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To: All Non-Interest Financial Institutions Licensed by the Central Bank of Nigeria

INTRODUCTION OF TWO NEW INSTRUMENTS – “FUNDING FOR LIQUIDITY FACILITY” AND “INTRA-DAY FACILITY” FOR NON-INTEREST BANKS

In a bid to aid liquidity management and deepen the financial system, the Central Bank of Nigeria (or the Bank) hereby introduces two new financial instruments, namely, “Funding for Liquidity Facility (FfLF)” and “Intra-day Facility (IDF)” at its window, for access by Non-Interest Financial Institutions (NIFIs) licensed by the Bank. The features of the financial instruments are as detailed below.

a. Funding for Liquidity Facility (FfLF)

Features:

- CBN to provide a liquidity facility on overnight basis only and to be terminated on next business day.
- Authorised Non-Interest Financial Institution (NIFI) to provide eligible securities to the CBN as collateral for the facility.
- The value of collateral to be a minimum of 110 per cent of the value of the facility. For example, if a NIFI wishes to take a FfLF of N10 billion, it would be required to provide eligible security collateral worth N11 billion (that is $N10 * 1.1 = N11$ billion).
- The CBN shall specify acceptable collateral(s) from time to time. These shall include, but not limited to the following securities: CBN Safe Custody Account (CSCA) Deposit, CBN Non-Interest Note (CNIN), CBN Asset-Backed Security (CBN-ABS), Sukuk (that has received liquidity status from the CBN), Warehouse Receipt(s) as provided in the CBN Act 2007, and any other collateral designated by the CBN that does not contravene the CBN guidelines for NIFI's operations.
- The transaction shall be at a zero per cent interest rate.
- The opening hours for FfLF shall be between 2.00pm – 3.30pm, and terminated on commencement of next business day.
- At maturity, the transaction unwinds and the CBN receives back its funding and returns the collateral to the NIFI.
- Failure to provide adequate funding in the account for the un-winding of transaction at maturity, the Bank (CBN) shall rediscount the pledged securities at par and recover the facility amount and return the net value to the NIFI.
- The Market Support Committee (MSC) may approve an administrative charge in relation to the facility as it deems fit (in accordance with Section 4 (l) of the “Guidelines for the Operation of NIFI instruments by the CBN”).
 - The determination of the administrative charge would be based on the cost borne in providing the facility, which includes:
 - ✓ Communication/correspondence cost;

- ✓ Printing/Stationary cost; and,
- ✓ Any other direct and actual cost(s) that do not contravene the principles of non-interest banking as provided in the CBN guidelines.
- The NIFI must be either in clearing and have a temporary debit balance and / or have a liquidity problem.

b. Intra-day Facility (IDF)

Features:

- CBN to provide an Intra-day Facility (IDF) for settlement same business day.
- Authorized NIFI shall provide eligible securities as collateral for the facility.
- The value of eligible securities shall be a minimum of 110 per cent of the value of the intra-day facility required by the NIFI. For example, if a NIFI wishes to take an IDF of N10 billion, it would be required to provide eligible security collateral worth N11 billion (that is, $N10 * 1.10 = N11$ billion)
- The CBN shall specify acceptable collateral(s) from time to time, which shall include, but not limited to CBN Safe Custody Account (CSCA) Deposit, CBN Non-Interest Note (CNIN), CBN Asset-Backed Security (CBN-ABS), Sukuk (that has received regulatory treatment by the CBN), Warehouse Receipt(s) as provided in the CBN Act 2007, and any other collateral designated by the CBN that does not contravene the CBN guidelines for NIFI's operations.
- The operating hours for the IDF shall be between 9.00 a.m. and 2.30 p.m.
- Repayment of the IDF shall be between the hours of 10.00 a.m. and 3.00 p.m. each business day.
- At termination, the transaction unwinds and the CBN receives back its funding and returns the collateral securities to the NIFI.
- In the event of failure to repay the IDF as and when due, the CBN shall rediscount the pledged securities at par and recover the facility amount and return the net value to the NIFI.
- The Market Support Committee (MSC) may approve an administrative charge in relation to the facility as it deems fit (in accordance with Section 4 (I) of the "Guidelines for the Operation of NIFI instruments by the CBN").
 - The determination of the administrative charge would be based on the cost borne in providing the facility, including but not limited to:
 - ✓ Communication/correspondence cost;
 - ✓ Printing/Stationary cost; and,
 - ✓ Any other direct and actual cost(s) that do not contravene the principles of non-interest banking as provided in the CBN guidelines.

Accordingly, all NIFIs licensed by the Bank are urged to note for appropriate action.



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