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LETTER TO ALL DFIs

ESTABLISHMENT AND OPERATION OF SUBSIDIARIES AND SPECIAL PURPOSE VEHICLES

We have noted the spate of requests from Development Finance Institutions (DFIs) for special regulatory approvals to operate special purpose vehicles (SPVs) in furtherance of operational objectives. It is important that DFIs are transparent in their financial reporting and remain focused on their core objectives.

In this regard, DFIs are henceforth required to provide comprehensive disclosures on all subsidiaries and SPV operations. In the same vein, the same regulatory standards that apply to the parent DFI will apply to the subsidiaries and/or SPV.

Specifically, DFIs are required to:

1. Submit returns on all SPVs including details of ownership, corporate governance structure, statements of assets and liabilities, income and expenditures, project(s) status, possible risk exposure and mitigants, along with own regulatory returns.
2. Report on the Financial soundness indicators / prudential ratios of the DFI calculated on a solo and consolidated basis.
3. Present for approval, its Audited accounts along with that of the SPVs on a consolidated basis.
4. Meet a consolidated leverage ratio of at least 10% [Common Equity: Total Assets (On and Off-Balance Sheet inclusive)] at all times.

Finally, DFIs are required to note that:

1. Approval of new SPVs shall depend on the successful performance of earlier approved ones and the meeting of the consolidated prudential ratios, leverage ratio and business objectives at all times.

2. A consolidated risk-based examination of all subsidiaries and/or SPVs will be conducted on a periodic basis.

Please note that failure to comply with these requirements would be viewed as a violation of the provisions of the DFIs' Guidelines, and would be appropriately sanctioned.



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