



Foreword:

In my maiden press briefing upon assumption of office in June 2014, I stated that one of my vision was to create a people centered Central Bank of Nigeria.

One of the key strategies to achieve this was to significantly improve the credit culture in the Nigerian Banking System, by designing and introducing a robust system that effectively reduces information asymmetry, assists lenders to make good credit decisions and ultimately improve access to credit by Micro Small and Medium Enterprises (MSMEs). Top of that agenda was the establishment of a Secured Transaction and National Collateral Registry (ST&NCR).

That promise has now been fulfilled with the commencement of live operations of the National Collateral Registry (NCR), on May 25, 2016 and the accent to the Secured Transactions in Movable Assets Act, 2017 by the Acting President Professor Yemi Osinbajo on 30th May, 2017. The NCR initiative is in collaboration with the International Finance Corporation (IFC).

The NCR will unlock access to credit, which has always been a major concern to Nigerian MSMEs,

particularly the micro enterprises, which are about 99% of the 37.1 million MSMEs in the country, according to the National Bureau of Statistics (NBS). Financial institutions traditionally prefer fixed assets, such as land and building as collaterals for loans, while majority of the MSMEs can only provide movable assets such as inventory and equipment.

The lack of access to credit for MSMEs in Nigeria, has resulted in a huge financing gap. Records show that in 2016, loans to MSMEs by Deposit Money Banks as a percentage of their total loans and advances to the economy declined to 0.067% from 0.099% achieved the preceding year. There is no gainsaying, that the lack of access to finance has been one of the major impediments to the development of the sub-sector in Nigeria today.



The registry allows financial institutions, bank and non-bank, to register their priority interest in movable assets as collateral for loans. It is an on-line, real time notice based registry that allows borrowers to prove their creditworthiness and potential lenders to assess their ranking priority in potential claims against particular collaterals.

There is empirical evidence, that the establishment of collateral registries has increased lending to MSMEs in other jurisdictions. In China, for example, the adoption of the collateral registry resulted in 84% of SMEs securing their loans using movable assets. The use of the registry in Mexico also grew loans secured with movables by 4 times while 45% of total loans went to the agricultural sector. Similarly, In Afghanistan, with the operations of the new centralised collateral registry, 90% of loans by financial institutions were granted to SMEs. In this regard, I am hopeful that the commencement of operations of the NCR will have tremendous impact on MSME lending in Nigeria, as we strive to increase lending by banks to the sub-sector to about 10% from 0.067% in the next few years.

I am happy to note that the strategy is yielding positive results. As at 24th August 2017, one hundred and thirty six (136) Financial Institutions, twenty two (22) commercial banks, one hundred and six (106) microfinance banks, one (1) non-bank financial institution, three (3) merchant banks, three (3) development finance institutions and one (1) non-interest bank have registered 16,236 financing statements for 20,684 movable assets on the NCR platform valued at N392 billion.

Godwin I. Emefiele, (CON)
Governor, Central Bank of Nigeria

EXPECTED OUTCOMES

- Diversification of lending portfolio
- Decrease in loan default rate
- 20% Year-on-year increase in banks' acceptance of movable assets



It is expected that the Registry will motivate banks to accept moveable assets as collateral

Boost production & create employment

- Increased access to credit will increase productive capacity and generate employment

Increase in assets liquidity by 100%

- Improves the liquidity of assets, especially short-term assets such as accounts receivables

Decrease in information asymmetry by 35%

- The Registry will cut down the cost of verifying borrowers by 35% and therefore reduce the cost of credit and non-performing loans

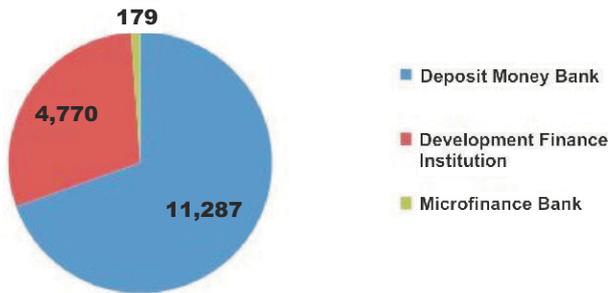
IMPLICATIONS FOR CREDIT RISK MANAGEMENT

- Registration of priority in security interest with consent confirms perfection of security
- Online real-time registration of interest and search of encumbrance on movable assets
- Defaulters can only beat the system once, except the institution does not conduct a search
- Unique identifier cuts across borrower and assets
- Lending to MSMEs around Movable assets are better managed with the registration of security
- Interest on existing and future assets can be registered
- Group guarantee can be perfected and used as collateral for group lending
- Cheap cost of perfection of security interest (registrations) and confirmation of encumbrance
- Robust database of security interest, as registry is accessible to both bank and non-bank Financial Institutions
- Deepening of the insurance sector with a wide range of products for movable assets
- Emerging markets for the disposal of encumbered assets

REGISTRATION OF MOVABLE ASSETS ON THE NATIONAL COLLATERAL REGISTRY AS AT 24TH AUGUST, 2017

The Commencement of operation of the Registry has elicited interest in the world of Movable Assets. The graphical representation of activities of the Registry is presented below:

Registration of Financing statements by Financial Institutions



Value of Financing Statements by Financial Institutions (NGN)

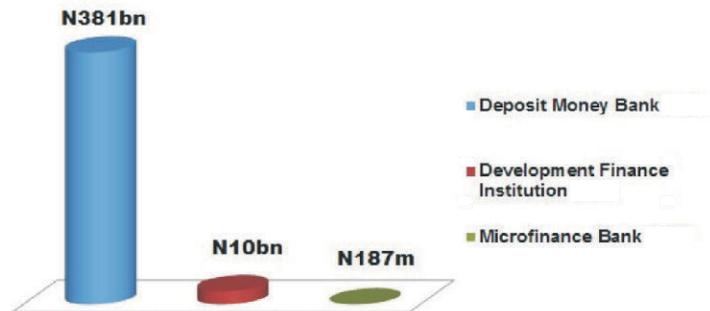


PHOTO SPEAK



Public Hearing on Secured Transactions in Movable Assets Bill held on the 28th of November, 2016.



Cross Section of Participants at the NCR Workshop Organised by Bankers Sub-Committee on Economic Development in Lagos held on the 17th of November, 2016.



Workshop on the operations of the NCR for MFBs in Kaduna State organised by Gems3 held on the 14th of December, 2016.



The Secured transactions in Movable Assets, Act 2017

The Acting President on 30th May, 2017 signed into law - the Secured Transactions in Movable Assets Act, 2017 (STMA Act, 2017) (otherwise known as Collateral Registry Act). The Act gives legal credence to the Collateral Registry Regulation issued by the Central Bank of Nigeria (CBN) and also widens the scope of coverage to financial institutions not regulated by the CBN.

Highlights of the Act:

Part I: Objective and Scope

The Objectives of the Act are to:

- *enhance financial inclusion;*
- *stimulate responsible lending to MSMEs;*
- *facilitate access to credit secured with movable assets;*
- *facilitate perfection of security interests in movable assets;*

- *facilitate realization of security interests in movable assets; and*
- *establish a collateral registry and provide for its operations.*

Every public registry established by any Act of the National Assembly to co-ordinate or ware house or oversee transactions in movable assets in Nigeria shall be operated in a manner that *creates automated interface between such a registry and the National Collateral Registry, with a purpose to ensuring and guaranteeing that the registry is made accessible through, by and from the NCR.*

Part II: Security Interest

Security interest is created by a *security agreement* between the grantor and creditor

Contents of a Security Agreement include: *intention to create; identity; description of the secured obligation including maximum amount for which the security interest is enforceable; tenor of obligation; and confirmation by parties to submit to arbitration, as first recourse in a situation of civil dispute.*

The Part covers information around the description of collateral, continuation of a security interest, perfection of security interest, and in proceeds of sales.

Part III: National Collateral Registry

The functions of the Registry include:

- *receive, register and store information about security interests in movable assets;*
- *provide access to persons who may seek information on security interests from the Collateral Registry; and*
- *perform such other functions as may be prescribed by regulations under the Act.*

Part IV: Registration of Financing Statements

The Act describes the procedure for registration of a financing statement with specific mention on the need to obtain consent to register such statement and that a security agreement is sufficient to constitute consent.

The Part also covers requirement for searches in the Registry.

Part V: Priority of a Secured Interest

The Act affirms that priority between perfected security interests in the same collateral shall be determined by the order of registration. It confers same priority for the original collateral and its proceeds or advances.

For further enquiries and submission on Movable Assets Lending, Please contact

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 National Collateral Registry

 <https://www.youtube.com/channel/UCirjTK7SCuICiMj5NjVsPrA>

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