

CENTRAL BANK OF NIGERIA



REGULATIONS FOR TRANSACTIONS WITH AUTHORISED DEALERS IN RENMINBI

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1.0 BACKGROUND AND INTRODUCTION

In line with the statutory mandate of the Central Bank of Nigeria (CBN) as set out in the Central Bank of Nigeria Act, 2007, the CBN and The People's Bank of China (PBoC) executed the PBoC-CBN Bilateral Currency Swap Agreement (BCSA).

The swap agreement allows for both Banks to among other purposes make available liquidity in their respective currencies for the facilitation and promotion of trade and investments across the two Nations, through the purchase, sale and subsequent repurchase and resale of the Chinese Yuan (CNY) against the Naira and vice versa. To achieve this, the CBN may conduct bi-weekly bidding sessions.

The BCSA is for a maximum amount of CNY 15 Billion for NGN 720 Billion with a 3 year tenor.

Pursuant to the provisions of the Banks and Other Financial Institutions Act (BOFIA), LFN, 2004 (as amended) and the Central Bank of Nigeria Act, 2007, the CBN hereby issues the following Regulations.

2.0 PURPOSE OF THE BILATERAL CURRENCY SWAP (BCS)

The BCS shall be used for the following purposes only:

- (a) To finance trade & direct investment between The Peoples' Republic of China (PRC) and the Federal Republic of Nigeria (FRN);
- (b) Maintain financial market stability; and
- (c) For other purposes that both parties may agree upon.

3.0 ELIGIBILITY

The following shall apply in respect of access to the CBN bi-weekly Renminbi bidding:

- (a) All Authorized Dealers shall open Renminbi accounts with a correspondent bank and advise CBN with its Renminbi Account details which may either be with a bank onshore or offshore China.
- (b) Importers intending to import from China shall obtain Proforma Invoice denominated in Renminbi as part of the documents required for the registration of Form M.
- (c) FX purchased in the window shall not be used for payments on transactions in which the beneficiaries are not in China.
- (d) Authorized Dealers shall not open domiciliary accounts denominated in Renminbi for customers.
- (e) For the purpose of this regulation authorized dealers shall be deposit money banks and merchant banks.

4.0 MODE OF PAYMENT

Modes of payment shall be in line with Memorandum 9 of the Foreign Exchange Manual as specified below:

- (a) **Letters of Credit transactions:** All negotiating documents and/or shipping documents (as may be applicable), must be routed from the Beneficiary/Supplier through his/her bank to the issuing bank. For the avoidance of doubt, on no account must a bank endorse or pay on documents that do not comply with the routing outlined above;
- (b) **Bills for Collection transactions:** Documents must be routed to the issuing bank either directly from the supplier's bank or through the offshore correspondent of the issuing bank; and
- (c) In addition, the documents in respect of 'Not Valid' for foreign exchange transactions shall be routed by the supplier directly to the applicant's bank that validates the underlying e-Form 'M'.

5.0 CONDUCT OF INTERVENTION

- (a) The CBN may conduct bi-weekly Renminbi bidding sessions.
- (b) The Renminbi sales shall be applicable only to trade-backed transactions.

- (c) Importers and Exporters shall continue to pay the applicable levies on imports and exports, respectively.
- (d) Authorized Dealers are required to utilize funds within 72 hours from the value date, failing which such funds must be returned to the CBN for repurchase at the Bank's buying rate.
- (e) The CBN shall debit Authorized Dealers' current account on the day of intervention with the Naira equivalent of the Renminbi bid request.
- (f) Bids shall be settled spot through a multiple-price book bidding process and will cut-off at a marginal rate (to be disclosed after the conclusion of the Special SMIS – Retail process).

6.0 DISCRETION ON RATES

The CBN reserves the right not to make a sale if in its opinion the exercise does not provide an effective price for the determination of the NGN/CNY exchange rate, in which case, the CBN may choose to offer another Special SMIS (retail or wholesale) session.

7.0 CHARGES

There shall be no predetermined spread on Spot FX transactions executed through the CBN Renminbi intervention. However, Authorised Dealers may earn not more than 50 kobo

on a customer's bid.

8.0 APPLICABILITY OF EXISTING GUIDELINES

For the avoidance of doubt, the provisions of this Regulation shall apply along with all existing CBN Guidelines, Circulars and Directives on the operations of the foreign exchange market.

9.0 AMENDMENT

This Regulation may be amended by the CBN from time to time as the Bank may deem necessary.

10.0 ENQUIRIES

Authorised Dealers are to refer all enquiries to:

The Director,
Financial Markets Department,
Central Bank of Nigeria,
Corporate Headquarters,
Central Business District,
Abuja, Nigeria.
Tel.: +234-9-46236703
+234-9-46236700.



Dr. ALVAN. E. IKOKU

DIRECTOR, FINANCIAL MARKETS DEPARTMENT

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