



GUIDELINES ON NON-INTEREST WINDOW AND BRANCH OPERATIONS OF CONVENTIONAL BANKS AND OTHER FINANCIAL INSTITUTIONS

1.0 Introduction

A non-interest window operation is defined as part of a conventional financial institution (which may be a branch or a dedicated unit) that provides fund management (investment accounts), financing, investment and other banking services that are Shariah compliant.

The following specific guidelines shall apply to the non-interest window operations or branches of conventional banks and other financial institutions:

2.0 Establishment of Non-interest Windows/Branches

- 2.1** A conventional bank or financial institution may establish a non-interest window/branch upon written application and prior approval in writing by the CBN.
- 2.2** A non-interest branch shall be established in line with the extant CBN regulation on branch expansion.
- 2.3** The application to establish a non-interest window/branch shall be submitted to the Director, Financial Policy and Regulation Department, Central Bank of Nigeria and accompanied by a report of feasibility study justifying the establishment of the window/branch.

- 2.4** The feasibility report shall among others, contain the following details:
- a. The proposed location of the non-interest window/branch
 - b. The Shariah compliant products and services to be offered
 - c. A 3-year financial and profitability projection
 - d. Staffing and manpower requirement
 - e. The market potential and prospects to support the establishment of the window/branch.

3.0 Cross-Selling of Products/Services

- 3.1** Conventional banks and other financial institutions operating in Nigeria may offer Shariah-compliant products and services through their non-interest branches or windows. Such branches or windows however, shall not offer interest-based or non-Shariah compliant products and services.

4.0 Establishment of a Non-Interest Unit/Division/Department

- 4.1** A conventional financial institution with non-interest window or branch(es) shall establish a dedicated unit/division/department to oversee the non-interest operations of the institution.

The division shall have the following duties and responsibilities, among others:

- i. Develop and ensure compliance with the rules, policies and procedures for the institution's non-interest windows or branches,
- ii. Set up the institution's Shariah Advisory Committee and the internal Shariah compliance mechanism as well as maintaining coordination with them and the other divisions/offices of the institution.

- iii. Ensure that funds received on behalf of clients are invested in compliance with the Shariah.
 - iv. Facilitate sustainable capacity development for the management and staff of the non-interest window or branch.
 - v. Ensure the submission of timely and reliable returns to the CBN.
 - vi. Ensure compliance with the guidelines/regulations on non-interest banking and finance issued by the CBN.
- 4.2** The organizational structure together with the qualifications and experience of staff of the unit/division shall be submitted to the CBN for review and approval.

5.0 Shariah Review and Compliance Mechanism

- 5.1** There shall be a Shariah Advisory Committee (SAC) to review and provide Shariah guidance and opinions in respect of products and services offered as well as transactions and contracts involving the non-interest window or branch of a conventional bank.

The detailed guidelines for the appointment, operations, qualification, duties and responsibilities of the SAC are contained in the Guidelines on Shariah Governance for Non-interest Financial Institutions in Nigeria, issued by the CBN.

- 5.2** There shall be an internal Shariah audit on a periodic basis to examine and evaluate the extent of compliance with Shariah rules.

6.0 Execution of Service Level Agreements in Respect of Shared Services

6.1 Conventional banks and other financial institutions with non-interest windows or branches shall execute a Service Level Agreement (SLA) in respect of shared services between the window/branch and other departments or units of the institution.

7.0 Separation of Records

7.1 A conventional financial institution shall not co-mingle its funds with those from its non-interest window or branch operations. Consequently, separate accounting books and records shall be maintained. It shall also maintain a separate account with the CBN for its non-interest window or branch operations. In addition, all documents such as forms, letter-heads, books, deposit receipts, cheque books, etc are to be designed with the CBN approved symbol to make them distinct from those used in the conventional operations.

8.0 Publication of Financial Statements

8.1 A conventional financial institution with non-interest window/branch(es) shall as part of its annual published accounts separately include as a note to the account, the detailed results of operations of its non-interest window(s) or branch(es). The account statement for the non-interest window or branch operations shall comply with the accounting standards specified by the CBN for Non-Interest Financial Institutions.

9.0 Prudential and Disclosure Requirements

9.1 Non-interest windows and branches of conventional institutions shall comply with the prudential and disclosure requirements as outlined in the

Framework for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria.

10. Conversion of Conventional Financial Institutions' Non-Interest Windows/Branches

10.1 A conventional financial institution may convert its non-interest window/branch into a full-fledged NIFI in line with the following:

10.1.1 Upon written application and subject to the prior approval of the CBN, a conventional financial institution may convert its non-interest window operations to a full branch. An application for conversion to a branch shall be treated in line with extant CBN regulations on bank branch expansion.

10.1.2 Similarly, a conventional branch of a financial institution may convert to a non-interest branch of the same institution in line with guidelines issued by the CBN.

10.1.3 A conventional financial institution wishing to convert its non-interest window or branch to a full-fledged subsidiary shall comply with the extant CBN policy on establishment of subsidiaries.

10.2 A full-fledged non-interest financial institution, window and branch cannot however, convert to their conventional equivalents.

11. Closure/Discontinuation of Non-Interest Window or Branch

11.1 A conventional bank or financial institution may close or discontinue its non-interest window or branch, subject to satisfactory justification and the prior approval in writing of the CBN.

12. General

- 12.1** The above guidelines shall be read in conjunction with the Framework for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria and the Guidelines for Shariah Governance for Non-Interest Financial Institutions in Nigeria.
- 12.2** In addition, the CBN may prescribe additional guidelines as may be necessary from time to time.
- 12.3** All enquiries should be forwarded to the Financial Policy & Regulation Department, Central Bank of Nigeria, Abuja.

**FINANCIAL POLICY & REGULATION DEPARTMENT
CENTRAL BANK OF NIGERIA, ABUJA.
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