July 1, 2019

CIRCULAR TO ALL DEPOSIT MONEY BANKS

MODALITIES FOR THE IMPLEMENTATION OF THE CREATIVE INDUSTRY FINANCING INITIATIVE (CIFI)

The Central Bank of Nigeria (CBN), in collaboration with the Bankers’ Committee, has introduced the Creative Industry Financing Initiative (CIFI) to improve access to long-term low-cost financing for entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors, as part of efforts to boost job creation in Nigeria, particularly among the youth.

In furtherance of the above, the CBN hereby issues the modalities for the implementation of the initiative. These modalities may be accessed via the Bank’s website www.cbn.gov.ng.

Further enquiries on the modalities may be referred to the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

JOSEPH M. GANA
FOR: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT
MODALITIES FOR THE IMPLEMENTATION OF THE CREATIVES INDUSTRY FINANCING INITIATIVE
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1. **Introduction**

The Central Bank Nigeria (CBN), in collaboration with the Bankers’ Committee, as part of efforts to boost job creation in Nigeria, particularly among the youth, recently introduced the Creative Industry Financing Initiative (CIFI) with a view to improving access to long-term low-cost financing by entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors.

In furtherance to the above, the CBN hereby issues modalities and transaction dynamics for the seamless implementation of the initiative.

2. **Objectives of CIFI**

The objectives of the Initiative are:

i. Improve access to low-cost and sustainable financing by entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors;

ii. Boost job creation, particularly among the youth;

iii. Harness the entrepreneurial potentials of youth within the Nigerian creative and information technology (IT) sub-sectors for economic development; and

iv. Complement other development finance initiatives of the CBN to accelerate financial inclusion.

3. **Activities covered under CIFI**

Eligible activities under the initiative are:

i. Existing enterprises in the creative industry;

ii. Start-ups engaged in the creative industry; and

iii. Students of higher institutions engaged in software development.

3.1 **Verticals (Focal sub-sectors)**

The verticals for financing under the eligible activities shall include:

i. Fashion

ii. Information Technology
iii. Movie
iv. Music

<table>
<thead>
<tr>
<th>Verticals</th>
<th>Target Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion</td>
<td>• Designers</td>
</tr>
<tr>
<td>Information Technology</td>
<td>• Information Technology</td>
</tr>
<tr>
<td></td>
<td>• Student Software Development Loan</td>
</tr>
<tr>
<td>Movie</td>
<td>• Movie Distribution</td>
</tr>
<tr>
<td></td>
<td>• Movie Production</td>
</tr>
<tr>
<td>Music</td>
<td>• Music Production (Musicians)</td>
</tr>
<tr>
<td></td>
<td>• Music Distribution</td>
</tr>
</tbody>
</table>

4. **Funding**

The initiative shall be funded from the Agri-Business Small, and Medium Enterprises Investment Scheme (AGSMEIS), an initiative of the Bankers’ Committee, with a seed fund of N22.9 billion appropriated as follows:

4.1 Student Software Development Loan – N1.0 billion
4.2 Information Technology – N5.5 billion
4.3 Movie Production – N3.0 billion disaggregated into:
   4.3.1 Production – N1.5 billion
   4.3.2 Equipment Financing – N1.5 billion
4.4 Movie Distribution – N4.0 billion
4.5 Music – N5.4 billion
4.6 Fashion – N4.0 billion

5. **Operational Features of CIFI**

The key features of the CIFI include:

5.1 **Software Development and Movie**

<table>
<thead>
<tr>
<th>Features</th>
<th>Student Software Development Loan</th>
<th>Movie Production</th>
<th>Movie Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Obligor Limit</td>
<td>N3.0 million</td>
<td>N50.0 million</td>
<td>N500.0 million</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>9.0% p.a. (all inclusive)</td>
<td>9.0% p.a. (all inclusive)</td>
<td>9.0% p.a. (all inclusive)</td>
</tr>
<tr>
<td>Tenor</td>
<td>3 years</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Moratorium</td>
<td>9 months from date of loan disbursement</td>
<td>24 months from date of loan disbursement</td>
<td>24 months from date of loan disbursement</td>
</tr>
<tr>
<td>Repayment</td>
<td>Monthly</td>
<td>Quarterly</td>
<td>Monthly</td>
</tr>
</tbody>
</table>
| Security Arrangement | • Minimum Equity Contribution - 0%  
• University degree certificate  
• NYSC certificate  
• Credible Guarantor  
• Personal Guarantee | • Minimum Equity Contribution - 30%  
• Legal mortgage  
• All asset debenture  
• Credible Guarantor  
• Personal Guarantee | • Minimum Equity Contribution - 30%  
• Legal mortgage  
• All asset debenture  
• Personal Guarantee |
| Other Conditions | • Must gain admission into a training organisation that has job placement contracts  
• No bad credit history with CRMS or any commercial banks in Nigeria  
• Preference for areas with low IT penetration | • Minimum of three (3) years relevant experience  
• No bad credit history with CRMS or any commercial banks in Nigeria  
• Preference for areas with low cinema penetration | • Minimum of three (3) years relevant experience  
• No bad credit history with CRMS or any commercial banks in Nigeria  
• Preference for areas with low cinema penetration |
| Funding Structure | • Minimum Equity Contribution - 0%  
• DMB (Term Loan) - 100% | • Minimum Equity Contribution - 30%  
• DMB (Term Loan) - 70% | • Minimum Equity Contribution - 30%  
• DMB (Term Loan) - 70% |
| Disbursement | In phases in accordance with agreed milestones | In phases in accordance with agreed milestones | In phases in accordance with agreed milestones |
| Repayment Source | From the proceeds of software sale or patent usage | From the proceeds of movie tickets at the box office and other channels of distribution | From the proceeds of movie tickets at the box office and other channels of distribution |
5.2 Fashion, IT and Music

<table>
<thead>
<tr>
<th>Features</th>
<th>Fashion</th>
<th>Information Technology</th>
<th>Music</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monetization</strong></td>
<td>• Equipment purchase</td>
<td>• Equipment purchase</td>
<td>• Equipment purchase/rentals</td>
</tr>
<tr>
<td>(To be financed)</td>
<td>• Rental/service fees</td>
<td>• Rental/service fees</td>
<td>• Rental/service fees</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>9.0% p.a. (all inclusive)</td>
<td>9.0% p.a. (all inclusive)</td>
<td>9.0% p.a. (all inclusive)</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Moratorium</strong></td>
<td>36 months from date of loan</td>
<td>36 months from date of loan</td>
<td>36 months from date of loan</td>
</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>disbursement</td>
<td>disbursement</td>
</tr>
<tr>
<td><strong>Repayment</strong></td>
<td>Quarterly</td>
<td>Quarterly</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>• Minimum Equity Contribution - 20%</td>
<td>• Minimum Equity Contribution - 20%</td>
<td>• Minimum Equity Contribution - 20%</td>
</tr>
<tr>
<td><strong>Arrangement</strong></td>
<td>• Mortgage debenture</td>
<td>• Mortgage debenture</td>
<td>• Mortgage debenture</td>
</tr>
<tr>
<td></td>
<td>• Legal mortgage</td>
<td>• Legal mortgage</td>
<td>• Legal mortgage</td>
</tr>
<tr>
<td></td>
<td>• Lien on stock of trade and</td>
<td>• Lien on stock of trade and items of</td>
<td>• Lien on stock of trade and</td>
</tr>
<tr>
<td></td>
<td>items of equipment</td>
<td>equipment</td>
<td>items of equipment</td>
</tr>
<tr>
<td><strong>Other Conditions</strong></td>
<td>• At least three (3) referrals</td>
<td>• At least three (3) referrals from</td>
<td>• At least three (3) referrals</td>
</tr>
<tr>
<td></td>
<td>from recognised sponsors or</td>
<td>recognised sponsors or bodies or</td>
<td>from recognised sponsors or</td>
</tr>
<tr>
<td></td>
<td>bodies or associations.</td>
<td>associations</td>
<td>bodies or associations.</td>
</tr>
<tr>
<td></td>
<td>• Minimum of three (3) years</td>
<td>• Minimum of three (3) years relevant</td>
<td>• Minimum of three (3) years</td>
</tr>
<tr>
<td></td>
<td>relevant experience</td>
<td>experience</td>
<td>relevant experience</td>
</tr>
<tr>
<td></td>
<td>• No bad credit history with</td>
<td>• No bad credit history with CRMS or</td>
<td>• No bad credit history with</td>
</tr>
<tr>
<td></td>
<td>CRMS or any commercial banks in</td>
<td>any commercial banks in Nigeria</td>
<td>CRMS or any commercial banks in</td>
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<tr>
<td></td>
<td>Nigeria</td>
<td></td>
<td>Nigeria</td>
</tr>
<tr>
<td><strong>Funding Structure</strong></td>
<td>• Minimum Equity Contribution - 20%</td>
<td>• Minimum Equity Contribution - 20%</td>
<td>• Minimum Equity Contribution - 20%</td>
</tr>
<tr>
<td></td>
<td>• DMB (Term Loan)</td>
<td>• DMB (Term Loan)</td>
<td>• DMB (Term Loan)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td>80%</td>
<td>80%</td>
<td>- 80%</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>In phases in accordance with agreed milestones</td>
<td>In phases in accordance with agreed milestones</td>
<td>In phases in accordance with agreed milestones</td>
</tr>
<tr>
<td>Repayment Source</td>
<td>From proceeds of the business</td>
<td>From the proceeds of sales or income form services provided</td>
<td>From the proceeds of music record sale or shows</td>
</tr>
</tbody>
</table>

6. **Transaction Dynamics**

i. The prospective applicant approaches any bank of his/her choice with a business plan or statement detailing how much is needed for his/her business proposal.

ii. The bank provides the applicant with the documentation requirements for accessing any of the verticals.

iii. The documentation requirements shall be as acceptable by the respective bank for credit requests by its customers.

iv. The bank carries out due diligence of the application and documentation submitted.

v. Successful applicants are issued offer letters, which shall have therewith repayment schedules in accordance with the business dynamics.

vi. The successful applicants shall accept the offer, as well as, meeting all conditions specified in the offer letter precedent to draw down.

vii. The bank forwards successful applications with copies of the offer letter to the Director, Development Finance Department, Central Bank of Nigeria, for consideration and release of aggregate facility amount to the bank for on-lending to successful applicants.

viii. The bank disburses funds to successful applicants within ten (10) days of receipt of funds from the CBN.
ix. The bank bears the credit risk and shall be responsible for the monitoring the performance of the facility.

7. Participating Financial Institutions (PFIs)
All deposit money banks (DMBs) shall be eligible to participate under the initiative.

8. Monitoring and Evaluation
There shall be regular joint monitoring and evaluation of financed projects by the CBN and respective PFIs. Reports of the exercise shall be submitted to the Director, Development Finance Department.

9. Infractions and Penalties
The infractions and penalties shall be as specified in the AGSMEIS Guidelines.

10. Discontinuation of Credit Facility
Whenever a loan is repaid or the facility is otherwise discontinued, the PFIs shall advise the CBN immediately, giving particulars of the credit facility. Any outstanding amount under the facility is to be refunded to the AGSMEIS Fund Account within seven (7) days of discontinuation.

11. Amendments
These modalities shall be subject to review from time to time as may be deemed necessary by the CBN and the Bankers’ Committee.

12. Enquiries and Returns
All enquiries and returns should be addressed to:

The Director  
Development Finance Department  
Central Bank of Nigeria,  
Corporate Headquarters;  
Central Business District,  
Abuja.  
Telephone No: 234-09-4623860

Development Finance Department  
May 2019
APPENDIX

Definition of Terms

Agribusiness
Agribusiness in the context of these guidelines shall be a business involved in any of the agricultural value chain including production, processing, storage and logistics.

Participating Financial Institutions (PFIs)
Any Deposit Money Bank or Microfinance Bank licensed by the Central Bank of Nigeria to provide banking services in Nigeria.
Abbreviations and Acronyms

AGSMEIS  Agri-Business Small, and Medium Enterprises Investment Scheme
CBN  Central Bank of Nigeria
CIFI  Creative Industry Financing Initiative
CRMS  Credit Risk Management System
DMB  Deposit Money Bank
PFI  Participating Financial Institution