

GUIDELINES
FOR
BUREAUX DE CHANGE

***OTHER FINANCIAL INSTITUTIONS DEPARTMENT
CENTRAL BANK OF NIGERIA
LAGOS***

MAY, 2002

GUIDELINES FOR BUREAUX DE CHANGE IN NIGERIA

1. INTRODUCTION

- 1.1 These revised guidelines 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 No. 24 of 1991 [as amended] [hereinafter referred to as the CBN Act] and the Banks and Other Financial Institutions Act No. 25 of 1991 [as amended] [hereinafter referred to as “the BOFIA”].
- 1.2 A Bureau De Change [BDC] shall be construed as any company that is licensed to carry out small scale foreign exchange service in Nigeria and whose sole object is the carrying on of such business on a stand alone basis.
- 1.3 Small scale foreign exchange service shall be limited to
 - [a] dealing in bank notes, coins, buying and selling of Traveller’s cheques and
 - [b] Such other businesses as the CBN may approve from time to time.

The licence of a Bureau De Change in Nigeria shall confer on the holder the rights and privileges of an approved buyer of foreign exchange in keeping with the standard of the financial services industry and in order to generate and maintain public confidence in the sub-sector.

For the avoidance of doubt, all independent micro foreign exchange outposts engaged in Bureau De Change Service are required to apply for licence under the provisions of the BOFIA No. 25 of 1991 [as amended].

2.0 APPLICATION FOR LICENCE

- 2.1 Any organisation seeking a licence for the operation of a Bureau de Change business in Nigeria shall apply in writing to the Governor of the Central Bank of Nigeria in compliance with the CBN Act, the BOFIA and the Foreign Exchange [Monitoring and Miscellaneous Provisions] Act No. 17 of 1995.

2.2 The application shall be accompanied with the following:

Note: All Bureaux de Change shall be “stand alone” companies

1. A non-refundable application fee of N10,000.00 [five 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.
2. Payment by the proposed shareholders for the shares subscribed to shall be by bank drafts only; cash payment will not be accepted.

Deposit of the prescribed minimum paid-up capital with the CBN until licence is issued.

3. A copy of detailed feasibility report containing information that will include
 - [i] The aims and objectives of the proposed Bureau de change
 - [ii] The need for the services of the Bureau de change
 - [iii] The branch expansion programme [if any] within the first 5 years.
 - [iv] The proposed training programme for staff and management succession plan.
 - [v] A five year financial projection for the operation of the proposed Bureau De Change, indicating expected growth and profitability.
 - [vi] Details of the assumptions which form the basis of the financial projection.
 - [vii] The organisational structure of the proposed Bureau De Change indicating the functions and responsibilities of the top management team.
 - [viii] The composition of the Board of Directors and the curriculum vitae of each member, including other directorships held [if any].
 - [ix] The conclusions based on the assumptions made in the feasibility report.
4. A copy of the draft Memorandum and Articles of Association.
5. A letter of intent to subscribe to the shares of the proposed Bureau De Change signed by each subscriber.
6. 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.
7. The promoters shall reserve the proposed company's name for 120 days at the Corporate Affairs Commission (CAC).
8. 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.
9. In considering an application for a licence, the Bank shall require to be satisfied as to the following:
 - [i] The quality of the management of the proposed Bureau De Change
 - [ii] The adequacy of the capital and earning prospects of the proposed Bureau De Change

- [iii] The objects of the proposed Bureau De Change as disclosed in its Memorandum and Articles of Association which should 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 “fit and proper” person test of the shareholders, members of the board of directors and the top management.
 - [v] That the payment for the shares by the shareholders meets the requirements in terms of mode (draft only allowed), properly received and documented:
10. If satisfied with the promoters= submission, the Bank may call upon the promoters to:
- [i] Submit the names of the proposed members of the top management.
 - [ii] Require the promoters to incorporate the company.
 - [iii] The bank will release 50% of the minimum paid-up capital at the grant of AIP and the balance at the grant of the operating licence.
 - [iv] Submit evidence of payment for shares proposed to be allotted to each prospective shareholder.
11. Thereafter, the Governor may grant a licence to the Bureau De Change.
12. The Bank may at anytime vary or review any condition of a licence or impose additional conditions.
13. 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.

3.0 FINANCIAL REQUIREMENTS

3.1 The financial requirements which may vary whenever the CBN considers it necessary are as follows:

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|-----|---|---|-------------|
| [a] | Minimum paid-up share capital | - | ₦10 million |
| [b] | Non-refundable application fee | - | ₦10,000.00 |
| [c] | Non refundable licensing fee | - | ₦100,000.00 |
| [d] | Non refundable annual licensing renewal fee [payable within the first quarter of subsequent year] | - | ₦10,000.00 |

- [e] Non-refundable change of name fee - ₦10,000.00
- [f] Mandatory [caution money] Deposit - ₦1,000,000.00

3.2 The licence shall be renewable annually subject to full compliance with these guidelines and payment of annual renewal fee as stipulated above.

3.3 Every Bureau De Change shall be required to be a member of the Association of Bureaux De Change of Nigeria [ABCON].

3.4 Any Bureau De Change seeking renewal of its licence shall be required to show evidence of current membership of the Association of Bureaux De Change Operators of Nigeria [ABCON].

3.5 Every licensed Bureau De Change shall maintain a mandatory deposit of N1,000, 000.00 [as stipulated above] with the Central Bank of Nigeria as a caution money for the purpose of paying bonafide claimants in the event of default or liquidation of the Bureau De Change. Such fund shall be invested in Government securities by the CBN and any income accruing thereon shall be paid to the Bureau De Change periodically. If, for any reason, the principal, i.e the mandatory deposit should fall below the N1,000,000.00 level, the company [BDC] shall be required to make up the shortfall within fourteen [14] days.

3.6 The licensing fee and mandatory deposit shall be paid within 3 months of the grant of Approval-In-Principle, but before issuance of licence.

4.0 **MANAGEMENT REQUIREMENTS**

4.1 The number of directors on the board of a Bureau De Change shall be a minimum of three [3] and a maximum of five [5]. The appointment of directors shall be subject at all times to the approval of the CBN.

4.2 The following minimum qualifications and experience are mandatory for officers who shall occupy the key/top management positions in BDC.

4.3 **MANAGING DIRECTOR/CHIEF EXECUTIVE**

A recognized University degree or its equivalent with a minimum of 5 years relevant post qualification experience.

4.4 **SENIOR MANAGEMENT OFFICERS/MANAGERS**

A recognized University degree or its equivalent with a minimum of 3 years relevant post qualification experience.

4.5 **SUPPORT STAFF/CASHIER**

Any person with any other qualifications or experience that may be considered adequate by the CBN can hold any of the positions in [4.3], [4.4], [4.5] within the institution.

- 4.6 Every BDC shall be required to obtain the approval of the CBN for its organisational structure and top management staff and changes made therein.

5.0 DISQUALIFICATION AND EXCLUSION OF CERTAIN INDIVIDUALS FROM THE MANAGEMENT OF BUREAUX DE CHANGE IN NIGERIA

In line with the BOFI Act No. 25 of 1991 [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.

6.0 CONDITIONS PRECEDENT TO THE COMMENCEMENT OF OPERATIONS

- 6.1 The promoters of a BDC shall submit the following documents to the CBN before such a company is permitted to commence operations.

- a. A Certified True Copy of the shareholders register in which the equity interest of each shareholder is properly reflected together with the original for sighting.
- b. A copy of the share certificate issued to each shareholder.
- c. A certified true copy of the Form CO2 [Return of Allotments] filed with the Corporate Affairs Commission.
- d. A certified true copy of the Form CO7 [particulars of directors] and written confirmation that the Board of Directors approved by the CBN has been installed.
- e. A certified true copy of the Memorandum and Articles of Association, filed with the Corporate Affairs Commission.
- f. The opening statement of affairs audited by an approved firm of accountants practising in Nigeria.
- g. A certified true copy of the certificate of Incorporation of the company [together with the original for sighting purposes only].
- h. A Copy each of the letters of offer and acceptance of employment by the management staff and a written confirmation that the management team approved by the CBN has been installed.

- 6.2 The BDC shall inform the CBN of the location and address of its registered office or business premises.

- 6.3 The BDC shall be informed in writing by the CBN that it may commence business after the physical inspection of its premises, and after the Bank must have been satisfied that necessary equipment have been put in place.
- 6.4 The BDC shall inform the CBN in writing of the date of commencement of business.

7.0 SOURCES OF FUNDS

The sources of funds of a BDC shall consist of the following:

- 7.1 Equity, that is, paid up capital and reserves
- 7.2 Acquired foreign exchange for the purpose of re-selling. While a BDC may purchase forex from autonomous sources, it shall not take or accept deposits as defined in Section 61 of BOFI Act 25,1991 [as amended] or any other subsequent amendment.

8.00 OPERATIONS OF BUREAUX DE CHANGE

- 8.1 Every Bureau De Change in Nigeria shall deal in bank notes, coins, buying and selling of Travellers' cheques.
- 8.2 The foreign currencies dealt in by a Bureau De Change shall be derived from private sources or such other sources, including the IFEM, as the Central Bank of Nigeria shall define from time to time for the purpose of Business Travel Allowance [BTA] and Personal Travel Allowance [PTA].
- 8.3 Bureaux De Change shall acquire their Travellers' cheques for resale from appropriate travellers' cheques companies.
- 8.4 Any person wishing to sell foreign currency to a Bureau De Change shall not be required, and if so required, shall not be obliged to disclose the source. The Bureau De Change should however, ascertain the genuineness of the foreign currency. In the case of travellers' cheques, it should confirm the seller's identity in the conventional way i.e. by sighting the seller's passport for relevant endorsement.
- 8.5 Transactions shall be on a cash and carry basis. For the avoidance of doubt, forward transactions by Bureaux De Change are not allowed.
- 8.6 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.
- 8.7 Each licenced Bureau De Change shall be free to quote its buying [bid] and selling [ask] rates subject to a maximum spread of 2% between the buying and selling rates.
- 8.8 The maximum commission chargeable for banknotes and travellers' cheques shall be 3 of 1% in local currency.

- 8.9 The exchange rates and commission at which each Bureau De Change is prepared to transact business shall be **clearly** displayed and its business shall be done at those rates and commissions subject to the requirements of 8.5, 8.7 and 8.8.
- 8.10. Every Bureau De Change shall keep proper registers and other records of **all** its transactions for the purpose of enhancing business efficiency. Furthermore, a machine list or receipts showing how the amount paid to or by a customer was arrived at, should be issued by the Bureau De Change.
- 8.11. There is no documentation required in respect of the sale or purchase of foreign exchange by customers except for foreign exchange acquired from IFEM for the purposes of BTA and PTA, such documents are as prescribed by the CBN.
- 8.12. Purchases of foreign currencies by intending travelers shall be supported by a **validly** issued and **genuine** ticket (duly completed Form A, a Current Passport with valid visa), and the amount shall be endorsed on the passport. In such cases a photocopy of the ticket and relevant pages of the passport shall be kept by the bureaux de change.
- 8.13. Every Bureau De Change shall transact business only at its registered office location or premises specifically approved by the CBN for that purpose and conspicuously located and clearly designated. Any Bureau De Change that operates outside its location or premises without appropriate approval from the CBN, upon a report by ABCON or and confirmation by the CBN would have its licence revoked.
- 8.14. It shall be a ground for the revocation of a bureau de change licence should any street trader involved in the sale of foreign currencies have any relationship with a licensed bureau de change.
- 8.15. Every Bureau De Change shall fix its hours of business which shall be **clearly** displayed.
- 8.16. Transactions between Bureaux De Change are allowed but such transactions shall be conducted at rates negotiated between themselves. In the case of any dispute, such should be reported to ABCON and the CBN.
- 8.17. It is mandatory for a Bureau De Change to open both foreign exchange domiciliary account and Naira accounts with authorised dealers in Nigeria and inform the CBN accordingly.
- 8.18. The foreign exchange and naira accounts so opened as provided in 8.16 above shall be used solely for day to day operations.
- 8.19. Every licensed BDC shall render monthly returns to the CBN and ABCON on its sources and utilisation of forex.

9.0 ECOWAS TRAVELLERS CHEQUES [ETC]

- 9.1 For the purpose of foreign exchange needed for ECOWAS Travelers Cheques [ETC] operations, a BDC shall obtain its supply from the interbank foreign exchange market [IFEM] at the ruling market rate.
- 9.2 BDCs will be required to channel their demand for forex through designated banks with whom arrangements have been made by ABCON.
- 9.3 For the purpose of transparency, each BDC will liaise directly with the authorised dealers or designated banks to confirm the rates of transaction.
- 9.4 The designated banks shall debit directly the account of BDCs that require forex for ETC purpose.
- 9.5 Returns of the total transactions per week will be compiled by ABCON and the designated banks.
- 9.6 BDCs will be required to obtain from each customer appropriate documentation for the sale of forex acquired from IFEM viz Form A, photocopy of passport, air ticket, for BTA.
- 9.7 The CBN shall conduct an examination to verify the utilization of forex acquired through IFEM and its documentation at ABCON secretariat and the designated bank[s]. For the avoidance of doubt, funds acquired from IFEM shall be used mainly for the purpose of ETC operations. This is to promote trade in the West Africa sub-region.

10.0 TRANSACTIONS NOT ALLOWED

- 10.1 Engaging in off-shore business or maintaining foreign correspondence relationship.
- 10.2 Establishment of letters of credit or engaging in any import related activities.
- 10.3 Engaging directly or indirectly in any form of outward and inward foreign currency transfer activities and credit card services.
- 10.4 No Bureau De Change shall maintain a foreign account in whatever form including domiciliary account, in any bank, except those stipulated in 8.16.
- 10.5 Round-tripping of foreign exchange [currency] acquired from IFEM is prohibited.
- 10.6 Street trading of Forex.

11.0 SUPERVISION AND MONITORING OF BUREAUX DE CHANGE

- 11.1 The Central Bank of Nigeria shall supervise and monitor the operations of the Bureaux De Change to ensure the orderly conduct and development of this segment of the Autonomous Foreign Exchange Market.
- 11.2 The full list of licensed Bureaux De Change and their registered places of business shall be

published periodically by the CBN for the information and benefit of members of the public.

- 11.3 In compliance with the provisions of Section 58 [2] [b] of BOFIA, every Bureau De Change shall render monthly returns to the Central Bank of Nigeria not later than 14 days after the end of the month to which the returns relate. The returns shall be rendered on the prescribed format stipulated by the CBN.
- 11.4 The records of the Bureaux De Change shall be made readily available to the CBN examiners for examination as and when requested.
- 11.5 Every operator of Bureaux De Change shall be required to sign the Code of Conduct for BDCs and shall ensure strict adherence to the code by the company and its staff.

11.6 **DISPLAY OF LICENCE**

Each Bureau De Change shall display a copy of its licence in a conspicuous position at its head office as well as in all its branches. In contravention, the BDC shall be penalised in line with section 60[1] of BOFIA, as amended.

11.7 **BRANCH EXPANSION/CLOSURE AND RELOCATION.**

No Bureau De Change shall open, close or relocate a branch without the prior approval in writing of the Bank.

- 11.8 Every application for the opening of a new branch shall be accompanied with the following documents:
- [i] A copy of the Board resolution in support of the proposed branch.
 - [ii] A detailed feasibility report on the proposed branch showing:
 - a. The rationale for the proposed branch.
 - b. Initial capital outlay for the proposed branch.
 - c. Projected income and expenditures for 3 years.
 - d. The proposed organisational structure of the proposed branch.
 - e. The staffing requirements.
 - f. The underlying assumptions for the financial projections in the report.
 - [iii] A Bureau De Change seeking approval for the opening of a new branch must have a track record of good financial performance, regularity in the rendition of all required returns, compliance with the laws, rules and guidelines and circulars.

- [iv] Every application for the closure of a branch or business operation of a BDC shall be accompanied with a copy of the Board resolution authorising the closure.

12.0 INTERNAL CONTROLS

Every Bureau De Change shall have an Internal Audit Unit which shall ensure that the operations of the company conform with the law, guidelines, directives and circulars issued by the Bank as well as to its internal rules and regulations. Every fraud or attempted fraud must be promptly reported to the Director, Other Financial Institutions Department of the CBN.

13.0 APPROVAL OF AUDITED ACCOUNTS

Every licensed BDC shall submit its audited financial statements to the CBN for approval, not later than 3 months after the end of its accounting year.

- 13.1 No Bureau De Change shall publish its Audited Accounts in the Newspaper without the approval in writing of the CBN.

14.0 GENERAL SELF REGULATORY INFORMATION

Every licensed BDC shall be required to be a member of ABCON and shall comply with **all** the rules and regulations of the association.

15.0 REVOCAION OF LICENCE

- 15.1 The Central Bank of Nigeria may at any time, revoke the licence of a Bureau De Change if it has reason to believe that it is not in the national interest for it to continue to operate in line with the provisions of CBN Act No. 24, 1991 [as amended] and the Foreign Exchange [Monitoring and Miscellaneous Provision Act] No 17 of 1995.

- 15.2 The grounds for revoking a licence granted to a Bureau De Change shall be any or all of the followings:

Where the BDC or any of its officers:

- 15.2.1 With intent to defraud, forge, mutilate, alter or deface any foreign currency, traveller=s cheques or other instruments of exchange in the foreign exchange markets.
- 15.2.2 Obtains foreign currency from any ineligible source or from an eligible source but in a fraudulent manner.
- 15.2.2 Fails to maintain the mandatory deposit of x1,00,000.00 as required by the CBN for up to six months within a period of twelve months..
- 15.2.4 Has been found guilty by a court of competent jurisdiction of fraudulent or dishonest practices.

- 15.2.5 Fails to operate within six [6] months after the grant of a licence.
 - 15.2.6 Fails to render returns for six [6] consecutive months.
 - 15.2.7 Is associated with street trading in foreign exchange.
 - 15.2.8 Submits false information/data during and after the processing
of the application for licence.
 - 15.2.9 Persistently fails to comply with any guidelines directives or circulars of the CBN or provisions of BOFI Act for a period of six [6] months.
 - 15.2.10 Engages in functions/activities outside the scope of its licence.
 - 15.2.11 Failure to renew the licence within the first quarter of the year following the end of each calendar year ending December 31.
 - 15.2.12 Engages in any other act or acts which in the opinion of the Central Bank of Nigeria constitutes a violation or breach of these guidelines, the BOFIA Act No 25 of 1991 [as amended] circulars and other regulations by the Central Bank of Nigeria.
- 16.0** In line with the provision of BOFI Act No 25, 1991 [as amended] section 14 [2], where the Bank proposes to revoke the licence of any BDC pursuant to Section 15 of these guidelines, the bank shall give notice of its intention to the BDC and the BDC may within 30 days make representation [if any] to the Bank in respect thereof.

17.0 CHANGE IN THE OWNERSHIP STRUCTURE

Except with the prior consent of the Bank, no Bureau De Change 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 person.
- d. For the reconstruction/restructuring of the BDC
- e. 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 in writing to the Central Bank of Nigeria for approval.

18.0 RENEWAL OF LICENCE

Every BDC licence shall expire on 31st December of each year and shall, be renewed within the first quarter of the subsequent year at a non-refundable fee of ₦10,000.00 [Ten 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. Failure to renew the operating licence would attract severe sanctions.

19.0 COMPLIANCE WITH LAWS, RULES AND REGULATIONS

19.1 Every Bureau De Change shall comply with the requirements of the monetary policy guidelines, the provisions of BOFI Act 25, 1991 [as amended], all rules and regulations as well as circulars issued by the Bank on foreign exchange activities/business from time to time.

20.0 OFFENCES AND PENALTIES

20.1 Any Bureau De Change which contravenes the provisions of these guidelines shall be liable to penalties as may be stipulated by the Bank in addition to prosecution in a court of competent jurisdiction.

21.0 AMENDMENT

21.1 The Bank reserves the right to amend or revise the guidelines from time to time.

**CENTRAL BANK OF NIGERIA
ABUJA
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