



CBN website: www.cenbank.org

CENTRAL BANK OF NIGERIA

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CIRCULAR

TO ALL CHAIRMEN, DIRECTORS AND MANAGERS OF ALL COMMUNITY BANKS

FURTHER REQUIREMENTS AND PROCEDURES FOR THE CONVERSION OF COMMUNITY BANKS TO MICROFINANCE BANKS

The following amendment to the CBN Circular No. OFID/DO/CIR/Vol.1/450 dated 3rd February, 2006 has been approved by the Management of the Central Bank of Nigeria:

Removal of the requirement to deposit the shortfall in capital

The requirement contained in paragraph 3(b) (i) and (ii) of the circular under reference requiring Community Banks (CBs) converting to Microfinance Banks (MFBs) to submit 'a bank draft for the shortfall in capital, where it exceeds ₦5.0 million', has been removed.

Accordingly, CBs converting to MFBs are to deposit the shortfall in capital (the amount required to raise their Shareholders' Funds unimpaired by losses to ₦20.0 million as per the latest approved audited accounts) with their correspondent bank and provide all relevant documentary evidence. Subsequently, capital verification would be carried out by CBN Examiners to ascertain the true capital position of the institution.

Such CBs are to submit the following documents when forwarding their applications for conversion to the CBN:

- Certified true copy of the Statement of Account obtained from their correspondent banks showing details of the lodgement of the additional capital.
- Copies of the instruments with which the deposits were made.
- Form CO2 reflecting the additional capital.
- Letter of intent from each shareholder that the deposits were for shares in the affected institution.
- Copies of letters to shareholders conveying the allotment of additional shares
- Letter of undertaking from each significant shareholder, owning 5% or more of the total shares, that the funds were neither borrowed nor obtained through money laundering activity.

This measure has been introduced to ensure that converting CBs continue to have unfettered access to the increased capital for business transactions during the period of conversion. It is also designed to ensure that the conversion of existing CBs to MFBs is as seamless as possible.

S. A. Oni

Director, Other Financial Institutions Department.