for rendition of prudential regulatory returns.
- "FIRS" – means Federal Inland Revenue Service.
- "Individual Borrower" – refers to an individual (Nigerian or otherwise) that a Participating Bank has decided to avail a credit/loan facility.
- "JTB TIN" - refers to Taxpayer Identification Number that unifies taxpayer identification numbers issued by the FIRS and State Revenue Boards. Also called UTIN.
- "JTB" – means Joint Tax Board.
- "NDIC" – means Nigeria Deposit Insurance Corporation.
- "NIBSS" – means Nigeria Inter-Bank Settlement Services Plc
- "Non-Individual Borrower" – refers to any legal entity registered or established in Nigeria to which a Participating Bank has decided to avail a credit/loan facility.
- "Participating Bank" - refers to a bank or other financial institution regulated by the Central Bank of Nigeria with a license type that permits it to avail loans/credit to individuals and/or non-individuals.
- "Participating Institutions" – refers to entities that are allowed under the Guidelines to furnish and/or update credit information to the CRMS database and access information available therein.
- "BC Number" - refers to CAC's Registration Number.
- "TIN" – means Taxpayer Identification Number.

- "Unique Identifier" - means a number or combination of numbers and alphabets that uniquely identifies a borrower (in this case BVN for individuals and TIN for non-individuals)
- "User" – means an entity or a person that is allowed under this guidelines to access the CRMS. This is limited to participating banks and other financial institutions, NDIC, AMCON and any other institutions licensed by the CBN to provide credit/loans.
- "WebService" refers to a software function/method of communication between two electronic devices over a network.

Section 2 INTRODUCTION

2.1 Background

In the exercise of the powers conferred on the Central Bank of Nigeria by Section 57 of the CBN Act 2007, the provisions herein are made as guidelines for the operation of the Credit Risk Management System (CRMS) in Nigeria.

This guidelines shall apply to all Commercial, Merchant and Non-Interest Banks licensed and regulated by the Central Bank of Nigeria and authorized to grant credit facilities or loans to its customers.

2.2 Compliance with this Guideline

Participating institutions shall strictly comply with the provision of this Guidelines and any other existing regulations, guidelines or circulars on CRMS. However, where there is a conflict between other regulations, guidelines or circulars relating to the CRMS, this guideline shall take precedence.

Where participating bank fails to comply with the spirit and letter of this guideline, CBN shall apply appropriate sanctions on the defaulting Participating Bank as provided in the CBN and BOFIA Acts.

Section 3 UNDERLYING BASIS AND OBJECTIVES OF THE GUIDELINES

3.1 Underlying Basis

The regulatory guideline for the redesigned CRMS is underpinned by the following:

- a) Rendition on the CRMS is required before disbursement of any loan or credit facility. This process of submission does not interfere with any Participating Bank's decision to extend a loan or credit to its customer. Consequently, rendition is only required after approval to disburse is given.
- b) Concerns over recurring poor lending practices as captured in bank examination reports.
- c) The following legislations:
 - i. BOFIA, CAP B3, LFN 2004;
 - ii. Central Bank of Nigeria Act 2007;
 - iii. Companies and other Allied Matters Act 2004 ;
 - iv. Money Laundering (Prohibition) Act, 2010 (As Amended);
 - v. Company Income Tax Act 2004;
 - vi. Federal Inland Revenue Service (Establishment) Act, 2007;
 - vii. Joint Tax Board; established by Section 86 of Personal Income Tax Act, CAP P8, LFN 2004;
 - viii. Nigerian Co-operative Societies Act, 2004; and
 - ix. Any other legislations governing banking and granting of credit facilities or loans in Nigeria.
- d) Other operational guidelines, such as:
 - i. Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010;
 - ii. CBN Scope, Conditions and Minimum Standards for Merchant Banks Regulation, 2010;
 - iii. Consumer Protection Framework for banks and other financial institution by the CBN (Nov 2013);
 - iv. AML/CFT Regulation 2009 (as Amended);
 - v. Code of Corporate Governance for Banks and Discount Houses in Nigeria, 2014;
 - vi. The Revised Guide to Bank Charges (2013);
 - vii. Approved Persons Regime for Financial Institutions;

- viii. CBN Black Book Guidelines; and
 - ix. Any other relevant Circulars/Guidelines issued by the CBN from time to time.
- e) Under established Know Your Customer (KYC) regulation, banks and other financial institutions are expected to demonstrate a sound knowledge of their customers' background, more especially when it involves extension of loan/credit.
- f) Section 257 (a) of CAMA (Disqualification for directorship) specifically disqualifies "... a person under the age of 18 years" from being a director. In this regard, only individuals and legally registered or established entities (non-individuals) that can enter into valid and legally binding contracts are expected to be beneficiaries of loans/credits.

3.2 Objectives of the Guidelines:

The establishment of the Credit Risk Management System (CRMS) is aimed at identifying and minimizing the activities of serial defaulting borrowers in the financial services industry and to assist in strengthening the credit appraisal processes of Participating Institutions.

The objectives are to:

- a) ensure that the beneficiary of ANY loan or credit extended by any regulated financial institutions in Nigeria is uniquely identified;
- b) provide broad guidelines, minimum standards and requirements for the operation of the CRMS database in Nigeria;
- c) identify the stakeholders of the CBN CRMS and specify their roles and responsibilities on the operations of the CRMS;
- d) provide an enabling environment (business and technological) for the operation of the CRMS and specify the scope of reporting for the purpose of CRMS return rendition;
- e) specify minimum technical and business requirements for various stakeholders in the CRMS operations in Nigeria; and

- f) specify appropriate sanctions for non-compliance with the guidelines.

Section 4 STAKEHOLDERS (Roles and Responsibilities)

4.1 In general, the following persons/Institutions are the main stakeholders of the CRMS:

- i. The Central Bank of Nigeria (CBN)
- ii. The Nigerian Deposit Insurance Corporation (NDIC)
- iii. Asset Management Corporation of Nigeria (AMCON)
- iv. All licensed Commercial and Merchant Banks
- v. All licensed Non-Interest Banks
- vi. All Development Financial Institutions (DFIs)
- vii. All licensed Primary Mortgage Banks (PMBs)
- viii. All licensed Finance Companies (FCs)
- ix. All licensed Microfinance Banks (MFBs)

NOTE: Licensed Private Credit Bureaus shall continue to exist and serve their functions, render mandatory returns and comply with all relevant Circulars and Guidelines on their operations.

4.2. The Central Bank of Nigeria shall:

- be the custodian of the CRMS database;
- provide regulatory guidance for the effective and efficient operation of the CRMS;
- provide platform for rendition of CRMS related data and ensure availability and accessibility of the platform at all times;
- ensure full compliance by participating banks on renditions to the CRMS; and
- act as arbiter, through its Consumer Protection Department (with input from the Banking Supervision Department and Financial Policy & Regulations Department), in the event of a dispute between a borrower and a participating bank relating to entries on the CRMS only.

- 4.3 The Nigerian Deposit Insurance Corporation (NDIC) shall:**
- update status of existing loans granted by Financial Institutions (In-Liquidation); and
 - act as arbiter in the event of a dispute between a borrower and entries on the CRMS by Financial Institutions (In-Liquidation)
- 4.4 The Asset Management Corporation of Nigeria (AMCON) shall:**
- Update credit record status of EBAs transferred from Financial Institutions.
- 4.5 All Participating Banks shall:**
- Comply with extant CRMS related regulations;
 - Be responsible for data integrity and all liabilities that may arise otherwise;
 - Submit valid and complete credit information of its customers before disbursement of credit;
 - Make reference to the database as part of its credit appraisal process and retain evidence of same in borrower's credit file;
 - Ensure that the status of all credit records created is updated as may be required by the CBN from time to time; and
 - Ensure full disclosure of the institution's relationship with borrower.

More specifically,

- a) Participating Bank to Borrower:
- Obtain valid BVN or TIN
 - Ensure details therein are correct
 - Where incorrect, contact borrower to initiate corrective measures
 - Obtain valid e-mail address
- b) Participating Bank to CBN/CRMS:
- Know-Your-Customer/Borrower
 - Validate BVN, TIN, e-mail address
 - Populate CRMS with valid and accurate information
- c) CBN to Participating Banks:

- Ensure availability of the CRMS at all times (adequate notice will be given for routine maintenance)

Section 5 SCOPE OF REPORTING

5.1 Transactions to be Reported on the CRMS

- a) The CRMS shall be populated with details of all credit by way of loans and advances (with no upper or lower limits) before disbursement;
- b) All investment securities captured as part of loans and advances shall also be reported using the appropriate reporting templates as specified in the CRMS user manual;
- c) Any dishonoured/dud cheque issued by a banking customer shall be reported on the CRMS using the appropriate reporting template as specified in the CRMS user manual.

5.2 Operational Procedures for the CRMS:

Participating institutions shall refer to the updated CRMS user manual and approved code book for detailed CRMS returns rendition procedures, information requirements and the respective templates for all CRMS returns.

User Manuals and Approved Code Book (especially updated versions) shall remain available at the CRMS portal for download.

5.3 Rendition of Returns and Records maintenance:

- a) The ~~only~~ basis of making any rendition on the CRMS is either of the two recognized and valid unique identifiers - BVN for individual and TIN for Non-individual.
- b) Participating banks shall submit all the required information in the appropriate templates and manner in which they are required; as well

to make regular updates and maintenance of the records in a timely manner to reflect the true and correct credit position of a borrowing customer at any particular point in time.

Apart from updating borrowers' exposure level(s) at the prescribed intervals, Participating Banks are expressly prohibited from updating submitted/created credit records where there are no underlying transactions to support same.

For the avoidance of doubt, the CBN cannot amend any information submitted on the CRMS platform by Participating Institutions

5.4 SPECIFIC REQUIREMENTS FOR RENDITION ON THE CRMS

The achievement of this Guidelines' objectives is only possible to the extent that all Participating Institutions comply fully with its requirements.

Consequently, the following underlying principles shall apply:

a) For non-individual borrowers,

- The Board of Directors or promoter(s) of a legal entity (as duly registered with appropriately empowered statutory agencies) retain the ultimate responsibility for ensuring that any loan or credit facility contracted on behalf of the legal entity is repaid.
- The Board Resolution or any other legally recognized basis for authorizing request for a loan or credit facility, **MUST** expressly authorize the participating bank to obtain and retain on the CRMS:
 - TIN related information such as Company Name, Registration Number, Address, etc.; and
 - BVN related information such as Name, Address, Date of Birth, Gender, etc. of directors.
- Where the Directors or promoters of the legal entity are individuals, they shall provide their valid BVNs to the participating banks for authentication and shall form of the part information on the CRMS.

b) For an Individual Borrower,

- a valid BVN must be provided to the Participating Bank for authentication and shall form part of data on the CRMS.
- Additionally, the legally recognized document or basis for a loan or credit facility request MUST expressly authorize the participating bank to obtain and retain BVN related information such as Name, Address, Date of Birth, Gender etc.

c) For Guarantees/Guarantors,

- No guarantee provided by an individual shall be allowed on the CRMS without BVN.
- Where an entity, legally registered or established in Nigeria, provides a guarantee to either an Individual or a Non-Individual Borrower, its TIN must be provided in the data submission.
- Additionally, the board resolution or any other legally recognized basis for authorizing the entity to serve as a guarantor MUST include language expressly authorizing the participating bank to obtain and retain on the CRMS TIN related information such as Company Name, Registration Number, Address, etc.

6.0 NON-COMPLIANCE (PENALTIES AND SANCTIONS REGIME)

The Central Bank of Nigeria in exercise of the powers conferred on it under extant legislations shall monitor compliance with the Guidelines through routine onsite examinations of financial institutions, off-site review of returns condition, and periodic spot checks.

The penalties and sanctions specified in Section-6 would be levied on Participating Banks and their Principal Officers for contravention of the provisions of this Guidelines.

6.1 Categories of non-compliance

Non-compliance with the Guidelines is categorized as follows:

- a) Failure to submit borrower's details before disbursement:
 - A single incident where a Participating Bank fails to submit details of an approved loan or credit **before** disbursement to the beneficiary.
- b) Persistent Failure to submit borrowers' details before disbursements:
 - Two (2) or more incidents in any calendar year where a Participating Bank fails to submit details of an approved loan or credit **before** disbursement to the beneficiary.
 - Two (2) or more incidents refer to individual loan or credit type regardless of whether it involves one or more borrower(s).
- c) Submission of misleading, incorrect, invalid and/or incomplete information:
 - This covers ALL forms and types of incorrect information relating to both the borrower and details of the credit at the time the loan was approved and submitted on the CRMS before disbursement:
 - Borrower's unique identification;
 - Borrower specific disclosures such as relationship with borrower, demographics etc;
 - Credit/Transaction details;
 - Purpose of loan/credit;
 - Funding sources;
 - Collateral & Guarantees; and
 - Other information that may be specified by the CBM from time to time.
 - All required information in the CRMS is considered material.
- d) Any discrepancy between information submitted to the CRMS and the contents of the borrower's credit or the credit file.

- e) Inappropriate handling of borrower records on the CRMS:
 - Unauthorized release of a borrower's credit details submitted on the CRMS;
 - Failure to update borrower record(s), in a timely manner, to immediately align with changes to the terms and conditions of the loan/credit facility;
 - Deliberate and/or malicious update of borrower record(s) in a manner inconsistent with underlying agreements resulting in borrower adverse or favorable status; and
 - Update of borrower record(s) without **ANY** underlying transaction to support same except if update is to comply with periodic update of borrower's exposure.
- f) Failure to check the CRMS, as part of the of the credit appraisal process, and retain a copy of a CRMS generated report with date & time stamps of such status check in a borrower's credit file.

6.3 ACCOUNTABILITY FOR SPECIFIC ROLES IN PARTICIPATING BANKS

In order to consistently ensure completeness, accuracy and timeliness of information on the CRMS, the following shall apply:

- Chief Risk Officer (directly or through the Chief Credit Officer) to ensure:
 - All credits/loans/exposures are reported;
 - All details required and submitted **MUST** mirror contents of internal credit files for the borrower; and
 - Adherence to the minimum maintenance cycle for updating records in the CRMS – **at least once a month.**

NOTE: Under the CBN's Approved Persons Regime, the Chief Risk Officer will be held individually accountable and responsible for regulatory breaches that occur during his/her tenor. This also includes discovery of such regulatory breaches after his/her tenor.

- **Chief Finance Officer to:**
 - ensure total loans/advances/credits reported on FINA or any regulatory platform for such submissions of returns **MUST** match total value of credit/exposures reported in the CRMS.

NOTE: Under the CBN's Approved Persons Regime, the Chief Finance Officer will be held individually accountable and responsible for regulatory breaches that occur during his/her tenor.

- **Chief Compliance Officer to:**
 - immediately and formally advise both the Director, Banking Supervision Department and Director, Financial Policy & Regulation Department of the CBN when there are personnel changes involving either the Chief Risk Officer and/or Chief Finance Officer;
 - ensure internal processes required to generate ALL required information for accurate and timely rendition are institutionalized; and
 - ensure compliance by Participating Bank with the letter and spirit of the Guidelines and report any breaches to the CBN

6.3 Penalties and Sanctions Grid

A) Failure to submit details of any loan (MPLs and above) received a loan/credit prior to the effective date of this Guidelines (see CRR Circular dated 6th June 2020, Ref No:CS/PA/1/2020)

S/NO	RELATIONSHIP WITH BORROWER	SANCTION (fine or penal) including cost-linked component
1	Any borrower other than Staff, Subsidiary, Affiliate, Director Related, Insider Related	INR,000/day for each loan/credit from day it was disbursed to the date it is reported
2	Staff, Subsidiary, Affiliate, Director Related, Insider Related	INR,000/day for each loan/credit from the day it was disbursed to the date it was discovered/reported

B) Failure to submit borrower's details before disbursement (from the effective date of this Guidelines)

S/NO	RELATIONSHIP WITH BORROWER	SANCTION-1	SANCTION-2	SANCTION-3
1	Any borrower other than Staff, Subsidiary, Affiliate, Director Related, Insider Related	INR,000,000/day for each loan/credit from day it was disbursed to the date it was discovered/reported	Individual "Letter of Explanation" from the Chief Risk Officer and the Chief Compliance Officer to the Director Banking Supervision and Director Financial Policy & Regulation Department for each unreported loan	Value of EACB approved loan or disbursed amount (whichever is higher) to be immediately deducted from qualifying capital in the calculation of Capital Adequacy Ratio for regulatory capital purposes and apply same for the next three (3) years.
2	Staff, Subsidiary, Affiliate, Director Related, Insider Related	(a) INR,000,000/day for each loan/credit from the day it was disbursed to the date it was	Value of EACB approved loan or disbursed amount (whichever is higher) to be permanently deducted from qualifying capital	

		disclosed/reported. OR (b) Penalty shall be the equivalent of ALL incident(s) named from each institution, whichever is higher.	in the calculation of Capital Adequacy Ratio for regulatory capital purposes for the next three (3) years.	
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C) Persistent failure to submit borrowers' details before disbursements:

in addition to the sanctions regime in table (B) above:

LEVEL	RELATIONSHIP WITH BORROWER	INCIDENCY	SANCTIONS
1	Any borrower, affiliate, Staff, Subsidiary, Affiliate, Director Related, Insider Related	The 1 st of more incidents in a calendar year	(a) Penalty shall be the equivalent of ALL incident(s) named from each loan/branch. (b) Approved Persons Register will require identification of the Chief Risk Officer and Chief Compliance Officer
2	Staff, Subsidiary, Affiliate, Director Related, Insider Related	The 2nd incident in a calendar year	In addition to item(1) above Letter of Explanation from the Participating Bank's CEO/CFO for SAO's categorized Risk
3	Staff, Subsidiary, Affiliate, Director Related, Insider Related	More than two incidents discovered (regardless of when it occurred)	In addition to item(2) above (a) Letter of Explanation from the Participating Bank's Board

			<p>Chairman and Board Credit Committee Chairman to the Director Banking Supervision and Director Financial Policy & Regulation Departments</p> <p>On the Fit and Proper Persons Regime and Code of Corporate Governance shall determine the appropriateness of All Board Credit Committee Members.</p>
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D) Submission of misleading, incorrect, invalid and/or incomplete information.

Any discrepancy between information submitted/available on the CRMS and the contents of the borrower's credit file

Failure to update existing/loan records to reflect status of the credit or loan:

S/N	RELATIONSHIP WITH BORROWER	SANCTION 1	SANCTION 2	SANCTION 3
1	Any borrower other than Staff, Subsidiary, Affiliate, Director Related, Insider Related	\$10,000/day for each incorrect/invalid date from the day it was submitted to the date it was discontinued.	Individual "Letter of Explanation" from the Chief Risk Officer and the Chief Compliance Officer to the Director Banking Supervision and Director Financial Policy & Regulation Departments for [MIS] reported loan.	For recurring incidents in more than 3 (three) transactions in a calendar year, penalty shall be the equivalent of 50% of ALL income(s) earned from such transaction.
2	Staff, Subsidiary, Affiliate, Director Related, Insider Related	\$20,000/day for each incorrect/invalid date from the day it was submitted to the date it was discontinued.		

E) Any discrepancy between total loans/advances/credits reported on FIRM, or any regulatory platform for submission of such returns and total value of credit/represents reported in the CRM:

S/NQ	FREQUENCY	SARS/EXEM-1
1	A single incident in a calendar year	"Letter of Explanation" from the Chief Finance Officer and Chief Risk Officer to the Director Banking Supervision and Director Financial Policy & Regulation Departments on the discrepancy. In addition to above.
2	Two incidents or more incidents in a calendar year	Approved Persons Regime will require identification of the Chief Finance Officer and Chief Risk Officer.

Section 7 COMPLAINTS AND DISPUTE RESOLUTION

7.1 Introduction

- a) Participating institutions shall be solely responsible for their rendition on the CRMS database and will be wholly and severally liable for any liability that may arise thereto.
- b) The CBN shall not be liable or joined in any dispute(s) arising from wrong information given in respect of a credit report on a holder/data subject.

7.2 Procedure

Consistent with dispute resolution mechanism in the CBN's Consumer Protection Framework, where a borrower disputes any credit record or credit status relating to the borrower, as reported on the CRMS by a Participating Bank,

- a) the borrower should formally complain to the reporting Participating Bank for a resolution
- b) the borrower who complained is not satisfied with a response of the reporting Participating Bank, the complainant may escalate the issue to the Director, Consumer Protection Department, Central Bank of Nigeria; and
- c) where any of the parties that is still not satisfied with the outcome of the CBN's mediation process, the issue may be referred to any arbitration panel or a court of competent jurisdiction for resolution.



PR 462/2017

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E-mail: pr@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
P.M.B. 011
Lagos, Abuja

PR 462/2017

08/04/2017

PAYMENT OF ANNUAL LICENSE RENEWAL FEE THROUGH ELECTRONIC CHANNELS

This is to advise all Banks, the Charge Holders and Finance Companies (FC) that they should commence payment of their 2017/18 Licensing Renewal fee to the Central Bank of Nigeria (CBN) Bank of Abuja through BTR.

ACCOUNT NAME	ACCOUNT NUMBER
REGISTRATION AND RENEWAL ACCOUNT	0001300
FINANCE COMPANIES APPLICATION AND RENEWAL ACCOUNT	0001200

We also advise that the compliance deadline for the Annual Licensing Renewal Fee is observed.

Kindness of payment should be made to pr@cbn.gov.ng or pr@cbn.gov.ng as soon as possible.

Yours faithfully,

KEVIN K. ASEGU
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Lagos State House
P.M.B. 9121
Lagos, Nigeria

REF: CBN/2017/001
E-mail: regulation@cbn.gov.ng

January 18, 2017

REF: FPA/DIR/GEN/DIR/PA/018

CIRCULAR TO BANKS AND OTHER FINANCIAL INSTITUTIONS ON VIRTUAL CURRENCY OPERATIONS IN NIGERIA

The emergence of virtual currencies (VCs) has attracted investments in particular Bitcoin (BTC) that presents new methods for transferring value peer-to-peer.

However, in VCs the legal underpinnings and regulatory status have developed in such a manner as to make it difficult to trace transactions and issuance of Bitcoin VCs are linked to exchange platforms that are decentralized, off-shore and world. Customers may therefore lose their money without any legal process in the event these exchanges collapse or close business.

The development of VCs presents various structural, security and other concerns with other fiat money, Bitcoin, Bitcoin and other VCs, give rise to the need for guidance to clarify the status of the Nigerian legal system, thereby protect the good to ensure the proper functioning of the financial system and maintain the integrity of the financial system and any other type of institution that act as intermediaries in such transactions with the exception for currency exchange.

The attention of banks and other financial institutions is hereby drawn to the above and they are requested to take the following actions pending regulatory guidance to be issued by CBN:

- (i) Banks that are not yet licensed to deal with VCs are not allowed to conduct virtual transactions;
- (ii) Banks that already provide such services under existing authorizations have effective ANUCFT records that enable them to process such virtual transactions, including and transaction monitoring requirements;
- (iii) Where banks or other financial institutions are not yet licensed with the primary principle of the virtual currency exchange/intermediary, the intermediaries should be licensed/registered; and
- (iv) Any business transactions for these payments should be conducted in accordance with the applicable laws and regulations of the country.

The CBN appreciates that VCs such as Bitcoin, Ripple, Namecoin, Monero, Dogecoin, Litecoin, etc. and other products are not legal tender in Nigeria. It is the duty of banks and other financial institutions to ensure compliance with the law.

KEVIN W. AWUCO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



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CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
Plot 6, Phase 1
Garki, Abuja

September 28, 2016

REF: FPR/2016/0047/REG/0000

CIRCULAR TO ALL DEPOSIT MONEY BANKS (DMBs)

In its attempt to ensure strict compliance with all extant regulations, particularly those relating to foreign exchange transactions, Financial Action Task Force (FATF) and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), the CBN has decided to enhance the minimum qualifications for the post-hold of the Chief Compliance Officer (CCO) of Deposit Money Banks (DMBs).

Going forward, DMBs are required to appoint not only a CCO who must not be below the rank of a General Manager regardless of the category of institution but also an Executive Compliance Officer (ECO) who should not be below the rank of an Executive Director. The CCO will report to the ECO while the ECO will in turn report directly to the Board of Directors.

The CBN will hold the Executive Compliance Officer responsible and accountable for any breach of any extant regulation in the DMBs. For avoidance of doubt, the CBN shall suspend/dismiss any ECO and CCO found wanting in the discharge of his/her responsibility.

DMBs are required to forward the names of their ECO and CCO together with their curricula vitae to the CBN for approval on or before October 18, 2016. The ECOs are however allowed to combine the responsibility with other functions while CCOs will focus ONLY on compliance matters in the bank.

This circular supersedes earlier circulars/directives on the subject.

J. R. YUSUF
FOR: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



Tel: 01-46227404
E-mail: cbn@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
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Central Bank

FPR/DIR/GEN/CR/04/003

September 1, 2014

CIRCULAR TO ALL DEPOSIT MONEY BANKS

SANCTIONS OWED TO DEPOSIT MONEY BANKS THAT PARTICIPATE UNDER THE CENTRAL BANK OF NIGERIA- NIGERIA ELECTRICITY MARKET STABILIZATION FACILITY (CBN-NEMSF)

In reference to our Circular referenced FPR/DIR/GEN/CR/03/004 dated August 4, 2014, regarding the terms and conditions for participating deposit money banks in the implementation of the CBN-Nigeria Electricity Market Stabilization Facility, the CBN has approved (s) condition (s) to ensure compliance with the terms and conditions of the facility.

A copy of the sanctions (s) is attached herewith on a separate sheet for perusal from the CBN website: www.cbn.gov.ng

For further enquiries, or to call any queries contact the Director, Department of Public Relations, Central Bank of Nigeria, Abuja.


KEVIN H. AWUGO
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT

CENTRAL BANK OF NIGERIA – NIGERIA ELECTRICITY MARKET STABILIZATION FACILITY (CBN-NEMSF): SANCTIONS GRID FOR PARTICIPATING DEPOSIT MONEY BANKS

S/N	Infractions	Sanctions ²
1.	Collection Bank and the Principal Collection Bank fail to provide the Refinancer/Administrator with statements of accounts for the Transaction Accounts within 5 Business Days after the end of each month.	<p>First Infractions: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction</p> <p>Further infractions: a financial penalty of a minimum of NGN 500,000 daily until the infraction is remedied on each account that such infraction is committed.</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB’s participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p>
2.	A DMB does not comply with a request by the Refinancer/Administrator to provide copies of bank statements for any of the Discos Accounts maintained by it and such other information relating to the transactions effected or to be effected on the Transaction Accounts within 5 Business Days from date of such request.	<p>First Infractions: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. CBN will be notified of the infraction.</p> <p>Failure to comply within 2 working will attract a financial penalty of a minimum of NGN 500,000 daily until the infraction is remedied</p> <p>Further Infractions: a financial penalty of a minimum of NGN 500,000 daily on each account that such infraction is committed, until the act is remedied</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB’s participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p>

² Note that (i) Sanctions that may be imposed are not limited to those listed, and the Central Bank of Nigeria may impose additional sanctions, and in such form as it may deem fit including regulatory action against officers of defaulting Deposit Money Banks; and (ii) Any penalties imposed as a result of sanctions may be directly offset against any fees payable to a Deposit Money Bank under the CBN-NEMSF.

3.	A DMB does not comply with the Operational Process Document (Circular) issued by the CBN pursuant to the Accounts Administration Agreement	<p>First Infractions: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction.</p> <p>Further Infractions: a financial penalty of a minimum of NGN 500,000 daily on each account that such infraction is committed, until the act is remedied</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p>
4.	Closure of a Transaction Account by DMB without the prior written consent of the Refinancer.	<p>First Infraction: Financial Penalty of NGN 2,000,000</p> <p>Further Infractions: Termination of the DMB's participation as a Mandate Bank.</p>
5.	Collection Banks and Principal Collection Banks do not provide the right to view the Transaction Accounts or any such other information relating to the transactions effected or to be effected on the Transaction Accounts in real time	<p>First Infraction: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction</p> <p>Further Infractions: a minimum financial penalty of NGN 500,000 daily on each account that such infraction is committed, until the act is remedied.</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p>
6.	Where Collection Banks allow revenues (including cash collections and revenues received from all electronic or other platforms) generated by any DISCO to be paid directly in any account other than the Feeder Collection Accounts as stipulated in the Account Administration Agreement	<p>First Infraction: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction</p> <p>Further Infractions: a minimum financial penalty of NGN 500,000 daily on each account that such infraction is noticed, until the act is remedied.</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p>

7.	Where Collection Banks allow a debit/ withdrawal from a Feeder Collection Account (FCA) to the Principal Collection Account contrary to terms of the Accounts Administration Agreement.	<p>First Infraction: Refund of amount debited/withdrawn from Feeder's Collection Account (FCA) with interest² at the Bank's maximum lending rate for the number of days the debit is outstanding.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p>
8.	Where there is a revocation of the banking license of a Mandate Bank or on the appointment of a liquidator or other similar processes evidencing a winding up or liquidation of the Mandate Bank,	Termination of the DMB's participation as a Mandate Bank under the CBN-NEMSF.
9.	The DMBs open additional bank account(s) for a Beneficiary DISCO, whether or not , for the purpose of receiving payments, fines and fees for electricity consumed by its customers without the prior written consent of the Refinancer.	<p>First Infraction: The DMB shall pay a penalty of N 2,000,000 on each account opened and shall be instructed by the Refinancer to close the account and transfer all funds in the account into the Principal Collection Account (PCA) within 24hours.</p> <p>If the infraction is not remedied after the expiration of the 24 hours, the bank will be liable to a penalty of N2,000,000 per day for the number of days the account remains open.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank under the CBN-NEMSF.</p>
10.	Where the DMBs permit debit/ withdrawals from the Feeder Collection Accounts to a non-Principal Collection Account.	<p>First Infraction: The DMB shall pay a penalty of N 2,000,000 on each account so debited in addition to refund of the debited amount with interest at the bank's maximum lending rate for the number of days the infraction continues.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p>



09-020408

THE
CENTRAL BANK OF NIGERIA

09/02/2018

CPA/PR/REG/001/000002

CIRCULAR TO BANKS AND OTHER FINANCIAL INSTITUTIONS

REVIEW OF RESTRICTIONS AND LIMITS ON DEBIT AND II OF THE TIERED EYE ACCOUNTS

In its circular dated 18th January, 2013 (referred to as CPB/PR/CR/001/00) on the introduction of three-tiered Debit Your Customer (DYC) functionality, the CBN directed financial institutions to align the provisions of the three-tier DYC in addition to the provisions of the CBN ABI/CFT Regulations, 2006 (as amended).

Following representations made by stakeholders for review of the limits and restrictions on the operations of Tier I and II accounts, the CBN is further reviewing its policy to align financial institutions' debit network against the current transaction limits of Tier I and II accounts as shown below:

	TIER I	TIER II
Single Debit	N50,000	N100,000
Aggregate Balance	N300,000	N500,000
Debit mobile money, Minimum Single Transaction Limit and Daily cumulative Transaction Limit	to the debit banking and Payments System Department circular dated 2 nd February, 2015 and subsequent CPB/PR/CR/001/00/000002	

Note that the provisions of Regulation 17 of the CBN ABI/CFT Regulations, 2006 shall apply to the debit limits and operations of Tier II accounts in line with the provisions of the circular referred to as CPB/PR/CR/001/00/000002 dated 18th January, 2013.

KEVIN A. AMUDA
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



YANKIN/ENGLISH VERSION

CIRCULAR TO BANKS AND OTHER FINANCIAL INSTITUTIONS – SECURED TRANSACTIONS AND NATIONAL COLLATERAL REGISTRY FOR NORTH FINANCIAL INSTITUTIONS IN NIGERIA

The Central Bank of Nigeria (CBN) in the exercise of the powers conferred on it by the Banking and Other Financial Institutions Act, 2006 in furtherance of its statutory mandate of providing to secure financial institutions reports, issued and updated in February 2018 the Regulations of Secured Transactions in Nigerian Financial Institutions and other financial institutions in Nigeria (Regulations, No. 1, 2018). The Regulations are as follows:

- (a) Provide a regulatory framework for secured credit system with reasonable certainty, limiting and protecting security interests, and creating a security interests in Nigeria;
- (b) Provide for the establishment and operation of the national registry, and
- (c) Regulate secured lending to Micro, Small and Medium Enterprises (MSMEs) by providing an efficient mechanism for the registration of security interest in movable assets and reduction of such interest in the event of a default.

Further details on the Regulations are set out in the attached circular and other financial institutions are the information on the National Collateral Registry (NCR) is now operational and can be accessed on the following website: www.ncr.gov.ng

All banks and other financial institutions are hereby required to update their secured lending or advance system with the NCR with effect from Monday, July 4, 2018. Financial institutions are also advised to conduct search on the NCR as part of credit assessment and risk management processes in order to verify the ownership status of movable assets used to be used as collateral for credit facilities.

Each financial institution (including financial institutions) is hereby required to nominate a qualified person to act as a System Manager to assist in the maintenance and administration of the NCR system. The nomination should be sent to the same email email address by Friday, July 6, 2018.

REGISTRATION OF SECURED TRANSACTIONS

Further details on this circular may be obtained to the Director of Institutional Finance Department of CBN.

SEVIN M. AFUSIO
DIRECTOR, FINANCIAL POLICY AND REGULATIONS DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Bank of Nigeria
199A, Zaria Road
Abuja, Nigeria

Tel: +234 9 462 37402

Email: info@cbn.gov.ng

REF: FPR/DOR/GEN/CIR/01/004

January 22, 2019

CIRCULAR TO ALL BUREAUX DE CHANGE

REFUND OF MANDATORY CAUTION DEPOSIT

Given the recent development in the operations of BDCs in the economy, the CBR has decided as follows:

- i. The refund of Mandatory Caution Deposit of N15 million to all BDC operators; and
- ii. The retention of N1million floating fee.

Therefore, all eligible BDCs may wish to apply for refund of their caution deposits, attaching evidence of payment and bank transfer details.


KEYEN M. AMUGO

DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



Ref: CBN/DP/PR/001/2014
Private Communication

FR/DP/GEN/CIR/01/001

January 21, 2014

Circular to all banks

INTRODUCTION OF REGIONAL CREDIT ACCOUNT MAINTENANCE FOR EXCISE DUTY/MIAT

The Section Guide in 2014 Country Strategy which came into effect on April 22, 2013 provides for a phased introduction of Commercial and Financial Credit (CFC) charges in the Nigerian banking system under the Guidance in the CFC regime and to come into effect from 2014.

The CBN notes that while the goods market will be being covered with some banks intended to charge import and export fees in addition to the reduced CDF rate, which is used intended to double convenience of charge.

The CBN is not aware of the impact of charging cross of cross account of Treasury Single Account and other (MIAT) a financial or tax liability and liability of the banks.

In fulfillment of its mandate to provide and safeguard a sound financial system in Nigeria, the CBN has decided to extend from the 2014 the CDF regime to private banks and the 2014 Section Committee meeting of February 12, 2013 has come into effect in the month of middle of the banking system of Nigeria's Central Bank (MIAT) Maintenance Account (MIAT) and the CDF rate may be charged in respect of all activities related to the transactions.

Proceedure will comply.

KEVIN N. AWOKO
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



014422401
 Central Bank of Nigeria
 P.O. BOX 924, CENTRAL POST OFFICE, LAGOS

CENTRAL BANK OF NIGERIA
 Financial Policy & Supervision Department
 Lagos State
 Lagos, Nigeria

October 8, 2018

2018/010/000000

REDUCTION IN CASH RESERVE REQUIREMENT (CRR) TO DOMESTIC BANKS' CREDIT FOR REAL SECTOR FINANCING

The Monetary Policy Committee (MPC), at its 1087 meeting held on Wednesday, 27th September 2018 reduced the CRR for 330 class banks from 20% to 15% with a view to stimulating the domestic credit expansion in the real sector. The reduction in cash reserve requirement is expected to increase output growth, expanding the monetary base, stimulating the economy and increasing the availability of credit to SMEs.

In line with the above policy thrust, the CRR is accordingly reduced to ensure that funds released from the reduction in CRR are directed mostly to financing projects.

Consequently, deposit money banks and financial institutions required to upgrade their surpluses, 300 (three) percent to the stipulated 15% must, immediately, bring into use and remove, immediately and other well-recommended projects and funds to be used for such approved and sanctioned projects. It should be noted that funds released from reduction of CRR are not envisaged under the programme.

An earlier version of this notice was issued by the Monetary Development Branch (Monetary Development Unit) of Lagos State.


KEVIN N. AWUGO
 DIRECTOR, FINANCIAL POLICY & SUPERVISION DEPARTMENT



Bank of Nigeria
Bank of Nigeria
Bank of Nigeria

CENTRAL BANK OF NIGERIA

Financial Policy & Regulations Department
 Central Bank of Nigeria
 Plot 12, 13 & 14
 Central Bank

0122071406

December 31, 2018

PAYMENT OF ANNUAL LICENSE RENEWAL FEE THROUGH ELECTRONIC CHANNELS

Further to the Central Bank of Nigeria Circular letter issued at preceding electronic copy of process with associated cost saving benefits, we wish to invite financial institutions to make their annual license renewal payments through electronic channels.

Islamic Finance Company (IFC) and Finance Companies (FC) are required to make such payments through the following designated accounts with the Central Bank of Nigeria:

ACCOUNT NAME	ACCOUNT NUMBER
IFC APPLICATION AND RENEWAL ACCOUNT	00004776000
FINANCE COMPANIES APPLICATION AND RENEWAL ACCOUNT	00004776001

All payments should be made to the following email addresses:

ifc@cbn.gov.ng and fcs@cbn.gov.ng

KEVIN N. AMEGBE

DIRECTOR, FINANCIAL POLICY & REGULATIONS DEPARTMENT



Tel: 01-462-3740
Email: info@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Business District
150, 151
Marko Road

FP/DR/CB/GEN/O/035

November 30, 2015

CIRCULAR TO ALL BUREAUX DE CHANGE

REVISED OPERATIONAL GUIDELINES FOR BUREAUX DE CHANGE

To enhance the operational efficiency of Bureau De Change and strengthen their regulation in Nigeria, the Central Bank of Nigeria, in line with the powers vested on it by the Central Bank of Nigeria Act of 2007 through the change monitoring unit (Operational Review) Act of 1993 and the Banks and Other Financial Institutions Act of 1991 (as amended), hereby issue the attached Revised Operational Guidelines for Bureau De Change in Nigeria.

The Guidelines were approved by the Board of Directors of the CBN at its 2015 meeting held on 20th November, 2015.


KEVIN N. AWUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

REVISED OPERATIONAL GUIDELINES

FOR

BUREAUX DE CHANGE

IN

NIGERIA

Financial Policy and Regulation Department

Central Bank of Nigeria

November, 2015

REVISED GUIDELINES FOR THE OPERATION OF BUREAUX DE CHANGE IN NIGERIA

1.0 INTRODUCTION

- 1.1 This revised guideline is issued by the Central Bank of Nigeria [hereinafter referred to as "the CBN or the Bank"] in exercise of the powers conferred on it by the Central Bank of Nigeria Act of 2007 [hereinafter referred to as the CBN Act] and the Banks and Other Financial Institutions Act 2004 [hereinafter referred to as "the BOFIA"].
- 1.2 It should be read in conjunction with the provision of the CBN Act, the BOFIA, subsidiary legislations made under the Acts as well as written directions, notices, circulars and guidelines that the CBN may issue from time to time.
- 1.3 No person shall carry on the business of Bureau De Change (BDC) in Nigeria, except with the prior authorization of the CBN.
- 1.4 A BDC shall be construed as any company that is licenced to carry on small scale foreign exchange business in Nigeria and whose sole object is the carrying on of such business on a stand-alone basis.

2.0 APPLICATION FOR LICENCE

- 2.1 The application for BDC licence shall be processed in two stages, namely: Approval-in-Principle (AIP) and final licence.
- 2.2 The requirements for a grant of AIP:
 - a. A formal application to the CBN Governor to grant the promoters an Approval in Principle to carry on the business of a Bureau De Change in Nigeria. The application should be addressed to the Director Financial Policy and Regulation Department (FPRD), Central Bank of Nigeria PMB 0187, Garki, Abuja. Applicants/promoters shall attach to their application the following documents:
 - b. A non-refundable application fee of ₦100,000 [One Hundred Thousand Naira Only] or such other amount as may be determined by the Bank from time to time in bank draft payable to the Central Bank of Nigeria.
 - c. Evidence of payment of the prescribed minimum capital of ₦35 million or any other amount as may be determined by the CBN from time to time, into the designated CBN account. The Bank

shall refund this amount with interest after the proposed institution has obtained its final licence.

- d. A copy of feasibility report containing information that includes:
 - [i] Aims and objectives of the proposed BDC
 - [ii] Need gap in services offered by the BDC
 - [iii] Proposed training programme for staff and management succession plan
 - [iv] A five year financial projection for the operation of the proposed Bureau De Change, indicating expected growth and profitability
 - [v] Details of the assumptions which form the basis of the financial projection
 - [vi] Organisational structure of the proposed Bureau De Change indicating the functions and responsibilities of the top management team
 - [vii] Composition of the Board of Directors and the curriculum vitae of each member, including other directorships held [if any]
 - [viii] Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) policy and compliance manual
 - [ix] Conclusions based on the assumptions made in the feasibility report
 - e. A copy of the draft Memorandum and Articles of Association.
 - f. A letter of intent to subscribe to the shares of the proposed Bureau De Change signed by each subscriber.
 - g. A copy of the list of the proposed shareholders in tabular form showing their business, and residential addresses and the names and addresses of their respective bankers, as well as the details of their Bank Verification Number (BVN).
- 2.4 Promoters shall reserve the proposed company's name at the Corporate Affairs Commission (CAC).
- 2.5 No proposed Bureau De Change shall incorporate/register its name with the Corporate Affairs Commission until an approval-in-principle [AIP] has been obtained from the CBN, a copy of which shall be presented to the Corporate Affairs Commission.
- 2.6 In considering an application for a licence, the Bank shall satisfy that:
- i. The quality of management staff of the proposed Bureau De Change is not in doubt and they have met the minimum pre-qualification criteria;

- ii. The adequacy of capital and earning prospects of the proposed Bureau De Change are promising;
 - iii. The objects of the proposed Bureau De Change as disclosed in its Memorandum and Articles of Association agree with the services listed in the provisions of section [1] of these Revised Guidelines and circulars issued by the Bank from time to time.
 - iv. The major shareholders, members of the board of directors and the top management of the proposed Bureau De Change have passed the "fit and proper" person's test.
 - v. That the payment for the shares by the shareholders meets the requirements in terms of mode (no cash payment allowed), properly receipted and documented.
- 2.7 If satisfied with the promoters' submission above, the Bank may grant them an Approval-in-Principle (AIP).
- 2.8 An Approval-in-Principle shall not be construed as approval to commence business. To proceed on the latter, a final licence is required.

3.0 REQUIREMENTS FOR THE GRANT OF FINAL LICENCE

Not later than six months after the grant of AIP, the promoters of a proposed BDC shall submit application for the grant of a final licence to the Governor, Central Bank of Nigeria, Abuja, with the following documents:

- [i] Evidence of payment of a non-refundable licencing fee of N1 million (one million naira) only or any other amount as may be determined by the CBN from time to time.
 - [ii] The names, designations and signed Curricula Vitae (CV) of the proposed members of the top management.
 - [iii] Evidence of incorporation of the company with CAC.
 - [iv] Evidence of payment of N35 million mandatory caution deposit, or any other amount as may be determined by the CBN from time to time, into a designated CBN account.
 - [v] Evidence of having suitable office accommodation for the operation of the proposed BDC.
 - [vi] Any other conditions as may be specified in the AIP letter.
- 3.1 Thereafter, the Governor may grant a licence to the Bureau De Change.
- 3.2 The Bank may at any time vary or review any condition of a licence or impose additional conditions.

3.3 Where a licence is granted subject to the fulfillment of certain conditions, the Bureau De Change shall comply with those conditions to the satisfaction of the CBN within such period as the CBN may specify.

3.4 The BDC shall notify the CBN in writing of the date of commencement of its operation.

4.0 FINANCIAL REQUIREMENTS

4.1 Financial requirements, which may vary at the discretion of the CBN, are as follows:

[a]Minimum paid-up share capital	-	₦35 million
[b]Non-refundable application fee	-	₦100,000
[c]Non-refundable licensing fee	-	₦1 million
[d]Mandatory caution Deposit	-	₦35 million
[e]Non-refundable annual licensing renewal fee [payable not later than 30 days after the end of each calendar year]	-	₦250,000
[f]Non-refundable change of name fee	-	₦100,000

4.2 The licence shall be renewable annually subject to full compliance with these guidelines and payment of annual renewal fee as stipulated above.

4.3 Every licenced BDC shall maintain the mandatory deposit(s) [as stipulated in 4.1(d) above] with the Central Bank of Nigeria as "caution deposit" for the purpose of paying bonafide claimants in the event of default or liquidation of the BDC. Such fund shall bear interest at the industry savings account rate or as may be determined by the CBN from time to time.

5.0 BOARD / MANAGEMENT REQUIREMENTS

5.1 The number of directors on the board of a BDC shall be a minimum of three [3] and a maximum of five [5]. The appointment of directors shall be subject to prior approval of the CBN.

5.1.2 Board of directors shall meet at least quarterly.

5.1.3 An extra ordinary meeting of the Board of Directors shall be convened for the presentation of an Examination Report.

5.1.4 Management staff and other senior officers of the BDC shall possess qualifications and experiences as set out below:

5.2.1 **Managing Director/Chief Executive Officer**

The qualifications and experiences of the Managing Director / CEO shall be first degree or its equivalent in any discipline with three (3) years post-graduation experience.

5.2.2 **Management Staff**

The minimum qualifications and experience shall be first degree or its equivalent in any discipline with two (2) years post-graduation experience.

5.2.3 **Compliance Officer**

One of the Management Staff appointed above should be designated as compliance officer for the purpose of ensuring compliance with all regulatory guidelines and circulars.

Note: The CBN reserves the right to accept any other qualifications or experience that it may from time to time consider as adequate for a particular position in a BDC. All appointments shall be in compliance with the requirements of Approved Person Regime.

5.3 Every BDC shall obtain prior approval of the CBN before changing its location, organisational structure, directors or management staff.

6.0 **DISQUALIFICATION AND EXCLUSION OF CERTAIN INDIVIDUALS FROM THE MANAGEMENT OF BUREAUX DE CHANGE IN NIGERIA**

In line with the BOFI Act (as amended), all the conditions stipulating the exclusion of certain individuals from the management of banks shall apply to the management of BDCs except with written permission of the Governor of the CBN.

Note, also, that any director of a BDC whose licence is revoked as a result of breach of any condition upon which the licence was granted shall not be eligible to apply for a BDC licence.

7.0 **OPERATIONS OF BUREAUX DE CHANGE**

7.1 Every BDC in Nigeria shall deal in bank notes and coins, plastic cards and such other businesses as the CBN may approve from time to time.

7.2 The foreign currencies dealt in by a BDC shall be derived from private sources and such other sources which may include the CBN window as

determined by the CBN from time to time for the purpose of funding Business Travel Allowance [BTA] and Personal Travel Allowance [PTA].

- 7.3 Any person/individual wishing to sell foreign currency above \$10,000 or its equivalent to a BDC shall be required to disclose the source.
- 7.4 Transactions shall be on spot basis (immediate settlement). For the avoidance of doubt, forward transactions by BDCs are not allowed.
- 7.5 The maximum amount per transaction for a BDC shall be determined from time to time by the CBN with respect to business and personal travel allowances. The maximum amount currently for PTA and BTA per quarter is \$4000 and \$5000, respectively.
- 7.6 Every licenced BDC shall conspicuously display its buying and selling rates subject to a maximum spread of 3.5% or as the CBN may determine from time to time.
- 7.8. Every Bureau De Change shall keep proper registers and other records of **all** its transactions for transparency and compliance with Anti Money Laundering Provisions, CBN Guidelines, Circulars or directives. Furthermore, a machine list or receipts showing how the amount sold to or bought from a customer was arrived at, should be issued by the Bureau De Change.
- 7.9. All sales or purchases of foreign exchange shall be properly documented and recorded as may be required by the CBN. Such documents should be arranged sequentially and be made available to CBN and other regulatory authorities on demand.
- 7.10 Purchases of foreign currencies by intending travelers shall be supported by their Bank Verification Number (BVN), validly issued and genuine travelling documents (ticket, passport, visa) and the sales receipt duly signed by the customer. The amount and date shall be endorsed on the passport. In such cases, a photocopy of the documents, forex endorsement page and sales receipt shall be filed in a sequential order by the BDC. The stamp to be adopted by BDCs should contain the following details:

FX sold.....	Purpose.....
Value.....	
Date.....	
Signature.....	

- 7.11 Every BDC shall transact business at its registered office approved by the CBN. Any BDC that operates outside its registered office shall be sanctioned.
- 7.12 Similarly, it shall be a ground for the revocation of Licence should any street trader in foreign currencies be found to have any business relationship with a Licenced BDC.
- 7.13 Every BDC shall fix its hours of business which shall be **clearly** displayed in its office.
- 7.14 Every BDC shall be required to open both domiciliary and Naira accounts with Authorized dealers in Nigeria and inform the CBN accordingly. The accounts shall be used solely for day to day operations.

8.0 NON-PERMISSIBLE ACTIVITIES

- 8.1 Engaging in off-shore business or maintaining foreign correspondence relationship.
- 8.2 Engaging in any trade related import activities.
- 8.3 Maintaining a foreign account in whatever form.
- 8.4 Round-tripping of foreign exchange [currency] acquired through the CBN window.
- 8.5 Street trading of foreign exchange.
- 8.6 Carrying on capital market activities.
- 8.7 Any other activity as may from time to time be termed "non-permissible" by the CBN.

9.0 SUPERVISION AND MONITORING OF BUREAUX DE CHANGE

- 9.1 BDCs are required to comply with all extant rules & regulations prescribed by the Bank, while the CBN will closely supervise and monitor their operations.
- 9.2 The CBN shall continue to publish the list of all the licenced BDCs and their registered places of business periodically, for the information and benefit of members of the public.
- 9.3 In compliance with the provisions of BOFIA as amended, every BDC shall render returns to the CBN in prescribed format and within the deadline stipulated by the CBN.
- 9.4 The records of the BDCs shall be made readily available to the CBN examiners as and when requested. Where a BDC fails to provide the required records, appropriate sanctions shall be imposed.
- 9.5 Every Director of BDC shall sign and execute the Code of Conduct and ensure strict adherence to the code.

9.6 Every BDC shall conspicuously display a copy of its licence, exchange rates and Anti-Money Laundering caution notice at its place of business.

10.0 PROHIBITION OF BRANCH EXPANSION

10.1 Bureau De Change is licenced as a unit institution

10.2 No Bureau De Change shall have a branch office outside its registered office

10.3 All Bureaux De Change that under the 2002 Guidelines have branches are required to close such branches within 90 days of the 2015 guidelines.

11.0 INTERNAL CONTROL/COMPLIANCE UNITS

Every BDC shall have an Internal Audit/Compliance Unit which shall ensure that the operations of the company conform with the law, rules and regulations issued by the Bank as well as its internal rules and regulations.

12.0 ANTI MONEY LAUNDERING ACTIVITIES

Every BDC shall have an AML/CFT policy in compliance with AML/CFT Act 2011 for, amongst others, identification of customers using relevant means before carrying out a transaction or establishing a business relationship.

A BDC shall not deal with an anonymous customer. The compliance officer shall ensure that there is a compliance programme, prepare suspicious transaction report and render returns on same to the Nigeria Financial Intelligence Unit (NFIU). Where there are no such transactions, a "nil return" shall be rendered monthly.

13.0 APPROVAL OF AUDITED ACCOUNTS

Every licenced BDC shall submit its audited financial statements to the Director, Other Financial Institutions Supervision Department of the CBN for approval, not later than 3 months after the end of its accounting year.

13.1 No BDC shall publish its Audited Accounts in the Newspaper without the approval in writing of the CBN.

14.0 PRESERVATION OF RECORDS

Every licenced BDC shall keep the documents obtained from a customer for a period of at least six (6) years after the severance of relations with the customer or consummation of the transaction.

15.0 REVOCATION OF LICENCE

15.1 The CBN shall revoke the licence of a BDC on any or all of the following grounds:

Where the BDC or any of its directors/officers:

- 15.1.1 Forges, mutilates, alters or defaces any foreign currency, or other instruments of exchange in the foreign exchange markets with intent to defraud.
- 15.1.2 Engages in multiple ownership of BDCs
- 15.1.3 Obtains foreign currency from any ineligible source or from an eligible source but in a fraudulent manner.
- 15.1.4 Has been found guilty of fraudulent or dishonest practices by a court of competent jurisdiction.
- 15.1.5 Fails to operate within six [6] months after the grant of a licence.
- 15.1.6 Fails to pay all necessary fees including licence renewal fee within the stipulated period.
- 15.1.7 Fails to render returns for three [3] consecutive months.
- 15.1.8 Render false returns or sells foreign exchange on the basis of sham documents.
- 15.1.9 Associates business -wise, with street trading in foreign exchange.
- 15.1.10 Submits false information/data during and after the processing of the application for licence.
- 15.1.11 Fails to comply with any guidelines, directives or circulars of the CBN or provisions of BOFIA Act for a period of six [6] months.
- 15.1.12 Engages in any other act or acts which in the opinion of the CBN constitutes a violation or breach of this guidelines, the BOFIA Act (as amended), circulars and other regulations issued by the CBN.
- 15.1.13 Operates from a location other than its approved head office.

15.2 Where the CBN believes that it is not in the national interest for the BDC to continue to operate, notwithstanding the provisions of paragraph 14.1 above.

16.0 CHANGE IN OWNERSHIP STRUCTURE

Except with the prior consent of the Bank, no BDC shall enter into an agreement or arrangement:

- a. Which results in a change in the control or ownership of the BDC.
- b. For sale, disposal or transfer of the whole, or any part of the business of the BDC or its licence issued for the business of BDC thereof.

- c. For the amalgamation or merger of the BDC with any other entity.
- d. For the reconstruction/restructuring of the BDC, to employ a management agent or to transfer its business to any such agent.

For the avoidance of doubt, any BDC wishing to go into a merger or/and acquisition shall apply to the CBN for approval.

17.0 RENEWAL OF LICENCE

Every BDC licence shall expire on 31st December of each year and shall be renewed within the 30 days of the subsequent year with a non-refundable fee of N250,000 [two hundred and fifty thousand naira] only or at such a fee as may be stipulated by the Bank from time to time, subject to its operations being satisfactory to the Bank.

Note that any BDC licence that has not been renewed after expiration time line shall be deemed to have lapsed.

18.0 COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Every BDC shall comply with the requirements of the Foreign Exchange (Monitoring & Miscellaneous Provisions) Act 1995, Monetary Policy Guidelines, the provisions of BOFI Act 2004, Money Laundering (Prohibition) Act (MLA) 2011 as amended, rules and regulations on foreign exchange activities/business and other guidelines issue by the CBN from time to time.

19.0 OFFENCES AND PENALTIES

A BDC that contravenes any provision of this guideline shall be sanctioned in line with the penalty table (annexed) and other extant laws/regulations.

20.0 AMENDMENT

The Bank reserves the right to amend or revise the guidelines from time to time.

21.0 COMMENCEMENT

This guideline shall take effect from January 1, 2016.

Central Bank of Nigeria

Abuja

November 2015

Table 1: PENALTIES FOR INFRACTIONS BY BUREAUX DE CHANGE (BDCs)

S/N	INFRACTIONS	PENALTIES	REMARKS
1	Operating without a valid licence	Outright closure of the institution and prosecution of the owners	
2	Engaging in prohibited activities as contained in the guidelines	Revocation of licence	
3	Failure to attain the prescribed minimum paid-up share capital within the time allowed	Revocation of licence	
4	Failure to obtain the approval of the CBN for the appointment of new Directors and top management staff	The institution to pay a fine of five thousand naira (₦5,000) per day for the period the infraction subsists subject to a maximum of ₦500,000	
5	Non-rendition of regulatory returns	A fine of five thousand naira (₦5,000) for each day outstanding subject to a maximum of ₦500,000 and if it continues, it would be suspended from bidding for a period of three months	
6	Late rendition of regulatory returns	A fine of ₦5,000 for each day of the default subject to a maximum of ₦50,000	
7	Submission of false/Inaccurate information/report to the CBN.	Revocation of licence	
8	Failure to comply with any requirement of the monetary policy guidelines, provisions of the Banks and Other financial Institutions Act (BOFIA) 2004 as amended, as well as other circulars issued by the CBN	One month suspension and if it persists, three months suspension	
9	Relocation of office without the approval of the CBN	A fine of one million naira (₦1,000,000)	
10	Operation outside registered office and branch(es)	Six months suspension and revocation thereafter if not rectified	
11	Change in ownership, take over or amalgamation without CBN approval	A fine of two million naira (₦2,000,000) and three months suspension	
11	Failure to pay annual licence renewal fees within 3 months	Revocation of licence	

12	Failure to convene a special meeting of the Board of Directors for the presentation of an Examination Report and failure to convey the reaction of the Directors to the CBN.	A fine of One hundred thousand Naira (₦ 100,000) for each month during which the default persists subject to a maximum of one million naira (₦ 1,000,000).	
13	Failure to display relevant information (licence, exchange rates, AML/CFT caution notice)	A fine of fifty thousand naira (₦ 50,000).	
14	Failure by Directors to complete and execute the code of conduct forms.	A warning letter to the erring Director, and suspension of the Director should the breach persist after one month of CBN's warning.	
15	Non-compliance with the code of conduct by the Directors	Removal of the Director from office	
16	Lack of documentation on forex sales	A fine of one million naira (₦ 1,000,000) and suspension of the BDC for a period of three months	
20	Failure to comply with the stand-alone policy.	A fine of five hundred thousand naira (₦ 500,000) with a warning letter and suspension for three months.	
21	Sale of PTA/BTA in excess of permissible amount within the same quarter to an individual	A fine of five hundred thousand naira (₦ 500,000) and suspension of the BDC for a period of two months.	
24	Incomplete documentation of customer's identification i.e. missing documents	A fine of five hundred thousand naira (₦ 500,000) and suspension for three months	
25	Improper documentation of customer's identification i.e. expired documents	A fine of five hundred thousand naira (₦ 500,000) and suspension for three months	
26	Falsified or inaccurate documentation of customer's identification i.e. non-alignment of data on document	A fine of two million naira (₦ 2,000,000) and suspension for three months	
27	Non adherence to the 3.5% or any spread approved by CBN, between buying and selling rates.	Three months suspension.	
28	Multiple ownership of BDC.	Revocation of licence (s) of the affected BDCs.	
29	Inability to locate the BDC at its registered office	Six months suspension and revocation thereafter if not rectified.	



CENTRAL BANK OF NIGERIA

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October 22, 2013

CIRCULAR TO ALL BANKS AND LICENSED BUREAU DE CHANGE (BDC) ON THE USE OF BANK VERIFICATION NUMBER

In continuation of efforts to maintain the foreign exchange control over the national usage of foreign exchange (bilateral and third money) transfers out of the country, the use of Bank Verification Number (BVN) for all foreign exchange transactions SHALL come into effect from November 1, 2013.

All Banks and Licensed BDCs operating in Nigeria as well as the general public are, therefore, put on notice that with effect from November 1, 2013, ALL customers desiring to purchase foreign exchange through all available channels in Nigeria MUST provide their BVN, which shall be validated by the CBN Authorized Foreign Exchange Dealer through the Nigerian Interbank Settlement System (NIBSS) platform, before the transaction can be consummated.

For the avoidance of doubt, the CBN shall also issue November 1, 2013 discrepancy list of foreign exchange to the BDCs that had not provided the BVNs of all of its customers.

Any authorized foreign exchange dealer that fails to provide the required information at its Bureau or provide a wrong BVN would be penalized and this may include determination of its foreign exchange dealership authorization.

Please be properly guided.


KEVIN AKPAN
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



DF-462-37401

For
Circular Reference Number

FPB/DIR/CIR/DFN/09/2014

October 16, 2014

**CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS
REVISED ASSESSMENT CRITERIA FOR APPROVED PERSONS' REGIME FOR FINANCIAL
INSTITUTIONS**

The CBN after receiving and incorporating comments from various stakeholders in respect of the Exposure Draft on the "Revised Assessment Criteria for Approved Persons' Regime for Financial Institutions" dated September 30, 2014 issues the following guidelines and accompanying Appendices on Approved Person Regime for compliance by Banks and Other Financial Institutions in Nigeria.

From the Guidelines, prospective applicants for board and top management positions as well as major shareholders of banks and other financial institutions in Nigeria are required to complete and submit the questionnaire to Banking Supervision Department for CBN prior approval of their appointments.

All appointments of those Candidates come into effect from January 1, 2015.

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

CENTRAL BANK OF NIGERIA



**REVISED ASSESSMENT CRITERIA FOR APPROVED PERSONS'
REGIME FOR FINANCIAL INSTITUTIONS**

October, 2015

1.0 INTRODUCTION

Following the introduction in 2010 of a new banking model which replaced the universal banking model, and the issuance of the Revised Code of Corporate Governance for Banks and Discount Houses in Nigeria, the CBN, in its determination to ensure that only “fit and proper persons” are approved for appointment to board and top management positions in banks and other financial institutions, reviewed its circular referenced FPR/DIR/CIR/GEN/01/016, dated June 21, 2011 on “**Assessment Criteria for Approved Persons’ Regime For Financial Institutions**” in Nigeria.

In view of the above, the conditions specified in these guidelines are minimum requirements for candidates occupying or intending to occupy the under-listed board and senior/top management positions. in Nigerian banks, discount houses, development finance and other financial institutions.

1.1 OBJECTIVE

The objective of this document is to provide a broad framework for assessing a person’s capacity as “fit and proper” for the position for which he is being considered.

1.2 SCOPE AND APPLICABILITY

These guidelines shall apply to commercial banks (Regional, National and International), merchant banks, non-interest banks, primary mortgage banks, discount houses, development finance and other financial institutions under the purview of the CBN.

2.0 CRITERIA FOR ASSESSING PROPRIETY

Fitness tests assess the competence of candidates for board, top management and critical operational positions and their capacity to fulfill the responsibilities of their positions while propriety tests assess their integrity and suitability.

In assessing a candidate’s integrity and suitability, elements to be considered include:

1. Breach of Sections 19 (1) (a) and 44(now 48) of Banks and Other Financial Institutions Act (BOFIA) Cap. B3, Laws of the Federation of Nigeria 2004, where such a candidate is or has been:

- a. of unsound mind or as a result of ill- health is incapable of carrying out his duties; or
- b. declared bankrupt or suspends payments or compounds with his creditors including his bankers; or
- c. convicted of any offence involving dishonesty or fraud; or
- d. guilty of serious misconduct in relation to his duties; or
- e. disqualified or suspended from practicing his profession; or
- f. a director of a financial institution or any candidate directly involved in the management of a financial institution under the purview of the CBN which has been wound up by the Federal High Court;

And whether:

- 2. the candidate is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or any investigation, which might lead to such proceedings. However, this provision will not apply where a person involved in such proceedings has been exonerated;
- 3. such appointment would result in conflict of interest thus contravening the provisions of section 19 (2) and (3) of BOFIA Cap. B3, Laws of the Federation of Nigeria 2004;
- 4. the candidate, or any business in which he has controlling interest or exercises significant influence, has been investigated, disciplined, suspended or criticized by a regulatory or professional body, a court or tribunal, whether publicly or privately;
- 5. the candidate has been the subject of any justified complaint relating to regulated activities;
- 6. the candidate has been dismissed, asked to resign from employment or from a position of trust, fiduciary appointment or similar position because of questions about his honesty and integrity;
- 7. the candidate has ever been disqualified under BOFIA or CAMA or any other legislation or regulation, from acting as a director or serving in a managerial capacity;
- 8. the candidate deliberately misled (or attempts to mislead) by act or omission, a client, the institution and/or the regulators;
- 9. the candidate deliberately falsified documents to mislead a client, the institution and/or regulators;
- 10. the candidate has deliberately failed to inform the client, institution and/or regulator, without reasonable cause, of the fact that their

understanding of a material issue is incorrect, despite being aware of their misunderstanding;

11. the candidate had deliberately failed to disclose the existence of falsified documents;
12. the candidate has deliberately prepared inaccurate or inappropriate records or returns.

3.0 CRITERIA FOR ASSESSING FITNESS (COMPETENCE AND CAPABILITY)

To assess the competence of candidates for board and top management positions, their capacity to fulfill the responsibilities of their positions and their ability to understand the technical requirements of the business, the CBN shall take into account all relevant considerations, including but not limited to factors listed against each of the positions.

Furthermore, the financial institution shall conduct an assessment of the fitness and propriety of its board/top management staff biennially or any other period as may be specified by the CBN. Performance on the job shall be an integral part of this assessment.

Candidates will be expected to meet the general guidelines under section 4.0 as well as the relevant fitness requirements specified either under any of the sub-sections of section 5.0 or 6.0.

Where candidates are deficient or fail the fitness test, they will be allowed a period of two years within which to undergo training to remedy the deficiency. However, if the candidate is unable to fulfill the requirements under this guidelines after two years of failing the test, he/she may be required to relinquish his/her board/top management appointment.

4.0 GENERAL GUIDELINES FOR ALL FINANCIAL INSTITUTIONS

The financial institution is required to:

- submit a completed "Approved Persons Regime" questionnaire to be administered by the CBN;
- provide a satisfactory status report from the candidate's last place of work. not later than six months after engagement;
- satisfy the CBN that he/she is able to meet personal financial obligations/commitments on a continuous basis and demonstrate satisfactory discharge of fiduciary responsibilities;

- provide three reference letters, two of which must be from the last place of work, in the last five years and from persons not below the rank of a director. For Non- Executive Directors, the three reference letters should be from individuals of reputable standing in the country (e.g. civil servants of grade level 15 and above or their equivalents in the armed forces or Police, senior clergymen, fellows of professional bodies such as ICAN, CIBN, etc.). Where the appointee is a representative of an overseas technical partner, financier or agency, a reference letter from the home country financial sector regulator or any other person of reputable standing (as stated above) in that jurisdiction will suffice; and
- Ensure that Non-Executive Directors undergo directors' training at the institution's expense, aimed at acquiring or having the prerequisite knowledge of their responsibilities and duties as the institution's non-executive directors.

5.0 FITNESS REQUIREMENTS FOR BANKS, DISCOUNT HOUSES AND DEVELOPMENT FINANCE INSTITUTIONS

The fitness requirements for appointment to board and top management positions in the above financial institutions are as stated below:

5.1 Managing Director

- A minimum of first degree or its equivalent in any discipline plus a higher degree or professional qualification in any business related discipline.
- Candidates must also have a minimum of 20 years post-graduation experience, out of which at least 15 must have been in the banking industry and, at least 2 as DMD/ED, with responsibility in several areas of banking operations including business development and customer relationship management.

For Non-interest banks, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

5.2 Deputy Managing Director/Executive Directors

- A minimum of first degree or its equivalent in any discipline plus a higher degree or professional qualification in any business related discipline.
- Candidates must also have a minimum of 18 years post-graduation experience, out of which at least 13 must have been in the banking industry and, at least 2 as General Manager. Evidence of experience

in several areas of banking operations including business development and customer services management. A Deputy Managing Director/Executive Director must have served for a minimum of two (2) years for him/her to be qualified for appointment as a Managing Director.

For Non-interest banks, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

5.3 General Manager

- A minimum of first degree or its equivalent in any discipline plus a relevant higher degree or professional qualification.
- Candidates must also have a minimum of 15 years post-graduation experience, out of which at least 12 must have been in the banking industry and at least 2 as Deputy General Manager. Evidence of experience in at least three (3) major areas of banking operations.

For Non-interest banks, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

5.4 Deputy General Manager

- A minimum of first degree or its equivalent in any discipline plus a relevant higher degree or professional qualification.
- Candidates must also have a minimum of 15 years post-graduation experience, out of which at least 10 must have been in the banking industry and at least 2 as Assistant General Manager. Evidence of experience in at least three (3) major areas of banking operations.

For Non-interest banks, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

5.5 Assistant General Manager

- A minimum of first degree or its equivalent in any discipline plus a relevant higher degree or professional qualification.
- A minimum of 15 years post-graduation experience, out of which at least 10 must have been in the banking industry, and at least 3 years on senior manager or equivalent position.
- Evidence of experience in at least three (3) major areas of banking operations.

For Non-interest banks, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

5.6 Non-Executive Directors

Without prejudice to the provisions of the Code of Corporate Governance, candidates must possess:

- a. A first degree or its equivalent in any discipline plus membership of any other relevant and recognized professional institute;
- b. A minimum of eight (8) years post- graduation experience;
- c. Proven skills and competencies in their fields;
- d. Knowledge of the operations of banks/development finance institutions/discount houses and relevant laws and regulations guiding the financial services industry; and
- e. Ability to interpret financial statements and make meaningful contributions to board deliberations;

In considering nominees with limited academic/professional qualifications and industry experience, the CBN shall take into account the following:

- i. Direct involvement of the nominee in an established business enterprise with total assets of not less than N300million.
- ii. The quality of courses and seminars attended in the last five (5) years prior to his nomination. The size, scope and complexity of the institution;
- iii. The relevant experience and qualifications of other Board members;
- iv. The existence and number of Independent Directors on the Board;
- v. An assurance that the proposed director(s) would be exposed to accelerated training over a short period of time; and
- vi. Assignment of responsibilities commensurate with their experiences.

5.7 Independent Directors

- a. Independent Directors shall be appointed in accordance with:
 - i. The CBN's Circular of October 26, 2007 titled "Guidelines for the Appointment of Independent Directors";
 - ii. The "Revised Code of Corporate Governance for Banks and Discount Houses in Nigeria" of May 25, 2014;
 - iii. Section 257(1) of the Companies and Allied Matters Act (CAMA), 1990 as amended;
 - iv. Any other relevant law, rules and regulations issued from time to time by the CBN.

- b. In particular, an Independent Director shall be a member of the Board of Directors who has no direct material relationship with the financial institution or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.
- c. An Independent Director shall not:
 - i. beyond his services on the Board of a financial institution, provide financial, legal and/or consulting services to the institution or its subsidiaries/affiliates or had done so in the preceding 5 years;
 - ii. be a current or former employee who had served in the financial institution in the past and none of his immediate family members should be an employee or former staff of the financial institution at the top management level in the preceding 5 years;
 - iii. borrow funds from the financial institution, its officers, subsidiaries and affiliates;
 - iv. be part of management, executive committee or board of trustees of an entity, charity or otherwise, supported by the financial institution;
 - v. serve on the Board of a subsidiary or affiliate of the financial institution.
- d. An Independent Director shall have:
 - i. sound knowledge of the operations of listed companies, the relevant laws and regulations guiding the industry,
 - ii. a minimum academic qualification of first degree or its equivalent with not less than 10 years of relevant working experience.
 - iii. proven skills and competencies in their fields.
- e. In addition, the requirements for Non-Executive Directors stated above shall apply.
- f. For Non-interest banks, at least one of the independent directors should preferably be an expert in Islamic Commercial Jurisprudence (Fiqh Mu'amalat)

Notwithstanding the requirements stated above, the CBN may at its discretion, approve or disapprove the appointments of candidates under special circumstances.

6.0 FITNESS REQUIREMENTS FOR OTHER FINANCIAL INSTITUTIONS (OFIs)

The fitness requirements for appointment of the under-listed Board and top management positions in other financial institutions are as stated below:

6.1 PRIMARY MORTGAGE BANKS (PMBs)

6.1.1 Managing Director/Executive Directors

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline would be an advantage);
- A minimum of 15 years post-graduation experience, out of which, at least 10, must have been in the financial services industry and at least 5, at the senior/top management level.

6.1.2 Top Management (Departmental Heads)

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline would be an advantage);
- A minimum of 10 years post-graduation experience out of which, at least, 5 must have been in the financial services industry and at least, 2 at the senior/top management level;

6.1.3 Non-Executive Directors

Without prejudice to the provisions of the Code of Corporate Governance, candidates must possess:

- A first degree or its equivalent in any discipline;
- A minimum of 5 years post-graduation experience;
- Proven skills and competencies in their fields;
- Knowledge of the operations of the financial institution and relevant laws and regulations guiding the financial services industry;
- Ability to interpret financial statements and make meaningful contributions to board deliberations;

Notwithstanding the requirements stated above, the CBN may at its discretion, approve or disapprove the appointments of candidates under special circumstances.

6.2 MICROFINANCE BANKS (MFBs)

6.2.1 Managing Director/Executive Directors

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline would be an advantage);
- Evidence that the candidate possesses proven skills and competences in practical microfinance banking and has undergone the microfinance Certification Programme and obtained a Certificate in Microfinance Banking issued by the Chartered Institute of Bankers of Nigeria (CIBN);
- A minimum of 8 years post-graduation experience out of which, at least, 5 must have been in financial services industry and at least, 3 at the senior management level;

For Non-interest MFBs, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

6.2.2 Top Management (Departmental Heads)

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline would be an advantage).
- Evidence that the candidate possesses proven skills and competences in practical microfinance banking and has undergone the microfinance Certification Programme and obtained a Certificate in Microfinance Banking issued by the Chartered Institute of Bankers of Nigeria (CIBN).
- A minimum of 5 years post-graduation experience out of which, at least, 4 must have been in financial services industry and at least, 2 at the senior management level.
- For Non-interest MFBs, the candidates should in addition to the above possess requisite knowledge and experience/training in Islamic banking and finance.

6.2.3 NON-EXECUTIVE DIRECTORS

Without prejudice to the provisions of the Code of Corporate Governance, candidates must satisfy the requirements specified under the following categories of MFBs:

a) Unit MFBs

- No academic qualification is required. However, at least two (2) members of the board of directors other than the executive management shall be required to have a minimum of three (3) years financial services industry experience.

b) State MFBs

- At least two (2) of the non-executive directors shall possess a first degree or its equivalent in any discipline.
- A minimum of five (5) years post-graduation experience.
- Proven skills and competencies in their fields.
- Knowledge of the operations of the financial institution and relevant laws and regulations guiding the financial services industry.
- Ability to interpret financial statements and make meaningful contributions to board deliberations

c) National MFBs

- More than 80% of the non-executive directors shall have first degree or its equivalent in any discipline.
- A minimum of five (5) years post-graduation experience.
- Proven skills and competencies in their fields.
- Knowledge of the operations of the financial institution and relevant laws and regulations guiding the financial industry.
- Ability to interpret financial statements and make meaningful contributions to board deliberations.

For non-interest banks, at least one (1) director should have knowledge/training in Islamic commercial jurisprudence (Fiqh Mu'amalat). Notwithstanding the requirements stated above, the CBN may at its discretion, approve or disapprove the appointments of candidates under special circumstances.

6.3 FINANCE COMPANIES (FCs)

6.3.1 Managing Director/Executive Directors

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline would be an advantage);
- A minimum of 8 years post-graduation experience, out of which, at least, 5 must have been in the financial services industry and at least, 3 at the senior management level;

6.3.2 Top Management (Departmental Heads)

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline would be an advantage);
- A minimum of 5 years post-graduation experience out of which, at least, 4 must have been in financial services industry and at least, 2 at the senior management level.

6.3.3 Non-Executive Directors

Without prejudice to the provisions of the Code of Corporate Governance, candidates must possess:

- A first degree or its equivalent in any discipline;
- A minimum of five (5) years post-graduation experience;
- Proven skills and competencies in their fields;
- Knowledge of the operations of the financial institution and relevant laws and regulations guiding the financial services industry;
- Ability to interpret financial statements and make meaningful contributions to board deliberations.

Notwithstanding the requirements stated above, the CBN may at its discretion, approve or disapprove the appointments of candidates under special circumstances.

6.4 BUREAUX DE CHANGE (BDCs)

6.4.1 Managing Director/Chief Executive Officer

- i. A minimum of first degree or its equivalent in any discipline;
- ii. A minimum of three (3) years relevant post-graduation experience.

6.4.2 Senior Management Officers/Managers

- i. A minimum of first degree or its equivalent in any discipline
- ii. A minimum of two (2) years relevant post-graduation experience.
- iii. Any person with any other qualifications or experience that may be considered adequate by the CBN can hold any of the positions in 4.4.1 or 4.4.2 within the institution.

7.0 SIGNIFICANT SHAREHOLDERS FOR ALL FINANCIAL INSTITUTIONS

Any investor with a shareholding of 5% and above in any Financial Institution in Nigeria shall:

- be of good character, honest, reputable and reliable;
- have financial resources sufficient to meet commitments on a continuing basis as they become due, including outstanding obligations;
- ensure adequate control of financial risks on a continuing basis;
- certify that the funds used in the acquisition of the shares were not borrowed from within the banking system or are the proceeds from money laundering and/or any criminal activity;
- not have been indicted in the failure or mismanagement of any financial institution;
- fulfill all the conditions stipulated in the propriety principles;
- attend an oral interview with the CBN;
- complete an "Approved Persons Regime" questionnaire to be administered by the CBN;
- provide three reference letters from individuals of reputable standing in the country.

8.0 NOTES

- 8.1 The CBN at its discretion may use any available information in addition to those provided by financial institutions and/or candidates, to assess the fitness or propriety of a person.
- 8.2 In addition to the general fitness and propriety requirements for Board and top management positions stated in these guidelines, any director or top management staff performing any of the control functions stated in the 'Competency Framework for the Nigerian Banking Industry' must meet the specific requirements of that function as outlined in the Framework.
- 8.3 The provisions of these guidelines represent the minimum requirements which banks and other financial institutions shall comply with. Consequently, banks and other financial institutions are encouraged to aspire to higher standards.
- 8.4 Where the provision(s) of the guidelines or frameworks issued to banks or other financial institutions conflict(s) with the provision(s) of these guidelines, the provision(s) of these guidelines shall prevail.

9.0 EFFECTIVE DATE

These guidelines supersede our circular on 'Assessment Criteria for Approved Persons' Regime for Financial Institutions' issued on June 21, 2011 and shall take effect from 1st January, 2016.

CENTRAL BANK OF NIGERIA

QUESTIONNAIRE FOR MAJOR SHAREHOLDERS AND APPOINTEES TO BOARD AND MANAGEMENT POSITION IN BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

This questionnaire is designed to elicit information which would enable the CBN ascertain your propriety as a major shareholder or member of the board/top management in the institution. You are, therefore, required to answer every question that relates to you honestly and where applicable, provide evidence to support your answer. Please note that the CBN would periodically request you to attend a performance review interview.

A. BIODATA

1. Name of Institution
2. Name of the appointee/major shareholder.....
3. Please specify your relationship with the institution
4. Current employment
5. Occupation.....
6. Date of birth.....
7. Place of birth.....
8. Nationality
9. Entry/resident permit (foreigners).....
10. Parental history.....

B. COMPETENCE AND CAPABILITY

1. Give details of educational institutions attended, academic and professional qualifications obtained with dates, in the format below:

(Please attach evidence)

S/N	Educational Institution/Professional Body	Academic/ Professional Qualification(S)	Dates	
			From	To

2. Give your Employment history in the format below:

S/N	Name(s) and address(es) of Employer(s)	Dates		Position(s) Held	Duties	Reason(s) for leaving	Two (2) Referees from your former employer(s)
		From	To				

If not in employment, please give your business history in the format below:

S/N	Name(s) and address(es) of Company (ies)	Type(s) of business (es)	Dates		Position(s) Held	Two (2) Referees
			From	To		

C. HONESTY, INTEGRITY, AND REPUTATION

- Have you at any time been charged or convicted of any offence (civil/criminal) or otherwise found liable by a tribunal whether in Nigeria or elsewhere? If so, please, give details of the charge and if convicted, the date(s) of conviction(s), particulars of the offence and the penalty (ies) imposed.....
.....
.....
.....
- Have you ever been required to give evidence in any trial or proceedings involving fraud, dishonesty or similar matters, whether in

Nigeria or elsewhere other than as an expert witness? If yes, please give details.

.....
.....
.....
.....

3. Has any suit ever been brought against you in your personal capacity or against anybody corporate, partnership, society or any other business undertaking to which you are connected as a shareholder, partner, director or manager? If yes, please give details of the circumstances and, if not pending, how it was resolved?

.....
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.....
.....

4. Have you ever been denied membership of any professional body or entry to any profession or vocation whether in Nigeria or elsewhere? If yes, please give details:

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.....
.....

5. Have you ever been dismissed, requested or advised to resign or suspended from any office or employment whether in Nigeria or elsewhere? If yes, please give details:

.....
.....
.....
.....

6. Has there been any civil action in court or petition by anybody against you to any regulator in pursuance of personal debts or other obligations whether in Nigeria or elsewhere? If yes, please give details:

.....
.....
.....
.....

7. Give the details of all your local and foreign bankers, including the names and numbers of personal and business accounts maintained over the past six years in the format below:

Local

S/N	Bank	Address	Acct. Name	Acct. No.	Bank Ver. No.	Date Opened

Foreign

S/N	Bank	Address	Acct. Name	Acct. No.	Date Opened

8. Have you any immediate relative (spouse, children, siblings, in-laws etc.) who holds a top management position (AGM and above) or significant shares (5% and above) in the institution to which this questionnaire relates or in any entity affiliated to it? If so, please state the nature of the relationship and other details:

.....

.....

.....

.....

.....

9. Has any loan or credit facility (or part thereof) extended to you by any financial institution/lending agency been restructured, renegotiated, provisioned against or been a subject of write-off or forgiveness for reasons of non-payment by you? If so, please, provide full details of the debts, the circumstances surrounding the action and the current status:

.....
.....
.....
.....

10. Please list below and give details of all the societies, clubs, associations and groups (organized and unorganized) either in school or thereafter, which you are or have been a member:

.....
.....
.....

11. Have you ever been accused, convicted or been a subject of an investigation panel set up for the purpose of examination malpractice, unethical practices, money laundering or other moral misconduct? If yes, please, provide the details:

.....
.....
.....
.....

12. Provide any other information (if any), that would be of relevance to the CBN in determining your suitability or otherwise, for the appointment/position:

.....
.....
.....
.....

D. FINANCIAL SOUNDNESS AND /OR SOLVENCY

You are please required to attach the following to this questionnaire:

1. A statement of your net worth comprising assets (in Nigeria and abroad) at current values and total liabilities as at the date of appointment, which must be accompanied by a sworn affidavit. The statement would be presented in the format below:

S/N	DESCRIPTION	CURRENT VALUE (₦)	DATE
i.	Cash		
ii.	Land and Buildings		
iii.	Factory and other Enterprises		
iv.	Vehicles, Boats and other means of Transport		
v.	Household Furniture		
vi.	Government Securities		
vii.	Investments (shares, debentures and other securities)		
viii.	Any other assets. (Please specify)		
ix.	Total Assets (i-viii)		
x.	Total liabilities (as at date of appointment)		

2. Your bankers' declaration that you are not in any way indebted to them. If you are, the outstanding amount of the debt(s) should be stated clearly indicating it's (their) performance status (whether performing or nonperforming) and whether it (they) is (are) adequately secured or not as well as the nature and type of security (ies) offered.
3. A copy of your tax clearance certificate for the last three years.
4. Any other information that could assist the CBN in determining your financial stability.

E. MISCELLANEOUS

1. Is any of the under-listed member (s) of your family, connected persons and/or company (ies) in any relationship with the institution to which this questionnaire relates? If yes, please state the nature of relationship and other details?
 - Spouse
 - Children
 - Siblings

- In-laws
- Key Employees
- Related Companies

2. Are you a serving Director or top management staff? If yes, Please state your first appointment date and your last interview and/or recertification date.

.....

3. Please state the number of board meetings you have attended since your appointment in the following format:

Year Number of meetings attended

.....

4. What percentage of the financial institution's shares do you directly and/or indirectly own?

.....

5. Have you been employed by an audit firm that assigned you to work on this institution's financial statements during the last two years? If yes, please state the name of the audit firm:

.....

Declaration by the appointee

I.....here
by declare that the answers to the above questions are true and that I am fully
aware that any concealment, provision of false or misleading information
aimed at influencing the approval of my appointment will constitute a breach
of Section 60 of BOFIA, 1991, as amended.

I therefore, affirm that the information supplied above (including the
attachment) are to the best of my knowledge, true and where any of it is
discovered to be false, I should be disqualified from the appointment being
sought and subsequent appointments by any financial institution under the
purview of the CBN. In addition, I should be prosecuted for false declaration in
line with the laws of the Federal Republic of Nigeria.

Signature of Appointee/Major Shareholder:

.....

Date

In the presence of (Managing Director of requesting institution):

.....

.....

.....

Date

**CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS
GUIDELINES ON THE MANAGEMENT OF DORMANT ACCOUNTS AND OTHER
UNCLAIMED FUNDS BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA**

Further to the Exposure Draft on the "Guidelines for the Management of Dormant Accounts" dated February 16, 2015, the CBN after reviewing and incorporating comments from various stakeholders, issues the following "Guidelines on the Management of Dormant Accounts and Other Unclaimed Funds by Banks and Other Financial Institutions in Nigeria".

Templates for the rendition of Quarterly Returns to Banking Supervision Department or Other Financial institutions Supervision Department of the CBN, as appropriate may be downloaded here: www.cbn.gov.ng/QDAR.xlsx

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

**GUIDELINES ON THE MANAGEMENT OF DORMANT ACCOUNTS AND
OTHER UNCLAIMED FUNDS BY BANKS AND OTHER FINANCIAL
INSTITUTIONS IN NIGERIA**

1. INTRODUCTION

The absence of clear guidelines for the management of dormant accounts in Nigeria resulted in different treatments of dormant account balances by deposit taking financial institutions, thus raising concerns among bank account holders, regulators and other stakeholders. Representations received by the CBN from stakeholders on the subject highlighted the need for the Bank to develop a regulatory framework on the management of dormant and inactive accounts as well as other unclaimed funds in Nigeria for the benefit of the banking system.

The essence of the Guidelines is to curb possible abuses in the operation of dormant and inactive accounts, set operational standards for banks and OFIs in line with best practices and to reinforce the rights of depositors and/or customers.

2. OBJECTIVES

The objectives of the Guidelines, among others, are to:

- Standardise the management of dormant accounts in Nigeria;
- Conform to international best practice;
- Eliminate the possibility of banks converting dormant accounts' balances to income; and
- Strengthen risk management and internal control processes.

3. DEFINITION

The Guidelines adopts the following definitions:

- a. **Inactive Account:** An account shall become inactive if there has been no customer or depositor-initiated transaction for a period of **six months** after the last customer or depositor initiated transaction. During the inactive period, the bank shall elevate controls on the account in line with its precautionary policies, which may include surveillance procedures and second level authorization. Also, the

customer shall not be required to provide any documentation to activate the account. Simple deposit or withdrawal shall suffice to activate the account.

- b. **Dormant Account:** A bank account shall be classified as dormant if there has been no customer or depositor-initiated transaction in it for a period of one (1) year after the last customer or depositor-initiated transaction. When the account becomes dormant, the bank shall institute controls consistent with its precautionary policies, including surveillance procedures and second level authorization. To make such account active, the customer is to provide satisfactory evidence of account ownership, means of identification and present place of residence.
- c. **Inclined funds** shall be categorized as:
- i. Proceeds of state local and/or foreign currency drafts not yet presented for payment by beneficiaries.
 - ii. Funds received from a correspondent bank without sufficient details as to the rightful beneficiary and/or a recall of funds made to the remitting bank to which the Nigerian bank's account had not been debited; and
 - iii. A judgment debt for which the judgment creditor has not claimed the amount of judgment award.

Customer or depositor-initiated transactions include cash deposits, withdrawals and transfers to or from the account.

4. TREATMENT OF DORMANT ACCOUNT BALANCES

In the light of the above, the following standards/guidelines shall apply to the operation of dormant accounts in Nigeria.

- a. Interest-bearing accounts shall retain their interest earning status during the period of dormancy.
- b. Deposit taking financial institutions shall continue to monitor accounts that show tendencies of inactivity and initiate actions for their reactivation or protection from wrong usage. Such actions shall include, though not limited to, any of the following: SMS, e-mail, visitation, and/or phone calls. In all cases, the cost of monitoring the accounts and contacting the customer shall be borne by the bank.
- c. Once accounts become dormant, they shall be reported quarterly to Banking Supervision or Other Financial Institutions Supervision Department of the CBN, as the case may be, along with efforts made by the obligor bank to locate the owners or their personal representatives. Such returns shall be rendered in the format of the Dormant Accounts Reporting Template attached hereto.
- d. In line with the requirements of the Uniform Account Opening Forms policy, every customer shall provide a next of kin when opening an account.
- e. Three months to dormancy, the bank shall notify the account holder of the status of the account. For individual accounts that the bank cannot reach the account holder during the three (3) months period, it shall contact the next-of-kin to assist in locating the account holder(s). This will be done within one month after the account has been declared dormant. (For corporate accounts the bank shall contact the directors of the entity or seek information from the Corporate Affairs Commission or the Directors).

- f. Henceforth, revalidation of inactive/dormant accounts shall not attract any cost to the account holder (as the banks would have made ample use of the idle funds).
- g. Dormant account balances shall continue to be reflected in the books of banks as deposit liabilities until they are eventually withdrawn by the account holder or disposed of, on their instructions.
- h. Dormant accounts balances shall be covered by Deposit Insurance Scheme.
- i. Banks that have, in the last five (5) years from the date of these Guidelines, appropriated credit balances in dormant accounts to income are to reclassify such accounts to deposits not later than six (6) months from the effective date of the Guidelines.
- j. Notwithstanding the provisions of section (i) above, banks shall retain the records of all dormant accounts irrespective of the number of years of dormancy of the accounts, and shall reactivate such accounts upon request by the bona fide account holder or his/her legitimate representatives.

A. TREATMENT OF UNCLAIMED FUNDS

- a. Where any unclaimed funds remain outstanding in the books of the bank beyond six (6) months, the bank shall pool all such funds into a suspense account. The bank shall warehouse the funds until the beneficiary shows up or the corresponding bank debits its account; and
- b. Any other legally payable fund shall with the prior approval of the CBN be

considered "unclaimed" if it has been in the possession of the bank for a period of six months after becoming due and no claim has been made by the owner of the fund. Such fund shall similarly be moved into a suspense account.

6. LIMITATIONS/SCOPE OF THE GUIDELINES

The following categories of accounts are excluded from the Guidelines:

- a. Savings accounts: Provided that such accounts are not 'hybrid accounts' which have features of both current and savings accounts. Banks are, however, expected to institute controls consistent with their internal policies when a savings account becomes inactive to prevent such accounts from being used for fraudulent purposes.
- b. Government-owned accounts.
- c. All individual accounts that are subject of litigation and/or fraud. Individual accounts include sale trader, partnership, trust account, solicitor client account, etc.

7. Sanctions

Sanctions for contravention of the provisions of the Guidelines shall be imposed on quarterly basis under Section 60 of the BOFIA as amended.

The Guidelines shall take effect from October 7, 2015.

FINANCIAL POLICY & REGULATION DEPARTMENT
CENTRAL BANK OF NIGERIA
ABUJA

OCTOBER, 2015



TCR/FR/REG/2015/001
Circular/Regulation/Policy
FR/D/REG/2015/001

August 24, 2015

CIRCULAR TO ALL BANKS, DISCOUNT HOUSES AND OTHER FINANCIAL INSTITUTIONS

TIME BAR FOR RESOLUTION OF CUSTOMERS COMPLAINTS

The Central Bank of Nigeria (CBN) has in recent times, experienced challenges in ensuring timely resolution of complaints from consumers of financial services against financial institutions under its regulatory purview. This development, which has been attributed to non-availability of, or delays in resolving documentary evidence from both parties, underscores the need to have a policy on "time bar" for complaints management in the financial services industry.

Consequently, the CBN having consulted the relevant stakeholders in the financial services industry and in line with the provisions of Imposition, Issuance, Money Laundering (Prohibition) Act 2013, and CBN Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Regulation for Banks and Other Financial Institutions in Nigeria, 2013, hereby adopts a time limit of six (6) years, effective from the date of inception, within which complaints against financial institutions shall be lodged.

The time bar shall, however, not apply to the following:

- 1. Fraud cases;
- 2. Complaints already lodged with the financial institutions and the CBN; and
- 3. International electronic payment transactions whose records are not retained beyond 180 days on the dispute resolution application (DRA).

Please note that this circular supersedes the earlier circular referenced FR/D/REG/2014/044, dated February 14, 2015 on the same subject.

UDOFIA A. ODOT
FOR DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Services Centre
P.M.B. 917
Abuja, Nigeria

FFR/DIR/CR/BN/04/17
To
All Merchant Banks

**CIRCULAR TO ALL MERCHANT BANKS
GUIDELINES ON OPERATION OF GROUP STRUCTURE BY MERCHANT BANKS IN NIGERIA**

Following the introduction of the annual banking cycle in 2016, which marks primarily by a re-orientation of financial reporting activities in Nigeria, the CBN's Economic and Financial Statistics Department of merchant banks was revised as: The CBN Regulates issued (M) Statute, Conditions and Standard Statute for Merchant Banking No. 3, 2016. Particular attention under the provision include group management and capital market activities.

Therefore, please be fully conversant merchant banks in respect of capital market and asset management activities was constituted by enactment of Section 108 of Investment & Securities Act, (ISA) 2011 and (Fintech) Decree 2016, which were implemented under the Corporate Governance Act 2011 and 2016 respectively. These developments demand effective operation of merchant banking business in Nigeria.

To address the challenges and issues merchant banks in the capital markets in 2016 under section 108 of the ISA and pending sub-section of the ISA, the CBN hereby revises the provision of Section 3 (1) (c) of Regulation 3 on group structure which were implemented for the check purpose of capital market and asset management activities. In addition, the FSI 2016 has amended Section 4A, Guidelines on Operation of Group Structure by merchant banks that was also implemented. This amendment which was contained (FSI) is expected to strengthen the operation of merchant banking in Nigeria.

Please note that the amended law is subject to review and approval. Hence, as the last provision of a legal order to avoid unnecessary ambiguity, merchant banks should not use legislative bills for monitoring activity through the regulatory system which covering all relevant regulatory provisions.

Yours faithfully,

CHARLES OYEJIDE
EXECUTIVE DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



**GUIDELINES ON THE OPERATION OF GROUP STRUCTURE BY
MERCHANT BANKS IN NIGERIA**

BY

**CENTRAL BANK OF NIGERIA
ABUJA**

AUGUST 2015

1.0 INTRODUCTION

The CBN's Scope, Conditions and Minimum Standards for Merchant Banks Regulation No. 02 of 2010, permits merchant banks to provide specialized services such as issuing house activities, underwriting, asset management, proprietary trading in debts and equities as well as custodial services. Available information to the CBN indicates that efforts by the merchant banks to carry on these activities have been constrained by the provisions of Section 188 of the Investment and Securities Act (ISA), 2007, and SEC Rules, which require such activities to be undertaken by separate entities incorporated specifically for the purpose.

To address this challenge, Section 5 (1) of the CBN Regulation 3 on the Scope of Banking Activities and Ancillary Matters No. 3 of 2010, is hereby amended to include Sub-section (1) (e) to read, thus: "Such a related enterprise is a subsidiary set up by a merchant bank for the purpose of carrying on capital market and asset management activities".

This amendment takes immediate effect, and is expected to place merchant banks in the position to leverage on the opportunities inherent in the capital market to mobilize long-term funds for economic development.

2.0 CONDITIONALITIES

The following conditions shall apply to banks carrying on merchant banking activities through subsidiaries:

2.1 Lending

All lending activities between a merchant bank and its subsidiary shall be conducted on acceptable commercial terms, at arm's length and in a transparent manner. In addition, the following shall apply:

- i. Any lending between a merchant bank and its subsidiary shall attract 100 per cent Risk Weight (if fully secured) but where such is not secured, the lending shall be a deduction from the capital of the parent company in the computation of its capital adequacy ratio.
- ii. The parent merchant bank shall not take a loan or any credit facility on the security of the capital of its subsidiaries.
- iii. Any loan by a subsidiary to the parent (merchant bank) shall be regarded as a return of capital and shall accordingly be deducted from the capital of the bank in computing its capital adequacy or other prudential ratios.

- iv. No merchant bank shall hold contingent liabilities in respect of its subsidiary which exceed 20 per cent of the bank's shareholders' funds unimpaired by losses.
- v. Where the subsidiary of a merchant bank sponsors, manages, advises, organizes or floats an instrument or investment fund, the parent company shall not be eligible to subscribe to, extend any credit in whichever form or purchase any asset from such fund.
- vi. No transaction, class of transaction, or an activity by a merchant bank shall be deemed to be permitted, if it would:
 - a. Result in material conflict of interest between the bank and its clients, customers, or counterparties;
 - b. Give rise to material exposure by the bank to "high-risk assets" or "highrisk strategies";
 - c. Constitute a threat to the safety and soundness of the bank; or
 - d. Pose a threat to financial stability.

2.2 Investment

All investment-related activities between a merchant bank and its subsidiary shall be guided as follows:

- i. No merchant bank shall acquire or hold equity capital of any undertaking, except pursuant to:
 - a. Sections 21(1) and 22(1)(c) of Banks and Other Financial Institutions Act ; or
 - b. Section 5 of the Regulation on the Scope of Banking Activities & Ancillary Matters, No. 3 of 2010, as amended.
- ii. No subsidiary of a merchant bank shall acquire or hold shares in the merchant bank or in other subsidiaries of the merchant bank.
- iii. No subsidiary or associate of a merchant bank shall acquire controlling interest in any other undertaking, except with the prior approval of the CBN.
- iv. Notwithstanding the provisions of Section 2.2(iii) above, any subsidiary acting as a nominee may acquire or hold shares of any undertaking on behalf of its clients.

2.3 Intra-Group Transactions

All intra-group transactions between a merchant bank and its subsidiary shall be guided as follows:

- i. All transactions or business relationship between a merchant bank and any of its subsidiaries shall be conducted at arm's length;
- ii. Where shared services are provided within a merchant banking group, such shall be done at arm's length.
- iii. Transactions in respect of shared services, and the basis for allocating the cost thereof, shall obtain the consent of Board of Directors of the subsidiary.
- iv. There shall exist a signed Service Level Agreement between the merchant bank and its subsidiaries in respect of shared services.
- v. The following broad services may be provided by a merchant banking group, subject to CBN prior approval:
 - i. Human Resources policy;
 - ii. Risk Management policy;
 - iii. Internal Control policy;
 - iv. Compliance policy; and
 - v. Any other services as may be approved by the CBN from time to time.

2.4 General Prohibition

No subsidiary of a merchant bank shall carry on any business that the parent is not permitted to undertake under the CBN extant regulations.

3.0 OVERSIGHT

The oversight function of merchant banks on their subsidiaries shall be based on activities of the subsidiaries and the complexities of such activities. In this regard, merchant banks are expected to engage relevant, knowledgeable and experienced staff for the envisaged activities of subsidiaries.

4.0 REPORTING

Merchant banks shall forward to the Director of Banking Supervision on a quarterly basis forward, activity reports on subsidiaries, including the management accounts of such subsidiaries. This shall comprise, among others, statement of profit or loss and comprehensive income and the statement of financial position. Where any of the above statements contains a schedule or breakdown, such shall, equally, be provided.



01-463317401

FPN/DIR/GEN/REG/01/013

CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Business District
P.M.B. 910
Lagos, Nigeria

August 16, 2013

Letter to all Banks and Other Financial Institutions

Dear Sir

REVIEW OF THE GUIDE TO BANK CHARGES

The CBN is in the process of reviewing the Guide to Bank Charges (GBC) and hereby requests banks and other financial institutions to provide the following:

1. A list of their existing products and services (at 31st April, 2013), which were not previously covered in the current Guide to Bank Charges. Please include in the category the products and services which the proposed changes in the current GBC are not sufficient to cover (as identified by you to provide the products and services).
2. A list of new products and services introduced from 1st April, 2013 to date, their fees and charges and justification for such fees and charges.
3. A list of products and services planned for introduction in the short to medium-term (period not exceeding three years), their proposed fees and justification for the proposed fees.

Kindly send your submission in hard copy to the undersigned and in electronic form to regulatory@cbn.gov.ng or regulation@cbn.gov.ng not later than three (3) weeks from the date of this letter.

Yours faithfully

V. A. Obasi

For: Director, Financial Policy & Regulation Department



REF: FPR/DIR/OR/GEN/05/008

www.cbn.gov.ng

REF: FPR/DIR/OR/GEN/05/008

JULY 16, 2012

CIRCULAR TO ALL LICENSED BUREAUX OF CHANGE (BOCs) IN NIGERIA.

This is a notice of licensee BOCs operating in Nigeria that, with effect from 1st August 2012, all transactions commenced by a BOC must have the Bank Verification Number (BVN) of the customer. This information must be included in the Return to the CBN. In the case of corporate customers, the BVN of a Director or an Authorized signatory of the entity must be provided.

To ensure a smooth implementation of this directive, the list of all licensed BOCs would be provided by the Central Bank of Nigeria to the Nigerian Interbank Settlement System (NIBSS). To enable the latter provide the necessary facilities, values that would be used by the BOCs in accessing the NIBSS website, NIBSS has been directed to make a portal available on its website to facilitate access to the authentication database of the BVN number of the BOC's customers. This is to ensure that the correct BVN is recorded by the BOC and included in the return to the CBN. A token (password) for all BOCs would be sent for each access on the portal. NIBSS will also provide the necessary training manual for the "step-by-step" operation of the system.

Furthermore, all licensee BOCs are required to provide the BVN of all their customers before 1st August 2012, as failure to meet this requirement may affect their continued participation in the foreign exchange market.

BOCs operators should please note that any BOC that fails to provide the required information in its return, or provide a wrong BVN, would be penalized. This offenders will be required to pay a fine of 10,000,000 (N10 million) and subsequent violation of the requirement may lead to the revocation of the operating license of the BOC.

Yours for good recording

EDWIN AMUGO
 DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Bank of Nigeria
P.M.B. 3187
Lagos, Nigeria

Tel: 01-46237402/01-46230424
Email: info@cbn.gov.ng

June 23, 2019

info@cbn.gov.ng

CIRCULAR TO ALL BANKS ON THE REDESIGN OF THE CREDIT RISK MANAGEMENT SYSTEM (CRMS)

The CBN is in the process of redesigning the CRMS to enhance data integrity and promote the efficiency of the regulatory submission process. The objective is to have the CRMS support the credit administration process in the financial services industry as well as promote the safety and soundness of the financial system in Nigeria.

The legend below are invited to support the project's success in the following areas:

- Nominate five staff having direct oversight of credit administration, regulatory submissions (preferably CRMS), financial controls and IT infrastructure in the respective institutions. These nominees would serve as each organization's contact persons and representatives in the engagement (starting) with the CBN on the project.
- articulate, document and submit comment on:
 - observed challenges with the current CRMS
 - areas of desirable improvements
- Provide a schedule of activities/ categorization (including a Gantt chart) and types of work and deliverables
- Provide a list of major deliverables (and to whom) and milestones

The information should be submitted to the Director, Financial Policy and Regulation Department within 140 weeks of the date of this letter. Full copies of the communication may be forwarded to info@cbn.gov.ng

Yours faithfully,

KEVIN AMIGO
Director, Financial Policy & Regulation Department



Tel: 09 – 48237401

E-mail: frms@cbn.gov.ng

REF: FPR/DIR/CIR/GEN/15/025

MAY 15, 2015

CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

AMENDMENT TO PRICING OF COMMERCIAL AGRICULTURE CREDIT SCHEME (CACS) AND GUIDELINES

Commercial Agriculture Credit Scheme (CACS), introduced in April 2015, has elicited tremendous interest from the Nigerian public. As part of efforts to sustain the public interest and enhance its operations to meet expectation, the Central Bank of Nigeria (CBN) has revised CACS Guidelines. The revision, which affects Sections 8.0 and 17.0 (b) (ii) of the revised Guidelines, provides as follows:

- Payment of interest on CACS facilities shall not exceed 9.0 per cent, inclusive of all charges. These charges shall be shared in the ratio of 7 per cent to the participating bank and 2 per cent to the CBN;
- Section 8.0 subsection (ii) of the CACS Guidelines has been amended accordingly to reflect the revised interest sharing ratio. The revised fee sharing formula shall take effect from the date of the revised Guidelines;
- Funds shall be retained to participating banks at 2.0 per cent interest rate after a confirmation of its interestlessness to disburse the funds. Section 17.0 (b) (iv) of the extant revised Guidelines.

Participating banks and the banking public are enjoined to note that the revised Guidelines dated April 20, 2015 supersede the previous ones.

For further information, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

Yours faithfully,

KEYIN K. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

GUIDELINES FOR COMMERCIAL AGRICULTURE CREDIT SCHEME (CACS)

CENTRAL BANK OF NIGERIA (CBN)

AND

FEDERAL GOVERNMENT OF NIGERIA

1.0 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria, represented by the Federal Ministry of Agriculture and Rural Development (FMARD) established the Commercial Agriculture Credit Scheme, hereinafter referred to as CACS, for promoting commercial agricultural enterprises in Nigeria, which is a sub-component of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund will complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back scheme, Agricultural Credit Support Scheme, etc.

2.0 Funding

The scheme shall be financed from the proceeds of the N200billion three (3) year bond raised by the Debt Management Office (DMO). The fund shall be made available to the participating bank(s) to finance commercial agricultural enterprises. In addition, each State Government could borrow up to N1.0billion for on-lending to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS.

3.0 Objectives of the Scheme

The objectives of the scheme are:

- (i) To fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate;
- (ii) Enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation;

(ii) Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector; and

(iv) Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

4.0 Governance of the Scheme

The Scheme shall be under the management of the Central Bank of Nigeria through the Board of Directors and the Committee of Governors. The Committee of Governors shall be responsible for the overall administration of the Scheme while the day-to-day implementation of the Scheme shall lie with the Development Finance Department.

The Development Finance Department shall report to the Committee of Governors on all CACS issues.

5.0 Target Agricultural Commodities and Value Chains

A. Key Agricultural commodities to be covered under the Scheme are:

- (i) PRODUCTION:**
 - **Cash Crops:** Cotton, Oil Palm, Fruit Trees, Rubber, Sugar Cane, Jatropha, Carus and Cocoa.
 - **Food Crops:** Rice, Wheat, Cassava, Maize/Soya, Beans/Millet, Tomatoes and Vegetables
 - **Poultry:** Broilers and Eggs Production
 - **Livestock:** Meat, Dairy and Piggery
 - **Aquaculture:** Fingerlings and Catfish
- (ii) PROCESSING:** Feed mills Development, Threshing, Pulverisation and Other forms of transmutation for value addition.
- (iii) STORAGE:** Commodities, Agro-Chemicals and Warehousing
- (iv) FARM INPUT SUPPLIES:** Fertilizers, Seeds/Seedlings, Breeder Stock, Feeds, Farm equipments & Machineries.
- (v) MARKETING:** Agricultural commodities under the focal investment areas.

- B.** Five agricultural commodities namely; **Rice, Fish, Wheat, Sugar and Cotton** as well as their value chains which constitute a huge proportion of food import bill annually shall attract 60% of the fund.

6.0 Definition of Commercial Agricultural Enterprise;

For the purpose of this Scheme, a commercial enterprise is any farm or agro-based enterprise with agricultural asset (excluding land) of not less than N100 million for an integrated farm with prospects of growing the assets to N250 million within the next three years and N50 million for non-integrated farms/agro-enterprise with prospects of growing the assets to N150 million, except in the case of on-lending to farmers' cooperative societies.

7.0 Eligibility for Participation in the Scheme

(A) Participating Bank (PB)

- (i) The Central Bank of Nigeria has approved the participation of all deposit money banks under the Scheme. All participating banks are required to sponsor projects from any of the target areas indicated in the Guidelines and bear all the credit risk of the loans they will be granting.
- (ii) The single obligor for any project from a participating bank under the Scheme shall be N2.0 billion while for State Governments shall be N1.0billion.

(B) Borrower:

(i) Corporate and Large Scale Commercial Farms/Agro-Enterprises

The borrower shall:

- o Be a limited liability company with asset base of not less than N100 million and having the prospect to grow the net asset to N250 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990).
- o Have a clear business plan
- o Provide up-to-date record on the business operation if any.
- o Have out growers programme, where appropriate
- o Satisfy all the requirements specified by its lending bank.

(ii) Medium Scale Commercial Farms/Agro-Enterprises

To participate in the Scheme the borrower shall:

- o Be a limited liability company with asset base of not less than N50 million and having the prospect to grow the net asset to N150 million in the next three years and comply with the provision of the Company and Allied Matters Act (1990)
- o Have a clear business plan
- o Provide up-to-date record on the business operation
- o Have out growers programme, where appropriate
- o Satisfy all the requirements specified by its lending bank

(iii) State Government /FCT

To participate under the Scheme, the States shall;

- o Submit an expression of interest
- o Present an Irrevocable Standing Payment Order (ISPO) in favour of the participating bank, duly signed by the State Governor, Commissioner for Finance and the State Accountant General
- o Adhere to the repayment agreement reached with the participating bank (PB), upon contravention; the CBN shall assist the PB to invoke the ISPO.
- o Have appropriate functional structures on ground or set up structures for the deployment of the funds, which must include existing registered Cooperative Societies/Unions. The cooperatives must be at least six (6) months old with proven track records of repayment
- o Deploy CACS funds disbursed to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS.
- o Satisfy all the requirements specified by the lending Bank

8.8 Modalities of the Scheme

- (i) Agricultural credit from the participating banks shall be in the form of loans.
- (ii) Interest on loan shall not exceed 60 per cent inclusive of all charges to be shared between the participating bank and the CBN: 7% and 5% respectively.
- (iii) The Scheme shall terminate on September 30, 2025. This exit date does not apply to the tenor of individual loans and overdrafts which are based on their gestation period.

9.0 Acceptable Collateral

The security which may be offered to a participating bank for the purpose of any loan under the scheme may be one or more of the following:

- (i) A charge on the movable property of the borrower.
- (ii) A life insurance policy, a promissory note or other negotiable security
- (iv) Stocks and shares; and
- (v) Any other collateral acceptable to the participating bank(s).

10.0 Loan Tenor

- (i) Loans shall have a maximum tenor that is based on the gestation period of the enterprise/or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule taking into consideration, the gestation period of the enterprise.

11.0 Limit of Liability under the Scheme

- (i) The maximum interest rate to the borrower under the scheme shall not exceed 9 per cent, inclusive of all charges.

12.0 Procedure for Applying for the Loan

All applications for loans under the Scheme shall be made to the participating banks (PBs). All applications under the Scheme shall be treated by PB's with due diligence.

13.0 Verification and Monitoring on Projects

All projects shall be verified by the Central Bank of Nigeria after release of fund and drawdown to ensure banks fully comply with the objectives of the Scheme. The Development Finance Department of the CBN shall periodically monitor the projects funded under the Scheme, and report to the Committee of Governors.

14.0 Alteration in Other Terms and Condition of CACS Loan

Participating banks shall be required to secure written consent of the Central Bank of Nigeria before making any change(s) to the stipulated terms and conditions governing any on-going CACS facility.

15.0 Infractions and Sanctions**PB(s)**

- (i) Diversion of funds by the PB(s) shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PBs shall be barred from further participation under the scheme;
- (ii) Non- rendition or false returns shall attract the penalty stipulated by BOFIA section 60;
- (iii) Charging interest rate higher than proscribed shall attract the penalty stipulated by BOFIA section 60;
- (iv) Any PB that fails to disburse the fund within 14 days of receipt to the borrower shall be charged a penalty interest rate of MPR+300 basis points for the period the fund was not disbursed;
- (v) Any other breach of the guidelines as may be specified from time to time; and
- (vi) Notwithstanding the agreement between the PB and the project promoter, the CBN has the right to reject a request from any PB that contravenes any section of the Guidelines.
- (vii) Failure to disburse funds in line with the agreed Disbursement Schedule shall attract penalty at the bank's lending rate as at the time of infraction.
- (viii) Any PB that fails to repatriate expired project funds within 5 working days to the CBN shall be charged a penalty interest rate of MPR + 300 basis points for the period the fund was not repatriated.

16.0 The Key Stakeholders of the Scheme are;

- (i) Federal Government of Nigeria Represented by Federal Ministry of Agriculture and Rural Development (FMA&RD)
- (ii) Central Bank of Nigeria (CBN),
- (iii) Debt Management Office
- (iv) Participating Banks (PBs), and
- (v) Borrowers

17.0 Responsibilities of Stakeholders

For effective implementation of the scheme and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

(a) **The FCN**

- (i) The President of the Federal Republic of Nigeria shall grant approval for the Scheme
- (ii) The Federal Government of Nigeria shall be the issuer of the Bond

(b) **The CBN**

The Central Bank of Nigeria (CBN) shall

- (i) Specify the rate at which FEs lend to borrowers under the Scheme
- (ii) Wholly absorb the subsidy which may arise in the pricing of the loan to borrowers
- (iii) Absorb all other incidental/ administrative expenses
- (iv) Release funds to participating FEs (as well as other) take over the management of the stockbook of bonds to be issued under the Scheme
- (v) Receive and process the monthly returns made by the FEs in relation to their loans under the Scheme
- (vi) Conduct spot audit on the FEs as well as monitor and evaluate the 'borrower' enterprises in order to ascertain the performance of the Scheme
- (vii) Retrieve funds when guidelines are not strictly adhered to by the participating banks
- (viii) Prepare monthly reports to the Committee of Governors and Board of CBN
- (ix) Retrieve funds from the FEs at the expiration of the loan tenure
- (x) Make provision for the N200million bond repayment
- (xi) Ensure penal charges on infractions
- (xii) Arbitrate between the FEs and Project Promoters
- (xiii) Conduct impact assessment of the scheme
- (xiv) Review the Guidelines Document to date

(c) Debt Management Office

(i) Issued the Bond on behalf of the FGN

(ii) Raised money from the market

(d) The Participating Banks

The participating banks shall:

(i) Ensure due diligence is followed in the administration of credit facilities

(ii) Guarantee safety and purposeful application of funds for on-lending.

(iii) Bear 100 per cent credit risk.

(iv) Lend funds under the Scheme at the specified rate

(v) Submit to the CBN, Letter of offer by the bank, Letter/Evidence of Acceptance by the state, Irrevocable Standing Payment Order (ISPO), List of State Cooperatives or Evidence of Intervention project, Disbursement schedule, Repayment schedule, the Credit Risk Management System (CRMS) report of the borrower; and

(vi) Render monthly returns under the Scheme to the CBN on the reporting format.

(e) Borrowers

The borrowers shall:

(i) Utilize the funds for the purpose for which it is granted

(ii) Insure the project being financed

(iii) Make the project records available for inspection and verification by the CBN, and PBT;

(iv) Adhere strictly to the terms and conditions of borrowing under the Scheme, and

(v) State Governments/FCT shall utilize the funds as specified by the CACS objectives.

11.0 Returns by Banks should be made to the address below:

Director,
Development Finance Department,
Central bank of Nigeria,
Central Business district
Abuja.
Tel No.: +234 9 4623 8900

19.0 Repayment, Repatriation or Discontinuation of a Credit Facility

- (i) Repayment proceeds from CACS projects shall be repatriated on quarterly basis to the CBN. Whenever a credit facility is discontinued, the PB shall repatriate the funds within 5 working days to the CBN, giving details of the credit facility.
- (ii) Repayment proceed shall be ploughed back under the Scheme as loans for new projects or enhancement for participating projects.

20.0 Disbursement of Fund

- (i) PBs and borrowers should strictly adhere to agreed disbursement/repayment schedule. Any deviation from the schedule should be mutually agreed between the parties and the CBN informed accordingly.
- (ii) Disbursement of funds must be in accordance with the due diligence of the Participating bank.

21.0 Amendments

This Guideline is subject to review from time to time as may be deemed necessary by the Central Bank of Nigeria.

**DEVELOPMENT FINANCE DEPARTMENT
CENTRAL BANK OF NIGERIA
ABUJA**

APRIL 28, 2015



CP-4523/400

Central Bank of Nigeria

CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Business Centre
P.M.B. 1102
Lagos, Nigeria

FPR/DIR/CIR/GEN/05/004

May 20, 2015

CIRCULAR TO ALL NON-INTEREST (ISLAMIC) FINANCIAL INSTITUTIONS

TREATMENT OF HAMISH AL JIDDIIYAH (EARNEST DEPOSIT)

Following our observation on the inconsistencies in the treatment of Hamish Al Jiddiyyah (earnest deposit) by Non-Interest (Islamic) Financial Institutions (NIFIs) in Nigeria, the Central Bank of Nigeria hereby issues the following circular to standardize the treatment of Hamish Al Jiddiyyah (HAI) in line with international best practice.

Consequently, all NIFIs operating in Nigeria are directed to comply with the provision of this circular.

For further enquiry, kindly contact the Director, Financial Policy and Regulation Department, Central Bank of Nigeria.


KEVIN M. AMUGO

DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

1. INTRODUCTION

The Central Bank of Nigeria (CBN) has observed inconsistencies in the treatment of Hamish Al Jiddiyyah (earnest deposit) by different Non-Interest Financial Institutions (NIFIs) in Nigeria which is against the provision of the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) Standards on the treatment of HAJ in Murabaha and Ijarah contracts.

In order to standardize the treatment of HAJ by NIFIs operating in Nigeria and to ensure that customers of such institutions are treated fairly in line with international best practice, the CBN hereby prescribe the treatment of HAJ to be adopted by NIFIs.

2. DEFINITION

Hamish Al Jiddiyyah (Earnest Deposit) is an amount advanced by a party making a binding promise to enter into a contract with a counter party, whereby the amount is deposited to serve as compensation for any loss suffered by the counter-party as a result of a breach of the promise by the promisor.

It is therefore a form of security indicating the commitment of a customer as regards his obligation to execute a contract with a financial institution and is held by the institution to compensate it for actual damage incurred as a result of the customer's breach of promise to execute the contract in question.

The amount of HAJ may be determined in accordance with the agreement of the two parties, either as a lump sum or a percentage of the purchase price of the item that is the subject of the contract.

3. TREATMENT OF HAMISH AL JIDDIYYAH BY THE FINANCIAL INSTITUTION

There are two options for NIFIs regarding holding the amount of HAJ deposited by a customer:

- a. Holding it as an investment deposit on the basis of Mudaraba between the customer (as investor) and the institution (as mudarib), with an explicit permission of the customer;
- b. Holding it as a trust deposited by the customer in a third party non-interest (Islamic) bank with a standing order by the customer that the amount will only be withdrawn with the express authority of the benefitting financial institution.

4. RETRIEVAL OF HAMISH AL JIDDIYYAH BY THE CUSTOMER

Where the customer fulfils his promise and executes the contract with the financial institution, the Hamish Al Jiddiyyah is to be refunded to the customer.

5. AGREEMENT TO DEDUCT HAMISH AL JIDDIYYAH FROM THE CONTRACT AMOUNT PAYABLE BY THE CUSTOMER

It is permissible for the institution to agree with the customer that the amount of Hamish Al Jiddiyyah will be deducted from the amount payable by the customer pursuant to the contract of Murabaha to the purchase orderer or the contract of Ijarah, with the following conditions:

- a. Agreement of the customer;
- b. The agreement is done after the execution of the Murabaha or Ijarah contract between the institution and the customer.

6. PROCEDURE FOR DETERMINATION OF ACTUAL DAMAGES INCURRED BY THE INSTITUTION

The procedure for determining the actual damages incurred by the institution in the event of a breach of promise by the customer should observe the following points:

- a. Determining the amount should be under the supervision of the Advisory Committee of Experts (ACE) of the financial institution;
- b. The amount must not include the expected mark-up or opportunity cost to the institution for lack of fulfilment of the promise by the customer;
- c. The procedure for determining the actual damages should be clearly stated in the promise undertaking document to be signed by the customer.



Tel: 09-46237404
E-mail: info@cbn.gov.ng

March 4, 2015

FPR/DIR/GEN/CIR/01/004

CIRCULAR TO ALL DEPOSIT MONEY BANKS

**TERMS AND CONDITIONS FOR PARTICIPATION BY DEPOSIT MONEY BANKS (DMBs)
IN THE IMPLEMENTATION AND EXECUTION OF NIGERIA ELECTRICITY MARKET
STABILIZATION FACILITY ("CBN-NEMSF")**

Following the Central Bank of Nigeria (CBN) approval of the terms and conditions for the participation of Deposit Money Banks (DMBs) in the implementation and execution of the Nigeria Electricity Market Stabilization Facility ("CBN-NEMSF"), the terms and conditions and the participation agreement are available at www.cbngov.ng for the compliance of all participating DMBs.

For further information, kindly contact Director, Development Finance Department, Central Bank of Nigeria, Abuja.


KEVIN N. AMIGO
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



Terms and Conditions
for Participation by Deposit Money
Banks in the Implementation and
Execution of Nigerian Electricity
Market Stabilization Facility
("CBN-NEMSF")



February 2015

1. INTRODUCTION

- (A) Following the handover of the Power Holding Company of Nigeria (“PHCN”) successor companies to private participants on November 1, 2013, the Nigerian Electricity Supply Industry (“NESI”) has been fraught with liquidity challenges arising from several factors including insufficient gas supply and higher baseline Aggregate Technical Commercial & Collection Losses (“ATC&C”) than what had been assumed under the current MYTO 2.
- (B) The Central Bank of Nigeria (“CBN”) has, pursuant to Section 31 of the Central Bank of Nigeria Act, 2007 (“the CBN Act”) indicated its desire to invest in the Refinancer to be set up to provide a facility- (the CBN-Nigerian Electricity Market Stabilization Facility “CBN-NEMSF”), aimed at settling outstanding payment obligations due to Market Participants, Service Providers and gas suppliers that accrued during the Interim Rules Period (IRP Debts) as well as the Legacy Gas Debts of the PHCN generation companies owed to gas suppliers and the Nigeria Gas Company Limited (“NGC”) which have been transferred to the Nigeria Electricity Liability Management Company Limited/One (“NELMICO”) (“the Legacy Gas Debt”). The objective is to put the NESI on a route to economic viability and sustainability.
- (C) The Refinancer will be set up by CBN and will amongst other functions refinance the Facility by repaying the Lenders for payments made to Market Participants, Service Providers, NGC and gas suppliers for the settlement of the IRP Debts and the Legacy Gas Debts. The funds to be utilized by the Refinancer for this purpose will be raised by the issuance of debenture notes by the Refinancer to be fully subscribed by CBN in accordance with the powers granted to the CBN pursuant to section 31 of the CBN Act. The Refinancer will be managed by an Administrator appointed by CBN.
- (D) In order to secure the repayment of the Facility, NERC has committed to reset the Multi Year Tariff Order 2 (MYTO 2) by issuing the MYTO 2.1.
- (E) These Terms and Conditions are stipulated by the CBN for the participation of Banks as Mandate Banks, Collection Banks and Principal Collection Banks in the CBN-NEMSF.

2. DEFINITION OF TERMS

“Accounts Administration Agreement”	means the agreement between the Refinancer, each DISCO, TCN, Mandate Banks, Collections Bank and Principal Collection Bank governing the management of the Transaction Accounts and flow of funds between the Transaction Accounts.
“Administration Agreement”	means the agreement between the Refinancer and the Administrator setting out the terms of the Administrator’s appointment.

"Administrator"	means Meristem Wealth Management Limited or any other person appointed by CBN to administer and manage the CBN-NEMSF for and on behalf of the Refinancer;
"ATC & C"	means Aggregate Technical Commercial and Collection losses;
"Banks"	means collectively, the Mandate Banks, Collection Banks, and Principal Collection Banks ; and individually, the "Bank";
"Beneficiaries"	means collectively, Market Participants, Service Providers, NGC and gas suppliers owed the IRP Debts and Legacy Gas Debts and each "Beneficiary";
"BOFLA"	means the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria 2004 and any amendment or re-enactment thereof;
"Business Day"	means a day (other than a Saturday or Sunday or a public holiday and any other day on which banks located in Nigeria are authorized by law or other governmental action to close) on which banks in Nigeria are open for general business;
"CBN Consent Letter"	means a letter from CBN acknowledging and approving the transfer of funds to the Refinancer in accordance with the Deed of Debenture;
"CBN Debt Service Account"	means an account so designated and maintained with CBN into which repayments of the CBN-NEMSF are transferred from the SPV Repayment Account;
"Collection Banks"	means the Banks with which DISCOs open and maintain the DISCO Feeder Collection Accounts;
"Commitment"	means the amount approved by CBN for each Lender to disburse to the to the SPV Disbursement Escrow Account;
"Conditions Precedent to Disbursement"	means such conditions precedent which are to be undertaken by the Market Participants, NERC and CBN prior to the disbursement of the Facility as specified in the Disbursement Agreements and the Liability Transfer and Debt Settlement Agreement;
"Conditions Subsequent"	means such conditions subsequent specified in the

to Disbursement"	Disbursement Agreements and the Amended and Restated DISCO Disbursement Agreements;
"Debtware Deed"	means the agreement to be entered into between the Refinancer and CBN pursuant to which CBN shall subscribe fully to debtware notes to be issued by the Refinancer for the purpose of providing the CBN-NEMSF;
"Disbursement"	means disbursement of the Facility to the Beneficiaries by in accordance with the Disbursement Agreements and the Liability Transfer and Debt Settlement Agreement;
"Disbursement Agreements"	includes the following agreements entered into by CBN, NERC, Market Participant, the Lenders, and the Refinancer for the purpose of disbursing the portion of the CBN-NEMSF due to each Market Participant. <ul style="list-style-type: none"> i. The GENCO Disbursement Agreement. ii. The TCN Disbursement Agreement. iii. The Amended and Restated DISCO Disbursement Agreement. iv. The GENCO Novation Deed
"Disbursement Date"	Shall have the meaning given to it in the Transaction Documents;
"DISCO Feeder Collection Accounts"	means those accounts to be newly opened or already maintained by each DISCO with the Collection Banks into which all payments for electricity consumed by consumers are paid or will be paid;
"Disbursement Escrow Account"	means an account managed by the Refinancer for aggregating the Commitments and undertaking the Disbursement in accordance with the terms of the Amended and Restated DISCO Disbursement Agreement and the Account Administration Agreement;
"Disbursement Refinance Agreement"	means the agreement between the Refinancer, Lenders, the DISCOs and the Administrator for the repayment of the Facility to the Lenders by the Refinancer;
"DISCOs"	means the licensed electricity distribution companies and the singular term "DISCO" shall be construed accordingly.
"Facility"	means the aggregate sum of N213, 417, 694, 034 .34 Billion Naira to be disbursed to the Beneficiaries in

	accordance with the terms of each Disbursement Agreement and the Liability Transfer and Debt Settlement Agreement;
"Final Maturity Date"	means the date for full and final repayment of the Facility as stated in each DISCO Disbursement Agreement;
"GENCOs"	means the licensed generation companies who are Market Participants, are connected to the national grid and are owed IRP Debts;
"GENCO Disbursement Agreement"	means the agreement which sets out the terms for disbursement of the CBN-NEMSF to GENCOs and executed between each GENCO, CBN and NERC and to be novated to the Refinancer. The plural term "GENCO Disbursement Agreements" shall be construed accordingly;
"Interim Rules Period or IRP"	means the period under which Market Participants operate under the Interim Rules.
"Interim Rules"	means the rules for the period between completion of the privatization by handover of the PHCN successor companies to core investors and the start of the Transitional Electricity Market (TEM);
"IRP Debts"	means debts incurred by Market Participants during the Interim Rules Period;
"Legacy Gas Debts"	means the gas debts of the PHCN generation companies owed to NGC and gas suppliers prior to 1 st November 2013 which have been transferred to NELMCO by virtue of the Pre-Completion Liabilities Transfer Agreement between NELMCO and the GENCOs;
"Lenders"	means the deposit money banks that will transfer the Commitment amounts to the to the Refinancer for the purpose of the Disbursement and the singular term "Lender" shall be construed accordingly;
"Liability Transfer and Debt Settlement Agreement"	means the agreement transferring the liability and obligation comprised in the Legacy Gas Debts from NELMCO to the Refinancer;
"Mandate Banks"	means the deposit money banks approved by CBN to act as Lenders;

"Market Operator"	means an entity including its successors and assigns licensed to carry out market operations under the Electric Power Sector Reform Act 2005 and the Market Rules and engaged in the administration of the wholesale electricity market, including making, publishing, amending, administering and or enforcing the Market Rules and settlement of payments among Market Participants pursuant to its License,
"Market Participation Agreement"	means an agreement required under the Market Rules to be signed by a person who intends to play any role or participate in the NESI, to confirm the person's participation in and undertaking to abide by the rules and regulations of the NESI;
"Market Participants"	means those persons that have executed a Market Participation Agreement in accordance with the Market Rules and a "Market Participant" shall be construed accordingly;
"Market Rules"	means the Market Rules for the Electricity Sector of Nigeria 2009;
"MYTO 2"	means the Multi Year Tariff Order created by an order of NERC published in June 2012;
"NELMCO"	Nigeria Electricity Liability Management Ltd/Gtc;
"NERC"	means Nigerian Electricity Regulatory Commission;
"NESI"	means Nigerian Electricity Supply Industry;
"NGC"	means Nigeria Gas Company;
"NIBOR"	means Nigerian Inter Bank Offered Rate;
"PHCN Successor Companies"	means Privatized Distribution and Generation Companies previously owned by PHCN;
"Person"	includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

"PHCN"	means the Power Holding Company of Nigeria PLC (in Liquidation) a company duly incorporated in accordance with the Companies and Allied Matters Act, Cap C 20, LFN 2004;
"Principal Collection Account"	means an account so designated held by a DISCO with the Principal Collection Bank for the purpose of receiving all payments from the Feeder Collections Accounts;
"Principal Collection Bank"	means a Collection Bank designated by a DISCO to hold its Principal Collection Account in accordance with the Accounts Administration Agreement;
"Refinancer"	means the special purpose vehicle to be set up by CBN and NERC for the purpose of implementing the CBN-NEMSF;
"Repayment Date(s)"	Shall have the meaning specified in the Transaction Documents;
"Repayment Schedule"	means the schedule for repayment of the Facility as provided under the Disco Disbursement Agreement and the Amended and Restated DISCO Disbursement Account;
"Service Providers"	means NERC and TCN as the Market Operator, System Operator and or the Transmission Service Provider;
"SPV Repayment Account"	means an account created for the repayment of the Facility which shall be held by the Refinancer and domiciled in CBN for the purpose of receiving payment from the Principal Collection Account;
"TCN"	means Transmission Company of Nigeria its successors and assigns;
"TCN Disbursement Agreement"	means the Agreement which sets out the terms for the disbursement of the CBN-NEMSF, executed between TCN and the Refinancer;
"Transaction Accounts"	means all the accounts opened and maintained under and pursuant to the Accounts Administration Agreement;
"Transaction Documents"	means the following documents: <ul style="list-style-type: none"> i. Deed of Debenture; ii. Participation Agreement; iii. The Disbursement Agreements;

	<ul style="list-style-type: none">iv. The Disbursement Refinance Agreement;v. Accounts Administration Agreement;vi. Liability Transfer and Debt Settlement Agreement;vii. Administration Agreement <p>and other document designated as a Transaction Document by the Refinancer.</p>
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3. TERMS AND CONDITIONS

1.	MODE OF FUNDING	<p>a. The CBN shall subscribe to debenture notes issued by the Refinancer in the total sum of the Facility amount.</p> <p>b. Each Lender shall make available (for the benefit of the Beneficiaries) the amount of its Commitment in the Facility to the Refinancer.</p>
2.	REFINANCING	The Refinancer shall refinance the Facility by repaying the Lenders in proportion to each Lender's Commitment in accordance with the DISCO Disbursement Refinance Agreements and the Amended and Restated DISCO Disbursement Agreements.
3.	ROLE OF THE ADMINISTRATOR	The Administrator shall administer and manage the CBN-NEMSF for and on behalf of the Refinancer.
4.	FACILITY AMOUNT	N213, 417, 694,034.34 Billion - Two Hundred and Thirteen Billion Four Hundred and Seventeen Million Six Hundred and Ninety Four Thousand and Thirty Four Naira Thirty Four Kobo.
5.	CURRENCY	Naira.
6.	TENOR	The Facility shall have a tenor of 10 years.
7.	MORATORIUM	There shall be a moratorium period of 12 months on the principal amount.
8.	CHARGES	The Facility will attract an all-inclusive charge of 10% per annum on the outstanding balance and payable monthly in accordance with the Transaction Documents.
9.	DISBURSEMENT	<p>All amounts to be disbursed under the CBN-NEMSF must be as confirmed by NERC and the Market Operator and approved by the Refinancer. The Refinancer shall disburse the Facility for the following purposes:</p> <p>a. settlement of all Legacy Gas Debts owed to NGC and the gas suppliers; and</p> <p>b. settlement of all IRP Debts owed to the Beneficiaries.</p> <p>Provided that Disbursement shall only be made on the</p>

		fulfilment (or waiver) of all the Conditions Precedent in the form and substance satisfactory to the Refinancer and in accordance with the Disbursement Agreements and provided further that the Disbursement shall be utilised in accordance with the Permitted Utilisation as defined and described in the Disbursement Agreements.
10.	BENEFICIARIES OF THE FACILITY	Market Participants, Service Providers, NGC and gas suppliers to whom IRP Debts and Legacy Gas Debts are owed.
11.	TERMS OF ENGAGEMENT OF THE BANKS	<ul style="list-style-type: none"> a. The Collection Banks and the Principal Collection Bank, may in accordance with existing agreements with any DISCO, charge such fees as are payable by the DISCO for collections and other services undertaken by the Collection Bank and the Principal Collection Bank on behalf of and for the benefit of the DISCO in the normal course of business. b. The Banks shall, with respect to the CBN-NEMSF and the Accounts Administration Agreement, act in accordance with instructions given to it by the Refinancer based on the Transaction Documents and in the absence of instructions from the Refinancer, the Banks shall act (or refrain from taking action) reasonably in ensuring and protecting the best interest of the Refinancer. c. The Collection Banks and the Principal Collection Bank shall transfer all funds under the CBN-NEMSF in accordance with their obligations under the Accounts Administration Agreement.
12.	CONDITIONS FOR PARTICIPATION – MANDATE BANKS	<ul style="list-style-type: none"> a. Approval from CBN to each Mandate Bank to participate in the CBN-NEMSF in an amount approved by CBN. b. Necessary approval of the Mandate Banks according to its internal processes authorizing each Mandate Bank to participate in the CBN-NEMSF under these Terms and Conditions stipulated by CBN and in the amount approved by CBN. c. Execution of the requisite Transaction Documents by the Mandate Banks.

13.	OBLIGATIONS OF PARTIES	<p>CBN</p> <ul style="list-style-type: none"> a. Procurement of all requisite approvals for the CBN-NEMSF. b. Establishment of the Refinancer and subscription to the debenture to be issued by the Refinancer pursuant to the Deed of Debenture. <p>Refinancer</p> <ul style="list-style-type: none"> a. Compliance with these Terms and Conditions. b. Monitor the process for the fulfilment of the Conditions Precedent and Condition Subsequent to Disbursement and ensure that such conditions precedent are fulfilled in a manner and form which is reasonably satisfactory. c. Refinance the Lenders in accordance with the terms of the Amended and Restated DISCO Disbursement Agreement and the DISCO Disbursement Refinance Agreement to the amount of the Commitment by each Lender. d. Authorize and approve the Disbursement by the Lenders in accordance with the relevant Disbursement Agreements and the Liability Transfer and Debt Settlement Agreement. e. Procure that appropriate mechanisms are established for the repayment of the Facility. f. Monitor the repayments being made with respect to the Facility and ensure that there are no shortfalls in the repayment. g. Keep proper books of account and records of all disbursements and repayments of the Facility. h. Rendering periodic reports including accounts to CBN. i. Adhere to all its obligations as stated in the relevant Transaction Documents to which it is a party.
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		<p>Mandate Banks</p> <ul style="list-style-type: none"> a. Compliance with these Terms and Conditions. b. Transfer to the Refinancer in accordance with the terms of the Amended and Restated DISCO Disbursement Agreements the amount of the Commitment for each Mandate Bank for the purpose of Disbursement. c. Not use any monies received under the CBN-NEMSF to repay or set off any existing or future secured or unsecured obligations or liabilities of any of the Market Participants. d. Adhere to all its obligations as stated in the relevant Transaction Documents to which it is a party. <p>Collections Banks</p> <ul style="list-style-type: none"> a. Compliance with these Terms and Conditions. b. Provide the Refinancer with a register of all accounts operated by a DISCO and domiciled with it. c. Disclose all existing Feeder Collection Accounts in respect of each DISCO to the Refinancer and shall provide the Refinancer all relevant information required in respect of the existing Feeder Collection Accounts and newly opened Feeder Collection Accounts. d. Open and maintain the Feeder Collections Accounts in accordance with the terms of the Account Administration Agreement. e. Immediately notify the Refinancer upon receiving a request to open any other account by a DISCO and such account shall not be opened without the prior written consent of the Refinancer.
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		<p>received under the CBN-NEMSF to repay or set off any existing or future secured or unsecured obligations or liabilities of any of the Beneficiaries.</p> <p>f. Upon receiving either a written or verbal request to close a Principal Collection Account, it shall immediately give the Refinancer notice of such request and the Principal Collection Account shall not be closed without the prior written consent of the Refinancer.</p> <p>g. Promptly notify the Refinancer of any circumstances within its knowledge and notice which are likely to result in an event of default under any of the Transaction Documents.</p> <p>h. Adhere to all its obligations as stated in the relevant Transaction Documents to which it is a party.</p>
14.	REPAYMENT	<p>a. Repayment of CBN-NEMSF shall be in accordance with the repayment schedule to be set out in the Amended and Restated DISCO Disbursement Agreement.</p> <p>b. All transfers to be made by the Principal Collection Banks to the Refinancer in repayment of the CBN-NEMSF shall be made without setoff, deductions or counterclaim.</p>
15.	DEFAULT INTEREST	<p>If the Collection Banks or the Principal Collection Banks fail to transfer or remit any amount under a Transaction Document as at the due date of such transfer or remittance, interest shall accrue on the overdue amount from the due date up to the date of actual transfer or remittance at the defaulting Bank's prevailing maximum leading rate and payable by the defaulting Bank. This cost shall not be passed on to the DISCO.</p>
16.	TRANSACTION DOCUMENTS	<p>Disbursement of the CBN-NEMSF shall be subject to the satisfactory negotiation, execution and exchange of the Transaction Documents, in all respects to all parties concerned in the CBN-NEMSF. The Transaction Documents include but are not limited to the following:</p> <ul style="list-style-type: none"> i. Deed of Debenture; ii. Participation Agreement;

		<ul style="list-style-type: none"> iii. The Disbursement Agreements; iv. DISCO Disbursement Refinance Agreement; v. Accounts Administration Agreement; vi. Liability Transfer and Debt Settlement Agreement; vii. Administration Agreement <p>any other document designated as a Transaction Document by the Refinancer.</p>
17.	SECURITY	The security to be provided for the CBN-NEMSF shall be by way of a declaration of trust as set out in the Amended and Restated DISCO Disbursement Agreement over the line item in the invoices issued by the DISCOs representing the collection of the facility which has been provided in the MYTO 2.1 for repayment of the Facility and an obligation on the DISCOs to ensure such collections.
18.	APPLICATION OF THESE TERMS AND CONDITIONS	In addition to these Terms and Conditions, each of the Mandate Banks, the Collection Banks, the Principal Collection Bank shall execute a Participation Agreement substantially in the form annexed to these Terms and Conditions as Schedule A.
19.	CHANGES IN MANDATE BANKS	<ul style="list-style-type: none"> a. A Mandate Bank may terminate its participation in the CBN-NEMSF by giving 10 Business Days' notice to the Refinancer in which case the Refinancer shall appoint a bank licensed in accordance with BOFIA as a successor Mandate Bank. b. In the event of a breach by a Mandate Bank of any of its obligations as set out in these Guidelines or under a Transaction Document or in the event of a revocation of the banking licence of a Mandate Bank or on the appointment of a liquidator or other similar processes evidencing a winding up or liquidation of the Mandate Bank, CBN may immediately terminate the participation of the Mandate Bank in the CBN-NEMSF and CBN shall appoint a bank licensed in accordance with BOFIA as a successor Mandate Bank. c. The terminating Mandate Bank under (a) above and the Mandate Bank whose participation is terminated under (b) above, shall make available to

21.	CHANGES IN PRINCIPAL COLLECTION BANKS	<p>a. ADISCO may only terminate a Principal Collection Banks' participation upon giving 10Business Days prior notice of such termination to the Refinancer and ensuring that a successor Principal Collection Bank (licensed in accordance with BOFLA) accedes to these Terms and Conditions.</p> <p>b. In the event of a revocation of the banking licence of a Principal Collection Bank or on the appointment of a liquidator or other similar processes evidencing a winding up, a Principal Collection Bank shall no longer be eligible to act as a Principal Collection Bank and its participation in the CBN-NEMSF shall immediately be terminated without more.</p>
22.	EVENTS OF DEFAULT BY BANKS	<p>A Bank shall be said to be in default upon the occurrence of any of the events listed below:</p> <ul style="list-style-type: none"> a. Opening and maintaining unauthorized accounts on behalf of any DISCO. Any account opened or maintained on behalf of a DISCO which is not designated a Transaction Account under the Accounts Administration Agreement is an unauthorized account. b. Late or non-disbursement by the Lenders of sums due to the Beneficiaries. c. Late or non-remittance of repayment sums due under the CBN-NEMSF and held by the Collections Banks and the Principal Collection Bank in breach of the provisions of the applicable Transaction Documents. d. Carrying out rights of set-off with respect to any existing obligation or liability in relation to any monies received under the CBN-NEMSF. e. Breach of any of the terms of these Terms and Conditions. f. Breach of warranties, undertakings and covenants under applicable Transaction Documents. <p>In addition to the terms of paragraph 21, where a Bank allows the opening of an unauthorized account, the Bank</p>

		<p>holding such account shall immediately transfer all credit balances in the account to the Principal Collection Account and close the unauthorized account within 2 Business Days upon notification by the Refinancer. CBN may terminate the participation of the relevant Bank in the CBN-NEMSF and the Refinancer shall not incur any liability for such termination.</p> <p>Further, on the occurrence of an event of default under this paragraph, the Bank shall be liable to pay a fine in an amount to be decided by CBN.</p>
23.	DELEGATION OF POWERS BY THE REFINANCER	<p>a. The Refinancer shall permit the Administrator appointed by the CBN as the Refinancer's duly authorized representative to exercise all rights and powers duly exercisable by the Refinancer under these Terms and Conditions in the name and on behalf of the Refinancer without prejudice to the Refinancer's right to exercise same.</p> <p>b. The Banks hereby acknowledge the delegation hereby made and covenant to cooperate with the Administrator in the exercise by the Administrator of any of the rights or powers of the Refinancer under these Terms and Conditions.</p>
24.	TERMINATION	<p>Termination of a Bank's participation in the CBN- NESMF shall be on the occurrence of any of the following events;</p> <p>a. Repayment in full of the amount owed by each DISCO under the Facility in accordance with the Transaction Documents;</p> <p>b. An event of default stated under paragraph 23 and under the relevant Transaction Document;</p> <p>c. A change of such Bank in accordance with paragraphs 20, 21, and 22.</p>
25.	DURATION	These Terms and Conditions shall remain effective until full repayment of the Facility.
26.	TRANSFERABILITY/ ASSIGNMENT	<p>a. The Refinancer shall have the right to transfer to one or more Persons the rights and obligations of the Refinancer.</p>

		<p>b. The Member Banks, the Collection Banks and the Principal Collection Banks shall not assign, charge, encumber or otherwise deal with any of their rights or obligations set out in these Terms and Conditions or the Transaction Documents, or attempt or purport to do so, without the prior written consent of the Refinancer.</p>
27.	AMENDMENT	<p>These Terms and Conditions shall be subject to amendment from time to time as may be deemed necessary by the CBN.</p>

ISSUED THIS DAY OF DECEMBER, 2014



Godwin Emefiele
 Governor of the Central Bank of Nigeria

**GUIDELINES ON THE GOVERNANCE OF FINANCIAL REGULATION
ADVISORY COUNCIL OF EXPERTS FOR NON-INTEREST (ISLAMIC)
FINANCIAL INSTITUTIONS IN NIGERIA**

FINANCIAL POLICY AND REGULATION DEPARTMENT

FEBRUARY, 2015

1.0 INTRODUCTION

An essential governance structure and element of regulatory oversight for institutions offering non-interest (Islamic) financial services is the establishment of an advisory body at the level of the Central Bank to provide assurance that the strategic direction and conduct of financial transactions of Non-Interest (Islamic) Financial Institutions (NIFIs) are in compliance with the rules and principles underpinning their operations.

Section 9.1 of the CBN Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria provides for the establishment of an advisory body at the CBN on Islamic banking and finance. The body shall be called the Financial Regulation Advisory Council of Experts (FRACE). The Council shall advise the CBN on matters relating to Islamic commercial jurisprudence for the effective regulation and supervision of NIFIs in Nigeria.

Pursuant to that Section, this Guidelines have been developed and issued to guide the operations and activities of the FRACE. It sets out the membership, composition, qualification, duties and responsibilities of the FRACE among others.

2.0 OBJECTIVES

The Guidelines is to:

- a. Set forth the composition of the FRACE and the minimum qualification of its members;
- b. Define the duties and responsibilities of the Council and its members;
- c. Define the working relationship between the FRACE and the individual Advisory Committees of Experts (ACE) of NIFIs; and
- d. Outline a code of conduct for members of the FRACE.

3.0 ESTABLISHMENT OF THE FRACE

3.1. The FRACE shall be established as an expert advisory organ to advise the CBN on matters of Islamic commercial jurisprudence as they relate to the operations of NIFIs. Members of the FRACE shall be appointed on a part-time basis.

4.0 MEMBERSHIP OF THE FRACE

4.1 Appointment

The appointment of members of the FRACE shall be for a term of two (2) years, renewable subject to satisfactory performance.

4.2 Composition

The FRACE shall comprise a minimum of five (5) members. The Special Adviser to the Governor on Non-Interest Banking shall be a member, while the Director, Financial Policy and Regulation Department shall serve as the Secretary

4.3 Qualification

4.3.1 A member of the FRACE shall be an individual and not a corporate body or institution;

4.3.2 A member shall at a minimum possess required knowledge, expertise and experience in the field of Islamic Jurisprudence with specialization in the field of Islamic Commercial Jurisprudence.

4.3.3 A member should also demonstrate:

- (i) Knowledge in the philosophy of Islamic law,
- (ii) Knowledge of written and spoken Arabic as well as English languages and
- (iii) Exposure in the field of business, economics or finance especially Islamic Finance.

4.4 Disqualification

A member of the FRACE shall be disqualified and cease to serve as a member if he/she:

- i. Is found to be of unsound mind or is incapable of carrying out his/her duties as a result of ill-health or
- ii. Is declared bankrupt or suspends payments or compounds with his/her creditors including his/her bankers; or
- iii. Is convicted of any offence involving dishonesty or fraud by a court of competent jurisdiction; or
- iv. Commits serious misconduct in relation to his/her duties; or
- v. Fails to attend 75% of the meetings of the FRACE in a year without satisfactory reasons ; or
- vi. Has his/her appointment with a NIFI or any other financial institution terminated or has been dismissed for reason of gross misconduct, fraud or dishonesty;

- vii. Is disqualified or suspended from practicing his profession in Nigeria by the order of any competent authority made in respect of the person where he/she is a member of a professional body.

5.0 RESTRICTIONS ON FRACE MEMBERSHIP

The following restrictions shall apply in respect of membership of the FRACE:

- a. A member of the FRACE shall not be a member of the Advisory Committee of Experts (ACE) of any institution under the regulatory purview of the CBN.
- b. A member of the FRACE shall not be a member of the Board of Directors or Executive Management of any NIFI under the regulatory purview of the CBN.
- c. No member of FRACE shall be a staff of any NIFI under the supervisory purview of the CBN.
- d. A member of FRACE shall not take up appointment as a member of an ACE of a NIFI under the supervisory purview of the CBN within the first two (2) years of his/her ceasing to be a FRACE member.

6.0 DUTIES AND RESPONSIBILITIES OF THE FRACE

6.1 The **FRACE** shall have the following duties and responsibilities:

- i. Give expert opinion and assistance on non interest (Islamic) banking and finance matters referred to it by the CBN;
- ii. Give expert opinion and assistance on non interest (Islamic) banking and finance matters referred to it by other regulatory agencies in the Nigerian financial system, which shall include but not limited to: the Nigeria Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (PENCOM) and Debt Management Office (DMO);
- iii. Endorse and validate application documents for new products and services, advert materials etc from NIFIs to ensure that they comply with the provisions of Islamic commercial jurisprudence;
- iv. Provide written juristic opinion of Islamic jurisprudence in respect of new non-interest (Islamic) financial products and instruments developed by the CBN or referred to it by the CBN or other regulatory bodies in the Nigerian financial system;

- v. Resolve differences of opinion arising between different Advisory Committee of Experts (ACEs) of NIFIs and between members of the same ACE;
- vi. Resolve disputes arising between the Boards of Directors and ACEs of NIFIs;
- vii. Provide final juristic opinion on issues of compliance with the principles of Islamic commercial jurisprudence in the field of economics and finance;
- viii. Shall be responsible and accountable for all juristic decisions, opinions and views provided by it;
- ix. Assist or advise related parties to the Central Bank and other financial regulatory agencies on non-interest (Islamic) banking and finance matters upon request;
- x. Provide support to the Central Bank of Nigeria in respect of questions or queries that may be raised regarding the Shariah compliance of financial products, instruments and institutions;
- xi. Study Islamic jurisprudence-related problems facing relevant institutions and stakeholders of the financial sector and give expert opinion on them;
- xii. Screen prospective ACE members for confirmation of their appointment by the CBN;
- xiii. Represent the Bank in relevant multilateral institutions of which the CBN is a member in committees and working groups that are related to the field of expertise of the FRACE; and
- xiv. Carry out any other duties assigned to it by the Management of the CBN from time to time

6.2 The FRACE shall hold regular meeting based on the exigency of requests from the NIFIs and other regulatory agencies.

7.0 RESPONSIBILITIES OF THE CBN TOWARDS THE FRACE

For the FRACE to effectively discharge its duties and responsibilities, the CBN shall:

- i. Refer issues of Islamic commercial jurisprudence relating to non-interest (Islamic) financial institutions, products and services to the FRACE for advice;
- ii. Ensure that ex-ante approval of new non-interest (Islamic) financial products and services contains due appraisal and validation of the

- FRACE for compliance with principles of Islamic commercial jurisprudence;
- iii. Provide the FRACE with sufficient support for continuous professional development it requires to perform its duties effectively;
 - iv. Provide the FRACE access to all relevant documents and required resources to perform its duties; and
 - v. Remunerate members of the FRACE commensurate with their expected duties and responsibilities.

8.0 REPORTING RELATIONSHIP

The FRACE shall report to the Governor through the FRACE Secretariat domiciled in the Financial Policy and Regulation Department.

9.0 RELATIONSHIP BETWEEN THE FRACE AND NIFIs' ADVISORY COMMITTEES OF EXPERTS

As provided by Section 8.2 of the CBN Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest (Islamic) Financial Services in Nigeria, each institution shall establish an Advisory Committee of Experts. The decision of each Committee as regards product validation is subject to ratification by the FRACE.

In a situation of divergence of opinion on a matter between an individual ACE and the FRACE, the opinion of the FRACE shall prevail.

10.0 FRACE ANNUAL REPORT

The FRACE shall prepare an annual report of its activities to the Governor before the end of the first quarter of the subsequent year.

11.0 CODE OF CONDUCT

The FRACE shall in the discharge of its duties, be guided by the principles of independence, competence, confidentiality and consistency as outlined in the Islamic Financial Services Board (IFSB) Standard on Guiding Principles of Shariah Governance Systems for Institutions Offering Islamic Financial Services (IFSB-10) and other relevant regulations.



GUIDELINES ON THE GOVERNANCE OF ADVISORY COMMITTEES OF EXPERTS FOR NON-INTEREST (ISLAMIC) FINANCIAL INSTITUTIONS IN NIGERIA

1. INTRODUCTION

Compliance with the principles of Islamic Commercial Jurisprudence is a critical element of non interest (Islamic) banking and finance. A framework for ensuring such compliance is therefore imperative for strengthening the regulatory and supervisory oversight of the industry and nurturing a pool of competent experts in this field.

Consequently, all institutions offering non-interest (Islamic) financial services under the purview of the Central Bank of Nigeria (CBN), herein designated as Non-Interest Financial Institutions (NIFIs) in Nigeria are hereby required to establish an advisory body as part of their governance structure to be known as "Advisory Committee of Experts" (ACE).

In recognition of the foregoing, the CBN have developed the following guidelines for the appointment, duties and responsibilities of the Advisory Committees of Experts of NIFIs.

To effectively play its role, the ACE shall operate as an independent body, with the principles of competence, integrity, confidentiality and consistency properly enshrined in its operations. It is expected that an independent ACE will engender public confidence, thereby promoting the growth and development of the industry.

2. OBJECTIVES

This Guidelines aims to:

- (a) Set out the rules, regulations and procedures for the establishment and operations of the Advisory Committee of Experts of a NIFI;
- (b) Define the role, scope of duties and responsibilities of the Committee and its members towards the NIFI;
- (c) Define the role, scope of duties and responsibilities of the NIFI towards the ACE;
- (d) Outline the functions relating to Shariah review and audit processes and
- (e) Define the working relationship between the ACE and the CBN's Financial Regulation Advisory Council of Experts (FRACE).

3. SCOPE

This Guidelines shall be applicable to all licensed NIFIs. The reference to NIFIs for the purpose of this Guidelines means:

- i. Full-fledged non-interest (Islamic) bank or full-fledged non-interest (Islamic) banking subsidiary of a Financial Holding Company (Holdco);
- ii. Full-fledged non-interest (Islamic) merchant bank
- iii. Full-fledged non-interest (Islamic) microfinance bank;
- iv. Non-interest (Islamic) branch or window of a conventional bank;
- v. A development bank regulated by the CBN offering non-interest (Islamic) financial services;
- vi. A primary mortgage bank licensed by the CBN to offer non-interest (Islamic) financial services and
- vi. A finance company licensed by the CBN to provide non-interest (Islamic) financial services.

4. ESTABLISHMENT OF ADVISORY COMMITTEE OF EXPERTS

All licensed NIFIs shall establish an Advisory Committee of Experts to be approved by the CBN.

5. MEMBERSHIP OF ACE

5.1 Appointment

The Board of Directors of a NIFI shall appoint members of the ACE subject to the approval of CBN. The appointment shall be for a renewable term of four years subject to a maximum of three terms.

5.2 Qualification

5.2.1 A member of ACE shall:

- i. Be an individual and not a corporate body or institution;
- ii. At a minimum, have an academic qualification or possess necessary knowledge, expertise or experience in the sciences of Shariah with particular specialisation in the field of Islamic Commercial Jurisprudence (Fiqh al Mua'amalat).

5.2.2 In addition to the requirement in 5.2.1 above, it is desirable for the member to possess the following:

- Skills in the philosophy of Islamic Law (Usul al Fiqh);
- Good knowledge of written and spoken Arabic as well as English Language, basic knowledge in the areas of business or finance especially Islamic Finance.

5.3 Composition

5.3.1 For the effective functioning of the ACE, its composition shall consist of a minimum of three (3) members.

5.3.2 The ACE may engage the services of consultant(s) or officer(s) of the NIFI who have expertise in the field of business, economics, law, accounting or any other field that will assist it in making informed judgment on the compliance of banking and financial products and services to the principles of Islamic Commercial Jurisprudence. Such consultant(s)/officer(s) may attend meetings of the ACE but shall not take part or exercise voting rights in giving a Shariah legal opinion or verdict by the ACE.

5.4 Confirmation of Appointment of ACE Members

A formal request for the confirmation of the appointment of members of the ACE shall be submitted to the CBN in writing. The request shall be accompanied by detailed Curriculum Vitae, as well as, copies of credentials of each nominee and a copy of the resolution of the board of directors of the NIFI approving the appointment.

5.5 Disqualification

5.5.1 Members of the ACE shall be persons of acceptable reputation, character and integrity. The CBN reserves the right to disqualify any member or proposed member who fails to meet the requirements prescribed in this Guidelines or any other requirement(s) as may be determined by the CBN from time to time

5.5.2 No person shall be appointed or remain a member of an ACE who:-

- Is of unsound mind or as a result of ill-health is incapable of carrying out his/her duties;
- Is declared bankrupt or suspends payments or compounds with his/her creditors including his/her bankers;
- Is convicted by a court of competent jurisdiction of any offence involving dishonesty or fraud;
- Is guilty of serious misconduct in relation to his/her duties;

- Fails to attend 75% of the meetings of the ACE in a year without satisfactory excuse;
- In the case of a person possessing professional qualification, is disqualified or suspended (except on his own request) from practicing his profession in Nigeria by the order of any competent authority made in respect of the person personally.

5.5.3 No person who has been a member of an ACE, director of or directly concerned in the management of a NIFI or any other financial institution which failed or was wound up by a court of competent jurisdiction shall, without the express authority of the CBN act or continue to act as an ACE member of any other NIFI.

5.5.4 Any person whose appointment with a NIFI or any other financial institution has been terminated or who has been dismissed for reason of gross misconduct, fraud, dishonesty or conviction for an offence involving dishonesty or fraud shall not be appointed by any other NIFI in Nigeria as an ACE member.

5.5.5 Where a member of an ACE becomes unfit to hold such appointment as provided in this Guidelines and/or in the letter of approval from the CBN, the NIFI shall terminate the appointment of the ACE member.

5.6 Resignation, Termination and Dismissal

A NIFI shall notify the CBN with immediate effect of any resignation, termination of appointment or dismissal of a member of the ACE. The notice shall state the reason(s) for such resignation/termination or dismissal.

6.0 RESTRICTIONS ON ACE MEMBERSHIP

The following restrictions shall apply in respect of the membership of an ACE:

- i. No one individual shall belong to more than one ACE of financial institutions under the supervisory purview of the CBN belonging to the same category.
- ii. A member of an Advisory Committee of Experts in a bank or financial institution under the supervisory purview of the CBN shall not be a member of the Financial Regulatory Advisory Council of Experts (FRACE).
- iii. A member of the ACE of a NIFI shall not be a member of the board of directors of the same institution.

- iv No member of the ACE of a NIFI shall be an executive management staff, or significant shareholder of the NIFI.

7.0 DUTIES AND RESPONSIBILITIES OF THE ACE

7.1 It shall be the duty and responsibility of the ACE to:

- Be accountable for all Shariah decisions, opinions and views provided by it;
- Advise the NIFI's board and management on jurisprudence-related matters so as to ensure the institution's compliance with principles of Islamic Commercial Jurisprudence at all times;
- Review and endorse policies and guidelines related to the principles underpinning non-interest (Islamic) finance. This shall include a periodic review of products and services to ensure that operational activities and transactions of the institution are made in accordance with those principles.
- Endorse and validate relevant documents for new products and services to ensure that they comply with the principles of Islamic Commercial Jurisprudence. These include:
 - i. Terms and conditions contained in forms, contracts, agreements or other legal documentation used in executing the transactions; and
 - ii. The product manual, marketing materials, sales illustrations and brochures used to describe the product or service.
- Ensure that the necessary ex-post considerations are observed after the product offering stage, namely the internal Shariah review processes and Shariah compliance reporting. This is in order to monitor the NIFI's consistency in compliance with the principles of this model and effectively manage Shariah non-compliance risk that may arise over time.
- Assist or advise related parties to the NIFI, such as its legal counsel, external auditors or other consultants on Islamic jurisprudence-related matters upon request;
- Provide written Shariah opinion to the NIFI in respect of new products and other issues referred to it;
- Provide support to the NIFI in respect of questions or queries that may be raised regarding the compliance of its products to the principles of the model including queries from consumers of the NIFI's products

- Issue recommendations on how the NIFI could best fulfill its social role as well as promote non-interest banking and finance;
- Provide checks and balances to ensure compliance with the principles of Islamic Commercial Jurisprudence;
- Assist the internal audit of the NIFI on Shariah Compliance Audit; and
- Carry out any related duties assigned to it by the NIFI.

8.0 DUTIES AND RESPONSIBILITIES OF NIFIs TO THE ACE

To ensure the smooth functioning of the ACE, a NIFI shall: -

(i) Refer all Islamic Commercial Jurisprudence issues to the ACE

The NIFI shall refer all issues on Islamic Jurisprudence in its business operations to the ACE for advice and decision. The submission for advice or decision shall be made in a comprehensive manner for effective deliberation by the Committee. This shall include transaction(s) dynamics, supporting documents and other relevant information

(ii) Implement the ACE's advice and decision

The NIFI shall be responsible for implementing the ACE's advice and decisions.

(iii) Ensure that product documents are validated

The NIFI shall obtain validation of the ACE relating to Shariah issues in all product documentations.

(iv) Prepare a Shariah Compliance Manual

The NIFI shall prepare a Shariah Compliance Manual which shall be endorsed by the ACE. The Manual shall provide general guidelines on the operational procedures of the ACE as well as a code of ethics and conduct for its members. The NIFI shall ensure that adequate systems are in place to monitor compliance with the code.

(v) Provide the ACE access to all relevant documentation

The NIFI shall provide the ACE with the necessary assistance and access to all relevant records, transactions, manuals or other information that it may require to perform its duties.

(vi) Provide the ACE with required resources

The NIFI shall provide the ACE with **required** financial resources, independent expert consultation, reference materials, training and development or any other support the ACE may require to perform its duty effectively.

(vii) Remunerate the members of the ACE

The Board of the NIFI shall determine the remuneration of ACE members. The remuneration shall be commensurate with the expected duties and functions of the Committee.

9.0 REPORTING RELATIONSHIP

9.1 The ACE shall report to the Board of Directors of the NIFI and have a dotted reporting line relationship to the MD/CEO. All cases of non-compliance with the principles of non-interest (Islamic) banking shall be recorded and reported to the Board by the ACE, and it shall recommend appropriate remedial measures. In cases where Shariah non-compliance is not effectively or adequately addressed or no remedial measures were taken by the NIFI, the ACE shall inform the CBN.

9.2 In the case of conflict of opinion among members of the ACE concerning a Shariah ruling, the board of directors of the NIFI shall refer the matter to the FRACE, which shall have the final authority on the matter.

10.0 REPORT OF THE ACE

10.1 The Board and Management of a NIFI shall ensure that the decisions and opinions of the ACE are documented, issued and disseminated to all stakeholders appropriately.

10.2 The ACE shall also issue an annual report which complies with the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) Governance Standard (No.1) regarding the basic elements of an ACE report. The NIFI shall also publish the ACE report in its annual financial report.

11.0 INDEPENDENCE OF THE ACE

11.1 The independence of the ACE shall be observed at all times for it to play its oversight role over the NIFI without undue influence, especially from the management of the NIFI.

11.2 Members of the ACE shall not have such relationships with the NIFI, its related companies or officers that could interfere or be reasonably perceived to interfere with the exercise of independent judgment in the best interest of the NIFI.

11.3 The management of a NIFI has an obligation to provide the ACE with complete, accurate and adequate information in a timely manner before all meetings and on an ongoing basis in order for the ACE to fulfill its responsibilities.

11.4 The ACE shall have independent access to the NIFI's internal Shariah control/review officer/unit/department to check whether internal control and compliance are being appropriately followed.

12.0 COMPETENCE OF MEMBERS OF THE ACE

12.1 Members of the ACE shall at all times demonstrate the competence and ability to understand:

- the technical requirements of the business;
- the inherent risks in the business; and
- the management processes required to conduct its operations effectively with due regard to the interest of all stakeholders.

12.2 The NIFI shall facilitate continuous professional development of members of the ACE as well as the officer(s) of the internal Shariah control/review organ of the institution.

12.3 The NIFI shall specify and adopt a process for formal assessment of the effectiveness of the ACE and of the contribution of each ACE member to its effectiveness. The process should also identify relevant gaps to enable appropriate training and exposure for the ACE members.

13.0 CONFIDENTIALITY AND CONSISTENCY

13.1 Internal and privileged information obtained by the ACE in the course of its duties shall be kept confidential at all times and shall not be misused.

13.2 Notwithstanding the above, the ACE shall not be liable for breaching the confidentiality and secrecy principle if the sensitive information is reported to the CBN in good faith for corrective actions, in the performance of its duty in reporting serious breaches of Shariah by the NIFI or in compliance with the order of a court of competent jurisdiction.

13.3 ++The NIFI shall ensure that the ACE follows a structured process in making Shariah decisions in such a way as to ensure quality and consistency of the decisions and their proper documentation and disclosure.

13.4 The NIFI shall ensure that the ACE adopts a well-defined and documented process for changing, amending or revising any Shariah pronouncements/resolutions issued by it. Appropriate and timely disclosure by the NIFI shall be made to all stakeholders and/or the public whenever the ACE and/or its members depart from or revise any of its Shariah pronouncements/resolutions.

14.0 INTERNAL SHARIAH COMPLIANCE UNIT

14.1 All NIFIs are required to have a dedicated Internal Shariah Compliance Unit comprising officer(s) with appropriate qualifications and experience in Islamic Commercial Jurisprudence and conventional finance to serve as the first point of reference for Shariah compliance issues. The unit may also serve as the secretariat to the ACE.

14.2 The appointment and removal of members of the ACE secretariat shall be appropriately carried out by the management of the NIFI in consultation with the ACE.

**FINANCIAL POLICY & REGULATION DEPARTMENT
CENTRAL BANK OF NIGERIA, ABUJA
FEBRUARY 20, 2015.**



CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Business District
P.M.B. 011
Lagos, Nigeria

09-83237401

February 18, 2015

09-83237401

FPE/DR/GEN/CIR/01/045

CIRCULAR TO ALL BANKS, DISCOUNT HOUSES AND OTHER FINANCIAL INSTITUTIONS

TIME BAR FOR RESOLUTION OF CUSTOMER COMPLAINTS

The Central Bank of Nigeria (CBN) has in recent time experienced increasing challenge in ensuring the timely resolution of complaints from consumers of financial services against financial institutions under its purview, due to non-availability or delay in receiving documentary evidence from both parties. The situation has underscored the need for a time bar policy for complaints management in the financial services industry.

Consequently, after due consultation with relevant stakeholders in the financial services industry and in line with the provisions of the Institute of Deposit Money Laundering (Prohibition) Act 2013, and CBN Anti-Money Laundering and Counter-Financing of Terrorism (AM/CFT) Regulations for Banks and Other Financial Institutions in Nigeria 2013, the CBN, in exercise of the power conferred on it by the CBN Act 2007 and the Banks and Other Financial Institutions Act (BOFIA) 2004 as amended, hereby introduces a time limit of six (6) years for the resolution of consumer complaints effective from the date of transaction.

The time limitation will however not apply to the following:

- 1. Fraud cases;
- 2. Complaints already lodged with the financial institutions and the CBN; and
- 3. International electronic payment transactions whose records are not retained beyond 180 days on the dispute resolution application (Arbitral).

The circular takes effect as stated and financial institutions are required to educate and communicate the development to their customers.

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January 22, 2015

CENTRAL BANK OF NIGERIA

Headquarters: Plot 51, Maitama District
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Abuja, FCT
Domicile: Lagos

All banks, discount houses and other financial institutions

CIRCULAR TO ALL BANKS, DISCOUNT HOUSES AND OTHER FINANCIAL INSTITUTIONS ON COMPLIANCE WITH THE UNITED STATES OF AMERICA'S FOREIGN ACCOUNTS TAX COMPLIANCE ACT (FATCA) 2010

The United States of America (US) enacted the Hiring Incentives to Restore Employment (HIRE) Act, commonly referred to as Foreign Accounts Tax Compliance Act (FATCA), on March 18, 2010, which took effect from July 1, 2014. The Act sought to broaden the coverage to foreign financial assets (FFA), including offshore accounts of US "persons".

The Act defines US "person" to include US-tax payers or foreign businesses where a US tax payer holds substantial ownership interest. The US IRS requires certain categories of foreign financial institutions (FFIs), especially banks, to enter into agreement with it in order to provide periodic information to US persons' accounts with them to the IRS.

For effective implementation of the Act, the US IRS has provided two possible options; the option for individual financial institutions to register with the IRS through the letter's

portal for compliance or FTL provide the required information through an inter-governmental agreement (IGA) option using the relevant agency;

We ask, by this notice, advising banks, discount houses and other financial institutions that are yet to comply with the FATCA to do so, and in complying with this requirement, to take cognizance of banks' customer relationship with regards to the duty of care and confidentiality.



KEVIN N. AMUSO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

JANUARY 22, 2015



CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
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17th November, 2014

FP/CR/GEN/04015

CIRCULAR TO BANKS, DISCOUNT HOUSES AND OTHER FINANCIAL INSTITUTIONS

STATUS AND REPORTING LINE OF CHIEF COMPLIANCE OFFICERS

We refer to our circular referenced BSD/00007 and dated 8th August, 2002 which directed banks and other financial institutions to appoint Chief Compliance Officers (CCOs) not below the grade of a General Manager and compliance officers (COs) at managerial level in their branches and our reminder of 23rd May, 2014 referenced BSD/008/CRN/LA8/01/001.

Representations from banks as well as the issuance of the New Banking Model have re-emphasized the need for a review of our circular of August, 2002. Accordingly, the required minimum grades for the appointment of CCOs and COs have been revised as provided herein:

Category of Institution	Educational and Experience Requirements	Minimum Status	Recommended Additional Certification
Micro/Small-scale Banks, international sub-prime, Systemic Import/Export Finance Institutions (SIFIs), and Foreign Banks	As provided in the attached Annex	General Manager	International Compliance Associate Certificate (ICA) or Certified Anti Money Laundering Specialist (CAML) or Certified Fraud Examiner (CFE)

Page 1 of 1

Category of Institution	Educational and Experience Requirements	Minimum Status	Recommended Additional Certification
Commercial Banks/Specialised Banks with national authorization that are not SIFIs	As provided in the Fit and Proper (Approved Persons) Framework for Deputy General Managers	Deputy General Manager	ICA, CAMS, CFE
Commercial Banks/Specialised Banks with regional authorisation that are not SIFIs, all merchant banks and discount houses	As provided in the Fit and Proper (Approved Persons) Framework for Required Regulatory Function (Chief Compliance Officer)	Assistant General Manager	ICA, CAMS, CFE
Microfinance Banks (Units, State and National)	-do-	Head, Compliance for State and National Head of Department for Units	ICA, CAMS, CFE
Primary Mortgage Banks (PMBs)	-do-	Assistant General Manager for National PMBs Head of Department for State PMBs	ICA, CAMS, CFE
Bureaux De Change	-do-	Manager Operations	ICA, CAMS, CFE
Finance Companies	-do-	Head of Department	ICA, CAMS, CFE

Category of Institution	Educational and Experience Requirements	Minimum Status	Recommended Additional Certification
Development Finance Institutions (NEXIM, BOI, BOA, FMBB, NARFUND and IB)	-10-	Assistant General Manager	ICA, CAMS, CPE

The CBN has also noted the onerous challenge of having dedicated Compliance Officers (CO) at each branch of a bank and has given dispensation that banks may elect to operate a cluster structure, whereby a designated CO would be responsible for a cluster of branches instead of having a CO at each branch, as earlier advised in the circular under reference. Consequently, the CBN has approved the establishment of Zonal Compliance Officers for banks, who must at a minimum, be on the same level with the management of the Zones where they work. Branch /Cash Centres, therefore, need not have Compliance Officers, provided the Compliance Officer at the Zone that controls the Branch/Cash Centre, effectively performs compliance functions at the Branch/Cash Centre. Where a bank or a financial institution decides to operate the cluster arrangement, details of such arrangement must be sent to the Director, Banking Supervision Department, or Director, Other Financial Institutions Department CBN, as the case may be, for prior approval.

The cluster structure must however take into cognizance, the size, number and proximity to each branch as well as the level of automation of the compliance function, without compromising compliance. It is important to note that, the function of Compliance Officer(s) must be clearly separated from that of internal Control/Audit. Compliance Officers of Banks, Discount Houses and Other Financial Institutions should meet the criteria specified for the category of their institutions.

All banks and other financial institutions are hereby enjoined to comply strictly with the requirements of this circular.


 KEVIN N. AMUGO
 DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Affairs & Regulation Department
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CP-44237-01

14/08/2014

PR/DIRECTOR/CAR/04/011

August 21, 2014

CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

RELEASE OF GUIDELINES FOR LICENSING AND REGULATION OF FINANCIAL HOLDING COMPANIES IN NIGERIA

The CBN in 2013 introduced a new banking model which required banking groups with various banking activities to incorporate a holding company structure.

To facilitate the establishment and operation of holding companies, the Bank in collaboration with stakeholders developed guidelines for setting up, regulating and supervising financial holding companies in Nigeria. The guidelines stipulate various licensing, governance and essential requirements for prospective holding companies, it also provides procedure for the conversion of existing companies to a holding company structure.

It is expected that the guidelines mentioned above will ensure adequate regulation of financial holding under the Bureau of the CBN. The guidelines should be read in conjunction with other relevant CBN Regulations on the subject.


EDWIN S. AMADI
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



**GUIDELINES FOR LICENSING AND REGULATION OF FINANCIAL
HOLDING COMPANIES IN NIGERIA**

OUTLINE

- 1.0 Introduction
- 2.0 Definition and Structure of Financial Holding Company (FHC)
 - 2.1 Definition
 - 2.2 Non-Operating
 - 2.3 Structure
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- 3.0 Licensing Requirements
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1.0 INTRODUCTION

The Central Bank of Nigeria (CBN) repealed the Universal Banking Guidelines and introduced a New Banking Model in 2010 as part of strategic initiatives to reposition the Nigerian banking system on the path of sustainable viability.

The New Banking Model permits banks/banking groups to retain non-core banking businesses by evolving into a non-operating Holding Company (HoldCo) structure. Under this Model, a non-operating HoldCo is expected to hold equity investment in banks and non-core banking businesses in a subsidiary arrangement. This arrangement seeks to ring-fence depositors' funds from risks inherent in non-core banking businesses.

A financial holding company shall be a source of financial strength to the subsidiaries. In serving as a source of financial strength to its subsidiaries, a financial holding company shall maintain financial flexibility and capitalraising capabilities for supporting its subsidiaries. It shall also stand ready to use available resources to augment capital funds of its subsidiaries in periods of financial stress or adversity.

This Guidelines, issued in exercise of the powers conferred on the CBN under the Central Bank of Nigeria Act, 2007 (CBN Act) and the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 (BOFIA), complements CBN Regulation on the Scope of Banking Activities and Ancillary Matters, No 3, 2010 and is intended to facilitate understanding of the requirements for the adoption and operations of a financial holding company in Nigeria. It covers the definition and structure of a financial holding company, licensing requirements, ownership and control, corporate governance, permissible and non-permissible activities, prudential regulation, as well as supervision.

The Guidelines shall be read in conjunction with the provisions of the CBN Act, the BOFIA, other subsidiary legislations made under the Acts, as well as written directives, notices, circulars, frameworks and other guidelines that the CBN and other regulators in the financial services sector have issued or may issue from time to time.

2.0 DEFINITION AND STRUCTURE OF FINANCIAL HOLDING COMPANY

2.1 Definition

Pursuant to Extraordinary Gazette No. 38 of December 29, 2011, a financial holding company is a company whose principal object includes the business of a holding company set up for the purpose of making and managing (for its own account) equity investment in two or more companies, being its subsidiaries, engaged in the provision of financial services, one of which must be a bank. For the purpose of this Guidelines, "bank" means commercial, merchant or specialized bank.

2.2 Non-Operating

A financial holding company is non-operating where it exists solely to carry out investment in approved subsidiaries without engaging in the day-to-day management of same.

2.2.1 A financial holding company shall be a body corporate registered with the Corporate Affairs Commission (CAC) as a company and licensed by the Central Bank of Nigeria. It shall have a board size of between 7 and 12 directors.

2.3 Structure

2.3.1 For any financial holding company structure to emerge, there shall be at least, two subsidiaries and the focus of the conglomerate shall be in the financial services sector.

2.3.2 The type of HoldCo permitted under the new banking model is the financial holding company (FHC) structure as defined in Section 2.1 of this Guidelines.

2.3.3 A financial holding company is permitted to have only two hierarchies (parent and intermediate financial holding companies). Given the permissible level of hierarchies, a Nigerian financial holding company may have a subsidiary which is a parent to another subsidiary (intermediate financial holding company). Where such subsidiary is locally based, the relevant regulator shall have responsibility for its supervision. Where the subsidiary is overseas, the relevant regulator shall seek a Memorandum of Understanding (MoU) with the host regulator for its joint supervision.

2.3.4 A financial holding company may acquire controlling interest in any permissible financial institution, subject to prior approval of the CBN. Where

the target company is outside the supervisory purview of CBN, the prior approval of the relevant regulator will also be required.

2.3.5 Where a subsidiary of the financial holding company outside the purview of the CBN is acquiring another subsidiary similarly outside the purview of the CBN, the Holdco shall notify the CBN before the acquisition is consummated. Evidence of prior approval of the relevant sector regulator shall accompany the notification.

2.3.6 A financial holding company that elects to change to monoline commercial or merchant banking shall seek the prior approval of the CBN.

Such financial holding company shall submit along with its request for approval the following:

- Annual audited financial statements of the immediate past three years under the arrangement/structure it seeks to discontinue;
- Divestment plan from subsidiaries; and
- Any other requirements as may be determined by the CBN from time to time.

2.3.7 Where an institution elects to adopt a financial holding company or any other structure under the new Banking Model, such a structure shall not be reversible until that institution has operated under the approved structure for a minimum of three years.

2.4 Excise of a Banking Subsidiary from a financial holding company Group

The CBN may, by order, direct a financial holding company to divest from its banking subsidiary where, in the opinion of the CBN, the financial holding company is being run in a manner that is detrimental to the interest of depositors and/or other stakeholders of the banking subsidiary.

3.0 LICENSING REQUIREMENTS

The promoters of financial holding company shall be required to submit a formal application for the grant of a financial holding company licence addressed to the Governor of the Central Bank of Nigeria. Licensing process shall be in two phases: Approval-in-Principle and Final Licence.

Financial Holding Companies that had been licensed prior to the issuance of this Guidelines need not apply for a new licence.

3.1 Requirements for grant of Approval-In-Principle (AIP)

The application shall be accompanied with the following:

- 3.1.1 A non-refundable application fee of ₦2,000,000 (Two Million Naira Only) or such other amount that the CBN may specify from time to time; payable to the Central Bank of Nigeria by bank draft or through electronic transfer;
- 3.1.2 Evidence of meeting the prescribed minimum paid-up capital as defined in Section 7.1 of the Guidelines subject to the satisfaction of the CBN;
- 3.1.3 Detailed business plan or feasibility report which shall, at a minimum, include:
 - a. Objectives of the financial holding company and those of the subsidiaries it intends to establish/acquire;
 - b. Justification for applying for the financial holding company;
 - c. Ownership structure in a tabular form indicating the name of proposed investor(s), profession/business and their percentage shareholdings;
 - d. Bio-data/resume of proposed investors;
 - e. Indication of sources of funding of the proposed equity contribution for each investor;
 - f. Where the source of funding the equity contribution is a loan, it shall be a long-term facility of, at least, a 7-year tenor, and shall not be obtained from the Nigerian banking system;
 - g. Corporate Governance Charter of the financial holding company stating the roles and responsibilities of the board and its sub-committees, among other things;
 - h. Criteria for selecting board membership;
 - i. Detailed resumes of directors and Board composition;
 - j. Fit and Propriety Questionnaire and Declaration executed by the prospective investors, directors and management personnel;
 - k. List of identified top/senior management staff (AGM and above) and detailed resumes stating their qualifications, experiences, records of accomplishment, amongst others;
 - l. A schedule of services to be rendered by the financial holding company;
 - m. Five-year financial projection on the operations of the financial holding company indicating expected growth and profitability, and details of the assumptions that form the basis of the financial projection;

- n. Details of Information Technology (IT) facilities proposed to be deployed; and
 - o. A corporate group structure with shareholding percentage by the financial holding company in each of the subsidiaries and their principal businesses and registered Head offices.
- 3.1.4 A written and duly executed undertaking by the promoters that the financial holding company will be adequately capitalized for the volume and character of its business at all times, and that the financial holding company shall always submit itself to the supervisory authority of the CBN as an OFI.
- 3.1.5 For regulated foreign institutional investors, the CBN shall require a “no objection letter” from the regulatory body of the home country.
- 3.1.6 Shareholders agreement providing for disposal/transfer of shares as well as authorization, amendments, waivers, reimbursement of expenses, etc.
- 3.1.7 Statement of intent to invest in the financial holding company.
- 3.1.8 Technical Services Agreement (TSA), where applicable.
- 3.1.9 Draft copy of the company’s Memorandum and Articles of Association (MEMART). At a minimum, the MEMART shall contain the following information:
- a) Proposed name of the financial holding company
 - b) Object clause
 - c) Subscribers to the MEMART
 - d) Procedure for amendment
 - e) Procedure for share transfer or disposal
 - f) Appointment of directors
- 3.1.10 where the promoters of a financial holding company are corporate investors, the CBN shall require them to forward the following additional documents:
- a) Certificate of Incorporation;
 - b) Board resolution supporting the company's decision to invest in the equity shares of the proposed financial holding company;
 - c) Names and addresses (business and residential) of owners, directors and their related companies, if any;
 - d) Audited financial statements & reports of the company and Tax Clearance Certificate for the immediate past 3 years; and
 - e) Certified true copies of the company’s forms CAC2 and CAC7.
- 3.1.11 any other document/information that the CBN may require from time to time. If satisfied with the application of the promoter(s), the CBN shall grant an Approval in Principle (A.I.P)

3.2 Requirements for granting a final licence

Not later than six (6) months after obtaining the A.I.P, the promoters of a proposed financial holding company shall submit an application to the CBN for the grant of a final licence. The application shall be accompanied with the following:

- 3.2.1 Non-refundable licensing fee of ₦10,000,000.00 (Ten Million Naira only), or such other amount that the CBN may specify from time to time, payable to the Central Bank of Nigeria by bank draft or by electronic transfer.
- 3.2.2 Evidence of payment of capital contribution by each shareholder.
- 3.2.3 Certified true copy (CTC) of Certificate of Incorporation of the financial holding company.
- 3.2.4 CTC of MEMART.
- 3.2.5 CTC of Form CAC2 Allotment of shares.
- 3.2.6 CTC of Form CAC7 particulars of directors.
- 3.2.7 Evidence of location of Head Office (rented or owned) for the take-off of the financial holding company business.
- 3.2.8 Schedule of changes, if any, in the Board, Management and significant shareholding since the grant of AIP.
- 3.2.9 Evidence of ability to meet technical requirements and modern infrastructural facilities such as office equipment, computers, telecommunications, etc to perform financial holding company operations and meet CBN and other regulatory requirements.
- 3.2.10 Copies of letters of offer and acceptance of employment in respect of the top management team.
- 3.2.11 Organizational structure, showing functional units, responsibilities, reporting relationships and grade (status) of heads of departments/units; and
- 3.2.12 Board and staff training programme.

3.3 Requirements for commencement of operations

The financial holding company shall inform the CBN of its readiness to commence operations and such information shall be accompanied with one copy of each of the following:

- i. Shareholders' Register;
- ii. Share certificate issued to each investor;
- iii. Enterprise Risk Management Framework (ERMF);
- iv. Internal control policy;

- v. Minutes of pre-commencement board meeting;
- vi. Opening statement of affairs signed by directors and auditors; and
- vii. Date of commencement of operations.

3.4 Post commencement requirements

A financial holding company shall:

- 3.4.1 Comply with all guidelines and regulations issued by the CBN, other sector regulators and relevant extant laws.
- 3.4.2 Maintain adequate accounting system and keep records that capture all information which reflect the financial condition of the financial holding company.
- 3.4.3 Ensure that it and all its subsidiaries are adequately capitalised at all times.

4.0 CORPORATE GOVERNANCE

The following provisions are designed to strengthen the governance structure of financial holding company:

- a. The board shall include at least an individual who is well-versed in the practice and theory of each segment of the companies within the Group.
- b. Appointment to the board and management positions shall be in line with the requirements of the Approved Persons Regime or any other regulation issued by the CBN from time to time.
- c. Regulations on the disqualification of board and management currently applicable to banks shall, also, apply to financial holding companies.
- d. A financial holding company shall:
 - i. Comply with the provisions of any code of corporate governance issued by the CBN for institutions under its purview and demonstrate evidence of the existence of competent and independent board with capacity to provide oversight on internal controls and risk management practices.
 - ii. Comply with the provisions of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies and Listed Entities in Nigeria.
 - iii. Include its audited financial statements among the contents of its website.

4.1 Ownership and Control

- a. Prior approval of the CBN shall be obtained for any shareholding of 5.0 per cent and above or any change in ownership which results in change in control of a financial holding company. Provided that where such shares are acquired through the secondary market, the financial holding company shall apply for approval from the CBN within seven (7) days of the acquisition.
- b. Subsidiaries of a financial holding company are prohibited from acquiring shares in the financial holding company.
- c. Subsidiaries are prohibited from acquiring shares of other subsidiaries of their parent holding company. For the purpose of sub-sections (b) and (c) of this section, "subsidiaries" include those of intermediate holding companies.
- d. Notwithstanding the provisions of 4.1 (b) & (c), a subsidiary acting as a nominee is at liberty to invest in any financial holding company on behalf of its clients.
- e. Where a financial holding company loses control in the only, or all the banking subsidiaries in the group for a period exceeding six consecutive months, the financial holding company shall cease to be a financial holding company and will be required to return its licence to the Central Bank of Nigeria for cancellation.
- f. Where a financial holding company that has only two subsidiaries loses its controlling interest in either of the subsidiaries, for a period that exceeds six consecutive months, the financial holding company shall cease to be a financial holding company and will be required to return its licence to the Central Bank of Nigeria for cancellation.
- g. Where a financial holding company loses controlling interest in a subsidiary under 4.1 (e) or (f), it shall divest wholly from that subsidiary within a period of six (6) months or any other period as may be determined by the CBN.

For the purpose of this Guidelines, "control" is as defined by IFRS 10 i.e.:

- i. Power over the investee, where the investor has existing rights that gives it the ability to direct activities that significantly affect the investee's returns;
- ii. Exposure, or rights to variable returns from involvement in the investee; and
- iii. The current ability to use power over the investee to affect the amount of the investor's returns.

5.0 PERMISSIBLE ACTIVITIES

5.1 Except as listed in (5.2) the activities of the financial holding company shall be restricted to the holding of equities in its subsidiaries.

5.2 The financial holding company shall provide broad policy direction in the following areas:

- i. Human Resources policy;
- ii. Risk Management policy;
- iii. Internal Control policy;
- iv. Compliance policy; and
- v. Any other services as may be approved by the CBN from time to time.

5.3 A financial holding company or any of its subsidiaries may, with the prior written approval of the CBN, provide shared services to the group in respect of:

- i. Information and Communication Technology;
- ii. Facilities (Office Accommodation including Electricity, Security and Cleaning Services in that accommodation); and
- iii. Legal services.
- iv Any other services as may be approved by the CBN from time to time.

5.4 Shared services shall be provided at arm's length. Transactions in respect of such services shall require the consent of the Board of Directors of the subsidiary.

6.0 NON-PERMISSIBLE ACTIVITIES

A financial holding company is prohibited from undertaking the following activities:

- i. Investment in non-financial firms.
- ii. Establishment, divestment and closure of subsidiaries without the prior written approval of the CBN and/or any other relevant regulatory or supervisory authority, as the case may be.
- iii. Deriving or receiving income from sources other than as listed herein:
 - a) Dividend Income from its subsidiaries/associates;
 - b) Income from shared services, where applicable;

- c) Interest earned from idle funds invested in government securities or placement with banks/discount houses;
- d) Profit on divestment from subsidiaries/associates; and
- e) Any other source as may be approved by the CBN.

6.1 Internal Management of Subsidiaries

No financial holding company shall:

- i. Arrogate to itself any of the powers or functions of the Board of Directors, or internal management responsibilities and obligations of any of its subsidiaries or associates of any such subsidiary;
- ii. Interfere in the day-to-day activities of the subsidiaries;
- iii. Be involved in credit administration and approval process of its subsidiaries;
- iv. Require its subsidiaries (including any organ, servant, employee, staff, manager, officer or director thereof) to take directives or act on the instructions of the financial holding company in its decision making process, or in relation to the conduct of its business in any way whatsoever.
- v. Have any of its officers or employees, while in the employment of the financial holding company, work for any subsidiary, except employees engaged in shared services arrangements;
- vi. Engage the services of any employee of any of its subsidiaries;
- vii. Enter into any technical or management service contract with any of its subsidiaries except as stipulated in Section 5.2 of this Guidelines;
- viii. Purchase/dispose assets from/to its subsidiaries without the prior written approval of the CBN and any other relevant regulator;

6.2 Intra-Group Transactions

6.2.1 No financial holding company shall:

- i. Engage in any transaction or maintain any business relationship with any of its subsidiaries, except such transaction is conducted at arm's length;
- ii. Borrow from the Nigerian banking system for the purpose of capitalizing itself or any of its subsidiaries;
- iii. Obtain a loan based on the guarantee of its banking subsidiary, except where the loan is secured by dividend income or Service Level Agreements by the financial holding company for services

to its banking subsidiaries. However, where the subsidiary fails to declare the expected level of dividend or redeem its obligations arising from the Service Level Agreement, the loan shall be deemed to be a reduction in the capital of the subsidiary in computing its capital adequacy ratio.

6.2.2 Credit by a banking subsidiary to its holding company would be regarded as a return of capital and deducted from the capital of the bank in computing the bank's capital adequacy ratio;

6.2.3 Any bank lending to subsidiaries within its financial holding company group would attract 100 per cent risk weight (if it is fully secured) otherwise it would be removed from the capital of the bank when computing capital adequacy ratio.

6.3 Change in ownership structure

Except with the prior written approval of the CBN, no financial holding company or any director, shareholder, agent or instrumentality of such an entity or its shareholders shall enter into an agreement or arrangement:

- i. Which results in:
 - a) a change in the control of the financial holding company; and
 - b) the transfer of shareholding of 5 per cent and above in the financial holding company; Provided that where such change in control or transfer of shares is effected through the secondary market, the financial holding company shall notify the CBN not later than 5 days after the transfer.
- ii. For the sale, disposal or transfer howsoever of the whole or any part of the business of the financial holding company;
- iii. For the amalgamation or merger or takeover of the financial holding company with any other person;
- iv. For the reconstruction of the financial holding company; or
- v. To employ a management agent or to be managed by or to transfer its business to any such agent.

6.4 Appointment of Directors and Top Management

- a. No financial holding company shall appoint:
 - i. As director, any person who at the relevant time is a director of any of its subsidiaries, except with the prior written approval of the CBN.

Where such an appointment is approved, the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the financial holding company.

- ii. A person who has served as a director (executive or non-executive) for the maximum allowable period as stipulated by the relevant industry regulator into any subsidiary, or an associate of such a subsidiary until after a minimum period of three (3) years after the expiration of the tenure of such director, and vice versa.
- b. Notwithstanding the provisions of Section 2.4.6 of the Code of Corporate Governance for Banks and Discount Houses in Nigeria issued in May 2014, no financial holding company shall appoint any member of its board to serve on the board of its subsidiaries, except with the prior written approval of the CBN. Where such an appointment is approved, the number of directors from the financial holding company at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of each of the subsidiaries.

6.5 Intra-Group Transfer of Properties, Plants and Equipment

Intra-group transfer of properties, plants and equipment shall be carried out in a transparent manner and at arm's length.

7.0 PRUDENTIAL REGULATION OF FINANCIAL HOLDING COMPANY GROUPS

7.1 Minimum Paid-up Capital and Capital Reserves

A financial holding company shall have a minimum paid up capital which shall exceed the sum of the minimum paid up capital of all its subsidiaries, as may be prescribed from time to time by the sector regulators (Where the financial holding company owns 100 per cent of the subsidiaries).

Where the financial holding company owns less than 100 per cent of the subsidiaries, its minimum paid up capital shall exceed the summation of its proportionate holding in the subsidiaries.

NB: It is the capital of the Holdco that is applied to the subsidiaries. Excess capital in one subsidiary shall not be used to make up a shortfall in another subsidiary.

7.2 Payment of Dividend

A financial holding company shall not pay dividend on its shares except:

- i. All its preliminary expenses; organisational expenses; share selling commission; brokerage; losses incurred and other capitalised expenses not represented by tangible assets (excluding goodwill) have been completely written off.
- ii. Adequate provisions have been made to the satisfaction of the CBN for actual and contingent losses.
- iii. It has complied with any capital ratio requirements as stipulated in Sections 3.5.3 and 7.1 of this Guidelines.

7.3 Capital Adequacy Ratio

A financial holding company shall ensure that its subsidiaries comply with the Capital Adequacy Ratio (CAR) prescribed by their respective sector regulators.

7.4 Acquisition of Subsidiaries

In determining the acquisition of subsidiaries, the CBN shall be satisfied that a financial holding company has adequate capital resources by way of free fund to carry out the acquisition. In all cases, the consideration for the acquisition of subsidiaries shall be on cash basis only or any other arrangement proposed by the financial holding company and approved by the CBN.

7.5 Investment in Fixed Assets

A financial holding company shall ensure that it has adequate free funds to support any acquisition of fixed assets (property, plant and equipment).

7.6 Limits on Insider-Related Transactions:

In addition to regulations issued by relevant sector regulators on exposure to directors/insiders:

- a. A director or an insider-related party shall not borrow more than 10 per cent of the financial holding company's paid up capital from the subsidiaries within the group, except with the prior approval of the CBN.

- b. The maximum loan to all insider-related parties shall not exceed 1 per cent of the financial holding company's shareholders' funds.

The requirements of Sections 7.6 (a & b) above do not apply to credits to employees under their employment scheme of service, or to companies where one or more of the financial holding company's directors jointly or severally maintain shareholding of less than five per cent either directly or indirectly.

7.7 Limit on Contingent Liabilities

A financial holding company's total exposure on contingent liabilities on behalf of its subsidiaries shall not exceed 20% of the financial holding company's shareholders' funds unimpaired by losses.

8.0 SUPERVISION

8.1 Responsibility for Supervision of Financial Holding Companies

Financial holding companies shall be supervised by the Central Bank of Nigeria. The subsidiaries within the group shall be supervised by relevant financial sector supervisors.

8.2 Consolidated Supervision of Financial Holding Companies

8.2.1 Consolidated supervision of financial holding companies shall be in accordance with the Framework for Consolidated Supervision of Financial Institutions in Nigeria and Guidelines for the Implementation of Consolidated Supervision issued by the Financial Services Regulation Co-ordinating Committee (FSRCC).

8.2.2 Financial holding companies shall be required to render returns to the Banking Supervision Department in a format as may be prescribed by the CBN from time to time.

9.0 GUIDE NOTES

- i. Fitness and propriety of the promoters shall be ascertained through security screening and status enquiry.
- ii. Promoters of a proposed financial holding company shall not incorporate the company until an approval-in-principle has been obtained from the CBN, a copy of which shall be presented to the Corporate Affairs Commission for that purpose.

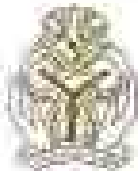
- iii. The CBN may interview the promoters, proposed directors and senior management personnel in the course of processing the application.
- iv. The CBN may also inspect the books and records of a proposed financial holding company to satisfy itself about the representations made or information furnished by the promoters.
- v. The approval-in-principle is not an authority for the promoters to commence operations or perform any of the activities stated in Section 5.0.
- vi. Subsequent to the issuance of the approval-in-principle, the promoters may proceed to carry out the activities stated in the approval-in-principle.
- vii. The CBN shall issue a financial holding company licence where it is satisfied with the promoters' status of compliance with the conditions stated in Section 3.2 of this Guidelines, as well as the organizational, security, infrastructural, risk management and internal control arrangements.
- viii. The CBN may, at any time and without recourse, vary or review any condition of a licence or impose additional conditions.
- ix. Where a licence is granted subject to conditions subsequent, the promoters of a financial holding company shall, within such period, comply with those conditions to the satisfaction of the CBN, as the latter may deem appropriate in the circumstance(s). Any financial holding company that fails to comply with such conditions shall be deemed to be in contravention of this Guidelines.
- x. In constituting the Board of Directors of a financial holding company, consideration shall be given to core competencies in the areas of operation of the subsidiaries.
- xi. Financial holding company licences shall be granted for an indefinite period of time or such period as the CBN deems necessary and shall not be transferable.
- xii. Financial Holding Company (FHC) is an "other financial institution" licensed and regulated by the CBN for the purpose of making and managing (for its own account) equity investment in companies engaged in the provision of financial services.
- xiii. An affiliate is an organization, business entity or individual that is related to and often controlled by another entity.
- xiv. Control is the direct or indirect authority to influence or direct the management and policies of an entity whether through ownership, voting rights or by contract. A person who controls an entity is deemed to control any entity that is controlled, or deemed to be controlled, by

the entity. Control is defined by IFRS 10 as the sole basis for consolidation and comprises the following three elements:

- Power over the investee, where the investor has existing rights that gives it the ability to direct activities that significantly affect the investee's returns;
 - Exposure, or rights to variable returns from involvement in the investee; and
 - The current ability to use power over the investee to affect the amount of the investor's returns.
- xv. Financial Services, for the purpose of this Guidelines, includes activities carried out by financial institutions under the purview of the CBN, SEC (with the exception of Registrar business), NAICOM and PENCOT.
- xvi. Intra-Group Transactions refer to direct and indirect claims which entities within the financial conglomerate hold on each other, such as lines of credit.
- xvii. Free funds are shareholders' funds less investment in fixed assets, equities in other financial institutions and unaudited losses.
- xviii. Relevant Regulator refers to the agency statutorily authorized to regulate and supervise a sector of the Nigerian financial system.
- xix. This Guidelines supersedes our circular on "Definition and Structure of Holding Companies in Pursuance of the New Banking Model" dated December 30, 2011 and referenced FPR/CIR/GEN/01/024.

Financial Policy and Regulation Department

August, 2014



09-88373431

CENTRAL BANK OF NIGERIA

Monetary Policy & Regulation Department
Central Business District
P.M.B. 0195
Lagos, Abuja

08th July, 2024

To: **ALL BANKS AND OTHER FINANCIAL INSTITUTIONS**

LETTER TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

ATTENTION: Chief Compliance Officer

REPORT ON THE THREE-KERED KNOW YOUR CUSTOMER (TKYC) COMPLIANCE COURSE

The CBN in its letter referenced PPR/DIR/DIR/ADW/BL/AD/ of 25th February, 2022 issued guidelines to all banks and other financial institutions (OFIs) on the implementation of the Three-Kered Know Your Customer (TKYC) policy. Following the directive, Bank Executive's conducted on-site inspections in selected branches of banks and OFIs in locations named across the country to assess the level of compliance with the requirements as tiers 1 and 2 and the system. The exercise was also to ensure that the policy (to extend the same protection the banking system to ensure there are no harmful and non-compliant financial and non-financial activities) is being implemented by the stakeholders.

The report of the exercise has revealed the need for all stakeholders to take corrective measures to ensure that the objectives of the policy are achieved. To this end, all banks and OFIs are required to address the following:

- 1. Identify, publicly and transparently, the TKYC policy in all branches of both business banking retail arms;
- 2. Enhance training for their officers on the implementation of the policy;
- 3. Deploy and maintain effective AML/CFT solution that ensure operation of accounts with high quality standards;
- 4. Carry out self-assessment that reflects the effectiveness/development of the policy in the industry.

- v. Maintain documentary evidence of actions taken to ensure effective implementation of the policy in their institutions for Bank Examiners on on-site compliance visit to the institutions; and
- vi. Commence quarterly revision of returns on the TRYG policy using the attached reporting format.



KRISTIN N. AMIGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

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Ref: FPR/DIR/GEN/CIR/04/010

July, 2014

Circular to all Bureaux de Change

Extension of Time for Compliance with the New Requirements of the Operation of Bureau De Change in Nigeria

Further to our Circular ref: FPRD/DIR/GEN/CIR/01/009 of June 23, 2014 on “New Requirements for the Operation of Bureau de Change in Nigeria”, the Central Bank of Nigeria, based on representations from stakeholders, clarifies as follows:

- I. Deadline for compliance with the New Licensing Requirements has been extended to July 31, 2014;
- II. Interest will be paid on the mandatory cautionary deposit of N35 million, based on banking industry savings account rate;
- III. The Central Bank of Nigeria, on the expiration of the deadline of July 31, 2014, will cease to fund any Bureau de Change that fails to comply with the new requirements; and
- IV. Only Bureaux de Change that meet the new requirements will qualify to be engaged as Agent by the licensed International Money Transfer Operators for inward and outward money transfer business in Nigeria.

Meanwhile, all BDCs that paid the mandatory caution deposit of N500,000.00 to the CBN prior to 2009, are advised to apply for their refund.

KEVIN N. AMUGO

DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Special Order & Regulation Department
Lagos, Nigeria
P.O. Box 125
Lagos, Nigeria

SP/402/17401
Special Order & Regulation

REF: SPA/018/CIR/GEN/04/009

June 30, 2014

TO: ALL BANK, DISCOUNT HOUSES AND OTHER FINANCIAL INSTITUTIONS.

CIRCULAR ON THE EXTENSION OF DEADLINE FOR THE RESOLUTION OF ALL CATEGORIES OF COMPLAINTS ON EXCESS CHARGES AND LOANS FROM 14 TO 30 DAYS

Further to the circular referenced SP/DR/CIR/GEN/01/020 dated 18th August 2008 directing Deposit Money Banks (DMBs), Discount Houses and Other Financial Institutions to set up and/or expand their existing ATM fees desks to handle all consumer complaints and resolve same within 14 days, the Central Bank of Nigeria (CBN) has observed that the 14-day time limit for the resolution of complaints on excess charges and loans has been inadequate.

Consequently, the CBN has approved an extension of the deadline for the resolution of all categories of complaints on excess charges and loans from fourteen (14) days to thirty (30) days. This circular takes effect from June 30, 2014.

Please be guided accordingly.


EYIWA H. ANUGWO
Director, Research Policy and Regulation Department



234 9 462 37403

Central Bank of Nigeria

CENTRAL BANK OF NIGERIA

Training, Policy, and Research Department
Lagos Business Centre
14/02, 14/03
14/04, 14/05

REF: FPRIDRIGEM/CIR/01/029

JUNE 23, 2014

CIRCULAR TO ALL BUREAUX DE CHANGE

New Requirements for the Operation of Bureau De Change in Nigeria

Background: In line with the powers vested on it by the Foreign Exchange (Monetary and Miscellaneous Provisions) Act 17 of 1995 and the BCP Act of 1991, the Central Bank of Nigeria (CBN) licenses and regulates Bureau de Change (BDC) operators in Nigeria to achieve the following objectives:

- i. Provide access to foreign exchange to small-scale exporters;
- ii. Serve as tools for the management of exchange rate;
- iii. Assist in the fight against illegal financial activities;
- iv. Facilitate economic activities; and
- v. Provide economic data for policy decisions.

However, the CBN has observed with grave concern the deficiencies in the operational effectiveness of BDCs, which runs counter to the aforementioned objectives. In particular, the Bank has observed the following unintended outcomes:

- i. Availability of rent-seeking operators only interested in earning margins and profits from the foreign exchange market, regardless of prevailing official and market rates;
- ii. Weak and ineffective operational structure, resulting in the subsector completely abandoning the objectives for its establishment;
- iii. Deposition of the country's foreign reserves, in view of the unusually large number of BDCs;
- iv. Potential financing of unauthorized transactions with foreign exchange proceeds from the CBN Window;

- v. Gradual dollarization of the Nigerian economy with attendant adverse consequences on the conduct of monetary policy and subtle subversion of cashless policy initiative; and
- vi. Inadequate level of minimum paid-up capital. The required minimum paid-up capital of BDCs is set at ₦10 million. While the capital requirements of all other CBN-regulated entities have been reviewed upwards over the years, the one for BDCs has remained the same; and
- vii. Prevailing ownership of several BDCs by the same promoters in order to buy foreign exchange multiple times from the CBN Window, which is clearly related to the low level of capital requirements for licensing BDCs.

Expected Role of BDCs—The CBN's expectation is to have BDCs that are properly structured, effectively regulated, and well-capitalised to meet the objectives for which operators are licensed. In particular, the CBN envisages the following:

- i. The emergence of well-capitalised and structured entities that can effectively perform the roles of Bureau De Change in the economy;
- ii. Partnership between BDCs and renowned companies engaged in inward and outward money transfers in Nigeria. It is in expectation of this collaboration that the CBN as at 18 June 2014, approved the "Guidelines for International Money Transfer Services in Nigeria". Under the Guidelines, Western Union, Moneygram and RIA Financial Services have been authorised to carry out inward and outward money transfer services in Nigeria.
- iii. Creation of robust and sustainable business franchises that are not dependant on rent-seeking activities but are properly situated to compete in the foreign exchange market, and deliver superior values and returns.

New Requirements—In view of the background and vision provided above, and in order to ensure that only genuine companies operate as BDCs in Nigeria, the CBN makes the following modifications to the "Bureau De Change Guidelines":

- i. The minimum capital requirement for the operation of BDCs in Nigeria is reviewed to ₦35 million;
- ii. The mandatory cautionary deposit is reviewed to ₦55 million and shall be deposited in a non-interest yielding account in the CBN upon the grant of Approval-in-Principle;

- (i) The following fees shall apply to the licensing of BDCs: Application Fee- ₦100,000.00, Licensing Fee- ₦1 million, and Annual Renewal Fee- ₦250,000.00 and
- (ii) Ownership of multiple BDCs is not permitted, and would be punishable if detected.

All existing BDCs and those currently operating with a Final Approval Letter are required to comply with the requirement on mandatory cautionary deposit by 15 July 2018 while all current applicants are expected to comply with these new requirements.

Furthermore, the compulsory membership of the Association of Banks in Charge Operators of Nigeria (ABCION) is no longer a requirement for the licensing of BDCs.


KEVIN N. AMIGBO
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



CB-662-17402

Central Bank of Nigeria

CENTRAL BANK OF NIGERIA

Central Bank of Nigeria
Central Bank House
Plot 662
Victoria Island

REF: FPR/DER/GEN/CIR/01/000

JUNE 11, 2014

CIRCULAR TO ALL DEPOSIT MONEY BANKS

IMPLEMENTATION OF THE REVISED GUIDE TO BANK CHARGES- COMMISSION ON TURNOVER

It will be recalled that the CBN, in conjunction with the Services Committee, issued the Revised Guide to Bank Charges (the Guide) on March 27, 2013. The Guide sought to standardise charges for various products and services offered by banks.

Section 3.1 of the Guide provides that Commission on Turnover (COT) is negotiable subject to a maximum of #0 per mile in 2013; #2 per mile in 2014; #3 per mile in 2015; and that no COT would be charged from 2016. Information available to the CBN indicates that some banks are still charging COT at the rate of #4 per mile – which was the agreed rate for 2013.

The CBN hereby reiterates that the maximum COT allowed by the Guide for 2014 is #2 per mile. Consequently, all banks that have charged excess COT since the effective date of the Guide are hereby required to refund same to the affected customers not later than thirty (30) days from the date of this circular.

Our attention has also been drawn to the practice, by some banks, of charging fees which are alien to the Guide. For example, some banks offer accounts that are supposedly COT free but impose a maintenance or similar fee – a fee not covered by the Guide.

For the avoidance of doubt, while Paragraph 4 of the Preamble to the Guide states that the charges on products and services are not exhaustive, it however requires banks wishing to levy charges not covered by the Guide to obtain the prior approval of the CBN. Banks that have charged customers' maintenance fee (or any fee for the

matter), that is neither covered by the Guide nor has been prior-approved by the CBN, are hereby required to refund the fee to the customers not later than thirty (30) days from the date of this circular.

Thank you.



FRANKLIN E. AHONKHAÏ

FOR: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
P.M.B. 3100
Abuja, FCT

(09-463740)

Financial Policy and Regulation Department

FPA/DIR/GEN/CIR/03/18

May 24, 2018

CIRCULAR TO ALL BANKS

COMMENCEMENT OF QUARTERLY REPATRIATION OF PROCEEDS ON COMMERCIAL AGRICULTURAL CREDIT SCHEME (CACAS) LOAN REPAYMENT

Further to our revised CACAS Guidelines issued on May 14, 2014, and the teleconference workshop held in Lagos on May 21, 2018, all banks are advised to:

1. Commence repatriation of proceeds of CACAS loan repayment on quarterly basis to the CBN with effect from July 1, 2018.
2. Adhere strictly to Section 19.3 of CACAS guidelines which states that:

"Repayment proceeds from CACAS projects shall be repatriated on quarterly basis to the CBN. Whenever a credit facility is discontinued, the PS shall repatriate the funds within 5 working days to the CBN, giving details of the credit facility."

3. Note that failure to adhere to the above section, would attract sanctions in line with Section 13(1A) which states that:

"Any PS that fails to repatriate expired project funds within 5 working days shall be charged a penalty interest rate of MPW + 300 basis points for the period the fund was not repatriated."

For further information, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

Yours faithfully,

KEVIN N. AMUGO

Director, Financial Policy and Regulation Department



Ref: **09 - 48237401**
Email: prereg@cbn.gov.ng

FPR/DIR/CIR/GEN/001/007

May 14, 2014

Circular to all Deposit Money Banks

REVISED STRATEGY FOR THE IMPLEMENTATION OF COMMERCIAL AGRICULTURE CREDIT SCHEME (CACS)

In its efforts to further enhance credit supply to the agricultural sector, the CBN reviewed the strategy towards the implementation of Commercial Agriculture Credit Scheme (CACS).

Following the review, the CBN approved:

1. The extension of CACS terminal date from September 30, 2016 to September 30, 2025 with effect from May 14, 2014.
2. A revised Commercial Agriculture Credit Scheme (CACS) Guidelines for the operation of the Scheme effective May 14, 2014.

A copy of the revised CACS Guidelines is attached herewith for the use of all participating banks and project promoters. Banks are advised to educate their CACS clients on this new development.

Please, be guided accordingly, and contact the Director, Development Finance Department, CBN Abuja, for further enquiries.


KEYIN N. AMUGO
Director, Financial Policy and Regulation Department
Central Bank of Nigeria
Abuja

**GUIDELINES FOR COMMERCIAL AGRICULTURE CREDIT SCHEME
(CACS)**

CENTRAL BANK OF NIGERIA (CBN)

AND

FEDERAL GOVERNMENT OF NIGERIA

1.0 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria, represented by the Federal Ministry of Agriculture and Rural Development (FMARD) established the Commercial Agriculture Credit Scheme, hereinafter referred to as CACS, for promoting commercial agricultural enterprises in Nigeria, which is a sub-component of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund will complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back scheme, Agricultural Credit Support Scheme, etc.

2.0 Funding

The scheme shall be financed from the proceeds of the N200billion three (3) year bond raised by the Debt Management Office (DMO). The fund shall be made available to the participating bank(s) to finance commercial agricultural enterprises. In addition, each State Government could borrow up to N1.0billion for on-lending to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS.

3.0 Objectives of the Scheme

The objectives of the scheme are:

- (i) To fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate;
- (ii) Enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation;
- (iii) Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector; and
- (iv) Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

4.0 Governance of the Scheme

The Scheme shall be under the management of the Central Bank of Nigeria through the Board of Directors and the Committee of Governors. The Committee of Governors shall be responsible for the overall administration

of the Scheme while the day-to-day implementation of the Scheme shall lie with the Development Finance Department.

The Development Finance Department shall report to the Committee of Governors on all CACS issues.

5.0 Target Agricultural Commodities and Value Chains

Key Agricultural commodities to be covered under the Scheme are:

- (i) **PRODUCTION:**
 - o **Cash Crops:** Cotton, Oil Palm, Fruit Trees. Rubber, Sugar Cane, Jatropha Carcus and Cocoa.
 - o **Food Crops:** Rice, Wheat, Cassava, Maize/Soya, Beans/Millet, Tomatoes and Vegetables
 - o **Poultry:** Broilers and Eggs Production
 - o **Livestock:** Meat, Dairy and Piggery
 - o **Aquaculture:** Fingerlings and Catfish
- (ii) **PROCESSING:** Feed mills Development, Threshing, Pulverisation and Other forms of transmutation for value addition.
- (iii) **STORAGE:** Commodities, Agro-Chemicals and Warehousing
- (iv) **FARM INPUT SUPPLIES:** Fertilizers, Seeds/Seedlings, Breeder Stock, Feeds, Farm equipments & Machineries.
- (v) **MARKETING:** Agricultural commodities under the focal investment areas.

6.0 Definition of Commercial Agricultural Enterprise;

For the purpose of this Scheme, a commercial enterprise is any farm or agro-based enterprise with agricultural asset (excluding land) of not less than N100 million for an integrated farm with prospects of growing the assets to N250 million within the next three years and N50 million for non-integrated farms/agro-enterprise with prospects of growing the assets to N150 million, except in the case of on-lending to farmers' cooperative societies.

7.0 Eligibility for Participation in the Scheme

(A) Participating Bank (PB)

- (i) The Central Bank of Nigeria has approved the participation of all deposit money banks under the Scheme. All participating banks are required to sponsor projects from any of the target areas indicated in the Guidelines and bear all the credit risk of the loans they will be granting.

(ii) The single obligor for any project from a participating bank under the Scheme shall be N2.0 billion while for State Governments shall be N1.0 billion.

(B) Borrower:

(i) Corporate and Large Scale Commercial Farms/Agro-Enterprises

The borrower shall:

- o Be a limited liability company with asset base of not less than N100 million and having the prospect to grow the net asset to N250 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990).
- o Have a clear business plan
- o Provide up-to-date record on the business operation if any.
- o Have out growers programme, where appropriate
- o Satisfy all the requirements specified by its lending bank

(ii) Medium Scale Commercial Farms/Agro-Enterprises

To participate in the Scheme the borrower shall:

- o Be a limited liability company with asset base of not less than N50 million and having the prospect to grow the net asset to N150 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990)
- o Have a clear business plan
- o Provide up-to-date record on the business operation
- o Have out growers programme, where appropriate
- o Satisfy all the requirements specified by its lending bank

(iii) State Government /FCT

To participate under the Scheme, the States shall;

- o Submit an expression of interest
- o Present an Irrevocable Standing Payment Order (ISPO) in favour of the participating bank, duly signed by the State Governor, Commissioner for Finance and the State Accountant General
- o Adhere to the repayment agreement reached with the participating bank (PB), upon contravention; the CBN shall assist the PB to invoke the ISPO.
- o Have appropriate/functional structures on ground or set up structures for the deployment of the funds, which must include existing, registered Cooperative Societies/Unions. The cooperatives must be at least six (6) months old with proven track records of repayment

- o Deploy CACS funds disbursed to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS.
- o Satisfy all the requirements specified by the lending Bank

8.0 Modalities of the Scheme

- (i) Agricultural credit from the participating banks shall be in the form of loans.
- (ii) Interest on loan shall not exceed 9.0 per cent inclusive of all charges.
- (iii) All loans and overdrafts shall terminate on September 30, 2025.

9.0 Acceptable Collateral

The security which may be offered to a participating bank for the purpose of any loan under the scheme may be one or more of the following:

- (i) A charge on land in which the borrower holds a legal interest or a right to farm, or a charge on the land including fixed assets, crops or livestock.
- (ii) A charge on the movable property of the borrower.
- (iii) A life insurance policy, a promissory note or other negotiable security
- (iv) Stocks and shares; and
- (v) Any other collateral acceptable to the participating bank(s).

10.0 Loan Tenor

- (i) Loans shall have a maximum tenor based on the gestation period of the enterprise plus three years cash flow allowance and /or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule taking into consideration, the gestation period of the enterprise.

11.0 Limit of Liability under the Scheme

- (i) The maximum interest rate to the borrower under the scheme shall not exceed 9 per cent, inclusive of all charges.

12.0 Procedure for Applying for the Loan

All applications for loans under the Scheme shall be made to the participating banks (PBs). All applications under the Scheme shall be treated by PB's with due diligence.

13.0 Verification and Monitoring on Projects

All projects shall be verified by the Central Bank of Nigeria after release of fund and drawdown to ensure banks fully comply with the objectives of the Scheme. The Development Finance Department of the CBN shall periodically monitor the projects funded under the Scheme, and report to the Committee of Governors.

14.0 Alteration in Other Terms and Condition of CACS Loan

Participating banks shall be required to secure written consent of the Central Bank of Nigeria before making any change(s) to the stipulated terms and conditions governing any on-going CACS facility.

15.0 Infractions and Sanctions

PB(s)

- (i) Diversion of funds by the PB(s) shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PBs shall be barred from further participation under the scheme;
- (ii) Non- rendition or false returns shall attract the penalty stipulated by BOFIA section 60;
- (iii) Charging interest rate higher than prescribed shall attract the penalty stipulated by BOFIA section 60;
- (iv) Any PB that fails to disburse the fund within 14 days of receipt to the borrower shall be charged a penalty interest rate of MPR+300 basis points for the period the fund was not disbursed;
- (v) Any other breach of the guidelines as may be specified from time to time; and
- (vi) Notwithstanding the agreement between the PB and the project promoter, the CBN has the right to reject a request from any PB that contravenes any section of the Guidelines.
- (vii) Failure to disburse funds in line with the agreed Disbursement Schedule shall attract penalty at the bank's lending rate as at the time of infraction.

- (viii) Any PB that fails to repatriate expired project funds within 5 working days to the CBN shall be charged a penalty interest rate of MPR + 300 basis points for the period the fund was not repatriated.

16.0 The Key Stakeholders of the Scheme are;

- (i) Federal Government of Nigeria Represented by Federal Ministry of Agriculture and Rural Development (FMA&RD)
- (ii) Central Bank of Nigeria (CBN),
- (iii) Debt Management Office
- (iv) Participating Banks (PBs), and
- (v) Borrowers

17.0 Responsibilities of Stakeholders

For effective implementation of the scheme and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

(a) The FGN

- (i) The President of the Federal Republic of Nigeria shall grant approval for the Scheme.
- (ii) The Federal Government of Nigeria shall be the issuer of the Bond.

(b) The CBN

The Central Bank of Nigeria (CBN) shall:

- i Specify the rate at which PBs lend to borrowers under the Scheme
- ii Wholly absorb the subsidy which may arise in the pricing of the loan to borrowers
- iii Absorb all other incidental/administrative expenses
- iv Release funds to participating banks after confirmation of intent/readiness of banks to disburse funds
- v Receive and process the monthly returns made by the PBs in relation to their loans under the Scheme
- vi Conduct spot audit on the PBs as well as monitor and evaluate the borrowers' enterprises in order to ascertain the performance of the Scheme
- vii Retrieve funds when guidelines are not strictly adhered to by the participating banks
- viii Prepare monthly reports to the Committee of Governors and Board of CBN
- ix Retrieve funds from the PBs at the expiration of the loan tenure.
- x Make provision for the N200billion bond repayment.
- xi Ensure penal charges on infractions

- xii Arbitrate between the PBs and Project Promoters
- xiii Conduct impact assessment of the scheme
- xiv Review the Guidelines from time to time.

(c) Debt Management Office

- (i) Issued the Bond on behalf of the FGN
- (ii) Raised money from the market

(d) The Participating Banks

The participating banks shall:

- (i) Ensure due diligence is followed in the administration of credit facilities
- (ii) Guarantee safety and purposeful application of funds for on-lending,
- (iii) Bear 100 per cent credit risk
- (iv) Lend funds under the Scheme at the specified rate
- (v) Submit to the CBN, Letter of offer by the bank, Letter/Evidence of Acceptance by the state, Irrevocable Standing Payment Order (ISPO), List of State Cooperatives or Evidence of Intervention project, Disbursement schedule, Repayment schedule, the Credit Risk Management System (CRMS) report of the borrower; and
- (vi) Render monthly returns under the Scheme to the CBN on the reporting format.

(e) Borrowers

The borrowers shall:

- (i) Utilize the funds for the purpose for which it is granted
- (ii) Insure the project being financed
- (iii) Make the project records available for inspection and verification by the CBN, and PBs;
- (iv) Adhere strictly to the terms and conditions of borrowing under the Scheme, and
- (v) State Governments/FCT shall utilize the funds as specified by the CACS objectives.

18.0 Returns by Banks should be made to the address below:

Director,
Development Finance Department,
Central bank of Nigeria, Central Business
district Abuja.
Tel: No.: +234 9 4623 8600

19.0 Repayment, Repatriation or Discontinuation of a Credit Facility

- (i) Repayment proceeds from CACS projects shall be repatriated on quarterly basis to the CBN. Whenever a credit facility is discontinued, the PB shall repatriate the funds within 5 working days to the CBN, giving details of the credit facility.
- (ii) Repayment proceed shall be ploughed back under the Scheme as loans for new projects or enhancement for participating projects.

20.0 Disbursement of Fund

- (i) PBs and borrowers should strictly adhere to agreed disbursement/repayment schedule. Any deviation from the schedule should be mutually agreed between the parties and the CBN informed accordingly.
- (ii) Disbursement of funds must be in accordance with the due diligence of the Participating bank.

21.0 Amendments

This Guidelines is subject to review from time to time as may be deemed necessary by the Central Bank of Nigeria.

Development Finance Department

May 14, 2014



09-40327401

09-40327402

FPL/DIE/CIR/GEN/01/004

May 14, 2014

Circle to all Banks and Discount Houses:

CODE OF CORPORATE GOVERNANCE FOR BANKS AND DISCOUNT HOUSES IN NIGERIA AND GUIDELINES FOR WHISTLE BLOWING IN THE NIGERIAN BANKING INDUSTRY

Further to the receipt of stakeholders' comments on the exposure draft on the revised Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in the Nigerian Banking Industry, the CBN has conducted review of the Code and forward it herewith for circulation.

Kindly note that the revised Code of Corporate Governance aims to align the code with current realities and global best practices, eliminate perceived ambiguities and strengthen governance practices.

To ensure its full implementation, banks and discount houses are required to submit compliance returns on their compliance with the provisions of the Code. The returns should reach the Director, Financial Policy & Regulation Department not later than 7 days after the end of each quarter.

As specified in sections 3.5 and 3.4 of the Whistle Blowing Guidelines, we provide herewith the email address: whistleblowing@cbn.gov.ng for

whistle blowing reports to the CBN. Accordingly, banks and other financial institutions are enjoined to avail this e-mail to their stakeholders.

This Code supersedes the one issued in March 2006 and with the Whistle Blowing Guidelines shall be deemed to take effect from October 1, 2014.

Thank you.



Kevin N. Amago
Director,
Financial Policy & Regulation Department



CENTRAL BANK OF NIGERIA

CODE
OF
CORPORATE GOVERNANCE
FOR
BANKS AND DISCOUNT HOUSES IN
NIGERIA

MAY 2014

1.0 INTRODUCTION

The term corporate governance refers to the rules, processes, or laws by which institutions are operated, regulated and governed. It is developed with the primary purpose of promoting a transparent and efficient banking system that will engender the rule of law and encourage division of responsibilities in a professional and objective manner.

Effective corporate governance practices provides a structure that works for the benefit of stakeholders by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as formal laws.

A country's economy depends on the safety and soundness of its financial institutions. Thus the effectiveness with which the Boards of financial institutions discharge their responsibilities determines the country's competitive position. They must be free to drive their institutions forward, but exercise that freedom within a framework of transparency and effective accountability. This is the essence of any system of good corporate governance.

Corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. Following the conclusion of the consolidation programme in 2005, a Code of Corporate Governance for Banks in Nigeria was issued to the banking industry. The Code which became effective in April 2006 was designed to enhance corporate governance practices within the banking industry in view of the fact that governance mechanisms in banks was notably weak and Board members of financial institutions were unaware of their statutory and fiduciary responsibilities, and merely endorsed all proposals of executive management regardless of their implications to the financial condition and going concern status of such institutions.

However, during the implementation of the code, it was observed that certain provisions could not be implemented by banks in view of their ambiguity and/or conflict with the provisions of the Companies and Allied Matters Act (CAMA) 1990. Furthermore, in 2009, a joint CBN/NDIC examination that led to the removal of 5 CEOs of banks in the country revealed, amongst others, poor corporate governance practices in the institutions. There was also the need to up-date the code in order to align it with contemporary developments and international best practices, hence the need for the current review.

Therefore, the revised Code provides clear guidelines on all aspects of governance and is expected to enhance Corporate Governance practices for banks in Nigeria.

The provisions of this Code represent the minimum standard which banks shall comply. Banks are however encouraged to aspire to higher standards.

1.2 COMPLIANCE

- 1.2.1 This code shall apply to banks and discount houses.
- 1.2.2 External auditors of banks shall report annually to the CBN, the extent of the bank's compliance with the provisions of this Code. The external auditor must have adequate experience/knowledge and competence to assess the governance systems in banks and discount houses.

2.0 BOARD AND MANAGEMENT

2.1 Responsibilities of the Board and Management

- 2.1.1 The Board is accountable and responsible for the performance and affairs of the bank. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 1990, Directors owe the bank the duty of care and loyalty and to act in the interest of the bank's employees and other stakeholders.
- 2.1.2 The Board shall define the bank's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.
- 2.1.3 The Board shall determine the skills, knowledge and experience that members require and work effectively as a team to achieve the bank's objectives.
- 2.1.4 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the bank.
- 2.1.5 The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the bank, which must comply with the provisions of the CBN's Circular on Harmonization of Job Roles in the Banking Industry.
- 2.1.6 The Board shall ensure that a succession plan is in place for the CEO, other executive Directors and top management staff.
- 2.1.7 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place. There shall be no exception for such large transactions.
- 2.1.8 Members of the Board are severally and jointly liable for the activities of the bank.
- 2.1.9 The Board shall ensure strict adherence to the Code of Conduct for bank Directors.

2.2 Size and Composition

- 2.2.1 The size of the Board of any bank or discount house shall be limited to a minimum of five (5) and a maximum of twenty (20).

- 2.2.2 Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business and financial matters, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.
- 2.2.3 The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors.
- 2.2.4 The Board of banks shall have at least two (2) Non-Executive Directors as Independent Directors while that of discount houses shall have at least one (1) as defined in the CBN guidelines on the Appointment of Independent Directors

2.3 Separation of Powers

- 2.3.1 The positions of the Board Chairman and the Managing Director/Chief Executive Officer (MD/CEO) shall be separate. No one person shall combine the two positions in any bank at the same time. For the avoidance of doubt, no executive Vice Chairman shall be recognized in the Board structure.
- 2.3.2 Where the bank is a member of a holding company, not more than two extended family members shall be allowed to serve on the Boards of the bank and the holding company.
- 2.3.3 No two members of the same extended family shall occupy the positions of Chairman and MD/CEO or Executive Director of the bank and Chairman or MD/CEO of a bank's subsidiary at the same time.

2.4 Appointment and Tenure

- 2.4.1 Procedure for appointment to the Board shall be formal, transparent and documented.
- 2.4.2 Existing CBN guidelines on appointment to the Board of financial institutions shall continue to be applied.
- 2.4.3 To ensure continuity and injection of fresh ideas, Non-Executive Directors of banks shall serve for a maximum of three (3) terms of four (4) years each.
- 2.4.4 Track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.
- 2.4.5 The tenure of the CEO of a bank shall be in accordance with the terms of engagement with the bank but subject to a maximum period of ten (10) years. Such tenure may be broken down into periods not exceeding five

(5) years at a time. Such a CEO shall not be eligible for appointment in that capacity in the bank or its subsidiaries.

2.4.6 No Director, either Executive or Non-Executive, shall be allowed to serve on the Boards of a bank and a holding company within a Group at the same time.

2.4.7 To enhance the effectiveness of Directors, the bank shall allow Directors access to corporate information under conditions of confidentiality; provide training and continuing education arrangements and facilitate access to independent professional advice.

2.5 Board Committees

2.5.1 The Board shall establish at a minimum the following Committees:

- i) A Committee responsible for the oversight of Risk Management and Audit functions. These functions may be carried out by one committee, particularly in small institutions. This is without prejudice to the requirements of CAMA on the Statutory Audit Committee which is not a board committee. The Chief Risk Officer and Chief Internal Auditor must report directly to Risk Management and Board Audit Committees respectively.
- ii) Board Governance and Nominations Committee

2.5.2 All Board Committees must have a charter which must be submitted to the CBN for approval.

2.5.3 The Chairman of the Board shall not be a member/chairman of any Board Committee.

2.5.4 Board Committees shall be headed by Non-Executive Directors.

2.5.5 The Board Audit Committee (BAC) shall have unlimited access to the financial records of the bank including external auditors' reports.

2.6 Board Meetings

2.6.1 To effectively perform its oversight function and monitor management's performance, the Board shall meet at least once a quarter.

2.6.2 Every Director is required to attend all meetings of the Board and Board Committees. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings.

2.6.3 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board meetings held in the financial year and attendance by each Director.

2.7 Remuneration

2.7.1 Banks shall align executive and Board remuneration with the long term interests of the bank and its shareholders.

2.7.2 Levels of remuneration shall be sufficient to attract, retain and motivate executive officers of the bank and this shall be balanced against the bank's interest in not paying excessive remuneration.

2.7.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.7.4 Every bank shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.7.5 A Committee of Non-Executive Directors shall determine the remuneration of executive Directors.

2.7.6 Executive Directors shall not receive sitting allowances and Directors' fees.

2.7.7 Non-Executive Directors' (Non-EDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. Non-EDs shall not receive benefits, salaries, etc, whether in cash or in kind, other than those mentioned above.

2.7.8 Where stock options are adopted as part of executive remuneration or compensation, the Board shall ensure that they are not priced at a discount except with the authorization of the relevant regulatory agencies.

2.7.9 Share options shall be tied to performance and subject to the approval of the shareholders at AGMs.

2.7.10 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

2.7.11 Banks shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.7.12 Where there is a Remuneration Committee in addition to the three Committees prescribed in Section 2.5.1, the membership shall comprise Non-EDs only while the Board Governance and Nomination Committee shall have a combination of Executive and Non-EDs. However, where both Committees are combined, its membership shall be drawn only from Non-EDs.

2.8 Board Appraisal

- 2.8.1 There shall be annual Board and Directors' review/appraisal covering all aspects of the Boards' structure, composition, responsibilities, processes and relationships, as may be prescribed by the CBN.
- 2.8.2 Each Board should identify and adopt, in the light of the company's future strategy, its critical success factors or key strategic objectives.
- 2.8.3 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN.

3.0 SHAREHOLDERS

3.1 Rights and Functions of Shareholders

- 3.1.1 Shareholders shall have the right to obtain relevant and material information from the bank on a timely and regular basis.
- 3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.
- 3.1.3 In addition to the traditional means of communication, banks shall have a website and are encouraged to communicate with shareholders via the website. Such information shall include major developments in the bank, risk management practices, executive compensation, local and offshore branch expansion, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives and practices, etc.

3.2 Equity Ownership

- 3.2.1 An equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the bank shall apply for a no objection letter from the CBN immediately after the acquisition.
- 3.2.2 In order to discourage government(s) from having majority shareholding in banks, government(s) direct and indirect equity holding in any bank shall be limited to 10%.

3.3 Protection of Shareholders' Rights

- 3.3.1 Every shareholder shall be treated fairly.
- 3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.
- 3.3.3 The Board shall ensure that the bank promptly provides to shareholders documentary evidence of ownership interest in the bank such as share

certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 Meetings

- 3.4.1 Notice of general meetings shall be as prescribed by the Companies and Allied Matters Act (CAMA) 1990.
- 3.4.2 The Board shall ensure that the venue of a general meeting shall be convenient and easily accessible to the majority of shareholders.
- 3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.
- 3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

3.5 Shareholders' Associations

- 3.5.1 The Board shall ensure that dealings of the bank with shareholders' associations are in strict adherence with the Code for Shareholders' Associations published by the Securities and Exchange Commission. Where a bank is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

4.0 RIGHTS OF OTHER STAKEHOLDERS

- 4.1.1 Stakeholders shall be able to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to CBN in accordance with Section 3.4 of the provisions of the Whistle Blowing Guidelines.
- 4.1.2 Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
- 4.1.3 Banks shall demonstrate good sense of corporate social responsibility to their stakeholders such as customers, employees, host communities, and the general public.

5.0 DISCLOSURE AND TRANSPARENCY

5.1.1 In order to foster good corporate governance, banks are encouraged to make robust disclosures beyond the statutory requirements in BOFIA 1991 as amended, CAMA 1990 and other applicable laws.

5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:

- (a) Major items that have been estimated in accordance with applicable accounting and auditing standards.
- (b) Rationale for all material estimates;
- (c) Details on Directors:
 - i. The bank's remuneration policy for members of the Board and executives;
 - ii. Total Non-EDs' remuneration, including fees, allowances, etc;
 - iii. Total Executive compensation, including bonuses paid/payable;
 - iv. Details and reasons for share buy-backs, if any, during the period under review;
 - v. Board of Directors' performance evaluation; and
 - vi. Details of Directors, shareholders and their related parties who own 5% and above of the banks' shares as well as other shareholders who, in concert with others, control the bank.
- (d) Corporate governance:
 - i. governance structure;
 - ii. composition of Board Committees including names of chairmen and members of each Committee
- (e) Risk Assets:
 - i. Concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product.
 - ii. Loan quality.
 - iii. Lending/borrowing to/from subsidiaries and associates.
 - iv. Loans and advances/funding or commitment lines from institutions outside Nigeria.
 - v. Related party transactions.
 - vi. Insider-related credits in accordance with the extant CBN circular.
- (f) Risk management:

- i. All significant risks.
 - ii. Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of external auditors' observed lapses thereon.
- (g) Information on strategic modification to the core business.
 - (h) All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistle blowing, including actions taken thereon.
 - (i) Regulatory Sanctions and Penalties
 - (j) Capital Structure/Adequacy.
 - (k) Any service contracts and other contractual relationships with related parties.
 - (l) Frauds and Forgeries.
 - (m) Contingency Planning Framework.
 - (n) Any matter not specifically mentioned in this code but which is capable of affecting in a significant form, the financial condition of *the bank or its status as a going concern*.

5.2 Transparency and Integrity in Reporting

5.2.1 Banks shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall:

- i. entail the review and consideration of the financial statements by the BAC; and
- ii. Enhance the independence and competence of the bank's external auditors.

5.2.2 The BAC shall be structured in such a way that it:

- i. consists only of Non-Executive Directors;
- ii. is chaired by an independent Director;
- iii. Has at least three members.

5.2.3 The BAC shall be of sufficient size, independence and technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience (that is, shall be a qualified accountant or other finance professional with experience in financial and accounting matters).

5.2.5 The BAC shall review the integrity of the bank's financial reporting and oversee the independence of the external auditors.

- 5.2.6 The BAC shall meet at least once every quarter.
- 5.2.7 The appointment and removal of the Chief Compliance Officer/ Head of Internal Audit shall be the responsibility of the Board subject to CBN's ratification. The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change.
- 5.2.8 The qualification and experience of the Chief Compliance Officer/ Head of Internal Audit shall be in accordance with the provisions of the CBN's Competency Framework for the Banking Industry. Chief Compliance Officers (CCO) shall, in addition to monitoring compliance with Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements, monitor the implementation of the corporate governance code.
- 5.2.9 Appointment of external auditors shall be approved by the CBN.
- 5.2.10 External auditors shall render reports to the CBN on banks' risk management practices, internal controls and level of compliance with regulatory directives.
- i. The external auditor shall review the work of the internal auditor on each of the bank's key risk elements to cover risk identification, measurement, monitoring and control. The key risk elements as specified in the Risk Based Supervision framework are strategic, operational, liquidity, legal, market and credit risks.
 - ii. The external auditor shall review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
 - iii. The external auditors shall report on the level of each key risk element as well as the composite risk profile of the bank and make recommendations to the Board to enhance the effectiveness of risk management processes in the bank.
 - iv. Copies of their report shall be forwarded to the CBN together with the external auditor's management letter on the bank's audited financial statements
- 5.2.11 External auditors of banks shall not provide client services that shall amount to conflict of interest including the following:
- i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
 - ii. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
 - iii. Actuarial services;
 - iv. Internal audit outsourcing services;

- v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.
- 5.2.12 the tenure of auditors in a given bank shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be reappointed in the bank until after a period of another ten (10) consecutive years.
- 5.2.13 an audit firm shall not provide audit services to a bank if one of the bank's top officials (Directors, Chief Finance Officer, Chief Audit Officer, etc) was employed by the firm and worked on the bank's audit during the immediate past two (2) years.

5.3 Whistle - Blowing

- 5.3.1 Banks shall have a whistle-blowing policy made known to employees and other stakeholders.
- 5.3.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the bank and/or the CBN.

6.0 RISK MANAGEMENT

- 6.1.1 Every bank shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.
- 6.1.2 The Board is responsible for the bank's policies on risk oversight and management and shall satisfy itself that management has developed and implemented a sound system of risk management and internal control.
- 6.1.3 Risk management policies shall reflect the bank's risk profile and appetite and clearly describe all elements of the risk management as well as its internal control system.
- 6.1.4 Banks shall disclose a summary of its risk management policies.
- 6.1.5 A bank's risk management policies shall clearly describe the roles and responsibilities of the Board, BRMC, management and internal audit function.
- 6.1.6 As part of its oversight for the risk management and internal control system, the Board shall review the effectiveness of the implementation of that system at least annually. Ultimate responsibility for risk oversight and risk management rests with the full Board.

- 6.1.7 It is the responsibility of the Board to prepare the bank's risk management framework as well as oversight responsibility for its implementation. However, the management has the responsibility for the effective implementation of the framework.
- 6.1.8 The composition of the BRMC shall include at least 2 non-EDs and the executive Director in charge of risk management but chaired by a non-ED.
- 6.1.9 External auditors shall render annually, reports on the bank's risk management practices to the CBN.

7.0 ETHICS & PROFESSIONALISM AND CONFLICT OF INTEREST

7.1 Ethics & Professionalism

- 7.1.1 To make ethical and responsible decisions, banks shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.
- 7.1.2 Banks shall establish a code of conduct and disclose in the code or a summary of the code such information as:
- i. the practices necessary to maintain confidence in the bank's integrity;
 - ii. the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
 - iii. the responsibility and accountability of individuals reporting and investigating reports of unethical practices.
- 7.1.3 The Code should:
- (a) commit the bank, its Board and management (and employees) to the highest standards of professional behaviour, business conduct and sustainable business practices;
 - (b) be developed in collaboration with management and employees;
 - (c) receive commitment for its implementation from the Board and the Managing Director/Chief Executive Officer and individual Directors of the company;
 - (d) be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
 - (e) be formally communicated to the persons to whom it applies; and
 - (f) be reviewed regularly and updated when necessary.

7.1.4 Banks shall establish a policy concerning trading in the bank's securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

7.1.5 The trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness. This review may involve an internal audit function.

7.1.7 Banks shall publish the policy concerning the issue of Board and employee trading in its securities.

7.2 Conflict of Interest

7.2.1 Banks shall adopt a policy to guide the Board and individual Directors in conflict of interest situations.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, either with the Director concerned or with the Chairman of the Board.

7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 SANCTIONS

8.1.1 Compliance with the code is mandatory for all banks and discount houses.

8.1.2 Returns on the status of each institution's compliance with the code shall be rendered to the CBN at the end of every quarter or as may be specified from time to time by the CBN.

8.1.3 Failure to comply with the code will attract appropriate sanctions in accordance with Section 60 of BOFIA 1991 as amended or may be specified in any applicable legislation or regulation.

9.0 EFFECTIVE DATE

9.1.1 This code shall take effect from October 1, 2014 and supersedes our “Code of Corporate Governance for Banks in Nigeria Post Consolidation” that became effective on April 3, 2006.

**GUIDELINES FOR WHISTLE-BLOWING FOR BANKS AND OTHER
FINANCIAL INSTITUTIONS IN NIGERIA**

MAY 2014

I.0 INTRODUCTION

The prevalence of misconduct in organizations, particularly banks and other financial institutions, in the recent past underscores the need to institute rigorous policies to allow employees and other stakeholders bring unethical and illegal practices to the fore to minimize the damage such misconduct can cause to different stakeholders.

The banking system relies on the effective operation of a range of “integrity systems” for keeping the institutions and their management honest and accountable. One of such systems is Whistle-blowing.

Whistle-blowing, therefore, is the reporting of alleged unethical conduct of employees, management, directors and other stakeholders of an institution by an employee or other person to appropriate authorities.

A whistle-blower is any person(s) including the employee, management, directors, depositors, service providers, creditors and other stakeholder(s) of an institution who reports any form of unethical behavior or dishonesty to the appropriate authority.

The objective of whistle-blowing is to encourage stakeholders to bring unethical conduct and illegal violations to the attention of an internal and or external authority so that action can be taken to resolve the problem. This will minimize the institution's exposure to the damage that can occur when internal mechanisms are circumvented. It will also demonstrate to stakeholders that the institution is serious about adherence to codes of ethics and conduct.

It is believed that an effective whistle-blowing mechanism in banks and Other Financial Institutions (OFIs) in the country would go a long way in entrenching good corporate governance.

However, in order to gain the protection afforded to whistle-blowers by this guidelines, such disclosures must actually be made in good faith and the information provided must also be substantially true/reliable.

The provisions of these Guidelines represent the minimum standard of whistle-blowing which banks shall comply with. Banks and other financial institutions are however encouraged to aspire to higher standards.

1.2 COMPLIANCE

1.2.1 The provisions of these Guidelines shall be observed by all financial institutions under the supervisory purview of the Central Bank of Nigeria (CBN).

1.2.2 Compliance shall be mandatory with effect from October 1, 2014.

1.2.3 Banks and Other Financial Institutions are expected to forward copies of their whistle-blowing guidelines to the CBN within three months, effective from the date of issuance of the guidelines. These guidelines shall be updated from time to time as the need arises.

- 1.2.4 Banks and Other Financial Institutions shall render quarterly reports on their compliance with the provisions of the whistle-blowing guidelines along with their corporate governance compliance status returns.
- 1.2.5 The external auditor of each bank and other financial institution shall report annually to the CBN, the extent of the bank's and other financial institution's compliance with the provisions of these Guidelines.

2.0 SCOPE OF POLICY

These Guidelines are designed to enable stakeholders of banks and other financial institutions to report acts of impropriety to appropriate authorities. This may include any of the following:

- All forms of financial malpractice or impropriety or fraud;
- Failure to comply with a legal obligation or Statutes;
- Actions detrimental to Health & Safety or the environment;
- Any form of criminal activity;
- Improper conduct or unethical behaviour;
- Failure to comply with regulatory directives;
- Other forms of corporate governance breaches;
- Connected transactions;
- Insider abuses
- Non-disclosure of interest;
- Attempts to conceal any of these, etc

3.0 WHISTLE – BLOWING PROCEDURES

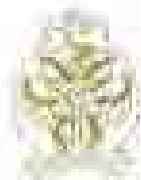
- 3.1 Banks and other financial institutions shall have a whistle– blowing policy which shall be made known to employees, management, directors and other stakeholders such as contractors, shareholders, job applicants and the general public. The policy should be disclosed in their web sites.
- 3.2 It is the responsibility of the board to implement such a policy and to establish a whistle-blowing mechanism for reporting any illegal or unethical behavior.
- 3.3 Banks and other financial institutions shall establish whistleblowing procedures that encourage stakeholders by assurance of confidentiality, to report any unethical activity/breach of these Guidelines using, among others, a dedicated email or hotline to the bank, other financial institution and the CBN.
- 3.4 The whistle-blowing mechanism shall include a dedicated “hot-line” or e-mail address and other electronic devices that could be used anonymously to report unethical practices.

- 3.5 The Head of Internal Audit shall review reported cases and recommend appropriate action to the MD/CEO and where issues affect Executive Management, such issues should be referred to the Board. The Board or CEO shall take appropriate action to redress the situation within a reasonable time.
- 3.6 The Head of Internal Audit shall provide the Chairman of the Board Audit Committee with a summary of cases reported and the result of the investigation.
- 3.7 A whistle-blower shall disclose any information connected with the activities of the bank or other financial institution which indicates any of the following:
- (i) that an infraction has been committed;
 - (ii) that a person has failed to comply with banking laws, internal policies and procedures, etc; and
 - (iii) that someone has concealed matters falling within (i) or (ii) above.
- 3.8 A disclosure is deemed to have been made in accordance with this section if the whistle-blower discloses to the bank, other financial institution, CBN, and/or other appropriate agencies or exercise any other lawful option provided that such disclosure is:
- (i) true; and
 - (ii) reasonable;

4.0 PROTECTION OF THE WHISTLE-BLOWER

- 4.1 These Guidelines is designed to offer protection to whistleblower(s) who disclose such concerns provided the disclosure is made:
- a) in the reasonable belief that it is intended to show malpractice or impropriety; and
 - b) to an appropriate person or authority.
- 4.2 Banks and other financial institutions shall treat all disclosures resulting from whistle-blowing in a confidential manner. The identity of the whistle-blower shall be kept confidential.
- 4.3 Stakeholders are encouraged to disclose their name when filing reports to make their reports more credible. However, anonymous disclosures may be considered on discretionary basis taking into account the following factors:
- a) the seriousness of the issues;
 - b) the significance and credibility of the concern; and
 - c) the possibility of confirming the allegation.

- 4.4 In making a disclosure through whistle-blowing, the individual should exercise due care in reporting his concern. If, however, an individual makes malicious allegations, and particularly if he or she persists with making them, no action shall be taken.
- 4.5 No bank or other financial institution shall subject a whistleblower to any detriment whatsoever on the grounds that s/he has made a disclosure in accordance with the provisions of these Guidelines.
- 4.6 Where a whistle-blower has been subjected to any detriment in contravention of the above, s/he may present a complaint to the CBN. This is without prejudice to the right of the whistleblower to take appropriate legal action.
- 4.7 An employee who has suffered any detriment by reason of disclosure made pursuant to the provision of these Guidelines shall be entitled to compensation and/or reinstatement provided that in the case of compensation, the employee's entitlement shall be computed as if he had attained the maximum age of retirement or had completed the maximum period of service, in accordance with his condition of service. For other stakeholders, the whistle-blower shall be adequately compensated.
- 4.8 Any bank or other financial institution which contravenes the provision of this section of the Guidelines will be sanctioned in line with Section 60 of the Banks and Other Financial Institutions Act 1991 (as amended).
- 4.9 For the purpose of these Guidelines, the word "detriment includes dismissal, termination, redundancy, undue influence, duress, withholding of benefits and/or entitlements and any other act that has negative impact on the whistle-blower.
- 4.10 Banks and other financial institutions shall make quarterly returns to the CBN and NDIC on all whistle-blowing reports and corporate governance related breaches.
- 4.11 Banks and other financial institutions shall include a whistleblowing compliance status report in their audited financial statements.
- 4.12 Banks and other financial institutions should review their whistle-blowing policies every three (3) years and notify the regulatory authorities of all such reviews.



09-86237403

To: Chief Compliance Officers
3rd April, 2014

REF: FPR/DIR/GEN/807/03/004

LETTER TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

ATTENTION: Chief Compliance Officer

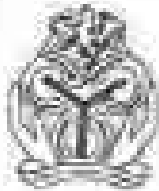
UNIFORM ACCOUNT OPENING FORMS AND MINIMUM INFORMATION REQUIREMENTS FOR THREE-TIERED KYC FOR CUSTOMERS OF BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA - THE IMPLEMENTATION STRATEGY

Further to our circular ref. FPR/DIR/GEN/CIR/03/004 of 24th February, 2014 which directed all financial institutions to adopt Uniform Account Opening Forms (and Minimum Information Requirements for the Three Tiered KYC for Customers of Banks and Other Financial Institutions [OFIs] in Nigeria), we write to inform you of the need to ensure full adoption/implementation of same to ensure that the objectives of the project are achieved.

It should be noted that the success of the project rests on full and faithful adoption of the forms by all banks and OFIs. The attached implementation strategy is a further demonstration of the CBN's desire for the project to succeed. It provides guidance and spells out FI's and CBN responsibilities.

In the light of the above, financial institutions are requested to accord the implementation strategy the priority and attention it deserves by adhering to the timelines set out therein. For further enquiries, please contact Messrs U. A. Olat and A. St. Alabi via uolath@cbn.gov.ng and amstabi@cbn.gov.ng respectively.

E. N. ANUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
Central Business District
P.M.B. 0157
Lagos, Nigeria

Tel: 01-46207401
Email: regulation@cbn.gov.ng
TPR/DIR/CIR/GEN/001/006

March 2, 2012

Circular to all Banks, Discount Houses and Development Finance Institutions

REPORTING TEMPLATE FOR THE NIGERIA SUSTAINABLE BANKING PRINCIPLES (NSBPs)

Good Sir/Ma, the CBN, vide a Circular referenced TPR/DIR/CIR/GEN/001/006 of May 4, 2010, issued an exposure draft of the NSBPs reporting template to stakeholders for comments. The reporting template was developed to provide reporting institutions with a uniform format for reporting their implementation efforts as well as enable such institutions plan effectively, track the progress of their implementation against a roadmap and identify challenges for possible remedial action. The template will also enable the Central Bank of Nigeria to monitor the progress of implementation at individual bank and industry levels, ensure appropriate intervention to help resolve implementation challenges and provide an objective, fair and equitable basis for possible incentives.

Having taken into account the perspectives of all stakeholders during the process of developing the final template, the attached reporting template is hereby issued to banks, discount houses and development finance institutions for implementation.

Accordingly, sustainability reporting will commence in June 2014 with the submission of the one-off report (first quarter) not later than July 7, 2014. The second quarter one-off report shall be received not later than October 7, 2014 while the (first quarter report) should reach the CBN not later than January 7, 2015.

Receipt of regular reports (i.e. semi-annual and annual reports) which should be received at the CBN not later than 7 days after the end of the relevant period, shall commence with the receipt of the first bi-annual report not later than July 7, 2015 for the period January to June 2015. All reports are to be sent to the Director, Banking Supervision Department, Central Bank of Nigeria, Abuja.

Thank you.



KEVIN N. AMUGO
Director,
Financial Policy & Regulation Department

PERFORMANCE INDICATORS FOR THE CIA (FISCAL QUARTER)

Indicator	Description	Target	Actual
4.1.1	Approved budget for T&E Management (Approved for operations) (Budgetary Control)	Approved	Not achieved
4.1.2	Identified all T&E systems management (Operations for all systems) (Budgetary Control)	Approved	Not achieved
4.1.3	Approved the risk and control of existing T&E systems (Approved for operations) (Budgetary Control)	Approved	Not achieved
4.1.4	Approved all T&E systems (Approved for operations) (Budgetary Control)	Approved	Not achieved
4.1.5	Approved all T&E systems (Approved for operations) (Budgetary Control)	Approved	Not achieved

ENVIRONMENTAL

Section 1.14.1 - Environmental Impact of Lending Activities		L.15		L.16	
		Department Revenue 1	ES&S Revenue 2	Major Loan	Revenue
1.1	Total number of transactions supported during the reporting period				
1.2	Total volume of the transactions				
1.3	Percentage of revenue from customers classified as "A" risk				
1.4	Volume of transactions involving customers at "B" risk				
1.5	Percentage of total portfolio revenue generated by "B" risk				
1.6	Attach the list of transactions in "B" risk by categorization (i.e. Category A/B/C or High/Medium/Low risk)				
1.7	Attach the risk categorization by financial product type				
1.8	Attach the risk categorization by industry sector				
1.9	Attach the risk categorization by location (state and/or region)				
1.10	Number of clients or counterparties identified per E&S performance, non-compliance with relevant E&S Action Plans, or breach of good documentation level guidelines				
1.11	No of client engagements on E&S issues which resulted in positive outcomes for the client and the bank				
1.12	Amount of lending to companies or projects that have a high climate risk exposure. These include, but are not limited to, the following industries: Aerospace, Air, Metals, Chemicals, Glass, Healthcare, Movement of Goods, Maritime, Materials, Non-Renewable Energy				
1.13	Investments in companies, underlying or associated with an "A" or "B" risk status (e.g. investment in renewable energy and green buildings) during the reporting period				
1.14	Amount of lending (1) for environmentally sensitive purposes (e.g. water efficiency, renewable, renewable energy projects, etc.) or (2) for general purposes to finance transition (e.g. solar, wind, hydro, etc.)				
1.15	Number of Clients with Action Plans developed in Category A, and B sectors				
1.16	Number of clients in Category A/B sectors committed to annual goals				
1.17	Percentage of Category A/B clients committed with goals (including top 50 clients)				

Module 2: EHS Systems Management Activities Checklist		No. of			
		Non-compl: Remarks	Compliance Remarks	Yes/No Date	Signature
4	Total number of employees/contractors working in job by the plant				
5	Number of buildings/structures and facilities provided in the vicinity of the facility				
6	Total population residing in the vicinity of the plant				
7	Classification of employees				
		Non-compl: Remarks	Compliance Remarks	Yes/No Date	Signature
8	Environmental Map(s)				
9	Energy consumption when the plant is not in full operation				
9.1	Total amount of electricity consumed from the national grid in kWh/month				
9.1.1	Total amount of electricity consumed in the plant				
9.1.2	Total amount of electricity used for general use				
9.1.3	Total amount of electricity used for process				
9.1.4	Number of electric fans used in the plant as alternative source of energy in a hot climate				
9.1.5	Number of A/Cs provided to generate indoor energy (if any) in the plant				
9.1.6	Percentage of fans running in A/Cs				
9.1.7	Total load in per employee from cooling tower				
10	Paper use in the plant				
10.1	Total paper consumption in kg/month				
10.1.1	Total paper consumption for office use				
10.1.2	Total paper consumption for production				
10.1.3	Number of recycled paper used in the plant				
10.1.4	Number of				
10.1.5	Total the number of paper used in the plant				
10.1.6	Total the number of paper used in the plant				
10.1.7	Total the number of paper used in the plant				
10.1.8	Total the number of paper used in the plant				
10.1.9	Total the number of paper used in the plant				
10.1.10	Total the number of paper used in the plant				
10.1.11	Total the number of paper used in the plant				
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10.1.22	Total the number of paper used in the plant				
10.1.23	Total the number of paper used in the plant				
10.1.24	Total the number of paper used in the plant				
10.1.25	Total the number of paper used in the plant				
10.1.26	Total the number of paper used in the plant				
10.1.27	Total the number of paper used in the plant				
10.1.28	Total the number of paper used in the plant				
10.1.29	Total the number of paper used in the plant				
10.1.30	Total the number of paper used in the plant				
10.1.31	Total the number of paper used in the plant				
10.1.32	Total the number of paper used in the plant				
10.1.33	Total the number of paper used in the plant				
10.1.34	Total the number of paper used in the plant				
10.1.35	Total the number of paper used in the plant				
10.1.36	Total the number of paper used in the plant				
10.1.37	Total the number of paper used in the plant				
10.1.38	Total the number of paper used in the plant				
10.1.39	Total the number of paper used in the plant				
10.1.40	Total the number of paper used in the plant				
10.1.41	Total the number of paper used in the plant				
10.1.42	Total the number of paper used in the plant				
10.1.43	Total the number of paper used in the plant				
10.1.44	Total the number of paper used in the plant				
10.1.45	Total the number of paper used in the plant				
10.1.46	Total the number of paper used in the plant				
10.1.47	Total the number of paper used in the plant				
10.1.48	Total the number of paper used in the plant				
10.1.49	Total the number of paper used in the plant				
10.1.50	Total the number of paper used in the plant				

2.1.8	Number of new trainees received, based on training, Number of total full number of employees				
2.1.9					
2.1.9.1 Corporate fleet					
2.1.9.1.1	No. of vehicles in the corporate fleet (Corporate fleet excluded those owned and/or contributed by the institution)				
2.1.9.1.2	Information provided to corporate fleet				
2.1.9.1.3	Cost per kilometre for the fleet				
2.1.9.1.4	Total number of employees using fleet cars				
2.1.9.1.5	Average fuel use per kilometre				
2.1.9.1.6	Cost of gasoline for fleet (fuel efficiency = 2)				
2.1.9.2 At home					
2.1.9.2.1	Number of employees at home				
2.1.9.2.2	Cost mileage and CO2 balance				
2.2					
2.2.1 Staff welfare					
2.2.1	Ratio of the following: the composition of employees by gender, total amount of contracts				
2.2.2	Number of employees per gender ratio of employees available in management portfolio				
2.2.3	Cost of employee welfare cost				
2.2.4	Number of employees participated in employee education program including employee's education on health & safety, e.g. mental diseases, such as stress				
2.2.5	Number of employees participated in education training/other career development programs designed to enhance their legal, professional, technical expertise				
2.2.6	Number of employees that utilized personal respiration or protection in place				
2.2.7	Number of physically challenged employees in the workplace				
2.2.8	Number of benches that are being built/rebuilt/changed in campus				
2.2.9	Percentage of total number of physical benches that physically challenged occupied to total number of benches				
2.2.10	Number of children in preschool in the institution facilities to cater for nursing mother employees				
2.2.11	Number of stress management and support program provided for employees				
2.2.12	Number of gymnasium and sport recreational facilities provided for staff				
2.2.13	Number of retired employees provided access to health care cost				
2.3					
2.3.1 Community support and outreach					
2.3.1	Total number of employees involved in community outreach activities				
2.3.2	Cost time spent on community outreach activities				
2.3.3	Number of employees (based on full number of employees) at the institution				
2.3.4	Cost of time				

2.1	Value of services or commodities				
2.2	Percentage of labor used in production				
2.3	Value of assets (inventory)				
2.4	Value of stocks and bonds (financial accounts)				
2.5	Value of 200 hours of service (total hours worked) per student per school				
2.11	Value of nonproductive services received				
2.11.1	Value of support services provided				
2.11.2	Number of employees (excluding all non-teaching) employed				
2.11.3	Value of nonproductive equipment (excluding all support services) received				
2.11.4	Cost of nonproductive				
2.4	Number of students in computer assisted or computer-mediated				
2.5	Percentage of total instruction				
2.6	Number of students in computer assisted or computer-mediated				
2.7	Number of total daily instructional minutes per school (200 minutes is a school year of 180 school days)				
3 Section 3: Power (Batt)					
		Section 3: Power (Batt)			
		Section 3: Power (Batt)			
		Section 3: Power (Batt)			
3.1	Percentage of total instruction				
3.1.1	Percentage of total instruction				
3.2	Number of students in computer assisted or computer-mediated				
3.3	Number of students in computer assisted or computer-mediated				
3.4	Percentage of total instruction				
3.5	Number of students in computer assisted or computer-mediated				
3.6	Percentage of total instruction				
4 Section 4: Power (Batt)					
		Section 4: Power (Batt)			
		Section 4: Power (Batt)			
		Section 4: Power (Batt)			
4.1	Percentage of total instruction				
4.1.1	Percentage of total instruction				
4.2	Number of students in computer assisted or computer-mediated				
4.3	Number of students in computer assisted or computer-mediated				
4.4	Percentage of total instruction				
4.5	Number of students in computer assisted or computer-mediated				
4.6	Percentage of total instruction				
4.7	Number of students in computer assisted or computer-mediated				
4.8	Percentage of total instruction				
4.9	Number of students in computer assisted or computer-mediated				

4.64	Percentage of sales in markets or countries having:				
4.6	Number of countries/regions visited				
4.7	Number of new sales offices being opened, both beginning their service for new clients and/or their closure for their featured products				
4.8	Number of new clients opened (products or services introduced and brought in from)				
4.9	Number of new clients by volume				
	(a) Value added				
	(b) Volume of new products				
4.10	Total value of all existing stock in volume of products				
	(a) Program-completed projects				
	(b) Percentage of total work completed				
Part 4: Financial Indicators					
		Revenue in Pabst's \$	Cost of sales Pabst's \$	Operating margin	Net profit
5.1	Number of new products or services or major change designed or developed (new and existing products)				
	(a) Number				
5.2	Number of products introduced (including new, revised, technical services or products for the first time)				
5.3	Attach copy of report on new products, with:				
5.4	Number of introductions that passed through Pabst's R&D				
	(a) Pabst's R&D				
5.5	Number of products that did not pass through or through a shortened process (not as much as usual) because of low level of sales (less than:				
5.6	Percentage of total revenue from the most recent product located in countries that have been significantly impacted by the program (significantly more than 10% of total revenue, and not more than 10% of total revenue)				
5.7	Percentage of revenue from countries impacted (financial losses, closing efforts to attract customers, assets frozen, or suspended activities, which the number of products in that market)				
Part 5: M&A Activities					
		Net Income Pabst's \$	Net Income Pabst's \$	Market share	Revenue
6.1	Number of M&A transactions				
6.2	Number of times that all or part of Pabst's \$100 million of assets were the subject of M&A transactions				
6.3	Number of times that all or part of Pabst's \$100 million of assets were the subject of M&A transactions with significant financial impact (at least:				

1.1	Establishment of digital core strategy has one of the most immediate and critical impacts on the value of the organization. Information about products and services, including mobile, is becoming increasingly important, increasing its relevance to customers. This includes the importance of data, its ability to drive, and the ability to use it. This includes the ability to use it to drive, and the ability to use it to drive, and the ability to use it to drive.				
Module 2: Diversity, Equity					
		Performance Report 1	Score (Percent Report 1)	Target Score	Report 1
2.1	Training				
2.1.1	Substantive training program components were delivered including:				
2.1.1.1	Content				
2.1.1.2	Depth of delivery (including program, content, and the job scenario, etc.)				
2.1.1.3	Number of participants identified in the training program and the number of attendees				
2.2	Number of other specific training activities delivered (including training)				
2.2.1	Content				
2.2.2	Depth of delivery				
2.2.3	Number of participants				
2.2.4	Other specific training activities delivered				
Module 3: Inclusive Leadership					
		Performance Report 1	Score (Percent Report 1)	Target Score	Report 1
3.1	Development of or execution of a plan to support the organization's diversity, equity, and inclusion (DEI) goals, including the following:				
3.2	Methodology used to develop or execute the plan, including the following:				
3.3	Number of development or execution activities completed in the organization's DEI plan (including the following):				
Module 4: Metrics					
		Performance Report 1	Score (Percent Report 1)	Target Score	Report 1
4.1	Substantive tracking measures of DEI and Equity or other DEI metrics (including the following):				
4.2	Number of metrics tracked and reported in the organization's DEI plan				
4.3	Number of metrics tracked in the organization's DEI plan				

SECTIONAL BROOD		SECTIONAL BROOD			
A. AGRICULTURE		SECTIONAL BROOD I		SECTIONAL BROOD II	
1.1	Number of agriculture related transactions received				
1.1.1	Food				
1.1.2	By agricultural value chain stakeholder member category				
1.1.3	By type of commodity (crops)				
1.2	Value of agriculture related transactions (USD)				
1.2.1	Food				
1.2.2	By Agricultural value chain stakeholder member category				
1.2.3	By type of commodity (crops)				
1.3	Number of transactions by SAC Categories (A, B or C)				
1.3.1	By SAC category				
2	SCIENCE				
		SECTIONAL BROOD I	SECTIONAL BROOD II	SECTIONAL BROOD III	SECTIONAL BROOD IV
2.1	Number of science related transactions received				
2.1.1	Food				
2.1.2	By category				
2.1.3	Power generation (solar) or associated activities				
2.1.4	Industry (hydrogen)				
2.1.5	Science (robotics)				
2.2	Value of power related transactions (power)				
2.2.1	Food				
2.2.2	By category				
2.2.3	Power generation (solar) or associated activities				
2.2.4	Industry (hydrogen)				
2.2.5	Science (robotics)				
2.3	Number of science related transactions received by category				
2.3.1	By SAC Category (A, B or C)				
2.3.2	By type of commodity				
2.3.3	By type of commodity				
2.4	Number of science related transactions received by SAC				
2.4.1	By SAC category				
2.4.2	By type of commodity				
2.4.3	By type of commodity				
2.4.4	By type of commodity				
2.4.5	By type of commodity				
3	GE AND GRI				
		SECTIONAL BROOD I	SECTIONAL BROOD II	SECTIONAL BROOD III	SECTIONAL BROOD IV
3.1	Number of GE & GRI related transactions received				
3.1.1	Food				
3.1.2	By category				
3.1.3	Industry				
3.1.4	Industry				
3.1.5	Industry				

1.1.1.g	Number of approved transactions submitted for the collection, payment and remittance against the list of billing and transactions, system status, logical payment subject, etc.				
1.1	Value of CH and the related transactions booked:				
1.1.1	CH				
1.1.2	CH-CH				
1.1.3	CH-CH				
1.1.4	CH-CH				
1.1.5	CH-CH				
1.1.6	CH-CH				
1.1.7	CH-CH				
1.1.8	CH-CH				
1.2	Number of CH & CH-related transactions entered/reversed for CH data				
1.3	Number of transactions by CH, CH-related CH, CH-CH				



CENTRAL BANK OF NIGERIA

Central Bank of Nigeria
Plot 62, Cadastral Survey Road
Abuja, FCT, Nigeria
www.cbn.gov.ng

REF: CBN/2024/001

Central Bank of Nigeria
Abuja, FCT, Nigeria

27th January, 2024

REF: CBN/CP/21/004

CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIFORM ACCOUNT OPENING FORMS AND MINIMUM INFORMATION REQUIREMENTS FOR THREE-TIER KYC FOR CUSTOMERS OF BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

Towards its effort to ensure that decisions to bank and other financial institutions provide necessary background information for effective Know Your Customer (KYC) due diligence, the CBN in collaboration with relevant stakeholders has developed Uniform Account Opening Forms.

The uniformity is to ensure that Customer Due Diligence (CDD) is consistently and uniformly practiced in account opening process for prospective customers of financial institutions.

Individual prospective customers are required to complete account opening FORM A(1), FORM A(2) and FORM A for accounts in Tier 1, 2 and 3 respectively, while legal entities are to complete FORM B.

Whereas prospective customers are required to provide the relevant information applicable to them as prescribed above, existing customers are to regularly update their records in line with the process.


KEN N. AMADI
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

ACCOUNT OPENING FORM-INDIVIDUAL



BRANCH: ACCOUNT NO. (for debit/credit)

SECRETARY SIGN:

I. PERSONAL PARTICULARS

Name: Surname:

Address: (Home)

Residence type: Flat House Other:

Occupation: (Business) **PROFESSIONAL/EMPLOYED**

Mobile Number:

Residence Phone:

Cell: Fax:

II. CONTACT DETAILS

Accountant:

Branch Name: Branch Code:

Branch Address:

City: State:

Pin:

Telephone:

Post Office: Post Office ID:

Area:

III. ACCOUNT OPENING REQUEST (Please tick appropriate boxes)

Card Address: Physical Virtual Other:

Account Opening Address: Home Office Other:

Branch Address: Home Office Other:

IV. SIGNATURES (Please print)

Signature: Name:

Signature of: **PROFESSIONAL/EMPLOYED**

Signature:

Name:

Address:

V. DETAILS OF NEXT OF KIN

Name: Relationship:

Address:

Signature:

Signature of: Name:

ACCOUNT OPENING FORM-INDIVIDUAL

Current Account (Normal) Fixed Deposit Account Other Type of Account
 Current Account Fixed Deposit Account Savings Account Recurring Account

ACCOUNT No. (to be filled in later)

NAME IN C & A/C:



I. PERSONAL INFORMATION

No. _____ Date _____
 Address _____ City Name _____
 Age _____ Sex _____
 Education _____
 Occupation _____
 Annual Income _____
 Telephone No. _____
 E-mail _____
 Present Address _____
 Permanent Address _____

II. CONTACT DETAILS

Name _____
 Address _____
 City _____
 State _____
 Zip _____
 Telephone _____
 E-mail _____

III. VALID PROOF OF IDENTIFICATION

Aadhar Card Voter ID Card PAN Card Passport Driving License

No. _____
 Issued By _____

IV. ACCOUNT INFORMATION (PLEASE TICK APPROPRIATE BOXES)

Current Account Fixed Deposit Recurring Other

Business Banking Personal Banking Other

Savings Fixed Deposit Recurring

Current Fixed Deposit Recurring

Current Fixed Deposit Recurring

Current Fixed Deposit Recurring

105 BANK USE ONLY

1. ACCOUNTS RECEIVABLE

Banks Account			
LINE	ACCOUNTS RECEIVABLE	DEBIT	CREDIT
1	Accounts receivable		
2	Accounts receivable		
3	Accounts receivable		
4	Accounts receivable		
5	Accounts receivable		
6	Accounts receivable		
7	Accounts receivable		
8	Accounts receivable		
9	Accounts receivable		
0	Accounts receivable		

2. ACCOUNTS RECEIVABLE - OTHER BANKS

LINE	ACCOUNTS RECEIVABLE	DEBIT	CREDIT
1	Accounts receivable		
2	Accounts receivable		
3	Accounts receivable		
4	Accounts receivable		
5	Accounts receivable		
6	Accounts receivable		
7	Accounts receivable		
8	Accounts receivable		
9	Accounts receivable		
0	Accounts receivable		

3. AUTHORIZATION FOR FINANCIAL INSTITUTION

I authorize the transfer of funds to the account of _____ (Name of the Bank) to be used for the purpose of _____ (Purpose of the transfer) as described in the attached document(s) _____ (Document(s) attached to this authorization).

Bank of America (Account Number) _____

Account Name (Statement) _____

Use for: Education Health Other _____

4. AUTHORIZATION FOR FINANCIAL INSTITUTION

I authorize the transfer of funds to the account of _____ (Name of the Bank) to be used for the purpose of _____ (Purpose of the transfer) as described in the attached document(s) _____ (Document(s) attached to this authorization).

5. ACCOUNT OFFER BY

Name: _____

Address: _____

City: _____

State: _____

Zip: _____

Phone: _____

Signature: _____

Date: _____

B. ACCOUNTING RECORD DOCUMENT (BY YEAR) (TABLE B-1)													
Year:													Accounting Record Document (Table B-1)
Accounting Record Document (Table B-1)													Accounting Record Document (Table B-1)
Year:													Accounting Record Document (Table B-1)
Accounting Record Document (Table B-1)													Accounting Record Document (Table B-1)
C. ACCOUNTING RECORD DOCUMENT (BY YEAR) (TABLE B-2)													
Year:													Accounting Record Document (Table B-2)
Accounting Record Document (Table B-2)													Accounting Record Document (Table B-2)
Year:													Accounting Record Document (Table B-2)
Accounting Record Document (Table B-2)													Accounting Record Document (Table B-2)
D. ACCOUNTING RECORD DOCUMENT (BY YEAR) (TABLE B-3)													
Year:													Accounting Record Document (Table B-3)
Accounting Record Document (Table B-3)													Accounting Record Document (Table B-3)
Year:													Accounting Record Document (Table B-3)
Accounting Record Document (Table B-3)													Accounting Record Document (Table B-3)

PERSONAL INFORMATION	
Name:	_____
Address:	_____
City:	_____
State:	_____
Zip:	_____
Phone:	_____
Age:	_____
Sex:	_____
Marital Status:	_____
Education:	_____
Occupation:	_____
Income:	_____
Assets:	_____
Liabilities:	_____
Net Worth:	_____
Signature:	_____
Date:	_____

FINANCIAL INFORMATION	
Assets:	_____
Liabilities:	_____
Net Worth:	_____
Income:	_____
Expenses:	_____
Savings:	_____
Investments:	_____
Risk Tolerance:	_____
Goals:	_____
Signature:	_____
Date:	_____

1. Name		2. Address	
3. Phone		4. Telephone	
5. Occupation	<input type="checkbox"/> None <input type="checkbox"/> Student <input type="checkbox"/> Other		
6. Date of Birth		7. Date of Issue	
8. Sex	<input type="checkbox"/> Male <input type="checkbox"/> Female	9. Marital Status	
10. Religion			
11. Education			
12. Nationality			
13. Date of Issue			
14. Validity			
15. Remarks			
16. Signature			
17. Date			

DECLARATION OF THE APPLICANT			
1. Name		2. Address	
3. Phone		4. Telephone	
5. Occupation	<input type="checkbox"/> None <input type="checkbox"/> Student <input type="checkbox"/> Other		
6. Date of Birth		7. Date of Issue	
8. Sex	<input type="checkbox"/> Male <input type="checkbox"/> Female	9. Marital Status	
10. Religion			
11. Education			
12. Nationality			
13. Date of Issue			
14. Validity			
15. Remarks			
16. Signature			
17. Date			

4. DETAILS OF ACCOUNTS HELD WITH OTHER BANKS BY THE ACCOUNT HOLDER (SEE INSTRUCTIONS ON THE REVERSE SIDE)

Sl.	NAME AND ADDRESS OF BANK/INSTITUTION	ACCOUNT TYPE	ACCOUNT NUMBER	BRANCH (IF APPLICABLE)
1.				
2.				
3.				
4.				

4.1. STATEMENT OF OTHER BANK ACCOUNTS HELD IN INDIA

Account Name: _____

Branch: _____

AGREEMENT TO BANK AND OTHER ACCOUNTS HELD OUTSIDE INDIA

Read and understand you are hereby declaring with the appropriate marks for the bank/other financial institution/other account holder that you hold the following account/s outside India:

Yes/No: _____

Qualifying: _____

Account Name of the Country: _____ & Code: _____

Account Number of the Country: _____

Branch Name of the Country: _____

4.2. STATE OF RESIDENCY

Residence in India: _____

Residence in other countries: _____

4.3. PERSONAL PARTICULARS

1. Full Name: _____

2. Date of Birth: _____

3. Gender: Male Female Other

4. Marital Status: Single Married Widowed Divorced Separated

5. Passport No: _____

6. Telephone No: _____

7. E-mail Address: _____

8. Present Address: _____

9. Permanent Address: _____

10. Present Residence: _____

11. Permanent Residence: _____

12. Present Occupation: _____

13. Permanent Occupation: _____

14. Present Education: _____

15. Permanent Education: _____

16. Present Income: _____

17. Permanent Income: _____

18. Present Assets: _____

19. Permanent Assets: _____

20. Present Liabilities: _____

21. Permanent Liabilities: _____

22. Present Net Worth: _____

23. Permanent Net Worth: _____

24. Present Bank Accounts: _____

25. Permanent Bank Accounts: _____

26. Present Other Financial Institutions: _____

27. Permanent Other Financial Institutions: _____

28. Present Other Assets: _____

29. Permanent Other Assets: _____

30. Present Other Liabilities: _____

31. Permanent Other Liabilities: _____

32. Present Other Net Worth: _____

33. Permanent Other Net Worth: _____

34. Present Signature: _____

35. Permanent Signature: _____

36. Present Photo: _____

37. Permanent Photo: _____

38. Present Stamp: _____

39. Permanent Stamp: _____

40. Present Seal: _____

41. Permanent Seal: _____

42. Present Date: _____

43. Permanent Date: _____

44. Present Place: _____

45. Permanent Place: _____

46. Present Country: _____

47. Permanent Country: _____

48. Present State: _____

49. Permanent State: _____

50. Present District: _____

51. Permanent District: _____

52. Present City: _____

53. Permanent City: _____

54. Present Pin Code: _____

55. Permanent Pin Code: _____

56. Present Telephone No: _____

57. Permanent Telephone No: _____

58. Present E-mail Address: _____

59. Permanent E-mail Address: _____

60. Present Occupation: _____

61. Permanent Occupation: _____

62. Present Education: _____

63. Permanent Education: _____

64. Present Income: _____

65. Permanent Income: _____

66. Present Assets: _____

67. Permanent Assets: _____

68. Present Liabilities: _____

69. Permanent Liabilities: _____

70. Present Net Worth: _____

71. Permanent Net Worth: _____

72. Present Bank Accounts: _____

73. Permanent Bank Accounts: _____

74. Present Other Financial Institutions: _____

75. Permanent Other Financial Institutions: _____

76. Present Other Assets: _____

77. Permanent Other Assets: _____

78. Present Other Liabilities: _____

79. Permanent Other Liabilities: _____

80. Present Other Net Worth: _____

81. Permanent Other Net Worth: _____

82. Present Signature: _____

83. Permanent Signature: _____

84. Present Photo: _____

85. Permanent Photo: _____

86. Present Stamp: _____

87. Permanent Stamp: _____

88. Present Seal: _____

89. Permanent Seal: _____

90. Present Date: _____

91. Permanent Date: _____

92. Present Place: _____

93. Permanent Place: _____

94. Present Country: _____

95. Permanent Country: _____

96. Present State: _____

97. Permanent State: _____

98. Present District: _____

99. Permanent District: _____

100. Present City: _____

101. Permanent City: _____

102. Present Pin Code: _____

103. Permanent Pin Code: _____

104. Present Telephone No: _____

105. Permanent Telephone No: _____

106. Present E-mail Address: _____

107. Permanent E-mail Address: _____

108. Present Occupation: _____

109. Permanent Occupation: _____

110. Present Education: _____

111. Permanent Education: _____

112. Present Income: _____

113. Permanent Income: _____

114. Present Assets: _____

115. Permanent Assets: _____

116. Present Liabilities: _____

117. Permanent Liabilities: _____

118. Present Net Worth: _____

119. Permanent Net Worth: _____

120. Present Bank Accounts: _____

121. Permanent Bank Accounts: _____

122. Present Other Financial Institutions: _____

123. Permanent Other Financial Institutions: _____

124. Present Other Assets: _____

125. Permanent Other Assets: _____

126. Present Other Liabilities: _____

127. Permanent Other Liabilities: _____

128. Present Other Net Worth: _____

129. Permanent Other Net Worth: _____

130. Present Signature: _____

131. Permanent Signature: _____

132. Present Photo: _____

133. Permanent Photo: _____

134. Present Stamp: _____

135. Permanent Stamp: _____

136. Present Seal: _____

137. Permanent Seal: _____

138. Present Date: _____

139. Permanent Date: _____

140. Present Place: _____

141. Permanent Place: _____

142. Present Country: _____

143. Permanent Country: _____

144. Present State: _____

145. Permanent State: _____

146. Present District: _____

147. Permanent District: _____

148. Present City: _____

149. Permanent City: _____

150. Present Pin Code: _____

151. Permanent Pin Code: _____

152. Present Telephone No: _____

153. Permanent Telephone No: _____

154. Present E-mail Address: _____

155. Permanent E-mail Address: _____

156. Present Occupation: _____

157. Permanent Occupation: _____

158. Present Education: _____

159. Permanent Education: _____

160. Present Income: _____

161. Permanent Income: _____

162. Present Assets: _____

163. Permanent Assets: _____

164. Present Liabilities: _____

165. Permanent Liabilities: _____

166. Present Net Worth: _____

167. Permanent Net Worth: _____

168. Present Bank Accounts: _____

169. Permanent Bank Accounts: _____

170. Present Other Financial Institutions: _____

171. Permanent Other Financial Institutions: _____

172. Present Other Assets: _____

173. Permanent Other Assets: _____

174. Present Other Liabilities: _____

175. Permanent Other Liabilities: _____

176. Present Other Net Worth: _____

177. Permanent Other Net Worth: _____

178. Present Signature: _____

179. Permanent Signature: _____

180. Present Photo: _____

181. Permanent Photo: _____

182. Present Stamp: _____

183. Permanent Stamp: _____

184. Present Seal: _____

185. Permanent Seal: _____

186. Present Date: _____

187. Permanent Date: _____

188. Present Place: _____

189. Permanent Place: _____

190. Present Country: _____

191. Permanent Country: _____

192. Present State: _____

193. Permanent State: _____

194. Present District: _____

195. Permanent District: _____

196. Present City: _____

197. Permanent City: _____

198. Present Pin Code: _____

199. Permanent Pin Code: _____

200. Present Telephone No: _____

201. Permanent Telephone No: _____

202. Present E-mail Address: _____

203. Permanent E-mail Address: _____

204. Present Occupation: _____

205. Permanent Occupation: _____

206. Present Education: _____

207. Permanent Education: _____

208. Present Income: _____

209. Permanent Income: _____

210. Present Assets: _____

211. Permanent Assets: _____

212. Present Liabilities: _____

213. Permanent Liabilities: _____

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218. Present Other Financial Institutions: _____

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Section 1: Personal Information

Name: _____
 Address: _____
 City: _____
 State: _____
 Zip: _____
 Telephone: _____
 Date of Birth: _____
 Sex: _____
 Race: _____
 Religion: _____
 Marital Status: _____
 Number of Children: _____
 Social Security Number: _____

Section 2: Employment Information

Employer: _____
 Position: _____
 Start Date: _____
 End Date: _____
 Salary: _____
 Job Title: _____
 Supervisor: _____
 Department: _____
 Division: _____
 Office: _____
 City: _____
 State: _____
 Zip: _____

Section 3: Education Information

Level of Education: _____
 Institution: _____
 Graduation Date: _____
 Degree: _____
 Major: _____
 Minor: _____
 GPA: _____
 Honors: _____
 Awards: _____
 Other: _____

Section 4: Health and Insurance Information

Health Insurance: _____
 Life Insurance: _____
 Disability Insurance: _____
 Other Insurance: _____

Section 5: Financial Information

Assets: _____
 Liabilities: _____
 Net Worth: _____
 Annual Income: _____
 Expenses: _____
 Savings: _____
 Investments: _____
 Other: _____

Section 6: Family Information

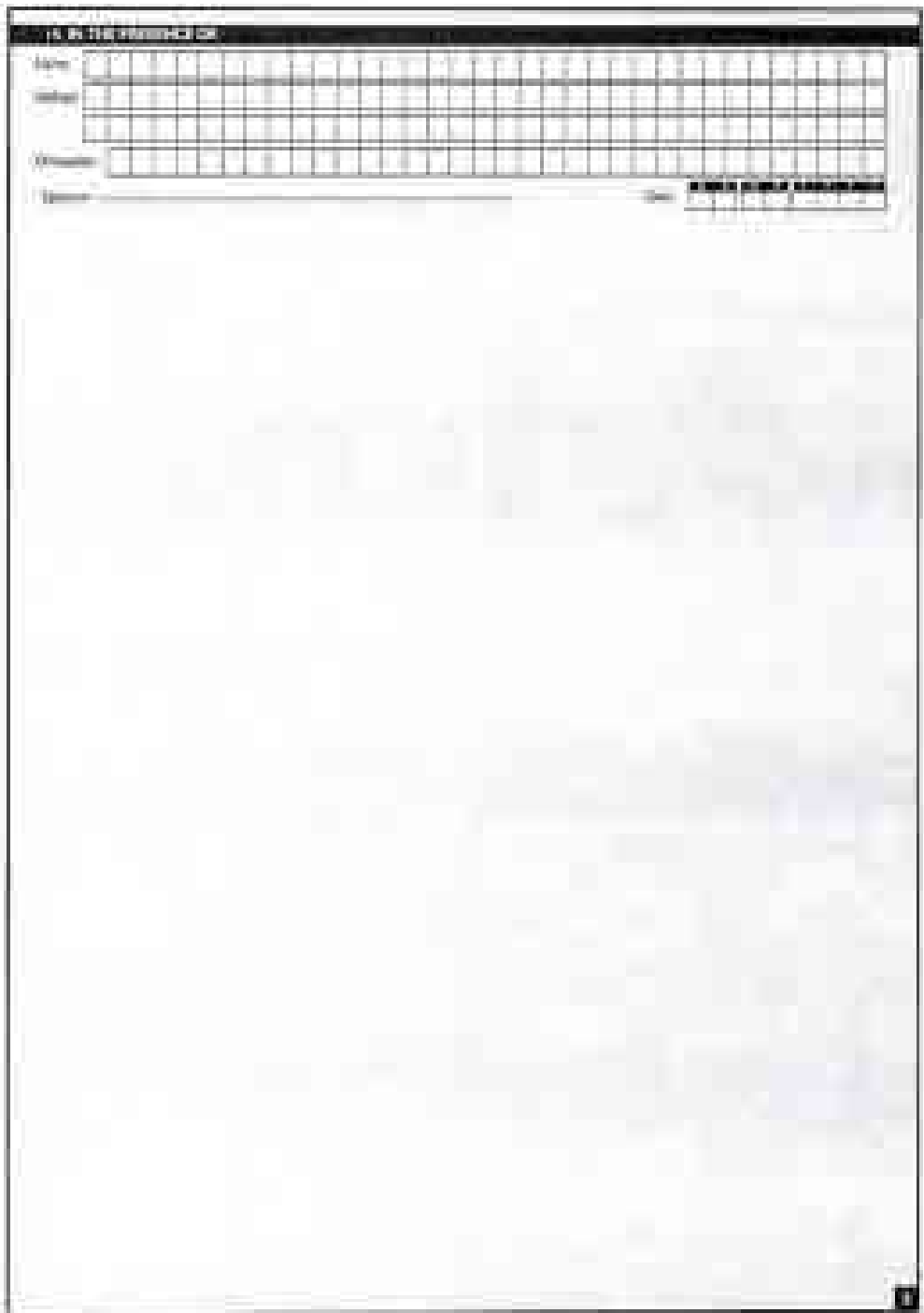
Spouse: _____
 Children: _____
 Parents: _____
 Siblings: _____
 Other: _____

Section 7: Other Information

Interests: _____
 Hobbies: _____
 Skills: _____
 Other: _____

Section 8: Summary and Signature

Signature: _____
 Date: _____
 Title: _____



FOR BANK USE ONLY

1. SUMMARY ACCOUNTS

LINE	ACCOUNT DESCRIPTION	1999	2000	2001	2002
1	Assets				
2	Cash				
3	Accounts receivable				
4	Other receivables				
5	Investments				
6	Real estate				
7	Other assets				
8	Liabilities				
9	Accounts payable				
10	Other liabilities				
11	Equity				
12	Capital				
13	Reserves				
14	Other equity				
15	Retained earnings				
16	Other reserves				
17	Other equity				
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CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Bank of Nigeria
P.M.B. 907
Lagos, Nigeria

REF: 422/104
Date Issued: 20/01/2017

17/00001/2017

FRS, DIB/568/1/2017/01/001

LETTER TO BANKS AND OTHER FINANCIAL INSTITUTIONS ON SUSPICIOUS TRANSACTIONS REPORTS (STRs) AND CURRENCY TRANSACTION REPORTS (CTRs)

It has been observed that there are process delays and errors in the submission of STRs and CTRs to the CBN. In view of the provisions of Section 4 and 10 of the Money Laundering (Prevention) Act, 2011 (as amended) which require all Financial Institutions (FIs) to file Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) to the CBN, the CBN hereby directs all FIs to ensure that STRs and CTRs are submitted to the CBN in accordance with the provisions of the Act and Regulations.

In view of the provisions of Section 4 and 10 of the Money Laundering (Prevention) Act, 2011 (as amended) which require all Financial Institutions (FIs) to file Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) to the CBN, the CBN hereby directs all FIs to ensure that STRs and CTRs are submitted to the CBN in accordance with the provisions of the Act and Regulations.

Therefore, the following AMLO/CTF Reports will continue to be forwarded to both the CBN and the AFIC as contained in the current systems of the CBN AMLO/CTF Applications, 2017:

- AMLO/CTF 486 reports;
- Currency transfer operations;
- Information on cash transfers (ICAT);
- Regularly reported amounts (REPA);
- Proportion operation and financing;
- The source of a customer's account;
- Remotely visited reports;
- Money value transfer (MVT) reports;
- Additional areas of AMLO/CTF risks;
- Additional procedures and safeguards; and
- Training for the personnel of the AMLO/CTF committees.

YUSUF, I. R.
FOR: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Stability and Supervision Department
Plot 112, Central Bank
Abuja, FCT

DO-REG/123
REG/REG/REG/REG/REG

12th September 2023

**TO: ALL AUTHORIZED DEALERS,
BUREAU OF EXCHANGE AND GENERAL PUBLIC**

REGULATION OF THE DEMONSTRATION OF SOLIDARITY IN CHANGING

In the course of his routine monitoring of the sale and utilization of foreign exchange, the Central Bank of Nigeria discovered that some operators of Bureau De Change (BDC) acquired irregular large amounts of foreign exchange from some Bureaux de Change (BDC).

The affected BDC's did not order return on the utilization of the foreign exchange purchased and also failed to provide documentary evidence that their purchases were allowed for repatriation in accordance with the relevant provisions of the Money Laundering (Prevention) Act 2011 (as amended), Terrorism (Prevention) Act 2011 (as amended), CBN Act/Money Laundering/Combating the Financing of Terrorism - Regulations, 2012, the CBN Foreign Exchange Manual and all the other guidelines for the Operation of BDC's in Nigeria and AMI (F) Regulations 2021.

Consequently, the operating license of the 00 (Twenty) BDCs were been revoked by the CBN. Also, the Economic and Financial Crimes Commission (EFCC) has been requested to investigate the matter for the possession of misused proceeds. This, we hope, should serve as a deterrent to others and demonstrate Government's resolve to stamp out money laundering and the sale of foreign exchange for irregularly acquired. The names of the affected BDCs are contained in the table attached to this letter.

All authorized dealers and the public are advised to take note of the revocation for operational effect.

REG/REG/REG/REG/REG
REG/REG/REG/REG/REG

LIST OF REVOKED BUREAUX DE CHANGE

S/No	Name of BDC
1	FBM BDC
2	ANITY GLOBAL BDC LTD
3	HARUNA A. RAHAMAN BDC LTD
4	MAJIA BDC LTD
5	AHALI BDC LTD
6	LAWABASH BDC LTD
7	BIN CAHUUD BDC LTD
8	DARIN GABAS BDC
9	D & D BDC LTD
10	GATTRADER BDC LTD
11	PATAHEL BDC LTD
12	GLOBAL PAYMENTS BDC LTD
13	SEARTIME BDC LTD
14	PLANET VENTURES BDC LTD
15	FADIMA BDC LTD
16	OPTIMUM BDC LTD
17	SECOM BDC LTD
18	ASABANA BDC LTD
19	MAKESAL BDC LTD
20	AJUM BDC LTD

Signature

Page 2 of 2



CENTRAL BANK OF NIGERIA

Plot 12, Yankin Road, Garki II (Department)
Central Bank of Nigeria
P.M.B. 001
Lagos, Nigeria

REF: CBN/DP/001/4022/1401
Date: 02/08/2014
To: All Banks

RE: CBN/DP/001/4022/1401/001

LETTER TO BANKS, MANAGED BY THE LAW DIVISION ON BANKS

STATUS OF CHIEF COMPLIANCE OFFICERS IN BANKS

Recent information has revealed that some banks, finance houses and microfinance banks do not have adequate Chief Compliance Officers and that the officers who occupy such position in their respective banks do not have adequate training and/or experience.

We therefore wish to state that such persons have created the following on the appointment of Chief Compliance Officers:

- a) The information dated 9th August, 2013 which stated the affected financial institution do appoint Chief Compliance Officers "not below the grade of a General Manager" is wrong since it is not within the purview of the relevant Act and regulations thereby leading to cases being dropped.
- b) Section 12(2) of the Money Laundering (Prohibition) Act, 2011 (as amended) which requires Bank to appoint, at managerial level, Chief Compliance Officers in their head offices and branches, who have the relevant competence, authority and independence to enforce the bank's Anti-Money Laundering Compliance Programme. This requirement is contained in section 12(2) of the MLPT Regulation, 2013 (as amended), issued by the CBN.

Bankers are hereby advised, also we recommend to forward the particulars of your current Chief Compliance Officers and the names of appointees if same are not from Banking Supervision Department, CBN, to the Acting Director, Financial Policy and Regulation Department, not later than two weeks from the date of this letter. All information is required in form of duly completed forms.

AC, DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Central Bank of Nigeria
Lagos State House of Assembly
Plot 63, Phase 1
Central Business District
Lagos, Nigeria

UNRECORDED SERVICE
E-mail: info@cbn.gov.ng

20th May 2013

FR/DIR/GEN/ADM/51/104

LETTER TO BANKS AND OTHER FINANCIAL INSTITUTIONS

PROPOSED VISIT OF THE INTERNATIONAL COOPERATION REVIEW GROUP (ICRG) OF THE FINANCIAL ACTION TASK FORCE (FATF) TO NIGERIA IN SEPTEMBER, 2013

You will recall that in 2008, the Financial Action Task Force (FATF) placed Nigeria among the grey list countries that had not made significant progress in their AML/CFT regime and the country has been seeking assistance to exit from this category group. It was, however, acknowledged at the Non-Governmental Action Group against Money Laundering in West Africa (NGMLA)enary meeting held in Ghana in May, 2011 and FATF Public Statement in June, 2011 that Nigeria had largely addressed its action plan and improved its central supervisors' AML/CFT framework. The International Cooperation Review Group (ICRG) of FATF has, however, indicated to conduct an on-site visit to Nigeria early September, 2013 to confirm that the progress of implementing the required reforms and actions are underway to address previously identified deficiencies.

The proposed visit by ICRG is to afford the former the opportunity to determine the effectiveness of the country's implementation of its laws and regulations as well as compliance with international best practice. The ICRG will also evaluate both the public and private sector regulatory implementation frameworks. A favourable report on the country's AML/CFT regime will enhance its chances of

Page 4 of 8

calling the FATF grey list. To this end, the CBN expects all relevant state bodies to adequately prepare for the exercise. The following areas (as relevant to your institution) among others, should therefore be noted:

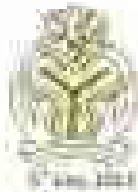
- a. Deploy of AML/CFT Netwre including staff;
- b. Actual implementation and documentation of customer identification/verification requirements, customer due diligence (CDD), etc;
- c. Evidence of targeted trainings conducted for staff on AML/CFT issues;
- d. Evidence of rendering relevant returns to CBN and NFI (e.g. CIR, ITR, PIRs);
- e. Evidence of record-keeping for a minimum of five years after severance of relationship with customers;
- f. Evidence of appointment of Chief Compliance Officer, leading clearly his/her functions and support staff;
- g. Evidence of having AML/CFT Manual;

In furtherance of the above, all relevant state bodies should please note that the CBN has the discretion to select the institutions and branches it will visit.



SWAGNA L.T.

AG, DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



Abuja - 900009, Lagos - 900001
E-mail: info@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Central Bank of Nigeria
Lagos Branch Office
Plot 1, Phase 1
Lagos State

MEMORANDUM

RE: CBN'S ASSESSMENT OF THE FINANCIAL INSTITUTIONS' COMPLIANCE WITH THE CBN'S DIRECTIVE

Further to our letter dated 24th August 2011 (reference: FRC/REG/REG/REG/11/017), regarding the compliance of various financial institutions, the CBN asked to identify and report on the compliance of various financial institutions with a total value of N500 billion were processed to various banks from August 2010 to December 2011. The CBN has also received the responses of various financial institutions to the CBN's letter dated 24th August 2011.

The responses of the financial institutions to the CBN's letter dated 24th August 2011, regarding the compliance of various financial institutions with the CBN's Directive, were analysed in order to identify the compliance of various financial institutions with the CBN's Directive. The CBN noted that the compliance of various financial institutions with the CBN's Directive is not uniform across all financial institutions. The CBN also noted that the compliance of various financial institutions with the CBN's Directive is not uniform across all financial institutions. The CBN also noted that the compliance of various financial institutions with the CBN's Directive is not uniform across all financial institutions.

Financial institutions are, however, required to ensure that compliance measures (a) are part of account opening and existing customer onboarding to avoid opening of dormant accounts. By way of reference, though compliance measures are required in order to avoid dormant accounts, it is not sufficient to have a policy that requires that dormant accounts be closed unless such accounts are used (b) to receive or effect transactions on the account, and (c) to receive or effect transactions on the account. The CBN also noted that the compliance of various financial institutions with the CBN's Directive is not uniform across all financial institutions.

Compliance of financial institutions should be reviewed and monitored by the CBN. It is also noted that the compliance of various financial institutions with the CBN's Directive is not uniform across all financial institutions.



G. O. SANNI
TOP ACTING DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Financial Policy and Supervision Department
Central Bank of Nigeria
P.O. Box 9187
Abuja, Nigeria

THE CENTRAL BANK OF NIGERIA
Circular No. 018/2021 (Policy)
20th June 2021

FINANCIAL SUPERVISION

CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

SECTION 3 OF MONEY LAUNDERING PROVISIONS ACT DUTY TO REPORT INTERNATIONAL TRANSFER OF FUNDS - TRANSPORTATION OF CASH OR EQUIVALENT INSTRUMENTS BY CARRY OR LEGAL BOR OF THE EQUIVALENT

Money Laundering Act (MLA) of the Central Bank of Nigeria (CBN), as the implementing and enforcement of section 3 of the Money Laundering Provisions Act (MLPA), 2011 has been set in motion from 1st January 2021 onwards. In the process of such that carrying of funds/equivalent instruments to or from a foreign country in excess of US\$1000 (or its equivalent) is prohibited. It is therefore required to provide persons of bank and other financial institutions at the present of the notice.

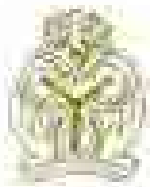
The new section shall read section 3(1) of the MLPA, 2011 as amended to read that transportation of cash or equivalent instruments in excess of US\$1000 or its equivalent by individuals in or out of the country shall be notified to the Nigeria Customs Service (NCS) who under the proviso that any person who fails to do so is liable to a maximum of the NCS to receive in writing of the terms through Monitoring and Monitoring Procedure Act, Cap 114, (19 2008) a state of notification and shall be liable to a maximum of US\$1000 or its equivalent (whichever is higher) or imprisonment or not less than one (1) year or both. The CBN will therefore further request the NCS to inform such persons who have been the LRS and the Financial and Financial Crimes Commission (FFCC).

Section 2(1) of the MLPA specifies that the provisions of section 3 shall apply to the Money Laundering Service (MLS) in an effort. It should also be noted that failure of the individual bank to report in accordance with the MLPA is liable with penalty then imposed by the NCS.

The impact of the above provision is that it is mandatory for only the Banks, or such as applicable institutions in excess of US\$1000 to declare such funds or their equivalent to the NCS.

If it, the MLPA provision is failure to make such declaration to the NCS that shall constitute an offence under section 3(1) of the MLPA. It is therefore requested that the banks and other financial institutions who are covered by the MLPA, 2011 should ensure that persons who are prohibited to do so in any other instrument in excess of US\$1000 or its equivalent shall be brought to the NCS or such other authority.

Y. A. DAHIR
Hon. Ag. Director, Financial Policy and Supervision Department



CENTRAL BANK OF NIGERIA

Financial Policy and Prudential Department
Central Bank of Nigeria
Plot 12, Cadastral Survey Road
Abuja, FCT, Nigeria
www.cbn.gov.ng

BA/REG/REG/REG/REG

For
Chief Executive Officer

17th April, 2013

BA/REG/REG/REG/REG

URGENT TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

ADDITIONAL KNOW YOUR CUSTOMER (KYC) REQUIREMENT IN RESPECT OF DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS (DNFBPs) – EXTENSION OF DEADLINE

Recalling that the CBN issued a Circular dated 27th August, 2012 referenced CBN/CIR/COM/VOL.1/0081 to all Banks and other financial institutions (FIs) on the above subject. The Circular under reference required DNFBPs who are carrying financial transactions, processed by banks that require identification with evidence of registration in a multitude of regulatory licensing legislation through with the Special Centre (SCM) against Money Laundering (SCML) established by Circular dated 1st August, 2012. Taking into the operation of the local deadline and extension made by some Administrators, the Comptroller of Nigeria (CON) has to Circular referenced CBN/CIR/COM/001/001 of 10th February, 2013 extending the deadline by three (3) months from 1st February, 2013 to 1st April, 2013.

In consideration of some problems encountered by SCML as a result of the manner in which banks are doing to carry out compliance, the CBN has decided to further extend the current deadline of 1st April, 2013 to eight months to 31st December, 2013. Consequently, DNFBPs who have not registered with SCML may take advantage of the further extension to do so and verify their bank accounts information with the relevant providers of registration by or before 31st December, 2013, failing which they would not be allowed to conduct such accounts. It should also be noted that compliance with the Directive is done with reference to the practice apart others compliance resulting from bank compliance and licensing of accounts in the bank financial institutions.

For Ag. DIRECTOR, FINANCIAL RISK AND RESOLUTION DEPARTMENT



0906154814, 08217409
Tel: [0906154814](tel:0906154814)
cbn@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Policy, Planning & Regulation Department
Central Bank of Nigeria
Plot 124, Phase 1
Central Business District
Abuja, FCT, Nigeria

10th May, 2018

PREYER/GEN/ADM/21/002

LETTER TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS.

TERRORISM (PREVENTION) (PROSCRIPTION ORDER) NOTICE, 2018.

The Federal Government of Nigeria in its effort to curb terrorism in the country has proscribed the activities of "AMMAMU AHMED-SUNNA LIDDAWATI WAL JIHAD" otherwise known as "BOKO HARAM" and "TAMM'ATU ANSARUL MUSLIMINA FI BILADIS SUDAN" in any part of the country. Their activities are consequently declared as terrorism and illegal.

All banks and other financial institutions (IFIs) are, by this letter, requested to advise their customers for the names "AMMAMU AHMED-SUNNA LIDDAWATI WAL JIHAD" otherwise known as "BOKO HARAM" and "TAMM'ATU ANSARUL MUSLIMINA FI BILADIS SUDAN" as well as their associates and to report same to the Central Bank of Nigeria. Where no efforts or business relationship are maintained for any of the proscribed events or their associates, such return should be submitted.

A copy of the proscription order issued is hereby attached for your necessary review.

44, DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

Extraordinary



Federal Republic of Nigeria Official Gazette

No. 34

Lagos -24th May, 2013

Vol. 100

Government Notice No. 91

The following is published as Supplement to this Gazette :

S. I. No.	Short Title	Page
6	Termination (Prevention) (Prescription Order) Notice, 2013	1251-25

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Annual Subscription from 1st January, 2013 in Local : ₦25,000.00 Overseas : ₦71,000 (Surface Mail)
₦80,000.00 (Registered Class Air Mail). Payment in advance ₦1,000.00 per copy. Subscribers who wish to obtain
Gazette after 1st January should apply to the Federal Government Printer, Lagos for amended Subscriptions.

S. L. 4 of 2013

**TERRORISM PREVENTION ACT,
(No. 30, 2011) (As Amended)**

**TERRORISM (PREVENTION) (PROSCRIPTION ORDER)
NOTICE, 2013**

ORDER DECLARING THE ACTIVITIES OF 'JAMA'ATU AHLI-SUNNA LITWAMATI WAL JIHAD AND 'JAMA'ATU ANSARA MUHAMMADI FI BILADIL SUUDAN AS TERRORISM AND ILLEGAL, PROHIBING THEIR EXISTENCE AND REVEALING ANY PERSON OR GROUP OF PERSONS FROM PARTICIPATING IN ANY MANNER WHATSOEVER IN ANY FORM OF ACTIVITIES OR CONCERNING THE PROSECUTION OF THE COLLECTIVE INTENTIONS OR OTHERWISE OF THE SAID GROUPS.

1. Notice is hereby given that by the Order of the Federal High Court, Abuja, in Suit No. FHC/AB/PCS/208/2013, dated 24th May, 2013 as per the Schedule to this Notice, the Activities of 'JAMA'ATU AHLI-SUNNA LITWAMATI WAL JIHAD AND 'JAMA'ATU ANSARA MUHAMMADI FI BILADIL SUUDAN are declared to be terrorism and illegal and that the existence of 'JAMA'ATU AHLI-SUNNA LITWAMATI WAL JIHAD AND 'JAMA'ATU ANSARA MUHAMMADI FI BILADIL SUUDAN are proscribed, pursuant to section 2 of the Terrorism (Prevention) Act, 2011 (As Amended)

Notice of
Proscription
Order.

2. Consequently the General Public is hereby warned that any person or group of persons participating in any manner whatsoever in any form of activities involving or concerning the prosecution of the collective intentions or otherwise of the said groups will be violating the provisions of the Terrorism (Prevention) Act, 2011 (As Amended) and liable to prosecution.

Warning the
Participation
in
Proscribed
Groups'
activities.

3. This Notice shall be cited as the Terrorism (Prevention) (Proscription Order) Notice, 2013.

Short title.

SCHEDULE

In the Federal High Court
Abuja, Nigeria

Case No. 1/FC/2003/COM/2003

in respect

The Attorney-General, of the Federation

Applicant

and

1. 'Issuwa' Anso-Soma, Lassaawa Wa, Jesso
(Other name known as 'Boko Haram' Sect),
2. 'Jessa'wa, Ansowa, Musulama Fi Bessan Sessan

} Respondent

Ors.

Under the Motion, Docket dated the 23rd day of May, 2012 and filed on the 24th day of May, 2012, praying the Court for the following orders:

1. An Order of this Honorable Court declaring the activities of the Respondents 'Issuwa Anso-Soma, Lassaawa Wa, Jesso (Other name known as 'Boko Haram' Sect) and 'Jessa'wa, Ansowa, Musulama Fi Bessan Sessan in any part of this country as unconstitutional and illegal.

2. An Order prohibiting the activities of the Respondents 'Issuwa Anso-Soma, Lassaawa Wa, Jesso (Other name known as 'Boko Haram' Sect) and 'Jessa'wa, Ansowa, Musulama Fi Bessan Sessan in any part of this country either in groups or as individuals by whatever means they are called.

3. An Order restraining any person or group of persons from participating in any manner whatsoever in any form of activities involving or sponsoring the prosecution of the collective activities or objectives of the said groups.

And for such Further Orders or other orders as this Honorable Court may deem fit to make in the circumstances.

And Under Affidavit through the Affidavit in support sworn to by, Bala Abi, Litigation Officer in Civil Litigation Department of the Federal Ministry of Justice of Sokoto, Federal Ministry of Justice, Abuja, written address and exhibits attached thereto, all dated and filed at the Court Registry, Abuja.

And under Affidavit: Mrs. A. O. Mubarek, use (with her B. A. Saidu Esq., Chief State Counsel, Mrs. O. N. Hwahelawa, Principal State Counsel and Mrs. R. U. Chima, Principal State Counsel for the Applicant move in terms of the motion filed.

In a Matter pursuant to Article 1:

1. That an Order in Her Majesty's name declaring the activities of the Respondents 'Jamaat Ahle-Sunnat Lashkar-e-Nawa' (Other name known as 'Jamaat Ahle-Sunnat') and 'Jama'at Ahle-Sunnat, Multan (P. No. 10000) known in any part of this country as mentioned and illegal.

2. That an Order in Her Majesty's name prohibiting the existence of the Respondents 'Jamaat Ahle-Sunnat Lashkar-e-Nawa' (Other name known as 'Jamaat Ahle-Sunnat') and 'Jama'at Ahle-Sunnat, Multan (P. No. 10000) known in any part of this country either in groups or as individuals by whatever names they are called.

3. That an Order in Her Majesty's name restraining any person or group of persons from participating in any manner whatsoever in any form of activities involving or concerning the prosecution of the collective business or otherwise of the said group.

Given at Agra, under the Seal of the Court and the Hand of the Presiding Judge this 24th day of May, 2013.

(Signed)
Ameer, Government of
Kashmir

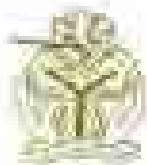
Made at Agra this 24th day of May, 2013

Muhammad HUSSAIN AHMED, S.A., C.A.,
Attorney-General of the Federation
and Minister of Justice

EXPLANATORY NOTE

(This note does not form part of the above Order but is included to explain its purpose)

This Notice is to inform the general public of the Proscription Order proscribing 'Jamaat Ahle-Sunnat Lashkar-e-Nawa' (Other name known as 'Jamaat Ahle-Sunnat') and 'Jama'at Ahle-Sunnat, Multan (P. No. 10000) pursuant to section 2 of the Terrorism (Prevention) Act, 2011 (41 of 2011).



09-0022388

09/09/2017

09020000000000000000

MEMORANDUM TO BANKS AND OTHER FINANCIAL INSTITUTIONS

AMENDMENT OF ANTI-MONEY LAUNDERING, COMBATING THE FINANCING OF TERRORISM (AMF/CFT) REGULATION, 2008 (AS AMENDED) TO ALIGN WITH MONEY LAUNDERING (PROHIBITION) ACT (MLPA) 2011 (AS AMENDED), TERRORISM (PREVENTION) ACT (TPA) 2011 (AS AMENDED) AND THE REVISED FATF 40 RECOMMENDATIONS (2012)

Further to our circular dated 05 May, 2010, (reference: FPR/014/001/001/001/001) and the circular dated 08/08/2014 (reference: FPR/014/001/001/001/001) the Central Bank of Nigeria (CBN) has received the AMF/CFT Regulation 2008 (as amended) and aligned same with the Money Laundering (Prohibition) Act (MLPA) 2011 (as amended), Terrorism (Prevention) Act (TPA) 2011 (as amended) and the Revised Financial Action Task Force (FATF) 40 Recommendations (2012).

In view of the need to carry along various other standards and ensure that the revised regulatory rules introduced best practice and KYC requirements, the Bank deems it fit to update the AMF/CFT Regulation to comply with revised standards prior to its promulgation and release to the industry. Consequently, the amended Regulation is hereby proposed for revision and stakeholders to update via CBN website the document and return same subsequently. The copies shall not be returned to the CBN website (www.cbn.gov.ng).

Comments should be forwarded to 0913 2000 or our website. Your copies should be sent to the Acting Director, Financial Policy & Regulation Department, Central Bank of Nigeria, Abuja, while our copies to be sent to regulation@cbn.gov.ng and regulation@cbn.gov.ng not later than 17th May, 2017, for us to sign and for the final document, your copies received from this date onwards will be considered as meeting the final regulatory process.


U.S. Akpan
Acting Director, Financial Policy & Regulation Department

AMENDMENT OF ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM (AML/CFT) REGULATION, 2009 (AS AMENDED) TO ALIGN WITH MONEY LAUNDERING (PROHIBITION) ACT (MLPA), 2012, TERRORISM (PREVENTION) ACT (TPA), 2013 AND THE REVISED FATF 40 RECOMMENDATIONS (2012)

Further to our circulars dated 5th May, 2010, referenced FFR/DIR/CIR/AML/CFT/01/001 and 5th December, 2011 referenced FFR/DIR/CIR/COR/01/025, the following amendments are hereby made to the under-listed sections of the AML/CFT Regulation, 2009 (as amended):

A. SCOPE OF OFFENSIVE PROCEEDS

Targeted Financial Sanctions Related To Proliferation

Insert as section 1.1.2 after 1.1.1 in the AML/CFT Regulation, 2009 the following:

Financial institutions are required to report to CBN & NFIU any assets frozen or actions taken in compliance with the prohibition requirements of the relevant United Nations Security Council Resolutions (UNSCRs) on terrorism, proliferation of weapons of mass destruction and their financing, including attempted transactions.

B. MEASURES TO BE TAKEN AGAINST ML/TF

Insert in section 1.2 of the AML/CFT Regulation, 2009 after the words "where this is required or necessary" the following:

Banking secrecy or preservation of customer confidentiality shall not be invoked as a ground for objecting to the measures set out in this Regulation or for refusing to be a witness to facts likely to constitute an offence under ML/TF laws, regulation or any other law.

C. CDD MEASURES

Beneficial Ownership

Include the following in section 1.4.3 of AML/CFT Regulation, 2009:

This can be done through, but not limited to, the following:

(a) For legal persons:

- (i) The identity of the natural persons (if any – as ownership interests can be so diversified that there are no natural persons (whether acting alone or together) exercising control of the legal person or arrangement through ownership) who ultimately have a controlling ownership interest in a legal person;

(ii) If the report file, there is made under (i) above as to whether the proceeds with the controlling security interests are the beneficial owners or whether a related natural person acted through another interest, the identity of the natural person (if any) exercising control of the loan position or arrangement through other means; and

(iii) Where an actual person is identified under (i) or (ii) above, financial institutions should identify and take reasonable measures to verify the identity of the person or natural person who holds the position of controlling interest.

(b) For legal arrangements:

i) Trusts – the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a class of control/ownership); and

ii) Other types of legal arrangements – the identity of persons in positions of control/ownership.

When the customer is the owner of the controlling interest (a company listed on a stock exchange and subject to disclosure requirements under its stock exchange rules or through law or a beneficial owner) which imposes requirements to ensure adequate transparency of beneficial ownership, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such company.

The relevant identification data may be obtained from a public register, from the customer or from other reliable sources.

4. CUSTOMER DUE DILIGENCE (CDD) AND TIPPING-OFF
Customer Due Diligence And Tipping-Off

Bank should refer to Part 1 of the AML/CFT Regulations, 2018 for following:

8. During the establishment of a bank account or the transfer of monies, or other banking financial transactions, a financial institution (agent) and its customer shall to verify banking or financial history. Due due diligence should:

14) Identify and verify the identity of the customer and the beneficial owner, whether performed at account, and frequency of the initiation of any financial transaction through various ways apply a to

(b) Make a suspicious transaction report (STR) to the Nigerian Financial Intelligence Unit (NFIU), in accordance with FATF Recommendation 20.

In cases where financial institutions form a suspicion of money laundering or terrorist financing, and they reasonably believe that performing the CDD process will tip-off the customer, they are permitted not to pursue the CDD process, and instead are required to file an STR.

Financial institutions are required to ensure that their employees are aware of and sensitive to these issues when conducting CDD.

When assessing risk, financial institutions are required to consider all the relevant risk factors before determining what the level of overall risk is and the appropriate level of mitigation to be applied.

Financial institutions are also allowed to differentiate the extent of measures, depending on the type and level of risk for the various risk factors. In a particular situation, they could apply normal CDD for customer acceptance measures, enhanced CDD for ongoing monitoring or vice versa.

E. POLITICALLY EXPOSED PERSONS (PEPs) AND FINANCIALLY EXPOSED PERSONS (FEPs)

Definition of PEPs

Insert as section 1.10.1.2 after section 1.10.1 of the AML/CFT Regulation, 2009 the following:

Persons who are or have been entrusted with a prominent function by an international organization, including members of senior management such as directors, deputy directors and members of the board or equivalent functions other than middle ranking or more junior individuals.

F. SUSPICIOUS TRANSACTION REPORTING

Include the following in section 1.10.1 of AML/CFT Regulation (2009) under "Definition of a Suspicious Transaction" after the words "economic rationale":

- (1) Where a transaction—
 - (a) involves a frequency which is unjustifiable or unreasonable;
 - (b) is surrounded by conditions of unusual or unjustified complexity;
 - (c) appears to have no economic justification or lawful objective; or

- (d) in the opinion of the Financial Institution involves terrorist financing or is inconsistent with the known transaction pattern of the account or business relationship, that transaction shall be deemed to be suspicious.

The Financial Institution is required to seek information from the customer as to the origin and destination of the funds, the aim of the transaction and the identity of the beneficiary.

- (2) A Financial Institution is required to immediately— (not later than 72 hours):

- (a) draw up a written report containing all relevant information on the transaction, together with the identity of the principal and (where applicable) of the beneficiary or beneficiaries;
- (b) take appropriate action to prevent the transferring of the proceeds of a crime or an illegal act; and
- (c) report any suspicious transaction and actions taken to the NFIU.

- (3) This provision shall apply whether the transaction is completed or not.

- (4) A Financial Institution which fails to comply with these provisions is liable to a fine of N1,000,000 for each day during which the offence continues.

- (5) The directors, officers and employees of Financial Institutions who carry out their duties in good faith shall not be liable to any civil or criminal liability, or have any criminal or civil proceedings brought against them by their customers.

G. SANCTIONS

Delete the sentence "However, the amount of penalties for infraction still remains at the maximum limit of N2 million per infraction" in section 1.38.1.2 of the AMI/CPT Regulation, 2019 (as amended) under sanctions and replace it with "The amount of penalties for infraction is as provided for in the MLPA, 2012, TPA, 2013, other relevant laws and regulations."

Insert a new section 1.38.1.3: **Other Offences**

(1) Offences By Individuals

Any person who—

- (a) being a director or employee of a Financial Institution does or in any other way instigates the owner of the funds involved in any reportable transaction about the report he is required to make or the action taken on it or who refrains from making the report as required;
- (b) destroys or removes a register or record required to be kept under this Regulation or ML Act.

- (e) corresponds or attempts with a false identity to carry out any of the transactions referred to in Regulation (EU) 2015/849;
- (f) makes or accepts such payments according to the content referred to in the Regulation (EU) 2015/849;
- (g) fails to report the international transfer of funds or securities referred to in the Regulation (EU) 2015/849;
- (h) being a director or an employee of a financial institution is liable to fine of 100,000,000 in the case of individual and 200,000,000 in the case of a body corporate;
- (i) a person found liable of an offence under this section may also be found liable for a crime period of 5 years from providing the protection which provided the opportunity for the offence to be committed.

22) Offences by body corporate

Where an offence under this Regulation which has been committed by a body corporate is committed or the assistance or advice for commission of or attributable to any neglect on the part of a director, manager, secretary, or other similar officer of the body corporate, or any person purporting to act in any such capacity, he as well as the body corporate, which applies to shall be liable to be proceeded against in (b) and in (c) above.

23) PROHIBITION ON NUMBERED OR ANONYMOUS ACCOUNTS, ACCOUNTS IN FICTITIOUS NAMES AND SIMILAR

Insert immediately after section 4.21.2.2 of the AMLE/CFT Regulation (2015) the following:

24) Financial Institutions

- (a) free money wire or securities correspondent banking relationships with shell banks;
- (b) money mule or a responding financial institution is a foreign account also and potentially possible to be used by shell banks.

25) High profile financial institution or corporate body that processes other payments:

- (a) a firm of any size that 100,000,000 live net assets that 100,000,000 net of address to;
- (b) the representative of the principal officers of the corporate body, and
- (c) the working up and generation of its operations or incorporated including work or plan.

I. OTHER FORMS OF REPORTING

Replace section 1.18.3 of the AML/CFT Regulation (2009) under "Other Forms of Reporting" with the following:

- (1) Financial institutions are required to report to the NFIU in writing within 7 days any single transaction, lodgement or transfer of funds in excess of—
- (a) N5,000,000 or its equivalent, in the case of an individual; or
 - (b) N10, 000,000 or its equivalent, in the case of a body corporate.
- (2) A person other than a Financial Institution may voluntarily give information on any transaction, lodgement or transfer of funds in excess of—
- (a) N1,000,000 or its equivalent, in the case of an individual; or
 - (b) N5, 000,000 or its equivalent, in the case of a body corporate.
- (3) Any Financial Institution that contravenes the provisions of this section shall be liable to a fine of not less than N250,000 and not more than N1million for each day the contravention continues.

J. STR ON TERRORISM

Delete the words "section 14 of the Terrorism (Prevention) Act (TPA), 2011" in paragraph 1 of section 1.18.3 of AML/CFT Regulation, 2009 (as amended) and replace it with the words "Section 31 of the Terrorism (Prevention) Act (TPA, 2011 (as amended))".

K. FUNDS OR PROPERTY USED FOR TERRORIST ACTS

- i. Delete the words "Terrorist financing offences extend to any person who willfully provides or collects funds by any means to directly or indirectly... by a terrorist organization or an individual terrorist" in section 1.24.1 of AML/CFT Regulation, 2009 and replace it with the following:

Terrorist financing offences extend to any person or entity who, solicits, acquires, provides, collects, receives, possesses or makes available funds, property or other services by any means to terrorists/terrorist organizations, directly or indirectly with the intention or knowledge or having reasonable grounds to believe that such funds or property will be used in full or in part to carry out a terrorist act by a terrorist or terrorist organisation.

- ii. Insert the words "or entity" between the words "the person" and "alleged to" in line two of section 1.24.3 of AML/CFT Regulation, 2009.

L. RISK ASSESSMENT AND RISK BASED APPROACH

Risk Assessment

1. Financial institutions are required to:

- (a)** Take appropriate steps to identify, assess, and understand their ML/TF risks for customers, countries or geographic areas of their operations; and products, services, transactions or delivery channels;
- (b)** Document their risk assessments;
- (c)** Consider all the relevant risk factors before determining what is the level of the overall risk and the appropriate level and type of mitigation to be applied;
- (d)** Keep these assessments up to date; and
- (e)** Have appropriate mechanisms to provide risk assessment information to competent authorities and Self-Regulatory Bodies (SRBs).

When a financial institution suspects or has reasonable grounds to suspect that the amount involved in a transaction is the proceeds of a crime or an illegal act, it is required to obtain the identification of the customer not withstanding that the amount involved in the transaction is less than US\$1,000 or its equivalent.

Risk mitigation

2. Financial institutions are required to:

- (a)** Have policies, controls and procedures which are approved by senior management to enable them manage and mitigate the risks that have been identified (either by the country or by the financial institution);
- (b)** Monitor the implementation of those controls and enhance them, if necessary; and
- (c)** Take enhanced measures to manage and mitigate the risks where higher risks are identified.

Financial institutions are allowed to take simplified measures to manage and mitigate risks, if lower risks have been identified and the criteria (2) and (3) above are met. Simplified measures should not be permitted whenever there is a suspicion of ML/TF.

M. WIRE TRANSFERS

Insert as section 1.26.12 after section 1.26.11 of the AML/CFT Regulation, 2009 the following:

Implementation of Targeted Financial Sanctions (Wire Transfers)

Financial institutions are required to take freezing action and comply with prohibitions from conducting transactions with designated persons and entities, as per obligations set out in the relevant UNSCRs relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCRs 1267 and 1373, and their successor resolutions.

N. FINANCING OF TERRORISM

(1) A person or entity who, within or outside Nigeria—

(a) solicits, acquires, provides, collects, receives, possesses or makes available funds, property or other services by any means to terrorists or terrorist groups, directly or indirectly with the intention or knowledge or having reasonable grounds to believe that such funds or property will be used in full or in part, commits an offence.

(b) possesses funds intending that it be used or knowing that it will be used, directly or indirectly, in whole or in part, for the purpose of committing or facilitating the commission of a terrorist act by a terrorist or terrorist groups, commits an offence.

(2) A person who knowingly enters into or becomes involved in an arrangement—

(a) which facilitates the acquisition, retention or control by or on behalf of another person of terrorist funds by concealment, removal out of jurisdiction, transfer to a nominee or in any other way; or

(b) as a result of which funds or other property are to be made available for the purposes of terrorism or for the benefit of a specified entity or proscribed organization, commits an offence.

O. DEALING IN TERRORIST PROPERTY

A person or entity who, knowingly—

(a) deals directly or indirectly, in any terrorist funds;

(b) acquires or possesses terrorist funds;

(c) enters into or facilitates, directly or indirectly any transaction in respect of terrorist funds;

(d) converts, conceals or disguises terrorist funds or property; or

(f) provides financial or other services in respect of terrorist fund or property at the direction of a terrorist or terrorist group, commits an offence.

F. FUNDS TO SUPPORT TERRORISM

A person or body corporate who, in any manner, directly or indirectly, willingly provides, solicits or collects any fund or attempts to provide, solicit or collect any fund with the intention or knowledge that they will be used, in full or in part to finance a terrorist or terrorist organisation, commits an offence.

G. FUNDS OR PROPERTY USED FOR TERRORIST ACTS

(1) A person or body corporate, within or outside Nigeria, who—

(a) solicits, acquires, provides, collects, receives, possesses or makes available funds, property or other services by any means, whether legitimate or otherwise, to—

(i) terrorist organisation; or

(ii) individual terrorist, directly or indirectly, with the unlawful intention or knowledge or having reasonable grounds to believe that such funds or property will be used in full or in part in order to commit or facilitate an offence under this regulation or ML Act;

(b) attempts to do any of the acts specified in paragraph (a) above; or

(c) possesses funds with the unlawful intention that it be used or knowing that it will be used, directly or indirectly, in whole or in part, for the purpose of committing or facilitating the commission of a terrorist act by terrorists or terrorist groups, commits an offence.

(2) Any person who knowingly enters into or becomes involved, participates in an accomplice, organises or directs others in an arrangement as a result of which funds or other property is to be made available for the purpose of terrorism or for the benefit of an individual terrorist, terrorist organisation or proscribed organisation, commits an offence.



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CENTRAL BANK OF NIGERIA

Financial Policy & Regulation Department
General Operations Unit
Plot 64, 4th Flr
Central Bank

March 27, 2013

REF: FPR/DIR/GEN/13/0002

CIRCULAR TO ALL BANKS AND HOW COUNTERPARTS ON THE REVISED GUIDE TO BANK CHARGES

The Guide to Bank Charges, first issued in 2004, was issued to provide a standard for the application of charges in the banking industry, and to improve relations between banks and their customers. Over time, it was observed that the charges in the Guide had become out of tune with current realities in the market, and some provisions were of limited value for simplicity and clarity.

In order to reflect current developments in the market and provide clarity on banking terms, the CBN recently constituted a review of the "Guide" in consultation with all the banks and financial houses, Bankers' Committee, financial regulators/consumers and other considered inputs received from other stakeholders to produce the Revised Guide to Bank Charges. To reduce ambiguity in bank transactions, minimum disclosure requirements for bank accounts have been stipulated, in addition to the clarity of terms provided.

The Revised Guide to Bank Charges is hereby issued, to serve as a regulation on applicable charges for banking services and products offered to customers. It replaces the Guide to Bank Charges issued in 2004.

Banks and financial houses are expected to ensure compliance with the provisions of the Guide.

The Revised Guide to Bank Charges will be effective from April 1, 2013.

LT. NWAGHA
Ag. DIRECTOR

FINANCIAL POLICY AND REGULATION DEPARTMENT



REVISED GUIDE TO BANK CHARGES

April 1, 2013



PREFACE

The "Guide to Bank Charges" provides a standard for the application of charges on the various types of products and services Deposit Money Banks (DMBs) in Nigeria offer to their customers - individuals, corporate organizations and Governments (Federal, State, Local and their Agencies).

Wide consultations with relevant stakeholders were considered in arriving at the charges prescribed in the Guide. The intentment of this Guide is to enhance flexibility, transparency and competition in the Nigerian economy.

Where a charge is stipulated as "negotiable", DMBs are required to appropriately draw the attention of their customers to its consequence and the two parties should mutually agree on the applicable charge. All commissions, charges and rates stated in this Guide are subject to relevant taxes.

Although the Guide provides for charges on various products and services of DMBs, it is not exhaustive. Banks are mandated to present any new product, service and charge(s) not covered by this Guide to the Central Bank of Nigeria for prior approval.

A glossary of terms is introduced to provide users with an explanation of the terminologies used in the Guide.

This Revised Guide to Bank Charges takes effect from April 1, 2013, and replaces the existing one issued in 2004 and may be reviewed from time to time to reflect changes in the business environment.

SECTION 1: INTEREST ON DEPOSITS

	DESCRIPTION	RATE
1.1	Current account in credit balance	Negotiable
1.2	Savings deposits accounts	Minimum of 3% of MPR p.a.
1.3	Term Deposit Accounts	Negotiable
1.4	Domiciliary Accounts:	
	1.4.1 Current Accounts	Negotiable
	1.4.2 Savings Accounts	Negotiable
	1.4.3 Deposits held as collateral	Negotiable (in line with Term Deposit rate)

SECTION 2: INTEREST RATES/ LENDING FEES

	DESCRIPTION	RATE
	Interest Rates	
2.1	Lending Rate¹:	
	2.1.1 Local Currency Loans	Negotiable (the rate should reflect the risk-based pricing model). Also, when there is a change in agreed rate, the customer must be notified within 5 business days in advance of the application of the new rate.
	2.1.2 Lending Rate - Foreign currency Loans	Negotiable (reference to LIBOR)
2.2	Interest (on authorized excess OD)	Negotiable (the rate should reflect the risk-based pricing model). The customer must be notified within 5 business days in advance of the application of the new rate.
2.3	Unauthorized OD/Credit	Not permissible. The bank should sanction the officer and forward the name to the Director of FPRD, CBN
2.4	Drawing against Uncleared Effects	Negotiable
2.5	Equipment Leasing	Negotiable
2.6	Discountable Instruments e.g. Usance bill, Bankers' Acceptance, Commercial Papers, Promissory Notes etc.	Negotiable

¹ Seven (7) days from the date of execution, shall be allowed within which loan contracts can be rescinded.

	Lending Fees	RATE
2.7	Credit Reference Reports NOTE: Applicable for only customer-induced credit reference reports.	Cost recovery
2.8	Facility Restructuring Fee	Negotiable, subject to a maximum of 0.50% on the outstanding amount being restructured (one-off charge).
2.9	Management fee²: It covers processing and appraisal fee (one-off charge).	Negotiable subject to maximum of 1% of the principal amount granted (one-off charge).
2.10	Renewal Fee³:	
	2.10.1 Corporate Bodies	Negotiable subject to maximum of 0.25% flat
	2.10.2 Individuals	Negotiable subject to maximum of 0.25% flat
2.11	Processing Fee for consent for share security	Negotiable, subject to a maximum of 0.25% of amount of facility (one-off charge)
2.12	Penal rate for Late Repayment of Loans/Advances (Default or Penalty Rate) NOTE: Seven (7) days shall be allowed within which there will be no penal charge on late repayments.	1% flat on unpaid installment per month in addition to charging current rate of interest on outstanding debt (without prejudice to the provisions of the Prudential Guidelines on the limitation of accruals)
2.13	Commitment Fee	Negotiable, subject to a maximum of 1% of the amount (one-off charge)
2.14	Advisory/Consultancy fee	Negotiable
2.15	Warehousing Facility	To be agreed amongst all the parties

² NOTE ON MANAGEMENT AND RENEWAL FEES: Chargeable for all requests granted whether fresh or renewed. The charge also applies each time an additional amount is granted but only for the additional amount. No charges for requests declined.

³ See Note 2 above

	Inter-bank Borrowing Rates	
2.16	Overnight Call Money	Negotiable
2.17	Tenured	Negotiable
2.18	Charges for Consortium Lending	
	2.18.1 Agency Fee	Negotiable
	2.18.2 Management Fee	Negotiable
	2.18.3 Commitment/Non-Drawing Fee	Negotiable subject to a maximum of 1% of the amount
	2.18.4 Appraisal/ Renewal Fee	Negotiable, subject to a maximum of 0.25% of the principal
	2.18.5 Commission charges for underwriting services	Negotiable
	2.18.6 Participation Fee to be shared by Banks	Negotiable
	2.18.7 Non-Drawing Fees (for consortium lending)	No charge

SECTION 3: COMMISSION ON TURNOVER

	DESCRIPTION	RATE
3.1	Commission on Turnover:	
	3.1.1 COT applies to customer-induced debit transactions on current accounts. The banks should not charge COT on returned overpaid clearing cheques, reversal of transactions and all bank-induced debits NOTE: • Gradual phase-out of COT from #40 (2013) to #42 (2014) to #41 (2015), and #40 (2016)	Negotiable subject to a maximum of #3 per mille in 2013; #2 per mille in 2014; #1 per mille in 2015; and COT-free (i.e. zero) from 2016
	3.1.2 Loan repayment from current or savings account	COT free
	3.1.3 Debits representing transfer to other accounts in the same name, in the same branch or at another branch of the same bank	No charge
	Cost of Cheque Books	
3.2	Cheque Books	Full recovery of cost plus stamp duties
3.3	Counter Cheque	#200 per leaflet

SECTION 4: COMMISSION ON BONDS GUARANTEES & INDEMNITIES, ETC.

	DESCRIPTION	RATE
4.1	Bid/Tender Bond (Bid Security)	Negotiable subject to a maximum of 1% of the Bond value (one-off charge)
4.2	Performance bond (chargeable from date of contingent liability)	Negotiable subject to a maximum of 2% of the Performance Bond value per half year
4.3	Advance Payment Guarantee (APG)	Negotiable subject to a maximum of 1% of the APG value (one-off charge)
4.4	Third-party Cheque Indemnities	To be discouraged – However, negotiable for non-clearing financial institutions e.g Micro-finance banks
4.5	Bank Guarantees	Negotiable subject to a maximum of 2% (one-off charge)
4.6	Other Bonds, Guarantees and Indemnities	Negotiable subject to a maximum of 2%, minimum of R5,000 (one-off)

SECTION 5: FOREIGN EXCHANGE COMMISSION

	DESCRIPTION	RATE
	Purchases:	
5.1	Purchases from CBN	1% of the value involved - flat (or as may be reviewed from time to time by the CBN)
5.2	Inter-bank purchases	Negotiable subject to a maximum spread of 50k per dollar
5.3	Inward Telegraphic/SWIFT and other transfers expressed in foreign currency	No charge
5.4	Travellers Cheques, Cheques and Sight Bills for negotiation:	
	5.4.1 Travellers' Cheques (TCs for pilgrimage are specially arranged for by the CBN)	As advised by CBN
	5.4.2 Cheques	Minimum of ₦0,000 subject to a maximum of 1%
	5.4.3 Sight Bills	Minimum of ₦0,000 subject to a maximum of 1%
	5.4.4 Usance Bills	Minimum of ₦1,000 subject to a maximum of 1%
5.5	Foreign Currency notes: Purchases from customers	At the banks spot rate

	Sales:	
5.6	Commission on Outward Telegraphic/SWIFT and other transfers	SWIFT cost recovery only
5.7	Foreign currency notes (sales to customers)	Bank's spot rate
5.8	Transfers for non-account holders (subject to enhanced due diligence)	Minimum of \$0,000 subject to a maximum of 1.5% of transaction value (subject to enhanced due diligence)
5.9	Commission on cash withdrawals/Withdrawals from deposits other than cash:	
	5.9.1 Current account	Negotiable, subject to a maximum of 0.5% of transaction value
	5.9.2 Savings account	No charge
5.10	Charges for foreign cash currency lodgment	No charge
5.11	Foreign cheque purchase	1% of the value of the cheque + the standard charge for clearing cheques (Offshore charges + courier)
5.12	Collection Charge on Cheques	1% of cheque value or US\$10 (or its equivalent) whichever is higher
5.13	Commission on Telegraphic/SWIFT Transfer and Drafts	0.5% or US\$10 or its equivalent, whichever is higher

SECTION 6: BILLS FOR COLLECTION

	DESCRIPTION	RATE
	Bills for collection (Inward)	
6.1	Collection:	
	6.1.1 Commission on Clean Bill	Negotiable subject to a maximum of 2%
	6.1.2 Commission on Documentary Bill	Negotiable subject to a maximum of 2%
	6.1.3 Postage (where applicable)	Actual cost of postage
	6.1.4 Communication charge (where applicable)	Actual cost of communication
6.2	Holding charges after non-payment or non-acceptance, chargeable one month after arrival of goods:	
	6.2.1 ₦25,000 bills and below	₦2,500 per month
	6.2.2 Above ₦25,000	₦5,000 per month
6.3	Extension charges for accepted or sight bills altered to tenure bills	₦5,000 per bill
6.4	Bills for Collection - Negotiation	0.5% of the value of the bills
6.5	Protest charges plus Notary Public Fees	Negotiable, subject to a maximum of ₦5,000
6.6	Commission on handling charges in respect of collection:	
	6.6.1 Presenting Bank	25%
	6.6.2 Collecting Bank	75%
6.7	Unpaid Bills	In addition to the holding charge in (6.2) above, where a Nigerian bank is acting for Nigerian presenting bank, 1% commission is claimed and proceeds split with collecting bank in accordance with (6.6) above

	Bills for Collection (Outward)	
6.8	Collection commission	
	6.8.1 Documentary Bills	Negotiable subject to a maximum of 1%
	6.8.2 Clean Bills	Negotiable subject to a maximum of 1%

SECTION 7: STRAIGHT FORWARD HANDLING OF DOCUMENTS

	DESCRIPTION	RATE
7.1	Export Documents Delivery	₹5 per mille of the invoice value subject to a maximum of ₹5,000
7.2	Import Documents:	
	7.2.1 Delivery	Negotiable subject to a maximum of ₹5,000 plus cost of courier
	7.2.2 Bills for acceptance and return to Principals	Negotiable subject to a maximum of ₹5,000 plus cost of courier
	7.2.3 Bills for Collection due for payment	Cost of courier

SECTION 8: INWARD AND OUTWARD LETTERS OF CREDIT

	DESCRIPTION	RATE
	Inward Letters of Credit (Export)	
8.1	Processing and Registration of Nigerian Export (NXP) Form	₦45,000 flat
8.2	Advising Commission:	
	8.2.1 Where a Nigerian bank simply verifies authenticity of the Credit and delivers same.	₦2,000 flat
	8.2.2 Where a Nigerian bank has to rewrite the Credit:	₦0.5 per mille, subject to a minimum of \$25 or its equivalent.
8.3	Confirming Commission	Minimum of ₦5,000 subject to a maximum of 1% of the face value.
8.4	Transferable Credits, Transferable and Divisible Credits (part-shipment):	
	8.4.1 Where all or part of a Credit is transferred, the charges (paid by the original beneficiary) are of the amount transferred	0.5% of face value subject to a minimum of US\$25 or its equivalent
	8.4.2 Negotiation of Documents Commission plus interest, if applicable, at local rate (to be clarified)	1%
	Outward Letters of Credit (Import)	
8.5	Purchase of Form A	₦100 per form
8.6	Form M:	
	8.6.1 Processing	Negotiable subject to a maximum of ₦45,000
	8.6.2 Amendment	Negotiable subject to a maximum of ₦5,000
	8.6.3 Revalidation/ Extensions	Negotiable subject to a maximum of ₦5,000

8.7	Establishment Commission	
	8.7.1 For credits up to 180 days	1% of face value
	8.7.2 For credits up to 180 days	1.25% of face value
	8.7.3 For credits up to 360 days (these charges are on the period of validity of the credit)	1.5% of face value
8.8	Renewal, extension and increase in the LC value:	
	8.8.1 Renewals ⁴	Commission on Applicable LC establishment
	8.8.2 Extensions	₹5,000.00 flat
	NOTE: Where a letter of credit is extended for a period in excess of 12 months from the date of establishment, a Re-establishment Commission of 1% is payable	
8.9	Increase or Enhancements: Additional establishment commission should be charged on the amount of any increase for the unexpired period of validity of credit	₹2,000 flat
8.10	Other Amendments	₹2,000 flat
8.11	Usance Bill under Credit Guarantee Commissions:	
	8.11.1 Where the bill is less than one year	₹3 per mille per month
	8.11.2 Where the bill exceeds one year	₹5 per mille per month
8.12	Risk Assessment Report (RAR)	Without valid for FX Form M - ₹ 2,500.00; With Valid FX Form M -No charge

⁴ Credits may be renewed not later than the 15th day following expiry only on payment of full Establishment Commission.

SECTION 9: INTERNAL TRANSACTIONS (within Nigeria)

	DESCRIPTION	RATE
9.1	Bank Drafts/Cheques	
	9.1.1 Customer	Current Account: - ₦500; and Savings Account: - ₦500
	9.1.2 Non-Customer	₦500.00 + CDT
9.2	Draft Repurchase	No charge
9.3	Transfers within Nigeria:	
	9.3.1 Intra-bank Transfers	No charge
	9.3.2 Inter-bank Transfers	RTGS Cost
	9.3.3 Transfers to non-account holders	0.1% of the transactions amount subject to a minimum of ₦200.
9.4	Transactions paid for in cash by non-account holders (e.g. drafts, local money transfer, cash card loading etc.)	0.5% of the value of the transaction. However, banks are enjoined to undertake KYC on such customers
9.5	Cash handling charge	Extant CBN policy on the subject applies
9.6	9.6.1 Normal period for clearing of cheques: As advised by the Clearing House	Clearing House rules applies
	9.6.2 Special clearing of cheques	Negotiable
9.7	Standing Order Charge	₦300.00 plus external transfer cost (e.g. NIBSS/NACS charges)
9.8	Direct Debit/Credit	CBN extant policy prevails
9.9	Safe Custody	Negotiable
9.10	Stopped cheques	₦500.00 per order
9.11	Purchase of Treasury Bills for customers	0.125% on the yield

SECTION 10: ELECTRONIC BANKING

	DESCRIPTION	RATE
10.1	Internet Banking:	
	10.1.1 Token	Maximum of ₦1,500 (one-off charge)
	10.1.2 Bills Payment	₦100
	10.1.3 Interbank Transfer	₦100
10.2	Electronic Funds Transfer:	
	10.2.1 Below ₦500,000	₦70
	10.2.2 ₦500,000 to ₦10,000,000	₦100
	10.2.3 Above ₦10,000,000	₦500
	10.2.4 RTGS	₦700
10.3	Annual maintenance Fee on foreign currency denominated cards	₦5,000
10.4	Credit Card Charges:	
	10.4.1 Interest charges	2.50%
	10.4.2 International withdrawals (per transaction)	₦240
	10.4.3 Late repayment	₦2,000
10.5	Debit Card Charges:	
	10.5.1 Issuing Fee	₦1,000 (one-off charge)
	10.5.2 ATM Bill Payment	₦100
	10.5.3 International withdrawals (per transaction)	₦240
	10.5.4 Debit card maintenance charges	₦100 (annual charge)
	10.5.5 Cash card loading/unloading	No charge

10.6	ATM Transactions:	
	10.6.1 Within the bank	No charge
	10.6.2 On other banks ATMs	No charge
	10.6.3 On approved independent ATMs	₦150
10.7	Mobile Payments:	
	10.7.1 Interbank Funds Transfer	₦100
	10.7.2 Intra-bank Funds Transfer	₦100
	10.7.3 Bill payment	₦100
	10.7.4 Cash-out Agent (to be borne by the sender)	₦100
	10.7.5 Cash-out Branch (to be borne by the sender)	₦100
	10.7.6 Mobile Money Card Reissue	₦300
	10.7.7 Deposit at Agent	₦100
10.8	Point of Sales (PoS):	
	10.8.1 General Merchant	1.25% of transaction value subject to a maximum of ₦2,000
	10.8.2 Wholesale	Negotiable subject to a maximum of ₦2,000
	10.8.3 Hotels	Negotiable subject to a maximum of ₦2,000
	10.8.4 Food/Churches/NGOs	Negotiable subject to a maximum of ₦2,000
	10.8.5 Fuel station	Negotiable subject to a maximum of ₦2,000
	10.8.6 Airline operators	Negotiable subject to a maximum of ₦2,000
	10.8.7 Travel Agents	Negotiable subject to a maximum of ₦2,000
	10.8.8 Card Charges - (International)	2.5% of transaction value

10.9	Bulk Payments Electronic Funds Transfer:	
	10.9.1 Salary payment	Negotiable subject to a maximum of \$100 per employee.
	10.9.2 Vendor payments (payable by the vendor)	\$150
	10.9.3 Single payments	No charge
	10.9.4 Utility payments	No charge
	10.9.5 Tax payments	No charge
10.10	Alert Services:	
	10.10.1 Mandatory SMS alert	\$4 subject to NCC directives
	10.10.2 Email notification (optional)	No charge
10.11	PIN reissue	No charge
10.12	PIN reset	No charge
10.13	PIN mailer reprint (foreign currency denominated cards)	Cost of recovery subject to a maximum of \$1

SECTION 11: MISCELLANEOUS

	DESCRIPTION	RATE
11.1	Reactivation of accounts	No charge
11.2	Closure of Accounts:	
	11.2.1 Savings	No charge
	11.2.2 Current	No charge
11.3	Insurance Debts	Customer to negotiate with the insurance company
11.4	Issuance of statement of account:	
	11.4.1 Mandatory monthly issuance of statement of account on current and savings accounts	No charge
	11.4.2 Special request for statement of account	\$450 per page
11.5	Returned Cheques:	
	11.5.1 Due to reasons other than being unfunded	No charge
	11.5.2 Unfunded account	0.5% of amount, maximum \$5,000 (to be borne by drawer). This is without prejudice to the Dual Cheque Act
11.6	Reimbursement for business visit initiated by customer	No charge
11.7	Status enquiry at the request of customer	0.5% of amount, maximum \$5,000 (to be borne by drawer). This is without prejudice to the Dual Cheque Act.
11.8	Verification of customers' documents with Government Agencies:	
	11.8.1 Search in Corporate Affairs Commission (CAC), land registry, etc	Cost recovery

	11.8.2 Obtaining Certified True Copy (CTC)	Cost recovery
	11.8.3 Perfection of security for credit facilities.	Cost recovery
11.9	Confirmation of overseas enquiries to correspondent bank at the instance of the customer	₱10,000 flat
11.10	Intermediation fees for commercial papers (to be borne by the issuer)	Negotiable
11.11	Issuance of withdrawal Booklet/Passbook	Cost recovery
11.12	Customized deposit booklet	Negotiable/cost recovery
11.13	NIBSS/NEFT/NACS etc. - Processing Fee	Negotiable/cost recovery
11.14	Over-the-counter cash withdrawals below the limit set by the CBN cash withdrawal/forward policy	No charge
11.15	Inter-branch cash Deposits/withdrawals	No charge
11.16	Minimum amount for opening accounts	Subject to the CBN three-tiered KYC requirements

GLOSSARY

BANKING TERMS	DEFINITION
Access fees	These are fees charged by a financial institution for access to its network or distribution/transmission system.
Accepting bank/paying bank	This is a bank which accepts a Bill of Exchange by counter-signing or endorsing it and thus incurs the legal obligation of paying the bill's amount on its maturity date. It can also be the bank nominated in a letter of credit to accept or pay drawings under that letter of credit. It can be either the issuing or the Advising/Confirming Bank.
Advance Payment Guarantee	A guarantee that enables the buyer to recover an advance payment made under a contract or order if the supplier fails to fulfill its contractual obligations. It is also an irrevocable commitment by a bank to make payment if a third party fails to supply specific goods or services.
Advising	This is the act of conveying the terms and conditions of a letter of credit to the beneficiary. The Advising Bank is the issuing bank agent, usually located in the beneficiary country. Advising also involves authentication (i.e. the Advising Bank should take reasonable care to check the apparent authenticity of the credit (UCP600 Art 9)).
Advising Bank	The bank, usually in the exporter's country, which advises the terms of the letter of credit to the exporter is called the Advising Bank (this need not be the exporter's own bank).
Advising Commission	In regard letters of credit (export), this charge arises when a local bank simply verifies the authenticity of the credit and delivers same.
Advisory/Consultancy fees	Fees charged by financial institutions when there is an agreement for advisory services.
Amendment	This refers to alteration to the terms of a letter of credit. Amendments must stem from the applicant, be issued and advised to the beneficiary. The beneficiary has the right to refuse an amendment.
Annual Percentage Rate	It is a standardized method of quoting the effective interest rate (actual cost of credit) on loans and advances. It includes all fees and takes into account the continued reduction of the principal amount through amortization.

BANKING TERMS	DEFINITION
Applicant	This refers to a person who applies to his/her bank to issue a letter of credit. In the majority of credits issued, the applicant is an importer of goods.
Appraisal fee	This is the fee charged by a professional to estimate the market value of a property. This is usually charged as a fixed amount or a percentage of the estimated value.
Assignment of Proceeds	The assignment (transfer) by the exporter to their right to part or all of the proceeds of a letter of credit to a third party (usually the supplier of the goods).
Back-to-Back Letter of Credit (LC)	Back to Back letter of credit is an irrevocable LC which serves as collateral for another LC. The advising bank of the first LC becomes the issuing bank of the second LC. It is also called counter credit or reciprocal LC.
Bank Guarantee	A type of guarantee in which a bank promises to repay the liabilities of a debtor in the event that the debtor is unable to pay. The guarantee is usually on the bank's letter-headed paper and is signed/sealed in line with the agreed terms.
Bankers' Acceptance (BA)	A BA is a draft drawn on and accepted by a bank, unconditionally ordering payment of a certain sum of money at a specified time in the future to the order of a designated party. Since the instrument is negotiable, title to it is transferred by endorsement. It is a marketable instrument and allows a bank to finance its customers without necessarily utilizing its loanable funds. Instead, funds are provided by investors who are willing to purchase these obligations on a discounted basis.
Beneficiary	A payee or recipient, usually of money. A party in whose favour a letter of credit is established, usually the exporter.
Bid/Tender Bond or Bid Security	This refers to a bond/insurance purchased by a company or individual (bidding on a large project or sale) in order to demonstrate that the company has sufficient funds to complete the transaction for the price quoted in the bid, should the company be selected to execute that transaction. The bond/insurance guarantees that the bidder will not be prevented from fulfilling the contract by availability of funding.
Bills for Acceptance	This is a bill drawn between the drawer and the drawee which confers liability on the drawee before a transaction can take place.

BANKING TERMS	DEFINITION
Bills for Collection	A Bill for collection provides the trading parties, i.e. buyer and seller, with a compromise between open account and advance payment terms for the settlement of import transactions.
Bills Payment	This is a process used by financial institutions to collect payments for utilities (such as water bills, cable subscription payments, etc.), usually via e-banking channels.
Card Insurance fees	Fees charged by banks for the issuance of e-cards such as ATM cards, MasterCard, etc.
Cheque	A negotiable instrument drawn against deposited funds, to pay a specific amount of money to a specific person upon demand. Examples include bills of exchange and drafts.
Cheque Indemnities	This is the assurance issued by the drawer to a third party, stating that the drawer will honour a cheque issued by a drawee in the event of the inability of the drawee to effect the payment of the cheque.
Clean Bill	A bill of lading issued by a carrier declaring that the goods have been received in an appropriate condition, without the presence of defects. The product carrier will issue a clean bill after thoroughly inspecting the packages for any damage, missing quantities or deviations in quality.
Collection Charge on Cheques	The fee which a financial institution charges for the collection of money from the account of the drawer.
Collecting Bank	The bank to which a person has deposited a cheque. Such a bank has the duty to collect the money from the account of the writer of the cheque.
Commercial Paper	A Commercial Paper is an unconditional promise by a person to pay to the order of another person a certain sum at a future date. Such an instrument may or may not carry the bank's guarantee.
Commitment Fees	These are fees charged by financial institutions to keep a line of credit open, regardless of use.
Commission on Transaction	This is a fee charged by a financial institution for facilitating a withdrawal by its customer.
Confirming/Confirmation	This refers to the act of a bank other than the issuing bank assuming the liability for honouring a letter of credit following receipt of a complying presentation. Confirmation is normally added at the request of the issuing Bank.
Confirming Bank	This is the bank which adds its confirmation (or irrevocable undertaking to pay) to that of the issuing Bank. If no confirmation is added the letter of credit is unconfirmed.

BANKING TERMS	DEFINITION
Contingent Liability	This is a liability that arises only under specified conditions, e.g. When a bank opens a letter of credit it incurs an obligation to make a future payment on condition that the terms are fully met.
Counter Cheque	This is a bank-printed cheque provided to customers whose cheques are not available at the point of withdrawal from the current/savings account.
Credit Bureau	This is a company that collects information from various sources and provides consumer credit information on individual consumers for a variety of uses.
Credit Reference Report	This refers to a report containing detailed information on a person's credit history including identifying information, credit accounts and loans, bankruptcies and late payments, as well as recent inquiries. It can be obtained by prospective lenders with the borrower's permission to determine his/her credit worthiness.
Daily Balance	This is the closing balance in a savings or deposit account in any given day.
Default Rate	This is the interest rate that financial institutions charge for failure of their customers to make payments on loan obligations as or when due, including late payments to their credit lines.
Discountable Instruments	These are investible instruments such as Treasury bills and other Federal Government short term debt instruments in which interest is earned upfront. Liquidity is guaranteed by the CBN for these instruments and are redeemable at any point in time through any authorized dealer (Banks and discount houses).
Discrepancy	This refers to any deviation from the terms and conditions of a letter of credit, or the documents presented there under, or any inconsistency between the documents themselves.
Documentary Bill	This is often used in international trade to mean a bill of exchange or commercial draft that is presented for payment usually along with other required documents such as certificate of insurance and certificate of origin.
Endorsement	This refers to the legal transfer of title of a document by signature, usually, but not necessarily, on the reverse side.
Equipment Leasing	This refers to an arrangement that allows one party to purchase an equipment and then lease it to another party for an agreed upon cost. Usually the ownership of the equipment remains with the purchaser with an option to be transferred to the lessee upon the expiration of the lease.

BANKING TERMS	DEFINITION
	period and upon the possible exercise of a buyout clause.
Establishment Commission	Is a commission charged when a bank initiates an outward letter of credit under import.
Expiry Date	This refers to the last date on which the beneficiary can fulfil the terms of an agreement, failing which the agreement becomes invalid.
Facility Restructuring fee	This is the fee charged where there is an agreement to change the terms and conditions of existing facility. This will usually apply when there is need to renegotiate a facility.
Foreign Cheque Purchase	This is a service in which value is given on a foreign cheque deposited into an account before the cheque clearing process is completed.
Form M	This is an application form to import goods into Nigeria, the form is processed through any authorized dealer bank irrespective of the value of the goods and whether payment is in local or foreign.
FRPD	Financial Policy and Regulation Department – A department in the CBN.
Handling Commission	This is a banking commission charged for processing both outward and inward letters of credit.
Honor	This means the discharge by a bank of its obligations under a letter of credit following its receipt of documents that comply with the terms of the letter of credit, UCP600 and standard international banking practice. This is done by paying at sight if the credit is available by sight payment, incurring a deferred payment undertaking and paying at maturity if the credit is available by deferred payment or accepting a bill of exchange drawn by the beneficiary and paying at maturity if the credit is available by acceptance.
Issuing Bank	This refers to the bank that opens a letter of credit at the request of its customer, the applicant.
Indemnities	This is an undertaking given to compensate for (or to provide protection against) injury, loss, incurred penalty or from a contingent liability.
Insurance Debt	This refers to the payment of insurance premium on behalf of the bank customer to the insurance company.
Instant Telegraphic Transfer	This is the receipt of funds by SWIFT/Telex from an overseas party. It allows the receipt of funds in various currencies all over the world.

BANKING TERMS	DEFINITION
Letters of credit	This is a written commitment to pay, by a buyer's or exporter's bank (called the issuing bank) to the seller's or importer's bank (called the accepting bank, negotiating bank or paying bank). LCs guarantee a payment of a specified sum in a specified currency provided the seller meets precisely defined conditions and submits the prescribed documents within a fixed time frame.
Maintenance Fee	This is a banking fee on electronic cards charged annually in line with agreement, where applicable.
MPR (Monetary Policy Rate)	This is the baseline interest rate set by the CBN to control the amount of money in circulation at any given time. A higher MPR shrinks money supply while a lower MPR expands money supply.
NEFT (NIBSS Electronic Funds Transfer)	This is an electronic payment system that enables the execution of transfer instruction between banks on the NIBSS platform.
Negotiation	Negotiation means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and/or documents under a complying presentation, by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which the reimbursement is due to the nominated bank. Mere examination of the documents without giving value does not constitute a negotiation.
Negotiable Loan/contract	A negotiable loan/contract is one whose terms can be decided by agreement between the parties to the loan/contract.
Negotiation of Documents	This refers to a situation where LC documents are scrutinized as per international standard of scrutiny and discrepancies are found with the LC terms. The negotiating bank may opt to give value by paying or incurring a deferred payment obligation as per the LC provided the beneficiary undertakes to indemnify the negotiating bank in the event of rejection of the LC by the opening bank.
NIBSS (Nigeria Inter-bank Settlement System)	This is an institution that provides the infrastructure for automated processing, settlement of payments and fund transfer instruction between banks, discount houses and co-op societies in Nigeria. It is owned by deposit money banks and the CBN. Discount houses also have shares.

BANKING TERMS	DEFINITION
OD (Overdraft)	This is a loan arrangement under which a bank extends credit up to a maximum amount (called overdraft limit) against which a current (checking) account customer can write cheques or make withdrawals.
Past Due	This is a bill or loan that has not been paid on the maturity date/the date.
Payroll Solution	This is a computerized payroll software that performs payroll processing duties such as salary payments, wage deductions, tax calculations etc.
Per Mile	This means a tenth of a percent or one part of a thousand. It is computed as 1/1000 or 0.001%.
Performance Bond	This is a written guarantee from a third party guarantor (usually a bank) submitted to a principal (client or customer) by a contractor to ensure the payment of a sum of money (usually covering 100% of the contract sum) in case the contractor fails in the full performance of the contract.
Presentation	This is the act of requesting the importer's payment/ acceptance of an import bill or, in UCP600 terminology, either delivery to the issuing Bank, Confirming Bank or other Nominated Bank of documents for honour under a letter of credit, or the documents so delivered.
Prevailing Interest Rate	This is a term used by financial institutions to describe the average interest rate being charged by lending institutions.
Processing Fees	This refers to money paid to lenders by borrowers for collecting needed information to setup credit facilities.
Promissory Notes	These are written, signed unconditional promise by one party (the issuer) to pay a determinate sum of money to the other (the payee) either at a fixed or determinate future time or on demand by the payee under specific terms.
Revalidation	Official approval or confirmation of a document after a change has been effected on the same document is called revalidation.
Revolving Credit	This refers to a credit automatically reinstated after each drawing or upon receipt of authorization from the letter of credit issuing bank, with limits as to the duration of the facility and as to the (cumulative or non-cumulative) amount involved for each drawing.
Sight	This is a bill payable at sight and is payable on presentation to the drawee, i.e. on demand.

BANKING TERMS	DEFINITION
Standby Credit	This may be established as security for facilities granted at another branch or bank, usually to a subsidiary of the standby letter of credit applicant.
Usance Bill	This is a Bill of Exchange which allows the drawee a term or period of credit (this period is also called usance). The term is usually stated in days (e.g. 30 days) or months and starts either from the date of the bill (e.g. 30 days date) or from the date of bill of lading, or from sight by the drawee (e.g. 30 days sight) which in practice means from the date of acceptance.
Unauthorized OD	This refers to an account that becomes overdrawn without the bank's prior permission (i.e.: go into an unauthorized overdraft or exceed your authorized overdraft limit) the bank will impose penalty charges, e.g. late repayment of Loan facility.

MINIMUM DISCLOSURE REQUIREMENTS IN OFFER LETTERS FOR CREDIT FACILITIES /LOANS

GENERAL REQUIREMENTS

S/N		
1	Name of borrower	This includes the name of the borrower.
2	Contact details of the borrower	This should clearly state the address (location), telephone number, email, etc. of the borrower.
3	Credit type	This states the type of facility approved for the borrower.
4	Purpose of the credit	This states the reason for which the facility is granted.
5	Amount	This is the amount approved for the facility.
6	Collateral	The bank should disclose the asset pledged by the borrower as security for the facility (e.g. shares, landed property, cash, etc.).
7	Loan term	This spells out the approved duration for the facility.
8	Interest rate	This is the annual interest rate to be charged by the bank on the amount outstanding (except for overdrafts).
9	Variable rate information	This should clearly state the possibility of changes in rates in line with money market conditions. It should include notification and time lines for concurrence by customers to the changes. The new rates (both increase and decrease) can only apply 48 hours after the notification. The variable rate information should also outline the bank's responsibilities in the event of such movements in rates.
10	Fees and commissions	The fees and commissions are as contained in the Guide. These should be stated in percentage and Naira terms.
11	Repayment terms	This should state the frequency (i.e. monthly, quarterly, bullet etc.) of repayment of principal and interest on outstanding balance. It should also state the date on which the repayments fall due.
12	Repayment schedule	The bank should provide in details, the periodic amounts to be repaid by the borrower within the term of the facility.
13	Early Liquidation Terms	This includes all information the borrower needs to know, including rights/obligations, or penalties, in the

		event of liquidation of the facility, before the expiry date, in line with Guide.
13	Late repayment	This should detail all penalties that will be borne by the borrower in the event of default, in line with the Guide.
14	Grace period	<p>a. Seven (7) days shall be allowed within which there will be no penal charge on late repayments.</p> <p>b. Seven (7) days from the date of execution, shall be allowed within which loan contracts can be concluded.</p>
15	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
16	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of insurance documents, perfection of collateral documentation, acceptance of loan offer letter, etc.

I. CONSUMER LOANS

This encompasses the various types of loans given to individuals either to finance the acquisition of an asset or to execute personal projects. Some of these loans are unsecured and are based on the borrower's ability to repay.

- (a) Unsecured personal loans;
- (b) Secured personal loans;
- (c) Computer loans;
- (d) Auto loans;
- (e) Other forms of bridging finance availed to borrowers.

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Items financed	This states the consumer good(s) to which the bank is financing.
3	Itemisation of amount financed	This gives a breakdown of the item(s) being financed.

4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Payment schedule	The bank should also disclose with details, all necessary repayment information including the monthly, quarterly or other repayment sums as was agreed with the borrower.
7	Repayment Terms	This includes all information the borrower needs to know during the consummation of the facility, such as the customer's rights (and penalties) in the event of his decision to pay off the facility before its expiration, etc.
8	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
9	Collateral	The bank will be required to disclose the property, goods, shares and/or other assets pledged by the borrower as security for the facility.
10	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
11	Repayment terms	This includes all information the borrower needs to know before the consummation of the facility, which includes information such as the bank's right to call in the facility (in the event of certain occurrences), etc.
12	Loan term	This spells out the approved duration for the facility.
13	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of insurance documents, perfection of collateral documentation, etc.

3. MORTGAGE LOANS

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Description property financed	This should describe location and other features of property being financed by the bank.
3	Itemization of amount financed	This gives a breakdown of the item(s) being financed.
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Payment schedule	The bank should also disclose with details, all necessary repayment information including the monthly, quarterly or other repayment sums as was agreed with the borrower.
7	Prepayment Terms	This includes all information the borrower needs to know during the consummation of the facility, such as the customer's rights (and penalties) in the event of his decision to pay off the facility before its expiration, etc.
8	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
9	Collateral	Usually, the security for the loan is the property being financed.
10	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
11	Repayment terms	This spells out the approved duration for the facility.
12	Loan terms	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of insurance documents, perfection of collateral documentation, etc.

3. OVERDRAFTS

S/N	ENCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Reason for the loan	This should describe the customer's needs which the overdraft is aimed to finance.
3	Overdraft limits	The limits on the OD line should be clearly stated.
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
7	Collateral	Usually, the security for the loan should be clearly stated.
8	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
9	Repayment terms	This spells out the approved duration for the facility.
10	Loan terms	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of insurance documents, perfection of collateral documentation, etc.

MINIMUM DISCLOSURE REQUIREMENTS FOR CONTINGENT LIABILITIES

PRODUCTS	DISCLOSURE REQUIREMENTS
Bid Bond	<ul style="list-style-type: none"> - Bank should issue offer letter stating all terms and conditions; - Where customer provides cash - Place in an investment account at an agreed rate; - Where bank provides funds - Parties should agree on a rate; - Transaction dynamics
Performance Bond	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, based on risk assessment
Advance Payment Guarantee	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, specifically utilization of proceeds to be received; - Appointment of quality surveyor/export
Bank Guarantee	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, most importantly when risk crystallizes; - Move to investment account, where customer provides funds.
Indemnities	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions and specify when risk crystallizes.



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FPR/DIR/CIR/GEN/02/001

CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

INTRODUCTION OF THREE-TIERED KNOW YOUR CUSTOMER (KYC) REQUIREMENTS

Having recognized that access to basic banking facilities and other financial services is necessary in achieving the CBN policy on financial inclusion, the CBN has taken steps to ensure that the socially and financially disadvantaged persons should not be precluded from opening accounts or obtaining other financial services for lack of acceptable means of identification.

Given that the CBN AML/CFT Regulation, 2009 has made provision for this class of persons, it has become expedient to issue three-tiered KYC requirements for compliance by banks and other financial institutions in order to further promote financial inclusion. The three-tiered KYC regime seeks to implement a flexible account opening requirements for low-value and medium-value account holders subject to caps and transaction restrictions.

Banks and other financial institutions are hereby required to adopt the provisions of the three-tiered KYC requirements as embodied in the attached guidelines in addition to the provisions of the CBN AML/CFT Regulation, 2009 (as amended). Please note that this circular supersedes our circular referenced FPR/DIR/GEN/EXP/01/001 of 22nd May, 2012 on similar matter.

CHRIS O. CHUKWU
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

THREE-TIERED KNOW-YOUR-CUSTOMERS (KYC) REQUIREMENTS

1.0 INTRODUCTION

- Available statistics indicate that about 64.1%¹ of adult Nigerians (56.3 million) do not have access to financial services. Various factors that account for this level of financial exclusion include irregular income, unemployment, distance and low level of bank branches and cumbersome account opening requirements/procedures.
- It is worthy to note that the enforcement of full account opening procedures often excludes some segments of the population from financial services. This keeps them out of the formal economy and indirectly promotes the informal sector. This is particularly so among the lower income earners, poor and socially disadvantaged segment of the population, majority of who live in the rural areas.
- It is trite to state that in Nigeria, many people lack formal means of identification. Where they want to obtain such, the procedures to acquire them are too cumbersome and expensive, effectively out of their financial means. This inadvertently makes financial services go beyond the reach of the poor. Therefore to continue to maintain the same level of KYC requirements for all segments of the population, as hitherto required, encourages prevalence of informal financial systems which in turn undermines the AML/CFT objective.
- It was in recognition of the inequality in social and economic circumstances of the various segments of the Nigerian population that paragraphs 2.6.1.5.6-12 of CBN AML/CFT Regulation, 2009 (as amended) provide broad principles for addressing the challenge, thus:
 - ✓ Allow a third party (such as clergymen, village/clan heads, headmasters, etc. with acceptable means of identification) to identify the socially disadvantaged persons;
 - ✓ Require financial institutions to formulate written policies on financially disadvantaged customers and prescribe the type of documents acceptable for their identification to be provided by third party identifiers;
 - ✓ Require financial institutions to adopt a risk based approach on the operation of this category of accounts and customers; and

¹ Doing recent survey carried out by Enhancing Financial Innovation and Access published by Punch Newspapers at <http://www.punchng.com/business/26-million-adults-have-no-bank-accounts/story/> at 26th November, 2012.

- Require financial institutions to conduct enhanced monitoring of such accounts, customers and third parties that identified them and render monthly returns to CBN and NFIU on their operations.
- Recommendations 1 and 10 of the revised FATF 40 Recommendations permit countries to allow financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) to apply simplified customer due diligence (CDD) measures in respect of lower risk customer category within which our target groups fall.
- Consequently, in furtherance of the objective of enhancing financial inclusion and access, the CBN has developed the tiered KYC requirements for compliance by banks and other financial institutions under its regulatory purview.

2.0 OBJECTIVE

The "tiered" KYC requirements regime will ensure application of flexible account opening requirements for **low-value and medium value accounts** and these are subject to caps and restrictions as the amounts of transactions increase. This means that account opening requirements will increase progressively with less restrictions on operations. However, the main objective of the proposed approach is to promote and deepen financial inclusion.

3.0 STRUCTURE

The structure ensures that the accounts remain attractive to customers of different socio-economic levels while close watch is kept on the risk involved. The table below shows the caps on deposits on the low-value and medium-value accounts as follows:

THREE TIERED KNOW YOUR CUSTOMER (KYC) REQUIREMENTS			
	Description and characteristics	Amount /Threshold Limitation	Customer Identification requirements
LEVEL 1	<p>Low-Value Accounts</p> <p>I. They are subject to close monitoring by the financial institutions and less scrutiny by Bank Examiners.</p> <p>II. The accounts can be opened at branches of financial institutions by the prospective customer or through banking agents.</p> <p>III. An amount is required for opening of accounts.</p> <p>IV. Such accounts cover Mobile Banking products (issued in accordance with the CBN Regulatory Framework for Mobile Payments Services in Nigeria).</p> <p>Main characteristics:</p> <p>I. Deposits can be made by account holder and 3rd parties while withdrawal is restricted to account holder only.</p> <p>II. Be linked to mobile phone accounts.</p> <p>III. Operation valid only in Nigeria.</p> <p>IV. ATM transactions are allowed.</p> <p>V. International funds transfer is prohibited.</p> <p>VI. Accounts are strictly savings.</p>	<p>It is limited to a maximum single deposit amount of N20,000 and maximum cumulative balance of N200,000 at any point in time.</p> <p>Mobile Banking Products</p> <p>Level One Mobile Banking Products Are Allowed:</p> <ul style="list-style-type: none"> • Maximum transaction limit of N3, 000 and daily limit of N30, 000. • Such products are subject to the CBN Regulatory Framework for Mobile Payments Services in Nigeria. 	<p>I. Basic customer information required to be provided are:</p> <ul style="list-style-type: none"> - Passport photograph; - Name, place and date of birth; - Gender, address, telephone number, etc. <p>II. This information may be sent electronically or submitted onsite in bank's branches or agent's office.</p> <p>III. Evidence of information provided by customer or verification of same is not required.</p>

<p>LEVEL 2</p>	<p>Medium-Value Accounts</p> <ol style="list-style-type: none"> i. These accounts can be opened face to face at any branch of a bank by agents for enterprises (used for mass payroll) or by the account holder. ii. Evidence of basic customer information is required at this level. ID verification and monitoring by financial institutions are required also. iii. Accounts can be contracted by phone or at the institution's website. iv. Accounts may be linked to a mobile phone. v. They may be used for funds transfers within Nigeria only. vi. The accounts are strictly savings. vii. No amount is required for opening of the accounts. 	<ol style="list-style-type: none"> i. Maximum single deposit of N50, 000 and a maximum cumulative balance of N400, 000 are allowed at any time. ii. Where cross-checking of client's ID information is not completed at the point of account opening, withdrawal should be denied. <p>Mobile Banking Products</p> <p>Level Two Mobile Banking Products Are Allowed:</p> <ul style="list-style-type: none"> • Maximum transaction limit of N10, 000 and daily limit of N100, 000. • Such products are subject to the CBN Regulatory Framework for Mobile Payments Services in Nigeria. 	<ol style="list-style-type: none"> i. Evidence of basic customer information (such as passport photograph, name, place and date of birth, gender, address, etc) is required. ii. These may be forwarded electronically or submitted on-site in banks' branches or agents' offices. iii. Customer information obtained are to be verified against similar information contained in the official data-bases e.g. National Identity Management Commission (NIMC), Independent National Electoral Commission (INEC) Voters Register, Federal Road Safety Commission (FRSC) etc.
<p>LEVEL 3</p>	<p>High-Value Accounts</p> <ol style="list-style-type: none"> i. Banks are required to obtain, verify and maintain copies of all the required documents for opening of accounts. ii. Account is to be opened at the bank branches by physical presence of the prospective customer. iii. These accounts could be both savings and current. iv. No amount is required for opening of accounts. 	<p>No limit is placed on cumulative balance.</p> <p>Mobile Banking Products</p> <p>Level Three Mobile Banking Products Are Allowed:</p> <ul style="list-style-type: none"> • Maximum transaction limit of N100, 000 and daily limit of N1, 000,000. • Such products are subject to the CBN Regulatory Framework for Mobile Payments Services in Nigeria. 	<p>Customers are required to comply with the KYC requirements contained in CBN AML/CFT Regulation, 2009 (as amended).</p>

4.6 ABOUT THE PROPOSED REQUIREMENTS

It is important to note that **maximum deposits and balances are specified only for the low-value and medium-value categories of accounts**. In compliance with and in the spirit of the CBN monetary policy and financial inclusion, **there shall be no minimum opening amount for accounts in all the levels**.

In addition to the proposed limits and caps, the additional safeguards to further reduce the risk of money laundering & financing of terrorism **include account monitoring by the financial institutions for suspicious transactions**. To this end, financial institutions are required to report to the Nigerian Financial Intelligence Unit (NFIU) any suspicious transactions.

Also, financial institutions are required to have **robust, effective and efficient AML/CFT solutions with screening tools in place that will monitor the various thresholds**. All accounts, no matter how low the transaction or the risks, must be subjected to continuous suspicious transactions monitoring by financial institutions which will determine when incremental KYC requirements need to be provided by the customers. To this end, financial institutions are required to designate and dedicate monitoring officers in their Compliance Departments for consistent and regular monitoring of all transactions.

To facilitate the effective implementation of the regime and achievement of the objective of financial inclusion, **the tiered KYC requirements regime envisages the use of banks' agents and mobile banking portals to reach a wider segment of the society that otherwise have no access to financial services**. This concept, therefore, calls for the introduction of agent-banking in Nigeria as the best practice. The definition of a "banking agent" is as contained in the "CBN Guidelines for the Regulation of Agent Banking Relationship in Nigeria".

The Central Bank of Nigeria shall ensure the establishment of appropriate processes and procedures for the purpose of monitoring compliance with this regulatory framework.

Non-compliant financial institutions would, however, be sanctioned in line with the provisions of extant laws and regulations.

5.0 CONCLUSION

In conclusion, the above Tiered KYC Requirements regime:

- ✓ **is a practical example of implementing risk-based approach to CDD in compliance with FATF revised Recommendations 1 and 10.**

- ✓ The policy will have positive impact in the financial market by making account opening and operation more attractive and appealing to the masses in view of the simpler and fewer requirements involved.
- ✓ Would reduce the administrative cost for banks as it involves online account opening, less paper filing and reporting.

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LETTER TO ALL DEPOSIT MONEY BANKS AND STAKEHOLDERS

COMPETENCY FRAMEWORK FOR THE NIGERIAN BANKING INDUSTRY

Further to the Exposure Draft on the Competency Framework, subsequent correspondence and the contributions of the Bankers' Committee on the above subject, we formally forward herewith the finalised version of the **COMPETENCY FRAMEWORK FOR THE NIGERIAN BANKING INDUSTRY** for implementation.

We also wish to remind you that the timeline for full compliance with the Framework is 24 months as provided under the provision period. Bank Examiners will be required from their next examination visit to report on the efforts being made by each institution to ensure compliance with the provisions of the Framework.

Yours faithfully,

CHRIS O. CHUKWU

DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT

(NOVEMBER 28, 2012)

CENTRAL
BANK OF
NIGERIA

COMPETENCY FRAMEWORK FOR THE
NIGERIAN BANKING INDUSTRY



1.0 INTRODUCTION

The recent global financial crisis exposed the inadequacy of skills and dearth of executive capacity in the banking industry. The skill gap manifested in, among others:

- The lack of in-depth knowledge of core banking functions and poor understanding of basic banking operations;
- Poor understanding of banking regulations;
- Unethical conduct and unprofessional practices;
- Poor risk management and corporate governance practices;
- Knowledge gaps in financial markets and treasury management;
- Knowledge gaps in business development practices; and
- Poor relationship management techniques.

Reasons advanced for these inadequacies include the lack of:

- i. A coordinated industry-recognised training accreditation and certification system; and
- ii. Competency standards for practitioners in the industry.

From the foregoing, the development of staff competencies has become important in addressing these inadequacies, underscoring the need to train a new generation of banking professionals that is knowledgeable, skilled and competent to develop and deliver satisfactory banking products and services to the consumers.

With stability now restored to the Nigerian banking system following several measures and initiatives taken by the CBN under the on-going banking sector reforms, it is imperative that immediate steps be taken to consciously re-direct

the banking industry towards the path of entrenching a sequenced competency development programme.

The development of a competency framework for the Nigerian banking industry is predicated on the need for banks to accord high priority to the continuous enhancement of human capital and lifelong learning. This will imbue banking professionals with the requisite knowledge, skills and expertise not only at the strategic and management levels, but also at the technical and operational levels.

The availability of appropriately trained and competent human resources is a critical factor in supporting the effective performance of the banking industry. This, in essence, implies that continuous strengthening of intellectual resources and capabilities must be undertaken to create a pool of talented and high calibre professionals in the banking industry.

The framework is expected to address the competency challenges in the banking industry, explore growth opportunities as well as critically facilitate improvement in the quality of the industry's human capital. Under the framework, successful banks will be those that distinguish themselves by accorded high priority to continuous enhancement of human capital and lifelong learning. However, the framework is not intended to eliminate the training programmes of banks as banks are encouraged to continue to explore opportunities for enhancing the quality of their human capital.

At the commencement of the implementation of this Framework, it is expected that occupants of some job roles may not meet the requirements in this Framework. Such occupants may continue to perform those roles but can only advance beyond the roles upon satisfying the requirements of the Framework as they pertain to their current positions. However, full compliance with the framework would take effect 24 months from the date of the issuance of the framework.

2.0 OBJECTIVES OF THE FRAMEWORK

The objectives of the competency framework are to:

- i. Define the minimum knowledge, skills and competencies needed for operators and regulators to perform optimally on their various jobs/tasks.
- ii. To standardise capacity and competency development with a view to nurturing and producing a knowledgeable, skilled and competent workforce for the Nigerian banking industry
- iii. To establish standard competency requirements for each job role to serve as a guide to Nigerian banks for their talent recruitment and development programs
- iv. To provide standards for training, certification, evaluation and accreditation to ensure the provision of quality training in the Nigerian banking industry
- v. To ensure that practitioners continually update their knowledge and skills in line with the dictates of their assignments
- vi. Serve as a tool for banks to assess their overall human capital capabilities;
- vii. Identify competency gaps and develop required learning interventions to bridge identified gaps.
- viii. Provide a basis for sustaining career development in the Nigerian banking industry.
- ix. Establish a system of assessing and tracking compliance to defined standards.

3.0 BANKING INDUSTRY JOB FAMILIES/ROLES/CONTROLLED FUNCTIONS

In this framework, jobs in the banking industry have been classified into job families, roles and controlled functions.

For each class of banking (commercial, merchant, or specialised), there exists generic job families. These are occupational groups or clusters of closely-related jobs that capture the essence of an underlying business function; while job roles capture the essence of what must be done and how it should be done to achieve the required level of performance.

On the other hand, controlled functions are roles within a business that have a particular operational and/or regulatory significance. A function may be designated as a controlled function if an individual exerts significant influence on the conduct of the financial institution's affairs, in relation to controlled activities.

Controlled functions are further classified into **Significant Influence Functions** and **Customer Functions**.

3.1 Significant Influence functions

Significant Influence functions are those functions that materially impact on the activities of the financial institutions. These can be divided into the following sub-groups:

- i. **Governing functions:** These include entity significant influence roles such as Chairman, Managing Director, Deputy Managing Director, Executive Directors, Non-executive Directors, Independent Directors.
- ii. **Regulatory functions:** These include the Audit and Compliance function.
- iii. **System and control functions:** These include Finance, Risk, Internal Audit and Information Technology functions.

*

CFC 6	Deputy Managing Director	
CFC 7	Executive Director	
CFC 8	Non Executive Director	
CFC 9	Chief Risk Officer	
CFC 10	Chief Financial Officer	
CFC 11	Chief Internal Auditor	
CFC 12	Chief Compliance Officer	
CFC 13	Head, Human Resources	
CFC 14	Head, Credit Risk Officer	
CFC 15	Head, Operational Risk Officer	
CFC 16	Head, Market Risk/ALM Officer	
CFC 17	IT Auditor	
CFC 18	Chief Information Officer	
CFC 19	Business Information Security Officer	
CFC 20	Company Secretary	
CFC 21	Treasurer	
CFC 22	21 a. Chief Dealer/Financial Markets Officer 21 b. Dealer	
CFC 23	Senior Corporate Finance Officer	
CFC 24	Chief Economist/Senior Economist	
CFC 25	Senior Lending Officer - Retail	Customer Function
CFC 26	Senior Lending Officer - Corporate	
CFC 27	Senior specialised Lending Officer	
CFC 28	Senior Agricultural Lending Officer	
CFC 29	Senior Operations Officer - Trade Finance	Significant influence function
CFC 30	Senior Operations Officer - Electronic Banking	
CFC 31	Senior Operations Officer (General)	
CFC 32	Crusaderum	
CFC 33	Private Banking Advisor	Customer Function
CFC 34	Branch Manager	
CFC 35	Retail Advisory Officer	

Details of the banking industry job families/roles/functions and their minimum qualifications are provided in **Appendix A**.

4.0 APPROVED PERSONS DATABASE

- 4.1 To ensure that only Fit and Proper persons man the different job roles and control functions within the banking industry, all persons for the position of Assistant General Manager and above as well as key positions that have significant impact on the resources and operations of a bank shall be approved for appointment in line with the Assessment Criteria for Approved Persons Regime issued and reviewed from time to time by the CBN.
- 4.2 In furtherance of this objective, a central database for approved persons shall be created and maintained at the CBN. All banks as reporting institutions shall update the database with details of approved persons and access it as part of their due diligence prior to the engagement and appointment of persons within the industry.
- 4.3 The database will:
 - i. Assign a unique identifier to each banking practitioner.
 - ii. Be accessed prior to the engagement or appointment of persons to board, top management or critical operational positions in the banking industry.
 - iii. Provide reference information to relevant stakeholders – regulators, employers, employees, auditors, business partners, etc – for the assessment of the continuous Fitness and Propriety of approved persons in the industry
 - iv. Encourage transparency in the recruitment and appointment process.

- iii. Take reasonable steps to ensure that the business of the financial institution for which he is responsible complies with relevant laws, rules, guidelines and other regulatory requirements.

Details of the proposed code of practice for approved persons under this framework are provided in **Appendix B**.

6.0 TRAINING AND CERTIFICATION

- 6.1 The framework seeks to ensure that persons engaged in the various job families/control functions have adequate skills and competencies to carry out the roles for which they have been certified.
- 6.2 There shall be structured generic and function or role-specific training and certification process that provides a reliable and objective assessment of an employee's competence and ability to perform and meet the demands of a job consistently over time. Competencies and their related certifications will be based on job roles rather than job titles.
- 6.3 Training and certification will be provided by accredited local and overseas education and training service providers. Accredited training service providers may administer online or classroom-based training. However, only accredited programmes will qualify for credit points under the framework. The minimum requirements for certification of each job role/control function are as indicated in **Appendix B**.
- 6.4 A training service provider could be any of the following:
- An individual
 - A profit-oriented consultancy outfit or commercial entity
 - A not-for-profit entity
 - The training/learning centres of banks
 - Relevant professional bodies
 - A university, polytechnic or other relevant educational institutions of higher learning.
- 6.5 Banks are expected to put in place policies that ensure quality and equitable training for all their staff. In this regard, training programmes

attended by bank personnel over a period will be evaluated on the basis of total credit points obtained within a given period of time.

6.6 To attain and maintain competency in a particular job role, the individual responsible for a controlled function is expected to accumulate a minimum number of predetermined credit points, through attendance of and successful completion of accredited training programmes.

6.7 The credit points for training programmes attended shall be awarded by designated accreditation agencies, taking into cognizance such factors as:

- Programme curriculum.
- Duration of Programme
- The Faculty
- Quality and relevance of the programme.
- The pedigree of the training provider.

6.8 To ensure objectivity and credibility in accumulating the required credit points, not more than 40 per cent shall be obtainable through an institution's in-house training programmes.

In-house training shall be deemed to be accredited training programmes conducted by the internal faculty of an institution and or by accredited external facilitators solely for the institution.

6.9 The number of relevant accredited training attended and credit points accumulated shall be one of the assessment criteria in determining the suitability of approved persons for specific job roles/functions. Consequently, banks shall be required to populate the Approved Persons Database with details of credit points earned by approved persons in their employ.

7.0 ACCREDITATION OF TRAINING SERVICE PROVIDERS

- 7.1 The accreditation of a training service provider will be conducted by an industry-recognized accreditation agency. The agency will carry out extensive review and evaluation in order to ascertain if the provider has the competence to conduct the training programme(s) envisaged under the Framework.
- 7.2 An agency shall be designated as an accreditation agency, subject to meeting the qualifying criteria to be prescribed by the Bankers' Committee and approved by the CBN from time to time.
- 7.3 An accreditation agency could be any of the following:
- i. A recognized professional institute/body
 - ii. A recognized educational institution of higher learning
 - iii. A recognized training consultancy outfit
 - iv. Other duly recognized body, institution or company.

An accreditation agency **shall not** render any training service under the Framework.

- 7.4 The accreditation of training providers is a quality assurance mechanism to ensure that the training provider is qualified to provide the desired training and the programmes of the training provider meet the learning objectives and will impart the requisite knowledge, skills and competencies required for each job role.
- 7.5 The accreditation agency shall be responsible for accrediting training service providers. This will involve the endorsement of the training provider and its programmes based on an assessment of its curricula, competence, capacity, capability, faculty, resources, facilities, credibility,

8.6 ROLE OF STAKEHOLDERS

The following stakeholders are expected to play various roles under the framework:

I. Central Bank of Nigeria

The CBN will provide supervisory oversight, monitoring and regulatory guidance to ensure banks' compliance with the framework. In addition, the CBN will perform the following roles:

- Coordinate the development of the framework;
- Approve and supervise subsequent periodic upgrades of the framework;
- Maintain the database of approved persons and financial institutions;
- Withdrawal of approvals where necessary;
- Application of sanctions for breaches by approved persons.

II. Nigeria Deposit Insurance Corporation

The Corporation will provide supervisory oversight in the implementation of the framework.

III. The Bankers' Committee

The Bankers' Committee would act as a coordinator alongside the CBN for the development and implementation of the framework.

iv. Financial Institutions (FIs)

The financial institutions will provide specification of minimum competencies needed for each job role along with inputs for the specification of career paths, job descriptions and training curriculum needed for the development of the framework.

Furthermore they are shall:

- Comply with data protection requirements.
- Update the database with details of training programmes and credit points obtained by each officer performing a controlled function.
- Periodically review the requirements of each controlled function.

Financial institutions are expected to continually satisfy themselves that the persons performing controlled functions have the necessary qualifications, experience, competence and capacity to carry out their duties.

v. Financial Institutions Training Centre (FITC)

FITC is expected to provide inputs for the specification of competencies for job roles, career paths, job descriptions, and training curriculum. It will also act as a training service provider under the Framework, subject to certification by the accreditation agency.

vi. Chartered Institute of Bankers of Nigeria (CIBN)

CIBN shall be the Accreditation Agency under this Framework.

It is expected to provide inputs for the specification of minimum competencies for job roles, career paths, job descriptions, and training curriculum. It will also issue ethical and professional guidance as well as monitor the conduct of its members. It will also monitor the performance of the accredited training services providers.

vii. Other Professional Bodies and Associations

These include professional bodies such as the Institute of Chartered Accountants of Nigeria (ICAN), Chartered Institute of Stockbrokers (CIS), Chartered Institute of Management (CIM), Risk Management Association of Nigeria (RIAMAN) and Committee of Chief Compliance Officers of Banks in Nigeria (CCCCOBIN), etc. They will also issue ethical and professional guidance and monitor the conduct of their members. They are also expected to develop training curricula and provide professional and other relevant training to their members and practitioners in the banking industry.

viii. Accreditation Agency

The accreditation agency will be responsible for registering/deregistering, accrediting, supervising/monitoring and evaluating training service providers in the industry.

ix. Training Service Providers

These are entities accredited to provide training services under the framework. These include professional bodies, educational institutions and other entities that are expected to design appropriate curricula oriented to the talent and skills needs of the Nigerian banking industry.

Appendix A

Banking Industry Job Families/Roles/Functions and Entry Level Qualifications

S/n	Category	Function Type	Function	Roles	Required certification Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
1	Significant Influence Functions	Governing Function	Chairman of the Board	To ensure effective operation of the Board such that it works towards achieving the company's strategic objectives.	* good understanding of the role of a Chairman and able to coordinate effectively in such a role at the highest level. Relevant financial industry experience is desirable. * good understanding and experience of Nigerian business and corporate governance issues.	*General leadership Skills/Influencing skills *Team building / conflict management *Organization and coordination skills *People Skills *Initiative *Entrepreneurship taking ownership *Analytical Skills Problem solving *Self-Management/Interpersonal Skills	A first degree or its equivalent in any discipline Membership of Institute of Directors or any other relevant and recognized professional institute	Relevant experience in business/executive role 10 years post graduation experience. 5 years board experience in Financial Services Industry
2	Significant Influence Functions	Governing Function	Chairman of Board Risk Committee	* presides at meetings of the Board Risk Committee and ensure that the work of the Committee is performed in an efficient and timely manner. * Ensures that the Committee provides	Good understanding of risk issues in financial services. Financial acumen - must be comfortable dealing with risk issues and make every effort to keep up to date with cost practical developments in risk management	*General leadership Skills/Influencing skills *Team building / conflict management *Organization and coordination skills *People Skills *Initiative *Entrepreneurship taking ownership *Analytical Skills	A first degree or its equivalent in any discipline Membership of Institute of Directors or any other relevant and recognized professional institute	10 years post graduation experience. 5 years experience in risk management

S/N	Category	Function Type	Position	Roles	Required certifications Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
				oversight and advice to the Board on current risk exposures and future risk strategy	and measurement	Problem solving Self-Management/Interpersonal Skills		
3	Significant influence Functions	Governing Function	Chairman of Audit committee	<p>* presides at meetings of the Audit Committee and ensure that the work of the Committee is performed in an efficient and timely manner.</p> <p>Ensures that the Committee effectively reviews the appropriateness and completeness of the company's system of internal control, reviews the report which identifies high level control issues of Group Level significance that require or are subject to remedial action and ensures that the Committee considers whether necessary</p>	<p>* Knowledge and understanding of audit issues,</p> <p>* Good knowledge of banking operations</p>	<p>*General leadership Skills/Influencing skills</p> <p>*Team building / conflict management</p> <p>*Organization and coordination skills</p> <p>*People Skills</p> <p>*Integrity</p> <p>*Entrepreneurship taking ownership</p> <p>*Analytical Skills/</p> <p>Problem solving</p> <p>*Self-Management/Interpersonal Skills</p>	A first degree or its equivalent in any discipline.	The candidate will be expected to possess adequate knowledge/experience in the preparation and analysis of financial statements.

ID#	Category	Function Type	Position	Notes	Relevant qualifications, Skills and Competencies	Coaches with	Minimum Qualifications	Minimum Experience
				actions are being taken to remedy any significant things or weaknesses. The chairman presides at meetings of the Committee and ensures that the work of the Committee is performed in an efficient and timely manner.				
4	Significant Finance Functions	Overseeing Function	Chairman of Board Human Resource committee or equivalent Committee	To lead the Human resource Committee in developing and implementing human resource and remuneration policies and practices that support the delivery of the business strategy and which thereby help create value for shareholders.	"Knowledgeable about current best practice in HR policies and executive recruitment" "Knowledgeable about current best practice in executive remuneration and understand the importance of signing bonuses aimed to the achievement of the Group's strategic objectives"	"Global leadership skills/influencing skills" "Team building/conflict management" "Organization and coordination skills" "People Skills" "Initiative" "Entrepreneurship" "Being open to change" "Analytical /data" "Problem solving" "Self-Management/Influence and Skills"	A first degree or its equivalent in any discipline.	Knowledge of labor laws and experience of human resource management

S/N	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Desired skills	Minimum qualifications	Minimum Experience
2	Significant Influence Function	Governance Function	Chief Executive Officer/Managing Director	<p>Responsible for the conduct of the whole of the business of the company under the immediate authority of the Board.</p> <p>To develop strategies that enable the bank to achieve its corporate objectives and to coordinate, direct & control current & long term development of major operational strategies, while meeting and exceeding customer's requirement as well as maximising profit and minimising cost and risk.</p> <p>To carry out the day-to-day running of the company; guiding the development and growth of the company and setting the company's leading</p>	<p>*Knowledge and understanding of the Nigerian banking market</p> <p>*Strong strategic orientation</p> <p>*Excellent customer relationship management</p> <p>*Good negotiation, problem-solving and conflict resolution</p> <p>*Creative and innovative</p> <p>*Knowledge and understanding of commercial financial products</p> <p>*Good product development and portfolio management capabilities</p> <p>*Ability of trend relevance & selecting ability</p> <p>* Knowledge of risk management</p>	<p>*General managerial administration</p> <p>*Team building / conflict management</p> <p>*Coaching / Leadership / Influencing</p> <p>*Organization and coordination skills</p> <p>*Proactive Skills</p> <p>*Initiative</p> <p>*Compassion</p> <p>*Being committed</p> <p>*Analytical Skills</p> <p>*Problem solving</p> <p>*Self</p> <p>*Management/operational Skills</p> <p>*Advanced Credit Skills</p>	<p>A first degree or its equivalent in any discipline</p> <p>Relevant higher degrees and professional qualifications e.g. ACCA may be an added advantage</p>	<p>Minimum of 10 years post graduation experience with at least 10 years in the Banking Sector.</p> <p>A minimum of 5 years must have been spent at senior management level with responsibility for Business Development, Customer relationship Management or Customer Service management</p>

Job	Category	Function Type	Function	Role	Required qualifications, Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
				representative in its dealings with its stakeholders.				
2	Significant Influence Functions	Executive Function	Deputy Managing Director	Responsible for the conduct of significant aspect of the business of the company under the supervision of the CEO. In the absence of the CEO, he takes responsibility for CEO roles with approved delegated authority.	<ul style="list-style-type: none"> *Knowledge and understanding of the Nigerian banking market *Strong strategic orientation *Excellent customer relationship development/management *Good negotiation, problem-solving and conflict resolution *Creative and innovative *Knowledge and understanding of external financial products *Good product development and portfolio management capabilities *Ability of market research & networking ability. 	<ul style="list-style-type: none"> *General managerial/administration *Team building/conflict management *Coaching / Mentoring / Influencing *Organization and coordination skills *People skills *Initiative *Entrepreneurial *Strong analytical *Analytical skills *Problem solving *Self- *Management/Operational skills *Technical/Credit Skills 	A first degree or its equivalent in any discipline. Relevant higher degree and professional certifications eg ACCA/ACA/CFP	<ul style="list-style-type: none"> Minimum of 12 years post graduation experience with at least 10 years in the Banking Sector. A minimum of 8 years must have been spent at senior management level with responsibility for business development and customer relationship management

SN	Category	Function Type	Function	Roles	Required qualifications, skills and Competencies	Generic skills	Minimum/Qualification	Minimum Experience
1	Significant Influence Functions	Governing Function	Executive Directors	<p>Responsible for making and implementing operational decisions and running the Group's business on a day-to-day basis under the leadership of the Chief Executive.</p> <p>The duties of an executive Director include the general duties applicable to all Directors. These duties extend to the whole of the business and not just that part of it covered by their individual executive responsibilities.</p>	<p>* Knowledge and understanding of the Nigerian banking market.</p> <p>* Knowledge in relevant areas of the company's activities in addition to qualifications that may be required for their specific assignments or responsibilities.</p> <p>* Strong strategic orientation</p> <p>* Excellent customer relationship development/management</p> <p>* Good regulatory, problem-solving and conflict resolution</p> <p>* Creative and innovative</p> <p>* Knowledge and understanding of commercial financial products</p> <p>* Good project development and portfolio management</p>	<p>* General managerial/administration</p> <p>* Team building/conflict management</p> <p>* Coaching / leadership / influencing</p> <p>* Organization and coordination skills</p> <p>* People Skills</p> <p>* Initiative</p> <p>* Entrepreneurship/ being ownership</p> <p>* Analytical Skills</p> <p>* Prudent saving</p> <p>* Self-Management/Personal Skills</p> <p>* Advanced Credit Skills</p>	<p>a first degree or its equivalent in any discipline.</p> <p>Relevant post graduate/professional qualifications e.g. ACCA and others.</p>	<p>Minimum of 15 years post qualification experience of: least 10 years in the Banking Sector, a minimum of 5 years must have been spent at senior management level</p>

Job	Category	Function Type	Function	Role	Required Certificates, Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
					<ul style="list-style-type: none"> Ability of market research & forecasting ability 			
1	Significant Influence Function	Covering Function	Non-Executive Director	<ul style="list-style-type: none"> • Constructively challenge and contribute to the development of strategy • monitor the performance of management in meeting agreed goals and objectives and monitoring and where necessary removing senior management and in succession planning • satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible • determine appropriate levels of remuneration of 	<ul style="list-style-type: none"> • broad experience, integrity and credibility • Proven skills and competence in their field; • Knowledge of the operations of bank/financial houses and relevant laws and regulations governing the financial services industry. • Ability to make meaningful contributions to board deliberations. 	<ul style="list-style-type: none"> • General managerial administration • Team building / conflict management • Coaching / leadership / mentoring • Organization and coordination skills • People Skills • Initiative • Entrepreneurship • Analytical Skills • Problem solving • Self-Management/Independent Skills 	<ul style="list-style-type: none"> • A first degree or its equivalent in any discipline • Membership of Institute of Directors or any other relevant and recognized institute. 	<ul style="list-style-type: none"> • Proven skills and competence in their field • Knowledge of the operation of bank/financial houses and relevant laws and regulations governing the financial services industry • Ability to make meaningful contributions to board deliberations

S/N	Category	Function Type	Function	Roles	Required certifications, CMBs and Competencies	Special skills	Minimum/Qualifications	Minimum/Experience
				<p>executive director and have a prime role in appointing, and when necessary removing, senior management and in succession planning.</p> <p>* bring independent judgment as well as necessary courtesy to the proposals and actions of the Management and executive director especially on issues of strategy, resources, performance evaluation and key appointments and standards of conduct.</p>				
9	Significant Influence Functions	Regulatory Required Function	Chief Compliance Officer	To implement measures that would ensure the adherence to appropriate compliance framework and procedures so as to minimize loss from non-compliance with the policies & procedures	<ul style="list-style-type: none"> - Banking Operations (Domestic & International Operations) - Accounting - Credit Analysis / Appraisal - Environmental / Industry Analysis - Risk Management 	<ul style="list-style-type: none"> - Goodwill: interpersonal skills, with the confidence to approach people at all levels of seniority - An inquiring analytical mindset - Methodical and systematic in work approach 	<ul style="list-style-type: none"> * A first degree or its equivalent in any discipline. * Membership of the International Compliance Association will be an added advantage 	Minimum of 10 years post qualification experience in Risk Control functions within the Financial Services Industry

Job	Category	Function Type	Function	Role	Required qualifications, Skills and Competencies	Core skills	Minimum Qualifications	Minimum Experience
				Responsible for ensuring the rules and standards set by the CBE and other regulators are being followed in, under the guidance of, the organisational senior management team and the Board.	<ul style="list-style-type: none"> * Operational risk * Investment / Portfolio Management * Team & Quality Management * Financial analysis / interpretation * Risk * Documentation 	<ul style="list-style-type: none"> * Excellent report writing skills * Articulate, confident communication and presenter * Analytical and persuasive * Self-motivated with good teamwork skills * Attention to detail * Knowledge of the legal and regulatory framework and the regulatory environment 		
10	Significant Influence Function	Significant Management Function	Company Secretary	<p>To manage the company secretariat and ensure compliance with Bank's rules and regulation and prevent reputational risk among the Bank's stakeholders.</p> <p>To provide legal counsel and support the Bank as it relates to contract litigation and dispute resolution, credit and employment</p>	<ul style="list-style-type: none"> * Knowledge and understanding of banking operations (international & domestic) * Legal financial planning * Cost price development and management capabilities * Legal documentation * Local finance litigation * Regulatory knowledge 	<ul style="list-style-type: none"> Strategic Focus Orientation Strategy and Decision Making Financial Analysis Analytical skills Problem solving Resilience, Flexibility and Integrity Professional skills Communication (oral & written) General managerial competencies Leadership/Influencing Organization and 	As prescribed in Section 25 of CAMA.	Minimum of 10 years post graduation experience within the Financial Services Industry with at least 5 years of senior management

LV	Category	Position Type	Function	Notes	Required Certifications Skills and Competencies	Essential Skills	Minimum Qualifications	Minimum Experience
				Security	<ul style="list-style-type: none"> Corporate Governance Compliance Monitoring Banking Industry Knowledge Capital Industry Knowledge Knowledge and understanding of Financial Regulations (Domestic & International) Knowledge and understanding of Risk Management and Financial Standards (Domestic & International) 	<ul style="list-style-type: none"> Coordination skills Coaching and people management Conflict management 		
12	Significant Influence Functions	Significant Managerial Function	Treasurer	To effectively manage the liquidity of the Bank is a key to achieving the objectives of the Bank while complying with all regulatory requirements. <ul style="list-style-type: none"> Develop and implement all policies as they relate to the 	<ul style="list-style-type: none"> Excellent numerical skills Knowledge and understanding of the local and global financial markets Excellent customer relationship development management Good negotiation 	<ul style="list-style-type: none"> Decision making Entrepreneurial Strategic Skills Problem solving Self Management 	<ul style="list-style-type: none"> A first degree or equivalent, in any discipline and relevant professional certifications, e.g. ACC or Treasury Diploma Certificate 	Minimum of 10 years post graduation experience out of which 2 years must have been spent in treasury related function.

Job	Category	Function Type	Function	Role	Required qualifications, Skills and Competencies	Special skills	Minimum Qualifications	Minimum Experience
				<p>Treasury function</p> <ul style="list-style-type: none"> - Co-own the Assets and Liability Committee of the Bank - Ensure compliance with regulatory and internal rules and limits as they relate to all Treasury products and the Bank's balance sheet. - Oversee the trading desk in the development and implementation of strategies and products to meet the Bank's trading budgets (FX, Securities, etc.) 	<ul style="list-style-type: none"> - social skills - Creative and innovative - Knowledge and understanding of the Bank's products - Good knowledge of product development - Excellent relationships with the regulatory authorities 			
□	Significant Influence Functions	Significant Managers in Function	Chief Dealer/Prime Broker	<ul style="list-style-type: none"> § Monitoring market performance § Marketing training electronic trade instructions § Processing or executing trades as per client instructions, 	<ul style="list-style-type: none"> § Broad knowledge about securities and equities markets and services, with detailed knowledge relating to the specific area you are trading in § Specialist knowledge 	<ul style="list-style-type: none"> Articulate, clear communicator § Strong client service ethic § Excellent IT and numerical skills § Driven to work in a fast setting 	<ul style="list-style-type: none"> A first degree or equivalent and relevant professional qualifications such as ACC or Treasury Securities Certificate. 	<ul style="list-style-type: none"> Minimum of 10 years post qualification experience out of which 6 years have been spent in treasury related function. Minimum of two years

Unit	Category	Prerequisite Type	Section	Activities	Required Institutions Skills and Competencies	General Skills	Minimum Qualifications	Minimum Experience
				<ul style="list-style-type: none"> • Utilize by research or online • Analyzing research compiled by investment analysts to identify market opportunities • Identifying fund / investment manager and stockholders on significant changes in market and recommending buy / sell actions • Deciding on the products to buy and sell, using careful judgement and research to try and predict how the market are likely to move • Purchasing - new shares • Preparing reports to commission trading activities • Drawing details of any problems or delays in processing 	<ul style="list-style-type: none"> • relating to specific securities products, funds and funds, and secondary trading market • Good thinking and ability to perform under pressure • Accurate and excellent attention to detail • Self-reliance to changing market conditions • Good analytical skills, with the ability to digest and summarize multiple sources of information. • Accountable for actions and decisions • Resilient and ability to operate in a fast-paced, fast-paced environment • Self-Confident • Discrete and ethical • Well-organized • Outstanding 			<ul style="list-style-type: none"> • Industry experience (or similar)

ID	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
13	Significant Influence	Significant Managers	Senior Corporate	To provide innovative financial solutions to	<ul style="list-style-type: none"> Strong business orientation and deal 	<ul style="list-style-type: none"> Leadership Supervisory 	<ul style="list-style-type: none"> A first degree or equivalent in relevant 	<ul style="list-style-type: none"> Minimum of 10 years experience in a bank

ID	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
14	Significant Influence Functions	Significant Management Function	Chief Economist or Senior Economist	<ul style="list-style-type: none"> Advise Management on economic issues. Forecast economic and financial indicators and provide -subject recommendations 	<ul style="list-style-type: none"> Quantitative analysis and modelling Sound and detailed knowledge of trading dynamics, quantitative valuation and Treasury operations Deep knowledge of the Bank's trading and treasury products Sound knowledge of asset and liability management Deep understanding of the structure and complexities of market cycles (local and Foreign) Ability to analyse and interpret market and economic information/data Detailed knowledge of regulatory policies and practices 	<ul style="list-style-type: none"> Strategic Focus Orientation Integrity and Discretion Initiative/ Proactive Entrepreneurship Analytical skills / Problem solving Resilience, Tenacity and Integrity Interpersonal skills Communication (oral & written) Leadership Coaching/mentorship / influencing Initiative/Entrepreneurship/ taking ownership Team building / conflict management Organization & coordination General managerial administration 	<ul style="list-style-type: none"> Master's degree in Economics or related discipline. 	<ul style="list-style-type: none"> Minimum of 10 years post qualification relevant experience with at least 5 years at a senior management level

SN	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
16	Significant Influence Functions	Significant Management Functions	Senior Lending Officer	To manage the bank's overall Retail Business within the branch	<ul style="list-style-type: none"> Facility customer relationship development/maintenance 	<ul style="list-style-type: none"> Leadership Influencing Team building / conflict 	A, top degree or equivalent in any discipline. Relevant	Minimum of 10 years relevant experience with at least 5 years

SN	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
					<ul style="list-style-type: none"> Cooperation skills Good knowledge and understanding of PCB Waste to flow contacts with regulators and major international financial institutions 	<ul style="list-style-type: none"> Organization and coordination skills Performance management Coaching 		
17	Significant Influence Functions	Significant Management Functions	Senior Operations Officer (General)	Monitor and implement a business unit plan that facilitates the delivery of quality products and excellent customer service delivery across the entire branch network - including cash centres and Impact centre (Domestic and sustain a customer-focused service delivery organization)	<ul style="list-style-type: none"> Good knowledge & understanding of banking operations (Domestic & International Operations) Good products knowledge Process management and documentation skills Good communication skills (oral & written) 	<ul style="list-style-type: none"> Strategic orientation Creative and better initiative Entrepreneurial ability commercial Analysis skills Problem solving Self Management Interpersonal Skills General managerial administration Team building / conflict management Leadership Coaching/ Influencing/ Supervisory Organizational Coordination skills Performance management 	A first degree or equivalent in any discipline. Relevant professional qualifications such as ACMA,	Minimum of 10 years relevant experience with at least 5 years at senior management level. Experience in banking operations and customer service

Job	Category	Position Type	Function	Role	Required qualifications, Skills and Competencies	Essential Skills	Minimum Qualifications	Minimum Experience
					<ul style="list-style-type: none"> • Handling potential conflict situations • Understanding of financial product regulations and the legal aspects of banking • Excellent working in an environment where adherence and quality control are essential • Business focused, with good all-round knowledge of marketing, sales, training and people management 			
12	Significant Internal Functions	Significant Management or Function	Senior Specialist Lending Officer	To manage the bank's specialized risk asset portfolio. This may be in any of the areas of specialized lending such as direct finance, project and structured finance, syndicate and securities underwriting	<ul style="list-style-type: none"> *Excellent customer relationship development/management *Strong strategic Orientation *Advance selling skills *Knowledge and understanding of Nigerian Retail market *Basic Banking Operations (Domestic) 	<ul style="list-style-type: none"> *Leadership / Influencing *Team building / conflict management *Organizational & coordination *General managerial / administration *Interpersonal skills *Computer application skills entry level (word processing/spreadsheet) 	A first degree or equivalent in any discipline. Relevant professional certification such as ACIB	Minimum of 10 years experience in a bank with at least 5 years experience in a management role

Sl.	Category	Function Type	Function	Role	Accepted certifications Skills and Competencies	Essential skills	Minimum Qualifications	Minimum Experience
21	Significant Influence Functions	System & control Function	Chief Risk Officer	To monitor and coordinate the overall risk management function.	<ul style="list-style-type: none"> * Knowledge and understanding of Banking Operations (International and Domestic) * Strategic orientation, Creativity & Innovation * Cost policy development and management capabilities * Financial Acumen * Finance & Accounting * Banking Industry Knowledge * Financial Industry knowledge * Knowledge and Understanding of Financial Regulations (Domestic & International) * Knowledge and Understanding of Risk Management and Financial Standards (Domestic & International) 	<ul style="list-style-type: none"> * Strategic Focus Orientation * Integrity and Devotion * Initiative/ Proactive * Entrepreneurship * Analytical skills / Problem solving * Resilience, Tenacity and Integrity * Interpersonal skills * Communication (oral & written) * General managerial administration * Leadership/Influencing * Organization & maintenance skills * Coaching and people management * Conflict management 	<ul style="list-style-type: none"> * A first degree or equivalent in any discipline * Recognized professional certification in risk management will be an added advantage 	Minimum of 10 years post qualification experience in risk management or related area within the Financial Services Industry, of which at least 7 must have been in the Banking Sector and 5 years must have been at a senior management level.

Job	Category	Function Type	Function	Role	Required Certification, Skills and Competencies	Generic skills	Minimum Qualification	Minimum Experience
11	Specialized Finance Functions	System & Control Function	Senior Credit Risk Officer	To manage overall credit risk profile and quality of the Group by ensuring compliance with the approved credit management framework and processes for identification, controlling, managing and handling credit risk	<ul style="list-style-type: none"> • Credit Administration/Control Management • Credit Products • Credit Analysis and Appraisal • Loans administration / account management • Credit Workout/Restructuring • Financial analysis / interpretation • Facility Structuring 	<ul style="list-style-type: none"> • Strategic Focus • Decision • Integrity and Discretion • Initiative / Proactive • Entrepreneurship • Analytical skills / Problem solving • Resilience, tenacity and Integrity • Interpersonal skills • Communication (self & other) • Leadership • Coaching / Mentoring / influencing • Initiative/Entrepreneurship / taking ownership • Team building / conflict management • Organization & coordination • General managerial administration 	<ul style="list-style-type: none"> • A first degree or equivalent in any discipline. • Recognized professional certification such as CPA, CMA, ACCA, ACA, CFP, ACFE 	Minimum of 10 years post qualification experience in risk management or related area within the Financial Services Industry, of which at least 7 must have been in the Banking Sector and 5 years must have been at a senior management level.

SN	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Special skills	Minimum Qualifications	Minimum Experience
23	Significant Influence Function	System control Function	Senior Operations Risk Officer	To minimize risk of loss to the Group by defining and ensuring compliance with the approved risk management framework and providing for identification, controlling, managing and reporting operational risk	<ul style="list-style-type: none"> - Knowledge of operational risk best practice - Advanced knowledge of operational risk measurement methodologies - Banking Operations (Domestic & International Operations) - Credit Analysis / Approval - Environmental / Industry Analysis - Investment / Portfolio Management - Assets & Liabilities Management - Financial analysis / interpretation - ICB - Documentation 	<ul style="list-style-type: none"> - Strategic Focus - Decision - Integrity and Honesty - Initiative Proactive - Entrepreneurship - Analytical skills / Problem solving - Resilience, Tenacity and Integrity - Interpersonal skills - Communicator (oral & written) - Leadership - Coaching / Mentoring - Influencing - Internal Entrepreneur (not being someone) - Team building / conflict management - Organizer & coordinator - General managerial administration 	<ul style="list-style-type: none"> - A first degree or equivalent in any discipline - Recognized professional qualification such as CPA, CMA, ACCA, ACA, etc. 	Minimum of 10 years post qualification experience in risk management or related area within the financial services industry of which at least 7 must have been in the Banking Sector and 3 years must have been at a senior management level
24	Significant Influence Function	System control Function	Chief Internal Auditor	To ensure that the Group's internal audit and regulatory policies are being complied with and to ensure the	<ul style="list-style-type: none"> - Audit & Investigation - Financial and operational audit of organizations - Fabricious Banking 	<ul style="list-style-type: none"> - Strategic Focus - Integrity and Honesty - Initiative Proactive - Entrepreneurship 	<ul style="list-style-type: none"> - A first degree or equivalent - Recognized professional Accounting 	A minimum of 10 years experience in the financial management/accounting/regulation, 8 of which

ID	Group	Function Type	Function	Aims	Required certifications and Competences	Generic skills	Minimum Qualifications	Minimum Experience
						<ul style="list-style-type: none"> conflict management * Organization & coordination * General managerial / administration 		
M	Significant Information Functions	System & Control Function	Business Information Security Officer	<ul style="list-style-type: none"> § To ensure measures that would ensure the adherence to appropriate internal control framework and procedures so as to minimize loss from non-compliance with the policies & procedures 	<ul style="list-style-type: none"> § Banking Operations (Domestic & International) § Accounting § Credit Analysis / Appraisal § Environmental / Industry Analysis § Risk Management § Operational risk § Investment / Portfolio Management § Assets & Liabilities Management § Financial analysis / Interpretation § TQM § Documentation 	<ul style="list-style-type: none"> § Strategic Focus Orientation § Integrity and Discretion § Analytical / Problem solving § Resilience, Tenacity and Integrity § Interpersonal skills § Communication oral & written § Leadership § Coaching / Mentoring / Influencing § Business/Entrepreneurship / team building / conflict management § Organization & coordination § General managerial Administration 	<ul style="list-style-type: none"> § A first degree or equivalent in relevant discipline § Recognized professional certification such as CIBSI, CISA, CCFI, CPA, CMA, ACCA, CFP, CFE, ACAMS, IT Certifications, etc 	<ul style="list-style-type: none"> Minimum of 8 years post qualification experience in Compliance & Internal Control within the Financial Services industry of which at least 5 must have been in the Banking Sector

ID	Category	Function Type	Function	Role	Required qualifications, skills and Competencies	Essential skills	Minimum/Qualification	Minimum Experience
37	Significant Influence Functions	Systemic Function	Senior Market Risk/IR officer	Define and implement appropriate risk management policies for identification, management, control and reporting of Market and Liquidity risks of international business	<ul style="list-style-type: none"> Quantitative analysis and modeling Sound and detailed knowledge of trading dynamics, quantitative valuation and Treasury operations Deep knowledge of the Bank's trading and treasury products Sound knowledge of asset and liability management Deep understanding of the structure and complexities of market rates (Local and Foreign) Ability to evaluate and interpret market and economic information Detailed knowledge of regulatory policies and objectives 	<ul style="list-style-type: none"> Strategic Focus Integrity and Honesty Initiative/Proactive Entrepreneurship Analytical skills / Problem solving Resilience, Tenacity and Integrity Interpersonal skills Communication (oral & written) Leadership Coaching/mentoring / influencing Initiative/Proactivity/ taking ownership Team building / conflict management Organization & coordination General managerial administration 	<ul style="list-style-type: none"> A first degree or its equivalent in a numerate discipline Recognised professional certification such as ACCA, CFA, CIB, ACCA, ACA, CFP, etc. 	<ul style="list-style-type: none"> Minimum of 10 years post qualification experience in risk management or related area within the Financial Services Industry, of which at least 7 must have been in the Banking Sector and 5 years must have been at a senior management level

SN	Category	Function Type	Position	Role	Required qualifications Skills and Competencies	Essential skills	Minimum Qualifications	Minimum Experience
25	Significant Influence Function	System & Control Function	Chief Information Officer	To formulate and propose the IT strategy on the Bank's Information Technology, compliance and control as well as analyzing and monitoring existing business processes that would reshape, drive and deliver the Bank's strategic objectives.	<ul style="list-style-type: none"> - Banking Operations (Domestic & International Operations) - Deep Knowledge and Understanding of Information Technology - Understanding of the business and IT strategy administration - Project Management Skills - Supplier Management - Change Management 	<ul style="list-style-type: none"> § Leadership and Communication § Coaching / Counseling § Team building § Organization & Coordination § General managerial / administration - Entrepreneurship - Customer Service - Performance management - Analytical / Problem solving - Initiative and Judgment 	<ul style="list-style-type: none"> - A University degree in relevant discipline AND relevant IT certificate. 	<ul style="list-style-type: none"> - At least 10 years post-qualification experience. 5 years in senior Management position and not less than 5 years in IT role
26	Significant Influence Function	Human Resources	Head Human Resources	To formulate and propose the Human resource policy, implementing human resource and remuneration policies and practices that support the delivery of the business strategy and which thereby help create value for shareholders.	<ul style="list-style-type: none"> * Knowledgeable about current best practice in HR policies and recruitment * Knowledgeable about current best practice in remuneration and understand the importance of aligning reward to the achievement of the institution strategic objectives. 	<ul style="list-style-type: none"> *General leadership / Influencing skills *Team building / conflict management *Organization and coordination skills *People Skills *Innovation *Analytical Skills/ Problem solving *Self-Management/Interpersonal Skills 	<ul style="list-style-type: none"> - A 3rd degree or its equivalent in any discipline. Recognized professional certification such as CPA. 	<ul style="list-style-type: none"> - At least 10 years post-qualification experience. Of which 5 years must be in position within human resource management

ID	Category	Function Type	Function	Roles	Required qualifications, Skills, and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
27	Customer Functions	Customer activity	Retail Advisory Officer	Responsible for Retailability products management to drive and generate financial value locally for the Bank	<ul style="list-style-type: none"> - Excellent Business Development and management - Strong strategic and Analytical skills - Advanced Marketing and Sales skills - Knowledge and understanding of relevant Retail market - Basic Banking Operations / Domestic & International Operations - Product Management skills - Environmental / Industry analysis - Documentation 	<ul style="list-style-type: none"> - Leadership / Influencing - Team building / conflict management - Organisation & coordination - General managerial / administration - Good interpersonal relationship skills - Computer application 	<ul style="list-style-type: none"> - First degree or equivalent in any Business related discipline - Relevant professional certification (e.g. ACS) 	<ul style="list-style-type: none"> - Minimum of 3 years relevant experience, out of which 1 year in management position with responsibility in Retail & marketing units, relationship management and Marketing and retail sales.
28	Customer Functions	Customer Services	Complainer	Handling of Customers' Complaints and resolving of the issues raised by them	<ul style="list-style-type: none"> - Excellent verbal and written communication skills - Able to provide excellent and need based services - First class interpersonal skills - Able to communicate with a wide range of people 	<ul style="list-style-type: none"> - Initiative / Proactive - Analytical skills / Problem solving - Resilient, Tenacity and Integrity - Interpersonal skills - Communication (oral & written) - General managerial administration - Leadership/Influencing 	<ul style="list-style-type: none"> - A first degree in Law 	<ul style="list-style-type: none"> - Minimum of 2 years' experience out of which at least 1 year must have been in financial services industry.

Job	Category	Function Type	Function	Role	Required qualifications Skills and Competencies	Core/Key Skills	Minimum/Qualification	Minimum Experience
					<ul style="list-style-type: none"> - Ethical, focused on treating customer fairly - Courteous and attentive - Trustworthy and reliable - Organized and methodical - High attention to detail - Computer literate - Respect for customer and business confidentiality - good knowledge of legal requirements, industry regulations, organizational policies and professional codes 	<ul style="list-style-type: none"> *Organization and coordination skills *Teaching and people management *Conflict management 		

SN	Category	Function Type	Function	Role	Required certifications, skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
28	Customer Function	Customer Services	Private Banking Advisor	To articulate and develop strategies that will provide direction for the bank's wealth management activities	<ul style="list-style-type: none"> *Excellent client relationship development/management *Cost negotiation, problem-solving and conflict resolution *A deep understanding of alternative investment strategies. *A deep knowledge of capital markets, alternative investments & asset management products. *Environmental / Industry analysis *Financial Analysis / Interpretation *Banking Operations (Domestic & International Operations) *Investment Portfolio Management *Money Market Trading *Marketing Presentations * Strong strategic 	<ul style="list-style-type: none"> *Leadership / Supervisory *Team building / conflict management *Organization & coordination *Interpersonal skills * Computer application / data entry / word processing/spreadsheet (graphics) *Communication (written and oral) *TCM 	<ul style="list-style-type: none"> *A first degree or equivalent in any discipline and Professional certifications such as ACS, 	<ul style="list-style-type: none"> * 8 years relevant experience; at least 3 of which must have been at a Senior Management position with experience in the marketing of financial services, product development and/or wealth mgmt and portfolio asset management.

Job	Category	Function Type	Function	Role	Required certifications, Skills, and Competencies	Generic skills	Minimum Qualification	Minimum Experience
					orientation			
28	Customer Function	Customer Function	Senior Operations Officer - Electronic Banking	<ul style="list-style-type: none"> - Develop and implement excellent go-to-market strategy to increase rollout of the bank's cards, -diamond and -other technology-enabled products and services across the Access-Group - Consistently create differentiated e-payment offerings through innovation and partnering to grow the Bank's profitability and to deliver on strategic objectives. 	<ul style="list-style-type: none"> - Knowledge and understanding of the Nigerian payments landscape - Strong alliance management skills - Excellent customer relationship development/management - Good negotiation, problem-solving and conflict resolution - Creative thinking and innovative - Knowledge and understanding of alternative payments products - Good product 	<ul style="list-style-type: none"> - Initiative - Entrepreneurship/ taking ownership - Analytical Skill - Problem solving - Financial & business modeling - Self-Management - Interpersonal Skills - General managerial/ administrative - Team leading / conflict management - Coaching - Leadership / influencing - Organizational and coordination skills 	<ul style="list-style-type: none"> - A first degree or equivalent in any discipline. 	<ul style="list-style-type: none"> - Minimum of 10 years experience in banking/ financial services institution with experience in electronic payments solutions/IT. 5 years must have been at managerial level.

ID	Category	Function Type	Function	Role	Required qualifications Skills and Experiences	Special skills	Minimum Qualification	Minimum Experience
					<ul style="list-style-type: none"> Development and management capabilities Knowledge of how to develop, select and execute a business case 			
22	Customer Function	Customer Services	Senior Lending Officer - Corporate	To manage the bank's overall global relationship with large Corporate and to give overall direction and supervision of the group's strategies	<ul style="list-style-type: none"> Knowledge and understanding of the market Ability of market influence Marketing ability Strong strategic vision Excellent customer relationship development/management Good regulatory, problem-solving and conflict resolution Creative and innovative Knowledge and understanding of consumer financial products Good project development and 	<ul style="list-style-type: none"> General managerial administration Team building / conflict management Coaching Leadership / influencing Organization and coordination skills Initiative Entrepreneurial taking ownership Analytical Skills Problem solving Self-Management 	A first degree or equivalent in any discipline	Minimum of 10 years relevant experience with at least 5 years in a management and leadership role

ID	Category	Function Type	Name	Title	Required certifications, Skills and Competencies	Generic skills	Minimum Qualifications	Minimum Experience
					public management capabilities			

conduct was below that which would be reasonable in all the circumstances.

- b) For the avoidance of doubt, the Approved Standards do not extend the duties of approved persons beyond those which the company owes in its dealings with customers or others.

1.1.5. In particular, in determining whether or not an approved person's conduct complies with a Standard, the CBN will take into account the extent to which an approved person has acted in a way that is stated to be in breach of an approved Standard.

1.1.6. The Code of Practice for Approved Persons (and in particular the specific examples of behavior which may be in breach of a generic description of conduct in the code) is not exhaustive of the kind of conduct that may contravene the Approved Standards. The purpose of the code is to help determine whether or not a person's conduct complies with a Standard. The code may be supplemented from time to time. The CBN will amend the code if there is a risk that unacceptable practice may become prevalent.

1.1.7. There are seven Approved Persons Standards. (see section 2 below) Standards number 1 to 4 shall apply to all approved persons.

A person performing a significant influence function is also subject to the additional requirements set out in Approved Standards 5 to 7 in performing that controlled function. In the Approved Standards and in the Code of Practice for Approved Persons, a reference to "his controlled function" is a reference to the controlled function to which the approval relates.

1.1.8 In applying Approved Standards 5 to 7, the nature, scale and complexity of the business under management and the role and responsibility of the individual performing a significant influence function within the company will be relevant in assessing whether an approved person's conduct was reasonable. For example, the smaller and less complex the business, the less detailed and extensive the systems of control need to be. The CBN will be of the opinion that an individual performing a significant influence function may have breached Approved Standards 5 to 7 only if his conduct was below the standard which would be reasonable in all the circumstances.

1.1.9 Financial institutions listed on the Nigerian Stock Exchange are subject to the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC) in 2011. Institutions under the regulatory purview of the CBN in this category will thus be subject to that code as well as to the requirements and standards of the regulatory system. In forming an opinion whether approved persons have complied with its requirements, the CBN will also give due consideration to compliance with the provisions of the SEC Code of Corporate Governance.

1.1.10 All CBN regulated Financial institutions are also subject to the CBN Code of Corporate Governance.

1.2. Factors Relating to all Approved Standards

1.2.1. In determining whether or not the particular conduct of an approved person within his controlled function complies with the Approved Standards, the following factors should be taken into account:

- a) whether that conduct relates to activities that are subject to other provisions of any part of the code or

- b) whether that conduct is consistent with the requirements and standards of the regulatory system relevant to his company.

1.3. Factors Relating to Approved Standards 5 to 7

1.3.1. In determining whether or not the conduct of an approved person performing a significant influence function complies with Approved Standards 5 to 7, the following factors should be taken into account:

- a) whether he exercised reasonable care when considering the information available to him;
- b) whether he reached a reasonable conclusion which he acted on;
- c) the nature, scale and complexity of the company's business;
- d) his role and responsibility as an approved person performing a significant influence function;
- e) the knowledge he had, or should have had, of regulatory concerns, if any, arising in the business under his control.

2.0. Code of Practice for Approved Persons: Specific Standards

2.1. Approved Standard 1

2.1.1. "An approved person must act with integrity in carrying out his controlled function."

2.1.2. Conduct of the type described below does not comply with Approved Standard 1:

- A. Deliberately misleading (or attempting to mislead) by act or omission:
 - a) a client; or
 - b) his company (or its auditors or an actuary appointed by his company under or

c) the CBN.

Behaviour of the type referred to above includes, but not limited to, deliberately:

- a. falsifying documents;
- b. misleading a client about the risks of an investment;
- c. misleading a client about the charges or surrender penalties of investment products;
- d. misleading a client about the likely performance of investment products by providing inappropriate projections of future investment returns;
- e. misleading a client by informing him that products require only a single payment when that is not the case;
- f. mispricing the value of investments or trading positions;
- g. procuring the unjustified alteration of prices on liquid or off-exchange contracts, or both;
- h. misleading others within the company about the credit worthiness of a borrower;
- i. providing false or inaccurate documentation or information, including details of training, qualifications, past employment record or experience;
- j. providing false or inaccurate information to the company (or to the company's auditors or an actuary appointed by the company)
- k. providing false or inaccurate information to the CBN;
- l. destroying, or causing the destruction of, documents (including false documentation), or tapes or their contents, relevant to misleading (or attempting to mislead) a client, his company, or the CBN;
- m. failing to disclose dealings where disclosure is required by the company's personal account dealing rules;
- n. misleading others in the company about the nature of risks being accepted.

- B. Deliberately recommending an investment to a customer, or carrying out a discretionary transaction for a customer where the approved person knows that he is unable to justify its suitability for that customer.
- C. Deliberately failing to inform, without reasonable cause:

{1} a customer; or {2} his company (or its auditors or an actuary appointed by his company) or {3} the CBN; of the fact that their understanding of a material issue is incorrect, despite being aware of their misunderstanding.

Behaviour of the type referred to above includes, but not limited to, deliberately:

- a. failing to disclose the existence of falsified documents;
- b. failing to rectify mistaken positions immediately.

- D. Deliberately preparing inaccurate or inappropriate records or returns in connection with a controlled function.

Behaviour of the type referred to above includes, but not limited to, deliberately:

- a. preparing performance reports for transmission to customer, which are inaccurate or inappropriate (for example, by relying on past performance without appropriate warnings);
- b. preparing inaccurate training records or inaccurate details of qualifications, past employment record or experience;
- c. preparing inaccurate trading confirmations, contract notes or other records of transactions or holdings of securities for a customer, whether or not the customer is aware of these inaccuracies or has requested such records.

- E. Deliberately misusing the assets or confidential information of a client or of his company.

Behaviour of the type referred to above includes, but is not limited to, deliberately:

- a. front running client orders;
- b. carrying out unjustified trading on client accounts to generate a benefit (whether direct or indirect) to the approved person (that is, churning);
- c. misappropriating a client's assets, including wrongly transferring to personal accounts cash or securities belonging to clients;
- d. wrongly using one client's funds to settle margin calls or to cover trading losses on another client's account or on company accounts;
- e. using a client's accounts or funds for purposes other than those for which they were provided;
- f. retaining a client's funds wrongly;
- g. pledging the assets of a client as security or margin in circumstances where the company is not permitted to do so.

F. Deliberately designing transactions so as to disguise breaches of requirements and standards of the regulatory system.

G. Deliberately failing to disclose the existence of a conflict of interest in connection with dealings with a client.

H. Deliberately not paying due regard to the interests of a customer.

I. Deliberate acts, omissions or business practices that could be reasonably expected to cause consumer detriment

2.2. Approved Standard 3

2.2.1. "An approved person must act with due skill, care and diligence in carrying out his controlled function."

2.2.2. Conduct of the type described below do not comply with Approved Standard 2:

A. Failing to inform (1) a customer; or (2) his company (or its auditors or an actuary appointed by his company); of material information in circumstances where he was aware, or ought to have been aware, of such information, and of the fact that he should provide it.

Behaviour of the type referred to above includes, but not limited to:

- a. failing to explain the risks of an investment to a customer;
- b. failing to disclose to a customer details of the charges or surrender penalties of investment products;
- c. mismarking trading positions;
- d. providing inaccurate or inadequate information to a company, its auditors or an actuary appointed by his company;
- e. failing to disclose dealings where disclosure is required by the company's personal account dealing rules.

B. Recommending an investment to a customer, or carrying out a discretionary transaction for a customer, where he does not have reasonable grounds to believe that it is suitable for that customer.

C. Undertaking, recommending or providing advice on transactions without a reasonable understanding of the risk exposure of the transaction to a customer.

Behaviour of the type referred to above includes, but not limited to, recommending transactions in investments to a customer without a reasonable understanding of the liability (either potential or actual) of that transaction.

D. Undertaking transactions without a reasonable understanding of the risk exposure of the transaction to the company.

Behaviour of the type referred to above includes, but not limited to, trading on the company's own account without a reasonable understanding of the liability (either potential or actual) of the transaction.

E. Failing without good reason to disclose the existence of a conflict of interest in connection with dealings with a client.

F. Failing to provide adequate control over a client's assets.

Behaviour of the type referred to above includes, but is not limited to:

- a. failing to segregate a client's assets;
- b. failing to process a client's payments in a timely manner.

G. Continuing to perform a controlled function despite having failed to meet the standards of knowledge and skill set out by the CBN for that controlled function.

H. Failing to pay due regard to the interests of a customer, without good reason.

3.3. **Approved Standard 3**

2.3.1. "An approved person must observe proper standards of market conduct in carrying out his controlled function."

2.3.3. A factor to be taken into account in determining whether or not an approved person's conduct complies with this Approved Standard is whether he, or his company, has complied with relevant market codes and exchange rules.

Compliance with the code or rules described above will tend to show compliance with this Approved Standard.

2.4. Approved Standard 4

2.4.1. "An approved person must deal with the CBN and with other regulators in an open and cooperative way and must disclose appropriately any information of which the CBN would reasonably expect notice."

2.4.2. For the purpose of this Standard, regulators in addition to the CBN are those which have recognised jurisdiction in relation to regulated activities and power to call for information from the approved person in connection with his controlled function or (in the case of an individual performing a significant influence function) in connection with the business for which he is responsible. This may include the NDIC, SIC or an overseas regulator.

2.4.3. Conduct of the type described below do not comply with Approved Standard 4:

A. Failing to report promptly in accordance with his company's internal procedures (or if none exist direct to the regulator), information which it would be reasonable to assume would be of material significance to the regulator, whether in response to questions or otherwise.

There is no duty on an approved person to report such information directly to the CBN unless he is one of the approved persons responsible within the company for reporting matters to the regulator. However, if an approved person takes steps to influence the decision so as not to report to the regulator or acts in a way that is intended to obstruct the reporting of the information to the regulator, then the CBN will, in respect of that information, view him as being one of those within the company who has taken on responsibility for deciding whether to report that matter to the regulator.

In determining whether or not an approved person's conduct under (A) above complies with Approved Standard 4, the following are factors which, in the opinion of the CBN, are to be taken into account:

- i. the likely significance to the CBN of the information which it was reasonable for the individual to assume;
- ii. whether the information is related to the individual himself or to his company;
- iii. whether any decision not to report the matter internally was taken after reasonable enquiry and analysis of the situation.

B. Where the approved person is, or is one of the approved persons who is, responsible within the company for reporting matters to the CBN, failing promptly to inform the CBN of information of which he is aware and which it would be reasonable to assume would be of material significance to the CBN, whether in response to questions or otherwise.

In determining whether or not an approved person's conduct above complies with Approved Standard 4, the following are factors which, in the opinion of the CBN, are to be taken into account:

- i. the likely significance of the information to the CBN which it was reasonable for the approved person to assume;

- i. whether any decision not to inform the CBN was taken after reasonable enquiry and analysis of the situation.
- C. Failing without good reason to:
- i. inform a regulator of information of which the approved person was aware in response to questions from that regulator;
 - ii. attend an interview or answer questions put by a regulator, despite a request or demand having been made;
 - iii. supply a regulator with appropriate documents or information when requested or required to do so and within the time limits attaching to that request or requirement.

2.5. Approved Standard 5

2.5.1. "An approved person performing a significant influence function must take reasonable steps to ensure that the business of the company for which he is responsible in his controlled function is organised so that it can be controlled effectively."

2.5.2. Conduct of the type described below do not comply with Approved Standard 5:

- A. Failing to take reasonable steps to apportion responsibilities for all areas of the business under the approved person's control.
- B. Failing to take reasonable steps to apportion responsibilities clearly amongst those to whom responsibilities have been delegated.

Behaviour of the type referred to above includes, but is not limited to:

- L. implementing confusing or uncertain reporting lines;

- i. implementing confusing or uncertain authorisation levels;
- ii. implementing confusing or uncertain job descriptions and responsibilities;

C. In the case of an approved person who is responsible for dealing with the apportionment of responsibilities, failing to take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among the company's directors, senior managers and approved persons performing significant functions.

Behaviour of the type referred to above includes, but is not limited to:

- i. failing to review regularly the significant responsibilities which the company is required to apportion;
- ii. failing to act where that review shows that those significant responsibilities have not been clearly apportioned.

D. Failing to take reasonable steps to ensure that suitable individuals are responsible for those aspects of the business under the control of the individual performing a significant influence function.

Behaviour of the type referred to above includes, but is not limited to:

- i. failing to review the competence, knowledge, skills and performance of staff to assess their suitability to fulfil their duties, despite evidence that their performance is unacceptable;
- ii. giving undue weight to financial performance when considering the suitability or continuing suitability of an individual for a particular role;
- iii. allowing managerial vacancies which put at risk compliance with the requirements and standards of the regulatory system to remain, without arranging suitable cover for the responsibilities.

2.5.3. Strategy and plans will often dictate the risk which the business is prepared to take on and high level controls will dictate how the business is to be run. If the strategy of the business is to enter high-risk areas, then the degree of control and strength of monitoring reasonably required within the business will be high. In organising the business for which he is responsible, the approved person performing a significant influence function should bear this in mind.

2.5.4. Apportionment of Responsibilities

In order to comply with the obligations of Approved Standard 5, the approved person performing a significant influence function may find it helpful to review whether each area of the business for which he is responsible has been clearly assigned to a particular individual or individuals.

2.5.5. Authorization Level and Job Description

Where members of staff have particular levels of authorisation, these should be clearly set out and communicated to staff. It may be appropriate for each member of staff to have a job description of which he is aware.

2.5.6. Suitability of Individual

The appropriate approved person performing a significant influence function should take reasonable steps to satisfy himself, on reasonable grounds that each area of the business for which he is responsible has in place appropriate policies and procedures for reviewing the competence, knowledge, skills and performance of each individual member of staff.

if an individual's performance is unsatisfactory, then the appropriate approved person (if any) performing a significant influence function should review carefully whether to allow that individual to continue in position. In particular, if he is aware of concerns relating to the compliance with requirements and standards of the regulatory system (or internal controls) of the individual concerned, or of staff reporting to that individual, the approved person performing a significant influence function should take care not to give undue weight to the financial performance of the individual or group concerned when considering whether any action should be taken. An adequate investigation of the concerns should be undertaken (including, where appropriate, adherence to internal controls). The approved person performing a significant influence function should satisfy himself, on reasonable grounds, that the investigation is appropriate, the results are accurate and that the concerns do not pose an unacceptable risk to compliance with the requirements and standards of the regulatory system (see in particular Approved Standard 6).

2.5.7. Temporary Vacancies

In organising the business, the approved person performing a significant influence function should pay attention to any temporary vacancies which exist. He should take reasonable steps to ensure that suitable cover for responsibilities is arranged. This could include taking on temporary staff or external consultants. An approved person performing a significant influence function should assess the risk that is posed to compliance with the requirements and standards of the regulatory system as a result of the vacancy, and the higher the risk the greater the steps he should take to fill the vacancy. It may be appropriate to limit or suspend the activity if appropriate cover for responsibilities cannot be arranged. To the extent that those vacancies are in respect of one of the customer functions, they may only be filled by persons approved for that function.

2.8. Approved Standard 6

2.8.1. "An approved person performing a significant influence function must exercise due skill, care and diligence in managing the business of the company for which he is responsible in his controlled function."

2.8.2. Conduct of the type described below do not comply with Approved Standard 6:

A. Failing to take reasonable steps to adequately inform himself about the affairs of the business for which he is responsible.

Behaviour of the type referred to above includes, but is not limited to:

- I. permitting transactions without a sufficient understanding of the risks involved;
- II. permitting expansion of the business without reasonably assessing the potential risks of that expansion;
- III. inadequately monitoring highly profitable transactions or business practices or unusual transactions or business practices;
- IV. accepting implausible or unsatisfactory explanations from subordinates without testing the veracity of those explanations;
- V. failing to obtain independent, expert opinion where appropriate;

B. Delegating the authority for dealing with an issue or a part of the business to an individual or individuals (whether in-house or outside contractors) without reasonable grounds for believing that the delegate had the necessary capacity, competence, knowledge, seniority or skill to deal with the issue or to take authority for dealing with part of the business.

C. Failing to take reasonable steps to maintain an appropriate level of understanding about an issue or part of the business that he has delegated to an individual or individuals (whether in-house or outside contractors).

Behaviour of the type referred to above includes but is not limited to:

- i. disregarding an issue or part of the business once it has been delegated;
- ii. failing to require adequate reports once the resolution of an issue or management of part of the business has been delegated;
- iii. accepting implausible or unsatisfactory explanations from delegates without testing their veracity.

D. Failing to supervise and monitor adequately the individual or individuals (whether in-house or outside contractors) to whom responsibility for dealing with an issue or authority for dealing with a part of the business has been delegated.

Behaviour of the type referred to above includes, but is not limited to:

- i. failing to take personal action where progress is unreasonably slow, or where implausible or unsatisfactory explanations are provided;
- ii. failing to review the performance of an outside contractor in connection with the delegated issue or business.

2.6.3. In determining whether or not the conduct of an approved person performing a significant influence function complies with Approved Standard 6, the following are factors which, in the opinion of the CBN, are to be taken into account:

- I. the competence, knowledge or seniority of the delegate; and
- II. the past performance and record of the delegate.

2.6.4. An approved person performing a significant influence function will not always manage the business on a day-to-day basis himself. The extent to which he does so will depend on a number of factors, including the nature, scale and complexity of the business and his position within it. The larger and more complex the business, the greater the need for clear and effective delegation and reporting lines. The CBN will look to the approved person performing a significant influence function to take reasonable steps to ensure that systems are in place which result in issues being addressed at the appropriate level. When issues come to his attention, he should deal with them in an appropriate way.

2.6.5. Knowledge about the Business

- a. It is important for the approved person performing a significant influence function to understand the business for which he is responsible. An approved person performing a significant influence function is unlikely to be an expert in all aspects of a complex financial services business. However, he should understand and inform himself about the business sufficiently to understand the risks of its trading, credit or other business activities.
- b. It is important for an approved person performing a significant influence function to understand the risks of expanding the business into new areas and, before approving the expansion, he should investigate and satisfy himself, on reasonable grounds, about the risks, if any, to the business.
- c. Where unusually profitable business is undertaken, or where the profits are particularly volatile or the business involves funding requirements on the company beyond those reasonably anticipated, he should require explanations from those who report to him. Where those explanations are implausible or unsatisfactory, he should take steps to test the veracity of those explanations.
- d. Where the approved person performing a significant influence function is not an expert in a business area, he should consider whether he or those with

whom he works have the necessary expertise to provide him with an adequate explanation of issues within that business area. If not he should seek an independent opinion from elsewhere within or outside the company.

2.6.6. Delegation

- a. An approved person performing a significant influence function may delegate the investigation, resolution or management of an issue or authority for dealing with a part of the business to individuals who report to him or to others.
- b. The approved person performing a significant influence function should have reasonable grounds for believing that the delegate has the competence, knowledge, skill and time to deal with the issue. For instance, if the compliance department only has sufficient resources to deal with day-to-day issues, it would be unreasonable to delegate to it the resolution of a complex or unusual issue without ensuring it had sufficient capacity to deal with the matter adequately.
- c. If an issue raises questions of law or interpretation, the approved person performing a significant influence function may need to take legal advice. If appropriate legal expertise is not available in-house, he may need to consider appointing an appropriate external adviser.
- d. The CBN recognises that the approved person performing a significant influence function will have to exercise his own judgment in deciding how issues are dealt with, and that in some cases that judgment will, with the benefit of hindsight, be shown to have been wrong. He will not be in breach of Approved Standard 6 unless he fails to exercise due and reasonable consideration before he delegates the resolution of an issue or authority for dealing with a part of the business and fails to reach a reasonable conclusion. If he is in doubt about how to deal with an issue or the seriousness of a particular compliance problem, then, although he cannot delegate to the

CBN the responsibility for dealing with the problem or issue, he can speak to the CBN to discuss his approach.

2.6.7. Continuing Responsibility where an issue has been delegated

Although an approved person performing a significant influence function may delegate the resolution of an issue, or authority for dealing with a part of the business, he cannot delegate responsibility for it. It is his responsibility to ensure that he receives reports on progress and questions those reports where appropriate. For instance, if progress appears to be slow or if the issue is not being resolved satisfactorily, then the approved person performing a significant influence function may need to challenge the explanations he receives and take action himself to resolve the problem. This may include increasing the resource applied to it, reassigning the resolution internally or obtaining external advice or assistance. Where an issue raises significant concerns, an approved person performing a significant influence function should act clearly and decisively, if appropriate, this may be by suspending members of staff or relieving them of all or part of their responsibilities.

2.7. Approved Standard 7

2.7.1. "An approved person performing a significant influence function must take reasonable steps to ensure that the business of the company for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system."

2.7.2. Conduct of the type described below does not comply with Approved Standard 7:

A. Failing to take reasonable steps to implement (either personally or through a compliance department or other departments) adequate and appropriate systems of control to comply with the relevant requirements and standards of the regulatory system in respect of its regulated activities. In the case of an approved person who is responsible for overseeing the company's obligation, failing to take reasonable care to oversee the establishment and maintenance of appropriate systems and controls.

B. Failing to take reasonable steps to monitor (either personally or through a compliance department or other departments) compliance with the relevant requirements and standards of the regulatory system in respect of its regulated activities.

C. Failing to take reasonable steps adequately to inform himself about the reason why significant breaches (whether suspected or actual) of the relevant requirements and standards of the regulatory system in respect of its regulated activities may have arisen (taking account of the systems and procedures in place).

Behaviour of the type referred to above includes, but is not limited to, failing to investigate what systems or procedures may have failed including, where appropriate, failing to obtain expert opinion on the adequacy of the systems and procedures.

D. Failing to take reasonable steps to ensure that procedures and systems of control are reviewed and, if appropriate, improved, following the identification of significant breaches (whether suspected or actual) of the relevant requirements and standards of the regulatory system relating to its regulated activities.

Behaviour of the type referred to above includes, but is not limited to:

- a. unreasonably failing to implement recommendations for improvements in systems and procedures;
- b. unreasonably failing to implement recommendations for improvements to systems and procedures in a timely manner.

E. In the case of the money laundering reporting officer, failing to discharge the responsibilities imposed on him by the company

F. In the case of an approved person performing a significant influence function responsible for compliance failing to take reasonable steps to ensure that appropriate compliance systems and procedures are in place.

G. The CBN expects an approved person performing a significant influence function to take reasonable steps both to ensure his company's compliance with the relevant requirements and standards of the regulatory system and to ensure that all staff are aware of the need for compliance.

Where the approved person is a proprietary trader, failing to maintain and comply with appropriate systems and controls in relation to that activity.

2.7.3. Systems of Control

An approved person performing a significant influence function need not himself put in place the systems of control in his business. Whether he does this depends on his role and responsibilities. He should, however, take reasonable steps to ensure that the business for which he is responsible has operating procedures and systems which include well-defined steps for complying with the detail of relevant requirements and standards of the regulatory system and for ensuring that the business is run prudently. The nature and extent of the systems of control that are

required will depend upon the relevant requirements and standards of the regulatory system, and the nature, scale and complexity of the business.

2.7.4. Possible Breaches of Regulatory Requirements

Where the approved person performing a significant influence function becomes aware of actual or suspected problems that involve possible breaches of relevant requirements and standards of the regulatory system falling within his area of responsibility, then he should take reasonable steps to ensure that they are dealt with in a timely and appropriate manner. This may involve an adequate investigation to find out what systems or procedures may have failed and why. He may need to obtain expert opinion on the adequacy and efficacy of the systems and procedures.

2.7.5. Review and Improvement of Systems and Procedures

Where independent reviews of systems and procedures have been undertaken and result in recommendations for improvement, the approved person performing a significant influence function should ensure that, unless there are good reasons not to, any reasonable recommendations are implemented in a timely manner. What is reasonable will depend on the nature of the inadequacy and the cost of the improvement. It will be reasonable for the approved person performing a significant influence function to carry out a cost benefit analysis when assessing whether the recommendations are reasonable.

Notes: In several places in the document, the words 'he' and 'his' were used to denote an approved person. This does not indicate a male person only but refers to both male and female approved persons. It means either 'he' or 'she' and 'his' or 'her'.