



TRADE & EXCHANGE DEPARTMENT

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**TO: ALL AUTHORISED DEALERS
CUSTODIANS, STOCKBROKERS
AND GENERAL PUBLIC**

**CERTIFICATE OF CAPITAL IMPORTATION (CCI) ISSUING PROCESS
FOR INFLOW IN RESPECT OF SECURITIES LENDING**

Following the introduction of Securities Lending (SL) in the Nigerian Market, Authorised Dealers and the general public are hereby notified of the following processes for issuance of Certificate of Capital Importation (CCI) for Securities Lending transactions.

Certificates of Capital Importation (CCI) shall continue to be issued in respect of foreign exchange inflow for loans, investments and/or capital subject to existing guidelines as specified in the Foreign Exchange Manual.

For Securities Lending purposes, CCI processes shall be considered under the following scenarios:

- A. A foreign investor (foreign lender) lends to a foreign investor (foreign borrower)
- B. A foreign investor (foreign lender) lends to a local investor (local borrower)
- C. A local investor (local lender) lends to a foreign investor (foreign borrower)
- D. A local investor (local lender) lends to a local investor (local borrower)

The following CCI processes shall apply under each scenario listed above:

A. A foreign investor (foreign lender) lends to a foreign investor (foreign borrower)

- i. The foreign lender shall be issued a CCI upon importation of capital to purchase securities to be lent
- ii. The foreign borrower shall be issued a CCI upon importation of capital for the purchase of collateral securities.
The foreign borrower reserves the discretion to keep the cash collateral in Nigeria in foreign currency. In this situation, no CCI shall be issued for the collateral.
- iii. At the lending stage, appropriate notes shall be made on the back of the foreign lender's CCI to indicate the SL transaction
- iv. Simultaneously, the foreign borrower's CCI for the collateral shall be transferred to the foreign lender or split should the investment value on the CCI exceed the collateral value
- v. The foreign borrower shall utilise the foreign lender's CCI to repatriate proceeds of sale of the borrowed securities and the foreign lender's CCI shall be marked down accordingly
- vi. At maturity, the foreign borrower shall import capital to buyback borrowed securities but no CCI shall be issued
- vii. On repayment, the foreign lender's CCI shall be marked up accordingly
- viii. Simultaneously, the foreign borrower's CCI earlier transferred to the foreign lender shall be returned to him
- ix. If the foreign borrower defaults, his collateral shall be disposed of or repossessed by the foreign lender and the foreign borrower's CCI earlier transferred to foreign lender shall be utilised to repatriate sale proceeds of the collateral.

B. A foreign investor (foreign lender) lends to a local investor (local borrower)

- i. The foreign lender shall be issued a CCI upon importation of capital to purchase securities to be lent
- ii. At the lending stage, the foreign lender's CCI shall be marked down to indicate the value of the Securities Lending transaction
- iii. On repayment, the foreign lender's CCI shall be marked up as the collateral earlier received from the local borrower is returned
- iv. If the local borrower defaults, the collateral earlier deposited with the foreign lender shall be disposed of or repossessed by the foreign lender and his CCI shall be marked up accordingly

C. A local investor (local lender) lends to a foreign investor (foreign borrower)

- i. The foreign borrower shall be issued a CCI upon importation of capital for the purchase of collateral securities.
The foreign borrower reserves the discretion to keep the cash collateral in Nigeria in foreign currency. In this situation, no CCI shall be issued for the collateral.
- ii. At the lending stage, the foreign borrower's collateral shall be transferred to the local lender and appropriate notes shall be made on the back of the foreign borrower's CCI to indicate the value of the Securities Lending transaction.
- iii. The foreign borrower shall repatriate the sale proceeds of borrowed securities utilising his collateral CCI and the CCI shall be marked down accordingly
- iv. At maturity, the foreign borrower shall import capital to buyback borrowed securities and his collateral CCI shall be marked up accordingly
- v. On repayment, the foreign borrower's collateral earlier released to the local lender shall be returned to him

- vi. If the foreign borrower defaults, his collateral shall be disposed of or repossessed by the local lender and the foreign borrower's CCI shall remain unaltered.

D. A local investor (local lender) lends to a local investor (local borrower)

- i. No CCI shall be required

Authorised Dealers are enjoined to bring this to the notice of their customers and to ensure strict compliance with the provisions of the circular.



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for:DIRECTOR
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