CENTRAL BANK OF NIGERIA

Monetary, Credit, Foreign Trade and Exchange Policy Guidelines For Fiscal Years

2018/2019

(MONETARY POLICY CIRCULAR NO. 42)

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Preface

The Central Bank of Nigeria (CBN), is the apex financial institution in Nigeria and is in charge of monetary policy, and regulation of the Nigerian financial system. It also plays the role of financial and economic adviser to Government; responsibilities entrusted to it by the CBN Act, 2007. As part of its core functions, the Bank engages in stakeholder consultations and financial literacy to ensure an enlightened environment for implementation of its policies.

The Monetary, Credit, Foreign Trade and Exchange Policy Guidelines, a periodic publication of the Bank, provides policy guidance to financial institutions for the fiscal period in the medium-term horizon. This biennial publication is designed to assuage policy ambiguity, demonstrate the direction and policy continuity of the Bank as maintained over time, and to provide prudential guidelines to financial institutions to avoid regulatory capture.

This document provides clarity on the Bank's policies and guides economic agents in their engagements with financial institutions in the country. We are, therefore, optimistic that this material will support financial institutions as they engage with their customers in the most transparent way. As usual, the Bank, in issuance of these guidelines, stands ready to defend it and to provide further information on its contents, where the need arises.

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1 SECTION ONE

1.0 INTRODUCTION

The conduct of monetary policy by the Central Bank of Nigeria (CBN) in 2018/2019 will continue to be anchored on the Medium-Term Framework. The need for such framework is based on the fact that monetary policy impacts its ultimate goal with a lag. A medium term framework would thus enable the Bank anchor expections and therefore, avoid over-reaction to temporary shocks and time inconsistency problems associated with frequent changes in policies. The 2018/2019 Monetary, Credit, Foreign Trade and Exchange Policy Guidelines covers the period January 2018 to December 2019 and is designed to ensure both price stability and financial stability.

This circular outlines the monetary, credit, foreign trade and exchange policy guidelines applicable to banks and other financial institutions under the supervision of the CBN in 2018/2019. The guidelines may be fine-tuned by the Bank to take account of new developments in the domestic and global economies in the period without prior notice. Such amendments shall be communicated to the relevant institutions/stakeholders in supplementary circulars.

This document is organized into five Sections. Following this introduction, Section Two reviews developments in the global and domestic economy in 2017 as a background to the policy measures in 2018/2019. Section Three outlines the monetary and credit policy measures and guidelines to be implemented in the 2018/2019 Fiscal years. In Section Four, the applicable foreign trade and exchange policy measures are presented, while Section Five focuses on consumer protection issues. The annexure contains prudential guidelines, relevant reporting formats and referenced circulars.

2 SECTION TWO

2.0 REVIEW OF POLICY ENVIRONMENT AND MACROECONOMIC DEVELOPMENTS IN 2017

2.1 Policy Environment

Global activity strengthened in the first half of 2017, reflecting firmer domestic demand in the advanced economies and China and improved performance in other large emerging market economies. Global economic growth is projected to rise from 3.20 per cent in 2016 to 3.60 per cent in 2017 and 3.70 per cent in 2018 (World Economic Report October 2017). This follows growth rebound in the advanced economies, especially in the United States, where growth picked-up to 2.6 per cent in the second quarter of 2017, from 1.2 per cent in the first quarter, driven largely by buoyant market expectations of fiscal stimulus. The Euro area and Japan have also expanded at relatively moderate rates, providing signs of a general strengthening of activity in most advanced economies.

In emerging market and developing economies, growth outcome has been mixed, but projected to increase to 4.5 per cent in 2017, above 4.3 per cent in 2016. In China, growth is rebounding, reflecting the general expectations that the country's slowdown would be less severe. The expectation is driven by existing policy easing, especially expansionary credit and public investment, as well as supply-side reforms. China's economy grew at 6.9 per cent apiece in the first and second quarters of 2017, compared with 6.8 per cent in the fourth quarter of 2016. Growth in China was projected to remain at 6.7 per cent in 2017 same as in 2016.

The Russian economy has shown significant signs of recovery, and is expected to exit recession in 2017, as recession appears to be bottoming-out, reflecting the effect of higher oil prices. In Brazil, there was a pick-up in economic activity owing to the up firming of oil prices and a recovery in domestic demand, on account of easing financial conditions as well as increased confidence. However, a lackluster investment activity and idle capacity remained major hindrances to growth.

The Indian economy grew by 7.3 per cent in the second quarter of 2017, compared with 7.1 per cent in the first quarter. Growth was supported largely by government and private consumption activity as well as a reduced drag from net exports.

In Sub-Saharan Africa (SSA), the economies continued to witness tepid growth, reflecting softening commodity prices and weak activity in Nigeria and South Africa, the region's major players. Growth was projected to rise to 2.7 per cent in 2017 and 3.5 per cent in 2018, driven largely by fundamentals in the largest economies, which faced challenging macroeconomic conditions in 2016.

2.2 Domestic Macroeconomic Developments

Domestic economic performance was shaped by a combination of global and domestic events, which resulted in macroeconomic imbalances in 2016. The low domestic oil production, attributable to restiveness in the oil producing region; and the low international crude oil prices led to remarkable drop in Nigeria's foreign exchange receipts and external reserves, creating funding challenges in the foreign exchange market leading to substantial depreciation of the naira exchange rate. Consequently, Domestic prices witnessed upward pressure in 2016, despite the generally low global inflation, and the tight monetary policy stance of theCentral Bank of Nigeria. This development was accentuated by structural factors, including the adoption of a new pricing mechanism for premium motor spirit (PMS) and reforms in the power sector as well as increased tariff on electricity.

Thus, the progressive slowdown in the economy, witnessed from the second quarter of 2015, remained unabated, pushing the economy into a recession in 2016, with two consecutive quarters of negative growth in real GDP of -0.67 and -1.49 per cent in the first and second quarters, respectively. This development necessitated fiscal injections by the Federal Government, new foreign exchange policies and other real sector intervention programmes by the CBN. They were also new initiatives to calm hostilities in the Niger Delta region for enhanced crude oil production. Consequently, gradual economic recovery resumed as real GDP grew by 0.72 per cent in the second quarter of 2017 and 1.40 per cent in the third quarter of 2017, attributable to the impressive performance of both the oil and non-oil sectors, particularly agriculture. The contribution of agriculture to real GDP growth in particular was impressive because of growth in the crop production sub-sector, the favourable weather condition across the country as well as the effective implementation of the various development finance initiatives of the Central Bank of Nigeria targeted at agriculture, such as the Anchor Borrowers' Programme (ABP), Modification of Commercial Agriculture Credit Scheme (CACS), targeting seven local commodity areas, Paddy Aggregate Scheme (PAS), Accelerated Agriculture Development Scheme (AADS) , amongst others.

Headline inflation exceeded the Bank's single digit range, rising from 11.4 per cent in February 2016 to 18.6 per cent in December 2016 and peacked at 18.72 per cent in January, 2017. It, however, maintained a steady downward trend in 2017, declining from 18.72 per cent in January to 17.78 per cent in February, 2017 and down to 15.90 per cent in November 2017. This development was attributed to some easing in non-food prices and the effect of CBN's sustained development finance interventions in the economy, including achievement of stability in the foreign exchange market during the year.

Crude oil production rose at an average of 1.62 mbd, representing an increase of 0.07 mbd over the level of 1.55 mbd. Improvements in oil production was due, mainly, to the sustained peace efforts in the Niger Delta region. The average spot price of Nigeria's reference crude, the Bonny Light (370API), was US$52.19 per barrel in 2017, compared with the average of US$44.52 per barrel in 2016.

With global oil price recovery, the external sector improved significantly with provisional figures for overall Balance of Payments (BOP) and current account surpluses of 1.90 and 2.40 per cent of Gross Domestic Product (GDP), respectively in 2017. External reserves stood at US$39.35 billion at end-December, 2017 up from US$26.99 billion at end-December 2016, and could finance 13 months of import. The exchange rate of the naira to the US dollar remained stable both at the interbank and the BDC segments of the market, following policy measures by the CBN to increase foreign exchange liquidity and improve access to end users of foreign exchange.

Monetary policy was largely restrictive in 2016 and 2017. Consequently, growth in major monetary aggregates was moderate in 2017. Broad money supply (M2) declined by 4.62 per cent to N21,953.99 billion at end-October, 2017 from N23,591.73 at end-December, 2016. This was atttributed to 19.73 per cent decline in other assets (net) of the banking system which was moderated by the marginal growth in net domestic credit (1.34 per cent) and 13.77 per cent in foreign assets (net) of the banking system.

The modest growth in aggregate credit was driven by the 1.38 per cent rise in net claims on the Federal Government and 0.20 per cent decline in claims on the private sector. Reserve money fell by 1.46 per cent to N5,762.46 billion at end-October 2017 from N5,847.92 billion at end-December, 2016.

Macroeconomic Issues and Policy Challenges in 2016/2017

2.2.1 Policy Challenges

Following the trend of depressed global growth which commenced in 2014 through to 2016, global output growth recovered substantially from 3.2 per cent in 2016 to 3.6 per cent in 2017. Growth improved across most countries and regions, except in the Middle East, where a combination of geo-political tensions and lower oil prices provide strong headwinds against growth.

In the advanced economies, output growth increased from 1.7 per cent in 2016 to 2.2 per cent in 2017. This was due to a relative slowdown in growth of total factor productivity and diminished growth of the workforce in the United States as a result of its aging population. In the Euro area, the United Kingdom and Japan, the earlier slowdown in growth recovered moderately in the last quarter of 2017. This improvement was on the back of increased government investment spending, with a softer recovery in household spending. In the United Kingdom, growth was dampened due mainly to macroeconomic uncertainties associated with the BREXIT negotiations and the commencement of monetary policy normalization by the Bank of England in November 2017. In broad terms, financial markets across most advanced economies experienced stability in 2017. This stability was confronted with the rising threat of military action by the United States against North Korea.

In the emerging market and developing economies, output growth improved from 4.3 per cent in 2016 to 4.6 per cent in 2017, driven mainly by growth in China and India. In Sub-Saharan Africa, the sustained increase in global oil price through 2017, supported the recovery of output growth in Nigeria, from -1.6 per cent in 2016 to 0.8 per cent in 2017. This recovery was supported by moderately rising oil prices mostly influenced by the OPEC production ceiling and pockets of political tensions in Saudi Arabia, Yemen and Iran. Output in South Africa grew from 0.3 per cent in 2016 to 0.7 per cent in 2017.

In the Nigerian economy, the major challenge that confronted price stability was the build-up in inflationary pressures which resulted from rising food prices and high electricity and other energy costs. Other challenges remai the persistent poor state of infrastructure such as transport, electricity and telecommunications. The weak state of manufacturing compared with the rising demand for imported goods also impacted negatively on GDP growth.

2.3 Outlook for the Domestic Economy in 2018/2019

The outlook for the Nigerian economy is relatively optimistic, as the momentum gained in the second quarter of 2017 is expected to persist into 2018/2019.The growth prospect is expected to follow global economic recovery. In addition, government efforts in the real sector are expected to spur growth and improve economic performance in the medium-term. Specifically, the implementation of the Economic Recovery and Growth Plan (ERGP), sustained CBN interventions and improved supply of foreign exchange are expected to stimulate growth in the non-oil sector, particularly in agriculture and manufacturing.

The agricultural sector is expected to drive growth in 2018/2019 through increased production, which is a key objective of the ERGP. An effective implementation of the ERGP, coupled with the resolution of the crises in the North East and favourable climatic conditions, are expected to boost agricultural production and dampen inflationary pressures. The downward trend in inflation is expected to continue into 2018/2019, being truncated only by the energy shortages at end- December, 2017

The exemption of Nigeria from production output cut by the joint Organisation of the Petroleum Exporting Countries (OPEC) and nonministerial committee is expected to boost crude oil earnings. However, the continued gas and shale oil exploitation in the US and the Iran oil deal amongst others would moderate crude oil prices during the period. The passing of the Petroleum Industry Governance Bill coupled with the improved security in the Niger-Delta region are expected to stimulate investment in the upstream and mid-stream of the oil industry.

Premised on improved oil receipts, the outlook for the external sector for the medium-term remains positive. The stability and improved liquidity in the foreign exchange market is expected to enhance the viability of the external sector and attract more capital flows.

3 SECTION THREE

3.0 MONETARY AND CREDIT POLICY MEASURES FOR 2018/2019

3.1 Objectives and Strategy of Policy

The primary objective of monetary policy in 2018/2019 fiscal years remains the maintenance of price stability. Integral to this is the sustenance of financial system stability. In this regard, the CBN will sustain its effort towards reducing inflationary pressures through effective liquidity management. The aim is to create an environment characterized by low inflation and interest rates, conducive for inclusive and sustainable growth. The Bank shall continue to take necessary steps to ensure banking system soundness and overall financial system stability as well as enhance the efficiency of the payments system to create a favourable platform for the conduct of monetary policy. The CBN remains resolute in achieving credible financial markets through effective enforcement of financial market rules and regulations.

The Monetary targeting framework will remain the monetary policy strategy in 2018/2019 fiscal years. This will be complemented by an appropriate exchange rate regime. In this regard, growth in broad money (M2) will be closely monitored, with projections of 10.98 and 10.29 per cent in 2018 and 2019, respectively.

3.2 Policy Measures

To ensure that the monetary aggregates are within the programmed targets, the monetary policy stance will be proactive, involving the discretionary management of the Bank's balance sheet. The Monetary Policy Rate (MPR) will continue to be the anchor rate for short-term interest rates. The Monetary Policy Committee (MPC) will regularly review the rate in response to prevailing liquidity conditions and other developments in the economy.

The major instrument for managing system liquidity will continue to be Open Market Operations (OMO). This will be complemented by cash reserve requirements, discount window operations and foreign exchange interventions. As approved by the Bank, eligible government securities shall continue to be accepted at the discount window.

3.2.1 Open Market Operations

OMO shall remain the major liquidity management tool of the CBN. Through the OMO auctions, the Bank shall either sell or purchase CBN Bills, in order to maintain banking system liquidity at levels that are consistent with its monetary policy stance. All commercial and merchant banks as well as non-interest institutions, i.e. authorised Money Market Dealers (MMDs) are eligible participants at the auctions. OMO shall be complemented by discount window operations, including repurchase agreements (repo) and reverse repurchase agreements (reverse repo).

3.2.2 Reserve Requirements

Cash Reserve and Liquidity Ratios shall continue to serve as prudential and liquidity management tools.

3.2.2.1 Cash Reserve Requirement

The Cash Reserve Requirement (CRR) for deposit liabilities at 22.50 per cent shall apply, subject to review by the CBN in line with prevailing economic and liquidity conditions. The maintenance period for the CRR shall be as prescribed from time to time.

3.2.2.2 Liquidity Ratio (LR)

The minimum liquidity ratio for commercial, merchant and non-interest banks shall be retained at 30.00, 20.00 and 10.00 per cent, respectively, subject to review from time to time. In the 2018/2019 fiscal years, discount houses shall continue to maintain a minimum investment of 60.00 per cent of their total liabilities in government securities. The ratio of individual bank loans to deposits is retained at a maximum of 80.00 per cent.

3.2.2.3 Net Open Position

The Net Open Position (NOP), long or short, of the overall foreign currency assets and liabilities taking into cognizance both on and off-balance sheet items shall not exceed 10.00 per cent of shareholders' funds unimpaired by losses.

The aggregate foreign currency borrowing of a bank, excluding inter-group and inter-bank (Nigerian banks) borrowing shall not exceed 125.00 per cent of shareholders' funds unimpaired by losses. Banks are expected to adopt the following risk mitigation strategies, amongst others:

I. All borrowings shall be hedged using financial market tools acceptable to the CBN;

ii. borrowings must be subordinated debts with prepayments allowable only at the instance of the bank and subject to prior approval of the CBN; and

iii. All debts, with the exception of trade lines, shall have a minimum fixed tenor of five (5) years.

3.2.2.4 Net Foreign Currency Trading Position

Authorised Dealers are required to maintain a maximum Net Foreign Currency Trading Position of between 0.50 per cent and -10.00 per cent of their shareholders' funds unimpaired by losses at the close of business each day. However, this limit is subject to periodic review.

3.2.3 Foreign Exchange Interventions

Supported by the release of the Revised Guidelines for the Operation of the Nigerian Inter-bank Foreign Exchange Market (IFEM) on June 15, 2016 and the subsequent supporting circulars and releases in 2017, the CBN shall continue to facilitate enhanced efficiency, liquidity and transparency in the market. To achieve these goals, the Bank will intervene, by buying and/or selling foreign exchange, as and when necessary

3.2.4 Discount Window Operations

All eligible markets players may borrow funds from or lend funds to the CBN on short-term basis, to meet their temporary shortage of liquidity occasioned by internal or external disruptions or deposit

their excess funds, respectively. The activities at the discount window shall be guided by relevant circulars and guidelines
The window, through the Standing Lending Facility (SLF) and the Standing Deposit Facility (SDF), shall be accessible at a stipulated time at the end of the business day to enable the institutions square up their positions overnight at appropriate rates tied to the MPR. Repo and reverse repo shall, in addition, complement to avail the eligible institutions of tenured facilities to raise short-term funds. Outright rediscounting of eligible securities shall remain at the discretion of the Management of the Bank.

3.2.5 Intra-day Liquidity Facility

In line with the relevant provisions, circulars and guidelines, all eligible merchant and commercial banks shall continue to have access to the Intraday Liquidity Facility (ILF) to meet their temporary liquidity shortages within a stipulated time frame during the business day. The facility will continue to enhance liquidity levels in the individual institutions to forestall the creation of queues and gridlocks on the Real Time Gross Settlement System (RTGS) and ensure its smooth operation.

Earlier specified eligible securities, viz-a-viz CBN Bills and Federal Government instruments, shall continue to serve as collateral for the ILF. The failure of the participating institutions to liquidate the facility at the stipulated time before the end of the business day will result in the pledged securities being discounted. Alternatively, the facility shall be converted to SLF, with the pledged securities serving as collateral.

3.2.6 Non-Interest Financial Products

In furtherance of deepening non-interest financial transactions and aiding their liquidity management, the following instruments, shall remain accessible by the Non-interest Financial Institutions (NIFIs).

3.2.6.1 CBN Safe Custody Account

The CBN Safe-Custody Account (CSCA) is an instrument based on a contract of safe-custody (Wadiah) of funds between a depositing financial institution with surplus funds and the CBN, with the CBN serving as the custodian. The tenors for the placement shall be overnight, three-day and seven-day, subject to a roll-over on maturity for the same term, either by the participating institution or by the CBN. The Bank shall have no obligation to make or offer any return on the deposit, rather any return shall be at the discretion of the Bank.

3.2.6.2 CBN Non-Interest Note

The CBN Non- Interest Note (CNIN) is a financial paper issued by the CBN, evidencing an interest–free loan instrument between an authorised NIFI (lender) and the CBN (borrower), which entitles the institution to raise a corresponding interest free loan from the CBN at a later date for a maximum of 12 months.

3.2.6.3 CBN Non-Interest Asset Backed Securities

CBN Non-interest Asset Backed Securities (CNI-ABS) are instruments involving the securitization of CBN's holdings in International Islamic Liquidity Management (IILM) securities and/or Sukuk issued by a multilateral organization of which Nigeria is a member. The securitised asset shall be Dollar or other reserve currency approved by the Management of the Bank, and the returns will be based on the net return of the underlying asset. The underlying assets shall be short to medium term, to avoid tenor mismatches, and must be tradedable in the secondary market.

3.2.6.4 Funding for Liquidity Facility

Funding for Liquidity Facility (FfLF) is a liquidity facility provided by the CBN on overnight basis only and to be terminated on next business day. Authorized NIFIs are to provide eligible securities to the CBN, as collateral for the facility. The CBN shall specify acceptable collaterals from time to time and the transaction shall be at zero percent interest rate. The FfLF shall continue to enable the CBN play its role as lender of last resort to the NIFIs during the 2018/2019 fiscal years.

3.2.6.5 Intra-day Facility

Intra-day Facility (IDF) is an instrument that can be borrowed during the business day to enable the NIFI meet temporary liquidity shortages to effect payments/settlement. Repayment of the funds borrowed shall take place before the end of the business day. The IDF shall be provided against eligible securities including the CSCA, CNIN, CBN-ABS, sukuk (that has received liquidity status from the CBN) and any other collateral designated by the CBN that do not contravene the guidelines for NIFIs operations.

In furtherance of its support of and to enhance the diversification of sources of funding for development, the CBN shall grant liquidity status to eligible Sukuk instruments issued by state governments, following their meeting the stipulated criteria.

3.2.7 Interest Rate Policy

Interest rates in the 2018/2019 fiscal years shall continue to be market-driven. The CBN shall continue to influence interest rates, indirectly, through the adjustment of its anchor rate, the MPR. Accordingly, interest rates used by banks in the 2018/2019 fiscal years shall comply with the following guidelines:

a. Banks shall continue to pay negotiated interest rates on current account deposits.

b. Where special purpose deposits (such as deposits held as collateral, bank guarantee proceeds or other similar deposits) are held as collateral, banks shall pay interest negotiated with the customer at a rate not below 30.00 per cent of MPR per annum for Naira denominated deposits. A special purpose deposit, as used in these guidelines, is a deposit made by, on behalf of, or transferred from the customer's account, which is not accessible to the customer, for more than seven (7) days.

c. The applicable interest rate on foreign currency denominated deposits held as collateral shall be negotiated in line with the applicable term deposit rate prevailing in a referenced foreign exchange market or as set by the appropriate monetary authority for the foreign currency.

d. The reducing balance method shall be employed for calculating interest charged on loans repayable instalmentally. The use of any other method for calculating interest on loans payable in agreed instalments, such as the discount method or the simple interest straight line method that would result in the payment of higher effective rates of interest than the contracted rate is not allowed.

e. A statement of account shall be rendered promptly, to each account holder, minimally, on a monthly basis free of charge and shall include:

   i. Rates of interest on over-drawn accounts, the amount and the period; and

   ii. Details of operation of the account during the month.

f. Interest on savings deposit shall be accrued on daily basis and credited to the customer's account at the end of each month.

g. The balance on a personal savings account on which interest is payable is not subject to any threshold.

h. Each bank shall continue to ensure the correctness of its charges and interest payable on deposit accounts.

I. Where the bank discovers a non-payment or under-payment of interest on deposits, other entitlements, excessive interest, and/or bank charges, the bank shall refund the charge and/or excessive interest to the customer within two weeks of the discovery/customer complaint , with simple interest at the bank's prevailing maximum lending rate from the date of such non-payment, underpayment and/or excessive interest up to the date of refund, along with a letter of apology to the customer. Where necessary, the customer's account should be reconstructed to determine the excess charges. Any bank that fails to comply with this provision shall, in addition to the refund to the customer, be liable to a penalty as may be prescribed by the CBN.

j. Banks shall, in accordance with the provisions of BOFIA 1991 (as amended) and amendments to Monetary Policy Circular No. 30 of 1996, continue to display daily at their offices, current lending and deposit rates, as well as publish such applicable rates daily on their websites and weekly in national newspapers.

3.2.8 Determination of Banks' Cost of Funds

In the 2018/2019 fiscal years, banks shall continue to employ the weighted average cost of funds methodology in the computation of their cost of funds. The applicable cost items shall include interest cost on the different types of deposit liabilities, borrowings from the interbank funds market, payments in respect of deposit insurance premium and costs due to reserve requirements. It should be noted that overhead costs are excluded from this computation.

3.2.9 Framework for the Implementation of Risk-Based Interest Pricing Model

BankBanks are expected to seek profitability by driving down costs and charging competitive rates instead of charging excessive rates of interest. Therefore, banks shall, develop and implement a Risk-Based Pricing Model in line with the provisions of CBN circular referenced BSD/DIR/GEN/RPN/04/120 on "The Need for banks to develop and implement a risk-based pricing model" issued in October 2011. Furthermore, to ensure that the MPR is an effective tool for driving lending rates, banks shall disclose their prime and maximum lending rates as a fixed spread over the MPR.

3.2.10 Opening of new Accounts

As part of its effort towards promoting greater financial inclusion in the country, the Bank shall continue to encourage banks to intensify deposit mobilisation during the 2018/2019 fiscal years. Accordingly, banks shall allow zero balances for opening new bank accounts and simplify their account opening processes, while adhering to Know-Your-Customer (KYC) requirements. Banks are also encouraged to develop new products that would provide greater access to credit.

3.2.11 Issuance of Nigerian Treasury Bills and Federal Government of Nigeria Bonds

In order to meet its short-term fiscal needs, the Federal Government through the Debt Management Office (DMO) and in partnership with the CBN shall continue to determine the amount and volume of issue as well as re-issue of various tenor of Nigerian Treasury Bills (NTBs). The quarterly issue programme of the debt instruments thereof shall be determined collaboratively by the DMO and CBN. The NTBs, ranging from 91 to 364-day tenors, would support the FGN funding needs and ensure the orderly development of debt instruments in the Nigerian financial markets. The full management of the issuance of FGN Bonds for and on behalf of the FGN is under the purview of the DMO.

3.2.12 Ways and Means Advances

Ways and Means Advances shall continue to be available to the Federal Government, to finance deficits in its budgetary operations to a maximum of 5.00 per cent of the previous year's actual collected revenue. Such advances shall be liquidated as soon as possible, and shall in any event be repayable at the end of the year in which it was granted.

Consistent with the banking arrangement of Treasury Single Account (TSA), Ways and Means Advances would now be determined after recognizing the sub-accounts of the various MDAs, which are now linked or connected to the Consolidated Revenue Fund (CRF) to arrive at the FGN consolidated cash position. This would continue in the 2018/2019 fiscal years

3.2.13 Treasury Single Account

The TSA forms part of the government's public financial management reform programme, through which all Federal Government of Nigeria (FGN) accounts are harmonized into a single account and linked to the Consolidated Revenue Fund (CRF). The Bank will continue to collaborate with the Office of the Accountant General of the Federation (OAGF) to ensure and sustain the implementation of the scheme.

The Bank issued Letter of Comfort Guidelines for Oil Industry and related institutions to guide the investment model for various MDAs under the TSA as well as guidelines for the operations of TSA for State Governments.

The CBN would continue to develop effective models for e-Payment and the e-Collection segments under the TSA scheme.

3.2.14 The Payments System

The Bank shall continue in its effort towards improvement of the safety and efficiency of the National Payments System. To this end, the Bank shall implement various initiatives towards making the payments system in Nigeria 'nationally utilized and internationally recognized'.

(a) Cash-less Policy

Cash Withdrawal Limits

In order to discourage the prevalence of cash transactions in the economy, cash withdrawal limits for individuals and corporate bodies are specified as follows:

I. For individual account holders, charges will apply when daily cumulative or single cash withdrawal is in excess of N500,000.00.

ii. For corporate account holders, charges will apply when daily cumulative or single cash withdrawal is in excess of N3,000,000.00.

The applicable charges on excess withdrawals are operational in Lagos, Abia, Anambra, Kano, Ogun, Rivers, FCT and would be extended to the remaining 30 states in due course.

The charges are as follows:

	Withdrawal
Individual	3%
Corporate	5%

(b) Cheque Processing

An enabling environment for efficient cheque processing and other paper-based payments instruments, through complete application of new and already adopted technologies shall be implemented.

I. Cheque Clearing

The Bank shall continue to improve the cheque clearing infrastructure to increase the efficiency of the system. The cheque truncation system shall continue to be used for the exchange of images of the instruments and Magnetic Ink Character Recognition (MICR) data. The cheque clearing cycle remains T+1 and maximum cap on cheque at N10.00 million.

ii. Cheque Standards and Cheque Printers Accreditation Scheme

In line with the provisions of the Nigeria Cheque Printers' Accreditation Scheme (NICPAS), the Bank shall continue to conduct annual accreditation of the Nigeria cheque printers.

iii. Authorized Signatory Verification Portal

The Authorized Signatory Verification Portal, developed by Nigeria Inter-Bank Settlement System Plc (NIBSS), shall continue to be used by Deposit Money Banks (DMBs) as a secure electronic-based shared service solution for authorized signatory management.

(c) Implementation of the Bank Verification Number Scheme

The Bank Verification Number (BVN) scheme shall continue to be in force for valid banking transactions during the 2018/2019 fiscal years. The scheme has also been extended to customers of Other Financial Institutions.

The Bank issued the Framework for watch-listing suspected fraudulent customers in the banking industry using the BVN database. During the

2018/2019 fiscal years, the Bank shall vigorously enforce the provisions of the Framework to reduce the frequency of fraudulent transactions.

(d) Real-Time Gross Settlement System

The Bank shall continue to maintain and upgrade the Real-Time Gross Settlement (RTGS) System for settlement of inter-bank fund transfers and time-critical payments. The RTGS System shall operate between the hours of 8.00 am to 4.30 pm on week days.

(e) Settlement and Non Settlement Banks

The Bank shall continue to categorize banks into settlement and non-settlement banks for the purpose of clearing and settlement. Settlement banks participate directly in the clearing houses and receive their net clearing position in their settlement account with the CBN while non settlement banks receive their net clearing position through the settlement account of their settlement bank.

Any bank applying for direct participation as a settlement bank shall be required to meet the following conditions:

- Possess the capacity to provide the required clearing collateral of N15.00 billion, subject to periodic review.
- Ability to offer agency facilities to other banks and to clear and settle on their behalf.
- Adequate branch network, in all the CBN locations.

(f) Payments System Vision 2020

In the 2018/2019 fiscal years, the statements of payment finality for the four payment schemes in Nigeria (RTGS; Cards; Mobile; Automated Clearing House, Cheque and Instant Payment) shall continue to be enforced. These statements define the point at which payments within the respective schemes are deemed to be final and irrevocable.

(g) Card Security

In order to ensure maximum customer protection on the issuance and usage of cards, the CBN requires card issuers/acquirers to ensure that all devices/software used for transmitting financial data comply with the Europay, MasterCard and Visa (EMV) standards.

In line with this directive, the production and issuance of cards with magnetic stripe shall remain prohibited. Consequently, card issuers and financial institutions shall ensure that all cards produced and issued are chip-based. Switches shall also ensure that the physical security requirements on cards are compliant with global standards and a disaster recovery plan is in place.
The CBN shall continue to ensure that card issuers strictly comply with all existing guidelines including circulars on:

i. Establishment of Industry Fraud Desks;

ii. Non-Refund of Monies to Customers Shortchanged by ATMs' Non-Dispense or Partial Dispense Error (inclusive of the requirement for the Automation of Acquirer Initiated Refunds);

iii. Nigerian Issued Card Present Fraud in Non-EMV Environments; and

iv. The Need to Install Anti-Skimming Devices on all ATMs.

3.2.15 Publication of Financial Statements

In accordance with the provisions of BOFIA 1991 (as amended), banks are required, subject to the written approval of the CBN, to publish not later than four (4) months after the end of each financial year, their audited financial statements (statement of financial position and statement of comprehensive income) in a national daily newspaper printed and circulated in Nigeria. To facilitate the implementation of consolidated supervision, all banks, discount houses and their subsidiaries shall continue to adopt December 31, as their accounting year end. The CBN shall continue to hold the Board Chairman and Managing Director (MD) of a defaulting bank directly responsible for any breach and impose appropriate sanctions which may include the following:

- Barring the MD or his/her nominee from participation in the Bankers' Committee and disclosing the reason for such suspension;

- Suspension of the foreign exchange dealership license of the bank and its name sent to the Nigerian Stock Exchange (in the case of a public quoted company); and

- Removal of the Chairman and MD from office if the accounts remain unpublished for twelve (12) months after the end of the bank's financial year.

3.2.16 Implementation of IFRS 9 (Financial Instruments) in Nigeria

All banks and discount houses are expected to implement IFRS 9 with effect from January 1, 2018. To ensure proper implementation of the standard, the CBN issued the Guidance Note to Banks and Discount Houses on the Implementation of IFRS 9 (Financial Instruments) in Nigeria on December 20, 2016. The Guidance Note specifies CBN's expectations on areas that require judgment and the use of simplifications and practical expedients permitted by the standard.

3.3 Other Policy Measures

3.3.1 Development Finance Polices

The CBN shall continue to evolve policy measures to proactively address the financing gaps in the real sector. Initiatives that will catalyze the flow of affordable and sustainable funds to agriculture and micro, small and medium enterprises (MSMEs) will be implemented. The overarching goal of the Bank's Development Finance interventions will be to support the economic development and diversification agenda of the FGN. To facilitate these policy intents, the Bank shall in the 2018/2019 implement the following:

(a) Financing the Development of Micro, Small and Medium Enterprises

In recognition of the importance of micro, small and medium enterprises (MSMEs) to the development and transformation of the economy, the CBN shall continue to encourage and collaborate with other stakeholders to advance initiatives that would enable the development of SMEs in the 2018/2019 fiscal years. To this end, the Bank would consolidate on the gains of the MSME Development Fund (MSMEDF) and National Collateral Registry as established by the Secured Transactions in Moveable Assets Act, 2017 which has aided access and deepened financial inclusion through the facilitation of the use of movable collaterals for either business or consumer credit. In addition, the Bank has developed modalities for non-interest windows in all its development finance initiatives to enhance financial inclusiveness.

The core initiatives targeted at the development of MSMEs include:

I. Real Sector Support Facility

Real Sector Support Facility (RSSF) was established to unlock the potential of the real sector as well as engender output growth, value added productivity and job creation. The facility supports large enterprises with financing needs from N500.00 million but subject to a maximum of N10.00 billion at an all-inclusive interest rate of 9.00 per cent per annum. The real sector activities targeted by the facility are manufacturing, agricultural value chain and selected service sub-sectors. The CBN shall sustain the scheme in the 2018/2019 fiscal years.

ii. SMEs Credit Guarantee Scheme

The SMEs Credit Guarantee Scheme (SMECGS) was established to encourage banks to lend to the productive sectors of the economy, by providing 80.00 per cent guarantee on loans granted by banks to SMEs and manufacturers. The CBN shall sustain the scheme in the 2018/2019 fiscal years.

iii. Micro, Small and Medium Enterprises Development Fund

The Micro, Small and Medium Enterprises Development Fund (MSMEDF) became operational in August 2014. The Fund provides liquidity support for microfinance banks/microfinance institutions for on-lending to MSMEs. Sixty (60.00) per cent of the fund is devoted to women and women-owned enterprises while 2.00 per cent has been earmarked for persons living with disabilities. The Fund provides the seed funds for the implementation of the Anchor Borrowers' Programme (ABP), Youth Enterpreneurship Development programme (YEDP) and the Accelerated Agricultural Development Scheme (AADS). The Fund shall be sustained in the 2018/2019 fiscal years.

iv. Anchor Borrowers' Programme

The Anchor Borrowers' Programme (ABP) was established on November 17, 2015 to link smallholder farmers to local processors. Under the Programme, the processor (the Anchor) identifies the farmers and links them to financial institutions. The farmers are then supplied with improved seeds and other inputs to enhance their productivity. The scheme covers all agricultural commodities produced locally, including livestock. The Programme shall be sustained and improved upon in the 2018/2019 fiscal years.

v. National Food Security Programme

The National Food Security Programme (NFSP) was introduced to ramp up food production and job creation across the country with the participation of large scale farms that have numerous farmers as out-growers. Funds are also made available for the companies to mop up and procure grains, such as soya, corn/maize, sorghum and millet to support the Federal Government's Strategic Food Reserve Initiative.

vi. Accelerated Agricultural Development Scheme

The Accelerated Agricultural Development Scheme (AADS) was designed to engage a minimum of 370,000 youths (10,000 per State and the FCT) in agricultural production across the country over the next three years. The broad objective of the AADS is to increase agricultural production towards food security, job creation and economic diversification. The Scheme, which is in collaboration with State Governments and the FCT, has strong focus on commodities in which the states have comparative advantage and the target groups are Nigerian youths aged between 18 and 35 years. The CBN shall sustain the Scheme in the 2018/2019 fiscal years.

vii. Agri-Business/Small and Medium Enterprises Investment Scheme

The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on February 9, 2017. It was established to support the FGN's efforts and policy measures for the promotion of agricultural small and medium enterprises as vehicles for sustainable economic development and employment generation. The Scheme requires all banks in Nigeria to set aside 5.00 per cent of their profit after tax (PAT) annually. The amount investable in any enterprise shall be limited to a maximum of N2.00 billion. Investment in excess of the maximum allowable amount shall be subject to the approval of the CBN. A Special Purpose Vehicle (SPV) shall be established to manage the Scheme.

viii. Youth Entrepreneurship Development Programme

The Youth Entrepreneurship Development Programme (YEDP) was established to stimulate youth entrepreneurship by encouraging them to establish enterprises and create jobs, leveraging on affordable financing. The programme has two components, namely, agricultural business and MSMEs with both having loan amount not exceeding N3.00 million for individuals and N10.00 million for groups of 3 – 5 youths. The Bank shall sustain its implementation in the 2018/2019 fiscal years.

(b) Commercial Agriculture Credit Scheme

The Commercial Agriculture Credit Scheme (CACS) is focused on the financing of large ticket projects along the agricultural value chain. The Scheme is administered at 9.00 per cent rate of interest per annum and tenor of up to 7 years. Since January 2015, 60.00 per cent of the Fund has been dedicated to the promotion of seven (7) focal commodities (rice, wheat, oil palm, fish, sugar, cotton and dairy) that contribute significantly to the nation's agricultural import bill. Monitoring of projects would be intensified in the 2018/2019 fiscal years to enhance the funding of agricultural value chain.

(c) Paddy Aggregation Scheme

The Paddy Aggregation Scheme (PAS) is a working capital facility established in July 2017. It is targeted at integrated rice millers only for a tenor of 6 months at an interest rate of 9.00 per cent. The Scheme is designed to reduce the high cost of local rice, thereby making the price of local rice affordable and competitive with the imported brands.

(d) Agricultural Credit Guarantee Scheme Fund

The Agricultural Credit Guarantee Scheme Fund (ACGSF) was established in 1978 and has encouraged lending to the agricultural sector by providing guarantee to banks. In the 2018/2019 fiscal years, the Bank will continue to sustain the scheme to further boost small-farm activities. Complementary to the scheme, the Bank shall continue the operation of the Interest Drawback Programme (IDP) in the payment of interest rebate of 40.00 per cent to farmers that make timely repayment.

(e) Infrastructure Finance

i. Power and Airline Intervention Fund

The Power and Airline Intervention Fund (PAIF) was introduced to fast-track the development of electric power projects and the aviation sector of the Nigerian economy with the objective of improving power supply, generating employment, and enhancing the standard of living of Nigerians. The Fund is administered at 9.00 per cent per annum and shall be sustained by the CBN in 2018/2019 fiscal years.

ii. Nigeria Electricity Market Stabilization Facility

The Nigeria Electricity Market Stabilization Facility (NEMSF) was established to provide liquidity in the electricity supply industry, establish a contract-based market underpinned by cost reflective tariffs, and enhance the power sector's efficiency and bankability. It was conceived to settle the revenue shortfalls during the Interim Rules Period (IRP) up to end-December 2014 as well as the legacy gas debts of the Power Holding Company of Nigeria (PHCN) successor generation companies owed to gas suppliers prior to November 1, 2013. The provisions of CBN circular referenced FPR/DIR/GEN/CIR/01/004 dated March 4, 2015 shall continue to apply.

(f) Financial Inclusion Strategy

The National Financial Inclusion Strategy was launched on October 23, 2012 to leverage on existing bank branches, agent banking, mobile money agents and digital financial services to deliver financial services to Nigerians. The strategy aims at reducing the financially excluded people to 20.00 per cent of the adult population by 2020. The Bank shall continue the implementation of the Strategy in 2018/2019 fiscal years.

(g) Entrepreneurship Development Centres

The Bank shall continue to monitor the activities of implementing agencies of the Entrepreneurship Development Centres (EDCs) and evolve strategies to support entrepreneurship development and youths/women empowerment programmes in the 2018/2019 fiscal years. The EDCs were established to develop entrepreneurial skills to start, manage and expand businesses among the teeming unemployed and under-employed youths. The EDCs are operational in all the geo-political zones across the country. The Bank shall continue the EDCs initiative in 2018/2019.

3.3.2 Orderly Development of the Banking System

i. Bank Credit Expansion

Banks shall meet the following criteria in order to be allowed to grant new credit facilities in the 2018/2019 fiscal years:

- Minimum capital adequacy ratio
- Specified liquidity ratio
- Provisions of the Prudential Guidelines
- Minimum shareholders' fund
- Specified cash reserve requirement
- Sound corporate governance

ii. Prudential Guidelines for Licensed Banks

The provisions of the prudential guidelines shall continue to apply in the 2018/2019 fiscal years, subject to review based on developments in the industry. The differences resulting from the comparison of expected losses determined under International Financial Reporting Standards (IFRS) with all losses determined under the prudential guidelines shall continue to be adjusted under the statement of changes in equity, through the non-distributable regulatory reserve.

iii. Capital Adequacy

The minimum ratio of total qualifying capital to total risk-weighted assets shall remain at 10.00 per cent for Regional and National banks, and 15.00 per cent for International banks in the 2018/2019 fiscal years. Not less than 66.67 per cent of banks' capital shall comprise paid-up capital and reserves. Banks shall also maintain a ratio of not more than one to ten (1:10) between adjusted capital funds and total credit net of provisions. They are encouraged to maintain a higher level of capital commensurate with their risk profile.

Banks and banking groups are required to comply with the appropriate guidelines for the measurement and calculation of capital requirements.

iv. Responsibilities of Banks' External Auditors to the Supervisory Authorities

The requirement that banks and other financial institutions should instruct their external auditors to forward two (2) copies of their audit reports to the CBN, not later than three months after the end of banks' financial year, shall remain in force in the 2018/2019 fiscal years.

The external auditors of all banks and other financial institutions are expected to comply with the provisions of Rule 9 [Application of International Standard on Auditing (ISA) 701 – Communicating Key Audit Matters in the Independent Auditor's Report] of the Financial Reporting Council of Nigeria for audit of financial statements for period ending on or after June 30, 2017.

The report on fraud and forgeries committed during the accounting year under review shall also accompany the audited reports. Moreover, each bank shall continue to communicate the appointment, re-appointment, termination, and resignation of its external auditors to the CBN, stating the reasons for such action. Where a bank fails to comply with this requirement, the CBN reserves the right to withhold the approval for publication of such accounts and apply the appropriate sanction. Banks are required to ensure that their external auditors are in attendance at the presentation of Examination Reports by the Supervisory Authorities to their Boards of Directors.

Banks and discount houses are required to submit to the CBN, on a quarterly basis, progress reports on the implementation of the recommendations of the External Auditors in Management letters. External auditors shall also:

- Issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system, in their audit reports, in line with the provisions of Section 63 of the Investment and Securities Act 2007;
- Devote a portion of their report to the review of the bank's implementation of the preceding year's audit recommendations; and
- The tenure of the external auditors in a given bank shall be for a maximum period of ten (10) years, after which the audit firm shall not be reappointed in the bank until after a period of another ten (10) years.

v. Returns from Banks and Discount Houses

All banks and discount houses shall provide, in a timely manner and in the prescribed format, accurate reports on their activities for the daily, weekly, monthly, quarterly and semi-annual returns. The returns shall be rendered through the Electronic Financial Analysis and Surveillance System (e-FASS), Financial Analysis (FinA) System and any other medium as may be required.

Daily returns shall be submitted by 10.00 a.m. of the next working day, while monthly, quarterly and semi-annual returns shall be submitted on or before the fifth (5th) day of the subsequent month. Where the fifth (5th) day is a weekend or a public holiday, returns shall be submitted on the previous working day.

During the programme period, banks shall continue to render weekly returns on deposit and lending rates to the Banking Supervision Department. The rates shall include all charges, commissions, and fees, annualized and added to the base lending rates to arrive at the all-inclusive rate.

vi. Penalties for Default

The CBN shall continue to enforce the stipulated penalties for non-compliance with regulatory guidelines, as well as the provisions of the CBN Act 2007 and the BOFI Act 1991 (as amended), in the 2018/2019 fiscal years. Any financial institution that fails to comply with extant guidelines and other directives that may be issued by the CBN, shall be sanctioned accordingly.

vii. Transparency in Financial Transactions

Financial institutions shall continue to observe the following standards in the 2018/2019 fiscal years:

a. Know-Your-Customer

Banks and other financial institutions shall continue to apply the Know-Your-Customer (KYC) principle and Customer Due Diligence (CDD) as specified in the CBN (AML/CFT in Banks and Other Financial Institutions in Nigeria) Regulations, 2013. Financial institutions are required to continue to observe the restrictions and limits on levels I and II of the Tiered KYC accounts as contained in the CBN circular referenced FPR/DIR/CIR/GEN/06/012 of July 1, 2016.
https://www.cbn.gov.ng/out/2016/fprd/july_2016_circular_tkyc review.pdf

b. Compliance with Anti-Money Laundering/Combating the Financing of Terrorism Laws and Regulations

Banks and other financial institutions shall continue to observe high ethical standards and ensure compliance with the relevant laws and regulations governing their operations. The CBN shall continue to enforce the provisions of the Money Laundering (Prohibition) Act, 2011 (as amended), the CBN (AML/CFT in Banks and Other Financial Institutions in Nigeria) Regulations, 2013 and other relevant regulations.

c. Co-operation with Law Enforcement Agencies

Banks and other financial institutions are required to cooperate with law enforcement agencies within the limits of the rules governing confidentiality. In particular, where financial institutions are aware of facts that lead to a reasonable presumption that funds lodged in an account or transactions being entered into, are derived from criminal activity or intention, they should observe the stipulated procedures for disclosure of the suspicious transactions consistent with extant reporting procedures. Any financial institution that contravenes these requirements shall attract appropriate penalties as stipulated in the BOFIA 1991 (as amended) and other relevant regulations.

viii. Risk-Based Supervision

The CBN would continue to adopt the risk-based supervisory (RBS) approach in the supervision of institutions under its regulatory purview. The RBS approach is designed to provide an effective process to assess the safety and soundness of banks and other financial institutions.

ix. Consolidated Supervision of Nigerian Banks

During the 2018/2019 fiscal years, the CBN under the auspices of the Financial Services Regulation Co-ordinating Committee (FSRCC), shall continue to use the consolidated supervision approach in the oversight of financial holding companies.

x. Cross Border Supervision

The CBN shall grant approval, where appropriate, only to commercial banks with international authorization to establish off-shore subsidiaries. In addition, qualifying banks would only be allowed to establish off-shore subsidiaries in countries with which the CBN has signed a Memorandum of Understanding. The Framework for Cross Border Supervision of Nigerian Banks issued in 2011 shall continue to be the basis for the supervision of Nigerian banks that have presence outside the country.

xi. Macro-Prudential Regulation and Stress Testing

The CBN shall sustain the use of macro-prudential regulation, and top-down quarterly solvency and liquidity banking industry stress testing in assessing the health of banks. Similarly, banks shall continue to conduct and submit to the CBN their quarterly bottom-up solvency stress testing report.

xii. Risk weights for risked weighted assets computation

The appropriate risk weights for various credit exposures shall be as contained in the Revised Guidance Notes on the Calculation of Capital Requirement for Credit Risk.

xiii. Risk Management, Corporate Governance and Whistle blowing

The revised Code of Corporate Governance and Whistle blowing guidelines, issued in May 2014 as well as the guidelines for the development of a risk management framework for individual banks issued in July 2007, shall remain in force in the 2018/2019 fiscal years, and shall be continually reviewed in line with best practice.

xiv. Credit Risk Management Systems

Banks shall continue to comply with the requirements of the Credit Risk Management System (CRMS) as stipulated in the CBN circular referenced FPR/DIR/GEN/CRM/06/012 of February 27, 2017 http://www.cbn.gov.ng/Out/2017/FPRD/CIRCULARONREDESIGNEDCRMS.pdf

xv. Private Credit Bureaux

During the 2018/2019 fiscal years, the operations of private credit bureaux shall be guided by the provisions of the Credit Reporting Act 2017, as well as regulations and guidelines issued by the CBN from time to time.

All banks and other financial institutions shall, during the 2018/2019 fiscal years, continue to:

- Have data exchange agreements with at least two (2) licensed credit bureaux;
- Obtain credit reports from at least two (2) licensed credit bureaux in addition to the CBN CRMS before granting any new credit facility, or when reviewing, renewing or restructuring an existing facility;
- Obtain credit reports for quarterly credit reviews on all existing facilities from at least two (2) licensed credit bureaux;
- Upload all existing loan data on all its existing credit customers to credit bureaux with which it has executed data exchange agreements;

xvi. Update any change in the data submitted to a credit bureau pursuant to relevant provisions of the Act, at least on a monthly basis or more frequently, or in accordance with a schedule provided by the credit bureau.

xvii. Additional Disclosure by Banks

Banks shall continue to publish additional disclosure statements to strengthen the incentives regime for maintaining sound banking practice. To enhance transparency and in line with Government's directive on the mandatory adoption of IFRS by publicly listed and significant public interest entities, all banks shall continue to comply with the standards.

xviii. Supervisory Intervention Framework for the Banking Industry

During the 2018/2019 fiscal years, CBN policies, guidelines and processes for the prevention, management and containment of bank systemic distress and crisis shall continue to apply.

xix. Regulation and Supervision of Domestic Systemically Important Banks in Nigeria

The Framework for the Regulation and Supervision of Domestic Systemically Important Banks (D-SIBs) in Nigeria, as well as other supporting guidelines and directives, shall continue to apply during the 2018/2019 fiscal years.

All D-SIBs shall ensure compliance with CBN's Guidelines on the Minimum Content for Recovery Plans and Requirements for Resolution Planning issued in November 2016.

xx. Basel II Implementation

In the 2018/2019 fiscal years, banks shall continue to be guided by the provisions of the Revised Guidance Notes on Regulatory Capital, Credit Risk, Market Risk, Operational Risk Supervisory review process and Pillar 3 Disclosure Requirements. The applicable risk weights for various credit exposures shall be as contained in the guidance notes. These guidelines are subject to review by the CBN in line with best practice.

xxi. Transparency in Financial Transactions

Financial institutions shall continue to observe the following standards in 2018/2019 fiscal years:

I. Charging of penalty by Non-Interest Financial Institutions

The CBN's Financial Regulation Advisory Council of Experts (FRACE) resolved that charging of penalty is only permissible when the customer willfully delays payment that is due. However, any income derived from the imposition of such penalty must be given to charity. Under no circumstance shall the bank, its shareholders or staff benefit therefrom.The Bank released guidelines/circulars for Non-Interest Financial Institutions operating in Nigeria which include:

- Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services In Nigeria http://www.cenbank.org/out/2011/circulars/fpr/non-interestbankingguidelinesjune2020202011.pdf

- Guidelines for the Operation of Non-Interest Financial Instruments by the Central Bank of Nigera http://www.cenbank.org/out/2012/ccd/guidelines%20on%20nifi.pdf

- Guidelines on Shariah Governance for Non-Interest Financial Institutions in Nigeria http://www.cenbank.org/OUT/2011/CIRCULARS/FPR/FINAL%20GUIDELINES%20ON%20SHARIAH%20GOVERNANCE.PDF

- Guidelines on the Governance of Advisory Committees of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria http://www.cenbank.org/Out/2015/FPRD/ACE%20GUIDELINES%203.pdf;

- Guidelines on the Governance of Financial Regulation Advisory Council of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria https://www.cbn.gov.ng/out/2015/fprd/frace%20cog.pdf

- Circular to All Non Interest (Islamic) Financial Institutions on the Treatment of Hamish Al Jiddiyya (Earnest Deposit) https://www.cbn.gov.ng/out/2015/fprd/circular%20on%20non-interest.pdf

- Guidelines on the Regulation and Supervision of Non-interest (Islamic) Microfinance Banks in Nigeria https://www.cbn.gov.ng/out/2017/fprd/guidelines%20for%20reg.%20and%20sup.%20of%20nimfb.pdf

xxii. Curbing the Activities of illegal Fund Managers

The Bank will continue to take measures to curb the activities of Illegal Fund Managers (IFMs) in the Nigerian financial system. These measures would include public enlightenment and collaboration with law enforcement agencies in effecting closure of the IFMs. In order to curtail the activities of Ponzi Schemes in Nigeria, the FSRCC at its 58th meeting resolved that the Dedicated Police Unit of the Securities and Exchange Commission (SEC) should be used to conduct further investigations, and prosecute identified operators of the Ponzi Schemes in the country.

xxiii. National Roadmap on Sustainable Finance

The FSRCC has approved for implementation, a National Road Map on Sustainable Finance Principles (NSFP) to ensure that all entities in the financial system imbibe sustainability principles in their operations.

3.3.3 Regulation and Supervision of Other Financial Institutions

The CBN shall continue to supervise Other Financial Institutions (OFIs) to ensure the safety and soundness of the sub-sector. Accordingly, the following regulatory guidelines will be pursued in the 2018/2019 fiscal years:

i. Supervisory Methodology

The CBN shall continue to supervise OFIs based on the risk-based supervision methodology. Accordingly, OFIs are required to implement appropriate Enterprise Risk Management (ERM) frameworks.

ii. Liquidity Ratio

The liquidity ratio of primary mortgage banks (PMBs) and microfinance banks (MFBs), measured as the ratio of specified liquid assets to deposit liabilities, is retained at 20.00 per cent.

iii. Cash Reserve Requirement

All PMBs shall continue to maintain a cash reserve requirement (CRR) of 2.00 per cent of their adjusted deposit liabilities with the CBN on a monthly basis as required by circular referenced OFI/DIR/GEN/CIR/01/009 of August 25, 2014.
https://www.cbn.gov.ng/out/2014/ofisd/pmbs%20maintenance%20of%20cash%20reserve%20requirement%20(crr).pdf

iv. Uniform Accounting Year-end and Compliance with International Financial Reporting Standards

All OFIs shall continue to maintain a uniform accounting year-end of December 31 and prepare financial statements based on the IFRS. They are required to submit their audited financial statements not later than four months after the end of the financial year.

v. Supervisory Intervention Framework

In accordance with the extant supervisory intervention framework for OFIs, deposit-taking OFIs are required to develop and implement comprehensive contingency funding plans that define the manner in which they would maintain liquidity in the event of distress. The contingency plans must be reviewed annually and approved by their respective Board of Directors.

vi. Other Policy Measures

In continuation of deepening the OFIs sub-sector of the economy, the following initiatives and requirements shall apply to different OFIs sub-sectors in the 2018/2019 fiscal years.

(a) Finance Companies

(i) Permissible/Non-permissible Activities

In furtherance of effective supervision, finance companies are required to only engage in permissible activities specified in the revised guidelines. Finance companies shall not engage in non-financial activities such as trading, construction, project management and other financial services such as deposit taking, stock brokering, registrar and issuing house businesses. Also, leasing companies that engage in finance lease are required to apply for a finance company licence.

(ii) Minimum Capital Requirement

The minimum capital requirement for finance companies (FCs) shall be one hundred million Naira (N100.00 million) only or as may be prescribed by the CBN.

(iii) Borrowing and Lending Limits

The minimum amount that a finance company can borrow from any individual or corporate body shall be N50,000.00 and N2,000,000.00 respectively.

The maximum loan that a finance company may grant to any person or the maximum investment a finance company may make in any venture shall be 20.00 per cent of its shareholders' funds unimpaired by losses.

(b) Primary Mortgage Banks

(i) Permissible/Non-permissible Activities

Primary Mortgage Banks (PMBs) shall not engage in leasing, real estate development, estate agency or facilities/project management business. All PMBs shall be required to comply with the uniform underwriting standards for mortgages and commercial real estate financing. PMBs shall continue to seek written approval from the CBN to access the National Housing Fund Facility.

(ii) Minimum Capital Requirement

The capital requirement for PMBs is as stipulated below or as may be reviewed by the CBN:

Category	Capital Requirement	Operational Location
State	₦2.50 billion	Statewide
National	₦5.00 billion	Nationwide

(ii) Lending Limit

All PMBs shall maintain a minimum ratio of 50.00 per cent of mortgage assets to total assets, 75.00 per cent of which must be residential mortgages. A minimum of 60.00 per cent of PMBs' loanable funds, defined as total deposits plus on-lending loans, shall be devoted to the creation of mortgage assets.

The maximum loan from a PMB to an individual and a corporate body shall not exceed 5.00 per cent and 20.00 per cent of its shareholders' funds unimpaired by losses, respectively.

(iii) Publication of Financial Statements

Every PMB shall submit its audited financial statement and the abridged version of the accounts to the Director, Other Financial Institutions Supervision Department before publication.

A PMB shall, subject to the written approval of the CBN not later than 4 months after its financial year end:

- Publish the abridged versoin of its approved financial statements in a daily newspaper printed in and circulating in Nigeria and approved by the Bank; and
- Exhibit same in a conspicuous position in each of its offices and branches in Nigeria.

(a) Mortgage Refinancing Companies

The Mortgage Refinancing Companies (MRCs) shall support mortgage originators such as PMBs and commercial banks to increase mortgage lending by refinancing their mortgage loan portfolios. It shall also act as an intermediary between originators of mortgage loans and capital market investors who typically are looking for long-dated high quality securities.

(i) Non-permissible Activities

The MRCs shall not grant consumer or commercial loans, originate primary mortgage loans, accept demand, savings and time deposits, or any type of deposits. Also, it shall not finance real estate construction, undertake estate agency or facilities management or all other businesses NOT permitted in the Revised Guidelines.

(ii) Minimum Capital Requirement

The minimum capital for establishing an MRC is N5.00 billion.

(b) Microfinance Banks

(i) Minimum Capital Requirement

The minimum capital requirements for MFBs shall be as stated below or as may be prescribed by the CBN from time to time.

Classification of Microfinance Banks		
Category	**Capital Requirement**	**Operational Location**
Unit	₦20.00 Million	One Location
State	₦100.00 Million	Statewide
National	₦2.00 Billion	Nationwide

(I) Government Ownership of MFBs

The CBN shall continue to encourage State and Local Government's equity participation in MFBs as allowed under the revised guidelines to facilitate financial inclusion. However, all such investments must be gradually divested to private-sector investors within a maximum of five years from the date of initial investment.

(ii) Lending Limits

The loan portfolio of MFBs shall, at all times, comprise a minimum of 80.00 per cent micro-loans. The maximum loan by a MFB to any individual borrower, director or related borrower shall not exceed 1.00 per cent of the shareholders' funds unimpaired by losses, while a maximum of 5.00 per cent is prescribed for group borrowers.

As part of promoting effective credit risk management and corporate governance, aggregate insider-related loans shall not exceed 5.00 per cent of the shareholders' funds unimpaired by losses.

(iii) Branch Operations

In addition to the Head Office, the CBN will continue to encourage Unit MFBs that want to have not more than one branch within the Local Government Area approved for their operation. This is subject to the availability of free funds (shareholders' funds unimpaired by losses, less fixed assets and long term investments) of at least N20.00 million and maintenance of the prescribed minimum prudential requirements.

(iv) Operational Requirements

i. To manage available resources and enhance the liquidity of MFBs, the aggregate value of equity participation of an MFB in all permissible enterprises shall not be more than 7.50 per cent of its shareholders' funds unimpaired by losses.

ii. Also, total investment in fixed assets shall not be more than 20.00 per cent of shareholders' funds unimpaired by losses and the minimum liquidity ratio shall be 20.00 per cent of its deposit liabilities at all times.

iii. Investment in treasury bills is compulsory and must not be less than 5.00 per cent of total deposit liabilities subject to a ceiling of 10.00 per cent.

iv. Prior approval must be obtained from the CBN before the recognition of the revaluation surplus on fixed asset.

(a) Development Finance Institutions

The CBN shall continue to encourage Development Finance Institutions (DFIs) to implement appropriate operational models. The categorization of DFIs into Wholesale and Retail DFI will continue in the 2018/2019 fiscal years. All existing DFIs are required to apply to the CBN for their choice of

DFI licence in line with the new Guidelines and shall operate within the powers of the categories of licences issued to them.

(i) Minimum Capital Requirement

The minimum capital requirement for a Wholesale DFI shall be N100.00 billion payable over a maximum period of four (4) years, out of which a minimum of N20.00 billion shall be paid before grant of Approval-in-Principle (AIP).

A Wholesale DFI shall plough back all its profit after tax to reserves unless it has met the regulatory minimum capital of N100.00 billion or such other amount as the CBN may specify from time to time.

The minimum capital requirement for a Retail DFI shall be N10.00 billion.
A DFI shall maintain at all times a minimum ratio of Tier 1 capital to total assets of 5.00 per cent. Tier II capital, which comprises the DFI's qualifying loan capital, shall not exceed 100.00 per cent of Tier I capital.

(ii) Limit on Foreign Currency Borrowings

The aggregate foreign currency borrowing of a DFI shall not exceed 75.00 per cent of its shareholders' funds unimpaired by losses or as may be prescribed by the CBN from time to time.

(iii) Limit on Non-performing Loans

The limit of the DFI's non-performing loans shall be as prescribed in the Prudential Guidelines for Deposit Money Banks in Nigeria.

(iv) Appointment of Directors

The CBN shall approve the appointment of each director who shall meet the qualifications and requirements for directors of licensed banks as may be specified from time to time.

(b) Bureaux De Change

The CBN shall continue to ensure the emergence of well-capitalised and structured entities that can effectively perform the role of BDCs.

(i) Minimum Capital Requirement

The minimum capital requirement for a BDC shall be N35.00 million, multiple ownership of BDCs is NOT permitted and the CBN shall impose appropriate sanctions when detected.

(ii) Rendition of Returns

BDCs are required to report accurately and promptly, on their daily, weekly and monthly activities, in the prescribed format. The returns shall be rendered through the Electronic Financial Analysis and Surveillance System (e-FASS).

Daily and weekly returns shall be submitted by 12.00 noon of the next working day, while monthly returns shall be submitted on or before the 5th day of the following month. Where the 5th day is a weekend or public holiday, returns shall be submitted on the preceding working day. Non-compliance with this requirement would be seen as a regulatory breach which would attract appropriate regulatory sanctions.

(iii) Use of BVN for All Foreign Exchange Transactions

All customers desiring to purchase foreign exchange through all available channels in Nigeria must provide their BVN, which must be validated by a CBN Authorised Foreign Exchange dealer through NIBSS platform before the transactions are consummated.

Any Authorised Foreign Exchange dealer that fails to provide the required information in its returns or provide wrong BVN would be

penalized and this shall include withdrawal of its authorized dealership license. (FPR/DIR/CIR/GEN/05/013)
http://www.cbn.gov.ng/Out/2015/FPRD/BDC-BVN%20Circular.PDF

(iv) Operating Guidelines

The revised operating guidelines for BDCs issued in 2014 vide circular referenced FPR/DIR/GEN/CIR/01/009, dated June 23, 2014 shall continue to apply during the 2018/2019 fiscal years. http://www.cbn.gov.ng/Out/2014/FPRD/BDC%20New%20Guidelines%20June%2024,%202014.PDF

(v) Foreign Exchange Sales to BDCs

Operators in this segment of the market would, therefore, source their foreign exchange from autonomous sources. CBN shall, however, continue to monitor the activities of the BDCs to ensure that no operator is in violation of the anti-money laundering laws www.cbn.gov.ng.

(c) OFIs' Collaboration with Credit Bureaux

To deepen the quality of credit information available for objective and data based credit decisions, the CBN shall, in the 2018/2019 fiscal years, integrate FCs and MFBs into the Credit Reporting System.

(d) Inclusion of OFIs in the Guide to Bank Charges

The provisions of guide to bank charges has been expanded to cover other financial institutions, resulting in the issuance of the Guide to Charges by Banks and Other Financial Institutions 2017,– FPR/DIR/GEN/CIR/06/017 (April 21, 2017)
https://www.cbn.gov.ng/Out/2017/FPRD/Guide%20to%20Bank%20Charges%20Circular%20to%20all%20Banks%20Other%20Financial%20Institutions%20and%20Mobile%20Payments%20Operators.pdf

(e) Returns rendition on AML/CFT

In the 2018/2019 fiscal years, OFIs shall continue to render returns mandated under the CBN AML/CFT Regulations, as well as returns on fraud and forgeries.

4 SECTION FOUR

4.0 FOREIGN TRADE & EXCHANGE POLICY MEASURES

4.1 New Policy Measures

4.1.1 Foreign Exchange Market

I. Banks shall continue the processing of Certificate of Capital Importation (CCI) in respect of foreign currency inflow to the country via the electronic Certificate of Capital Importation (eCCI) system.

II. Exporters are required to register Form NXP with an Authorised Dealer of their choice prior to shipment. Henceforth, Bills of Lading in respect of exports from Nigeria shall carry the Form NXP number of the underlying cargo.

III. Timeline for processing Form NXP has been reviewed to 48 hours from receipt of the application, while documentation requirements for import and export have been reduced from 14 to 8 and 10 to 7 documents respectively, as stipulated in the circular refrenced TED/FEM/FPC/GEN/01/004 of April 19, 2017.

IV. Payment for eligible imports by small and medium enterprises valued not more than USD20,000.00 (Twenty thousand US Dollars) per customer per quarter can be effected by Telegraphic Transfer (TT) subject to completion of Form "Q" and supported with Proforma Invoice and importers BVN.

4.2 Policy Measures Retained

4.2.1 Foreign Exchange Market

I. Authorised Dealers are not allowed to sell foreign exchange to BDCs and other Authorised Buyers.

II. Allowable limit of International Money Transfer Operators (IMTO) outbound money transfer per transaction per person shall be USD1,000.00 or its equivalent per quarter subject to review from time to time. Applicable charges by the operator shall be in compliance with the money transfer charges as may be prescribed by the CBN from time to time.

III. Authorised Dealers shall utilize interbank funds strictly for funding of Letters of Credits, Bills for Collection and other invisible transactions, subject to appropriate documentation as provided by extant regulation.

IV. Funds purchased from the interbank shall be utilized within 72 hours from the value date failing which such funds must be returned to the CBN for re-purchase at the Bank's buying rate.

V. Payment for goods and services provided in Nigeria by resident companies and individuals shall not be made in foreign currency. The general public is to note that it is a punishable offence as stipulated in section 20(5) of the CBN Act 2007 for any person or body corporate to refuse the acceptance of Naira as Legal tender currency for payment for goods and services in Nigeria.

However, agencies of Government and operators permitted by law to carry out business transactions in foreign currency are exempted. Accordingly, payment of port charges to the Nigeria

Ports Authority (NPA), Nigerian Maritime Adminsitration and Safety Agency (NIMASA), etc by oil companies can be done using Form "A". The CBN shall advise the list of exempted government agencies and operators from time to time.

In addition, the above provisions are without prejudice to foreigners, visitors and tourists who are encouraged to use their cards for payments or exchange their foreign currency at any of the Authorised Dealers outpost including hotels.

VI. The importation of foreign currency banknotes by authorized dealers shall be with prior approval of the CBN. Any authorized dealer intending to import foreign currency cash is required to submit an application, stating the amount and purpose, to the Director, Trade and Exchange Department, CBN, Abuja for consideration.

VII. Pursuant to the provisions of Memorandum 11(4) of the foreign Exchange Manual in respect of the repatriation of export proceeds, all Authorised Dealers are required to note that:

a. Proceeds of oil and non-oil exports are to be repatriated into the export proceeds domiciliary accounts of the respective exporters' accounts within 90 days for oil exports and 180 days for non-oil exports, failing which the collecting bank will be liable to a fine of 10% of the free-on-board (fob) value including other penalties as provided in BOFIA 1991 (as amended).

b. Where an exporter fails to repatriate the proceeds into the export proceeds domiciliary account within the stipulated period, the exporter will be barred from participating in all segments of the Foreign Exchange Market.

VIII. The term "unfettered access" as used in Memorandum 26(5) section D of the Foreign Exchange Manual, granted to holders of export proceeds domiciliary accounts shall be strictly construed to mean that the proceeds of exports in the account can only be:

   a. Used by the exporters to finance eligible transactions supported with appropriate documentation.
   b. Sold to Authorised Dealers for eligible transactions only.

IX. Any exporter who utilizes the export proceeds for non-eligible transactions shall be barred from the Foreign Exchange Market.

X. CBN Foreign exchange intervention funds shall neither be tradable in the inter-bank Foreign Exchange Market nor sold to BDCs.

XI. The CBN shall continue to review the list of goods and services "Not valid for foreign exchange" as contained in the Bank's circular referenced TED/FEM/FPC/GEN/01/010 dated June 23, 2015. Although, items listed in the circular are not banned from importation, importers are required to use their own funds without recourse to the Nigerian Foreign Exchange Market.

XII. Recipients of proceeds of International Inward Money Transfers shall henceforth be paid in naira only. The applicable exchange rate for conversion of the proceeds shall be the prevailing interbank rate on the day of payment by the authorized dealer.

XIII. Authorized dealers are required to conspicuously display the prevailing Naira exchange rate in their banking halls.

XIV. The selling rate of foreign exchange by authorized dealers shall be the prevailing interbank Naira exchange rate plus a margin not exceeding one (1) per cent.

XV. Retirement benefits of foreign nationals who contributed to the pension scheme shall continue to be eligible for remittance subject to the following documentation requirements:

(a) Duly completed Form 'A'
(b) Resident permit and/or expatriate quota
(c) Retirement savings account statement
(d) National Pension Commission's (Pencom) approval

XVI. Insurance premium remittances on oil and gas and special risks, which are handled by a foreign broker/insurer shall be undertaken in the foreign exchange market. The documentation requirements are:

(a) Duly completed Form 'A'
(b) Demand Note/Debit Note from foreign broker/insurer
(c) Letter of attestation from the National Insurance Commission (NAICOM)

XVII. Travelers entering/leaving Nigeria shall be required to declare any amount in excess of N100,000.00 and /or USD10,000.00 (or its equivalent) in their possession on arrival or departure from the country. These amounts may be reviewed by the CBN from time to time.

XVIII. In line with the provisions of the Public Procurement Act (PPA) 2007, down payments in respect of imports into Nigeria shall not exceed 15.00 per cent of the fob value of the transaction.

XIX. The Foreign Exchange Market (FEM) shall continue to operate under the provisions of relevant laws and guidelines during the 2018/2019 fiscal years.

XX. Subject to compliance with advised Foreign Currency Trading Position (FCTP) limits, Authorised Dealers shall continue to deal freely in autonomous funds in their own right. However, they shall not be allowed to purchase funds, including inter-bank, on behalf of a customer without a valid underlying transaction and supporting documents.

XXI. BDCs shall continue to observe a maximum direct foreign exchange cash sales limit of USD5,000.00 per approved transaction.

XXII. Pooling of funds purchased from the CBN with those acquired from other sources is allowed provided the origin is duly identified and reported. Consequently, Authorised Dealers shall continue to render appropriate statutory returns on sources and utilization of funds to the CBN.

XXIII. Foreign exchange brought into the country by oil and oil services companies to meet their local expenses shall continue to be sold to any bank of their choice including the CBN. Monthly returns via e-FASS by both the oil companies and the banks on such sales and purchases shall be rendered to the CBN, using the approved format.

XXIV. All applications 'valid' or 'not-valid' for foreign exchange, shall continue to be approved by banks, subject to stipulated documentation requirements before the remittance of funds.

XXV. The Payment of interest in respect of Bills for Collection shall continue to be on the tenor of the Bill, which shall not exceed a maximum of 180 days at an interest rate of 1.00 per cent above the prime lending rate prevailing in the country of the beneficiary, based on the London Interbank Offered Rate (LIBOR).

XXVI. Private sector transactions shall not qualify for government guarantee.

XXVII. Business Travel Allowance (BTA) and Personal Travel Allowance (PTA) shall be subject to a maximum of USD5,000.00 and USD4,000.00 per quarter, respectively.

XXVIII. The CBN shall intervene in the IFEM from time to time on need basis to achieve policy objective.

XXIX. Only hotels registered as authorised buyers of foreign exchange shall charge foreign visitors in foreign currency. However, the payment of such bills in foreign currency shall be at the discretion of the foreign visitor.

XXX. Remittances in respect of dividends, capital, proceeds of investment, sale of international air tickets and consultancy services shall be made through the use of funds from the interbank autonomous sources only.

XXXI. All Exporters shall repatriate their export proceeds to a designated Export Proceeds Domiciliary Account. The export proceeds shall be used to fund their subsequent imports or sold at the Investors and Exporters (I&E) Window, subject to compliance with the extant regulations. However, where a shortfall exists, supported by a current statement of domiciliary account, such could be sourced from the Inter-bank Window.

XXXII. To streamline the extant regulations on the issuance of CCI, Authorized Dealers are required to issue same in respect of imports of plant and machinery within 24 hours of submission of final shipping and other relevant documents by the applicant. Furthermore, where the date of the document (bill of lading) is older than 6 months at the time of submission, the Authorized Dealer is required to obtain the approval of the CBN before issuing the CCI.

4.2.2 Procedure for registration of e-Forms 'M' for goods "Not valid for Foreign Exchange"

I. All Forms 'M' to be registered on the Nigerian Single Window for Trade portal for items classified by CBN as 'Not Valid' for Foreign Exchange should be accompanied with the following documents in addition to other regulatory permits where applicable:

a. Proforma invoice from the supplier
b. Insurance certificate (marine/cargo)
c. Written confirmation from the Authorised Dealer stating the source of funds including any documentary evidence.

In addition, Authorised Dealers are required to forward hard copies of Forms 'M' relating to all items "Not valid for foreign exchange" and the documents indicated above to the Director, Trade & Exchange Department, Central Bank of Nigeria, Abuja for necessary approval before validation.

4.2.3 e-Form 'M' Procedure for Importation of Petroleum Products

For the purpose of establishing Letters of Credit and Bills for Collection for the importation of petroleum products, Authorized Dealers shall forward to the Director, Trade & Exchange Department, all relevant supporting documents for consideration prior to commencement of the transaction. Furthermore, the CBN shall be notified within 48 hours by the Authorized Dealers before bidding for funds to pay for such transactions.

4.2.4 e-Form 'M' Procedure

I. Shipping documents predating e-Form 'M' and LCs approval date shall be liable to sanctions in line with the provisions of BOFIA 1991 (as amended), as well as other appropriate sanctions that may be determined from time to time by the CBN.

II. Post-landing charges on import of equipment shall continue to be treated as an integral part of the total cost of projects and of the e-Form 'M'. No direct or separate remittance on Form 'A' in respect of such charges shall be allowed.

III. The initial validity period of an approved e-Form 'M' for general merchandise shall be 180 days, which may be extended for another 180 days by the authorized dealer. For capital goods, the initial validity of an approved e-Form 'M'/LC shall be 365 days subject to a maximum extension of another 365 days. However, any subsequent request for revalidation of e-Form 'M'/LC shall be submitted to the Director, Trade and Exchange Department, CBN for consideration and approval.

4.2.5 Destination Inspection of Imports

I. All imports into Nigeria (except those exempted) shall be subject to Destination Inspection Scheme (DIS).

II. All imports whether or not exempted from DIS shall require the completion of an e-Form 'M'.

4.2.6 Import Duty Payment

Import duty payable on items registered under e-Form 'M' transactions, whether 'valid' or 'not valid' for foreign exchange, shall be the FX closing rate as published on the CBN website on the date of the duty assessment.

4.2.7 Export and Trade Promotion

I. Payment for exports from Nigeria shall continue to be by means of Letters of Credit or Bills for Collection. Such exports shall be executed on a free-on-board (fob) or cost, insurance and freight (cif) basis, depending on the contract between the exporter and the overseas buyer.

II. The validity of Form NXP for exports is six (6) months and three (3) months for non-oil and oil respectively from the date of registration subject to renewal for three (3) months by the processing bank. Subsequent request for renewal shall require the approval of the Director, Trade and Exchange Department, Central Bank of Nigeria, Abuja.

4.2.8 Pre-shipment Inspection of Exports

I. All exports from Nigeria (except those exempted) shall be subject to Pre-shipment Inspection by a government appointed inspection agent.

II. Goods to which this inspection applies shall not be exported from Nigeria unless an inspection agent has issued a Clean Certificate of Inspection for them.

III. All exports, whether or not exempted from Pre-shipment Inspection, shall require the completion of the Form NXP.

4.2.9 Invisible Trade Transactions

I. Remittances for licenses (Trademarks, Patents, Know-how and Franchise etc.) or other Industrial Property Rights shall range between 0.50 to 5.00 per cent of net sales value, revenue or profit before tax as applicable. Trademarks fee shall not be allowed in respect of any agreement where the trademark owner has over 75.00 per cent of the equity in the local company. Companies with several product lines are required to separate the net sales of each product line in their audited accounts, so as to pay royalty for specific product(s) covered by the industrial property rights, and not on the entire/total sales of the company.

II. Fees for Technical Services such as training, installation and maintenance, etc, shall not be tied to net sales. The fees shall be settled on a per diem, man-hour, man-day, or man-month basis. Fees for Research & Development and improvement shall not exceed 1.00 per cent of net sales.

III. Management Service fees shall range between 1.00 and 5.00 per cent of the company's profit before tax. Management Service fees on products where no profit is anticipated during the first three to five years shall range between 1.00 and 2.00 per cent of net sales only.

IV. Annual Technical Support (ATS) fees payable to Information Technology (IT) licensors shall not exceed 23.00 per cent of the license fee (the local component of which must be paid in Naira) and shall commence after the first year of implementation of the agreement. In addition, indigenous local vendors shall be involved in all ATS for Software Agreements. however, their fees should be paid in Naira and shall not be less than 40.00 per cent of the ATS fees.

V. Basic fee or lump sum fee not exceeding 5.00 per cent of turnover plus an incentive fee not exceeding 12.00 per cent of Gross Operating Profit (GOP) shall be applicable on Hotel

Services. Other payments which are internationally acceptable within the applicable hotel chains may be allowed.

VI. Consultancy fees eligible for remittance shall be a maximum of 5.00 per cent of project cost and limited to projects of very high technology content for which indigenous expertise is not available. Service Agreement for high technology joint ventures shall continue to include a schedule for the training of Nigerian personnel for eventual take-over. In addition, Nigerian professionals shall be involved in the project implementation from inception to completion.

4.2.10 Miscellaneous Policy Measures

I. The declaration on Forms Travel Import (TM) and Travel Export (TE) of foreign currency imports and exports, respectively, of USD10,000.00, and above or its equivalent is required for statistical purposes only.

II. Appropriate sanctions shall continue to be imposed on Authorised Dealers who remit funds on the basis of forged documents, engage in fraudulent transactions, fail to transfer customs revenue to the CBN in accordance with the laid down procedures, etc.

III. Appropriate sanctions shall also be imposed on bank customers who breach any of the foreign exchange operational guidelines.

5 SECTION FIVE

5.0 CONSUMER PROTECTION

5.1 Operational Structure

The CBN shall continue to maintain the consumer protection structure at its Head Office and Branches. The CBN shall be responsible for treating escalated complaints against banks and other Financial Institutions under the Bank's regulatory purview. The Bank shall continue with its consumer education initiatives with a view to sensitizing consumers on their rights and obligations. In addition, the Bank shall continue to promote transparency and good ethical practice by financial institutions in their dealings with customers.

5.2 Consumer Protection Regulation

A Consumer Protection Framework was issued to the industry in November, 2016 to provide policy direction for protection of customers of financial institutions under the regulatory purview of the CBN. Implementation guidelines shall be issued to operationalize the framework.

The Guide to Charges by Banks and Other Financial Institutions in Nigeria 2017 and other relevant regulations issued by the Bank shall guide the operations of CBN-regulated financial institutions in consumer protection matters .

5.3 Consumer Complaints Resolution and Procedure

- Complaints relating to excess charges and loans shall be treated within 30 days as provided in circular number

FPR/DIR/CIR/GEN/04/009 of July 2, 2014 (http://www.cbn.gov.ng/Out/2014/FPRD/EXCESS%20CHARGES.pdf)

- Other complaints shall be treated in line with the provisions of circular number FPR/DIR/CIR/GEN/01/020 of August 16, 2011 (http://www.cbn.gov.ng/OUT/2011/CIRCULARS/FPR/CIRCULAR%20ON%20ESTABLISHMENT%20OF%20CONSUMER%20HELP%20DESK.PDF)

- Complaints shall only be treated if lodged within a period of six years from the date of transaction except complaints relating to fraud cases, complaints already lodged with the financial institutions or the CBN, or complaints relating to international electronic payment transactions as specified in the circular referenced FPR/DIR/GEN/CIR/05/011 of August 21, 2015. (http://www.cbn.gov.ng/Out/2015/FPRD/Circular%20on%206%20year%20time%20bar%20for%20customer%20complaints.pdf)

- Customers dissatisfied with the financial institution's decision or resolution process may escalate their complaints to the CBN via e-mail to cpd@cbn.gov.ng or write to the Director, Consumer Protection Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P.M.B. 0187, Garki, Abuja. Telephone: +234 09-46236804, 46236806, 46236844. Complaints can also be lodged at any of the 37 Branches of the CBN nationwide.

5.1 Help Desks at the CBN

5.4.1 General Complaints

All enquiries/complaints in respect of services rendered by the Central Bank ofNigeria shall be made to the Help Desk: e-mail: gov@cbn.gov.ng , telephone +234-9-46236660, +234-9-46236662, Address: Director, Governor's Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P.M.B. 0187, Garki, Abuja.

5.4.2 ATM Complaints

The general public and bank customers can contact the CBN on ATM related complaints by sending mail to cpd@cbn.gov.ng or write to the Director, Consumer Protection Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P.M.B. 0187, Garki,
Abuja. Telephone: +234 09-46236804, 46236806, 46236841.

5.4.3 Foreign Exchange Authorised Dealers/Customers

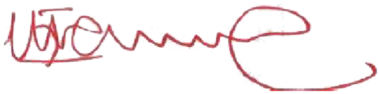
Complaints and enquiries from the public in respect of trade and foreign exchange policies and transactions should be referred to the Help Desk email: ted@cbn.gov.ng; Telephone: +234-9-46237804, +234-9-46237831

Address: Director, Trade and Exchange Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P. M. B. 0187, Garki- Abuja.

5.4.4 Monetary Policy Help Desk

The General Public can reach the CBN on all Monetary Policy enquiries and concerning the content of the Guidelines using the Help Desk email: mpd@cbn.gov.ng, Telephone: +234-9-46237903; +234-9-46238944; +234-9-46238900.

Address: Director, Monetary Policy Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P. M. B. 0187, Garki-Abuja



Godwin Ifeanyi Emefiele (CON)
Governor, Central Bank of Nigeria
January 1, 2018.

ANNEXURES

ANNEXURE I

PRUDENTIAL GUIDELINES FOR LICENSED BANKS

The revised Prudential Guidelines for Licensed Banks issued by the CBN which came into effect July 1, 2010 shall continue to be used as a guide for banks' operations subject to review from time to time.

Check the CBN website link below:
http://www.cenbank.org/out/2010/publications/bsd/prudential%20guidelines%2030%20june%202010%20final%20%20_3_.pdf

ANNEXURE II

NIFIs FORMAT FOR SUBMISSION OF REQUEST

Address of the Bank/NIFI

The Director,
Financial Markets Department,
Central Bank of Nigeria, Corporate Headquarters,
Central Business District, Abuja,
Federal Capital Territory

Dear Sir,

REQUEST FOR........ (State Name of Instrument, e.g. CSCA Deposit)

In accordance with the "Guidelines for the Operation of Non-Interest Financial Institutions Instruments by the Central Bank of Nigeria", we hereby apply for.............. (State Name of Instrument e.g. CSCA Deposit, CNIN or CBN-ABS) as follows:

Name of Bank:	....
Account Number:	....
Amount:	N.....................million
Tenor:	.... (Days, Years)
Effective Date:	.... (dd/mm/yy)
Maturity:	.... (dd/mm/yy)
Signatory (1)	Official Stamp Signatory (2)
Name of Signatory (1)	Name of Signatory (2)

ANNEXURE III

RETURNS ON FX SALES TO BDCs

NAME OF DEPOSIT MONEY BANK……………………………………………………………

FX SALES TO BDCs AS AT THE WEEK ENDED……………………………………………………………

BDC CODE……………………………

			AMOUNT SOLD			RATES	
S/N	BDC NAME	BDC ADDRESS	USD	GBP	OTHERS	INTER-BANK**	SALES*

NOTE

****Refers to the Bank's buying rate of Inter-bank funds**

***Refers to selling rate to the BDCs**

PREPARED BY
NAME:
DESIGNATION:
SIGNATURE & DATE

APPROVED BY
NAME:
DESIGNATION:
SIGNATURE & DATE

Monetary, Credit, Foreign Trade and Exchange Guidelines for Fiscal Years 2018/2019

ANNEXURE IV

RELEASE OF THE GUIDELINES FOR THE OPERATION OF NON-INTEREST FINANCIAL INSTRUMENTS BY THE CENTRAL BANK OF NIGERIA

CENTRAL BANK OF NIGERIA
Corporate Head Office,
Central Business District,
P.M.B. 0187,
Garki, Abuja – F.C.T.

Website: www.cbn.org.ng
Email: info@cbn.org.ng

Monday, December 10, 2012

TO: ALL LICENSED NON-INTEREST FINANCIAL INSTITUTIONS AND DEPOSIT MONEY BANKS WITH NON-INTEREST BANKING WINDOW

GUIDELINES FOR THE OPERATION OF NON-INTEREST FINANCIAL INSTRUMENTS BY THE CENTRAL BANK OF NIGERIA

Following the take-off of operations by Non-Interest Financial Institutions (NIFIs) and Non-Interest Banking Window (NIBW) by deposit money banks (DMBs), the Central Bank of Nigeria (CBN) has introduced applicable instruments to facilitate their liquidity management and access to the CBN window.

To give effect to this development, Guidelines for the Operation of the Instruments have been formulated and hereby released for the information of and compliance by all licensed NIFIs and DMBs with NIBWs.

Thank you.

....
E. U. UKEJE
Director, Financial Markets Department

Guidelines for the Operation of Non-Interest Financial Institutions Instruments by the Central Bank of Nigeria

1. **Introduction**

The licensing of Non-Interest Financial Institutions (NIFIs) by the Central Bank of Nigeria (the Bank) to complement the existing conventional banking system has, no doubt, expanded the scope and diversity of banking services in the Nigerian financial system. The aim of this development is to attend to the growing need for innovative financial services, enhancement of financial inclusion and acceleration of economic activities, growth and development. Towards realizing the full potentials of the NIFIs and non-interest bearing financial operations, the Bank has developed a number of non-interest bearing instruments to be accessed at its (CBN) window by the NIFIs in order to facilitate liquidity management and assist in effective monetary policy implementation.

Details of modalities for the application of these instruments are as outlined here below.

2. **General Requirements and Terms of Operations**

The following general requirements and terms of operations of the non-interest bearing instruments shall apply, in addition to the specific provisions or features of each instrument as specified therein or as may be reviewed by the Bank from time to time. Participants are, therefore, required to note the provisions in the individual instruments alongside these general requirements.

i) Participation and Eligibility

Only licensed non-interest banks (NIBs), deposit money banks with non-interest banking window and any other authorised dealer as may be approved by the CBN shall be eligible to participate in the window. Participation shall be voluntary.

ii) Request for Admission

Interested participant(s) in the non-interest bearing instruments shall apply for admission into the window. The application shall be addressed to:

2

The Director, Financial Markets Department,
Central Bank of Nigeria,
Corporate Headquarters,
Central Business District,
PMB 0187,
Garki, Abuja, Federal Capital Territory

iii) Submission of Mandate

a) Two (2) representatives of the authorized institution shall be required to initiate and consummate transactions on behalf of the institution.

b) The institutions shall provide the details of their representatives who have been authorized to initiate and conduct business in the instruments on their behalf. These shall include passport photograph, name, position held in the institution, specimen signature, contact telephone number and any other information that may be required from time to time by the Bank.

iv) Mode of Submission of Transaction Deals

The submission of transaction shall be in the format as prescribed by the Bank.

v) Operational Account

The operational account for participants in the non-interest bearing instruments shall be the account authorised by the Bank.

This account shall be used for the purposes of settlements.

vi) Limit of Authority

The authorized representatives of the participating institution shall have authority to initiate transactions and their actions shall be deemed as having been authorised by their Management.

vii) Charges or Fees

The Bank shall not apply any charges in the operation of these instruments, except in certain circumstances as may be determined by the Bank from time to time.

viii) Announcement

The Bank, in the course of operation of the instruments shall make appropriate announcement(s) to participating institutions through any media, which shall include, but not limited to Reuters Information System, Bloomberg, facsimile, telephone, electronic mail and circular.

ix) Exemption

The Bank shall not be responsible for, among other things, technical or any other failures that may prevent a participating institution from receiving an announcement, participating in an operation, errors or omissions arising from mandate on transaction deals, except for its own delays and/or errors or omissions.

x) Alteration in Conduct and Procedure

The Bank shall reserve the right to amend any of the provisions contained here-in in order to achieve monetary policy objectives and for the sustenance of financial stability.

xi) Suspension and Disqualification from Participation

The Bank shall reserve the discretion to suspend or disqualify any participant in the non-interest banking window when in its (the Bank's) opinion it is desirable to do so with or without any explanation.

In like manner, the Bank may re-admit a suspended or disqualified participant when in its (the Bank's) opinion it is desirable to do so with or without any explanation, and may specify certain conditions for compliance before such re-admission.

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3. CBN Non-Interest Banking Window

The Non-Interest Banking Window (NIBW) at the Central Bank of Nigeria shall, in the meantime, offer the following non-interest bearing instruments and their features are stated here below.

I) CBN Safe-Custody Account (CSCA)

This instrument is based on a contract of safe-custody of funds (*Wadiah*) between a depositing financial institution and the CBN, with the CBN as the custodian.

Features

The features are as follows:

a) The CSCA allows participating institutions to place their surplus funds with the Bank based on the concept of safe-custody (*Wadiah*) only.
b) Participating institutions shall be allowed to place their funds during the working day between the hour of 3.00 pm and 3.30 pm.
c) The tenor for the placement of surplus funds shall be on overnight, three-day and seven-day basis, subject to a roll-over on maturity for the same term, either by the participating institution or the Bank.
d) Roll-over of the funds placed shall be deemed as mandated by the participating institution after 2.59p.m on the day of maturity, thereby, necessitating the Bank to effect the roll-over on the term initially undertaken by the participating institution.
e) The acceptor of funds, that is, the CBN, shall act as the custodian for the funds placed or deposited by the participating institution.
f) The Bank (or the acceptor) shall have no obligation to make or offer any return, reward or gift (Hibah) to the account or funds placed or deposited by the participating institution, nor shall participating institutions demand or expect any return, reward or gift on the funds placed or deposited.
g) Where, the Bank decides to give a return, reward or gift for the funds placed or deposited by the participating institution, the Bank shall be free to exercise the discretion to do so, and on its (the Bank's) own terms.
h) The determination of any return, reward or gift for any account or funds placed or deposited by any participating institution may include, but not limited to, an assessment of any or a combination of the following factors:
   i) The prevailing monetary policy stance;
   ii) The prevailing liquidity conditions in the banking system;

iii) Market Support Committee (MSC) decisions and advisory;
iv) The size of the funds or deposit(s).
v) The prevailing conventional banking conditions, such as the money market indicators, and.
vi) The alternative investment options.

i) The giving of a return, reward or gift shall not be a stipulated condition for the contract nor shall it be a standardized custom.
j) The giving of return, reward or gift, and, the amount will be decided by the Committee of Governors (COG) on recommendation from the Director, Financial Markets Department or his representative.

ii) CBN Non-Interest Note (CNIN)

This is a financial paper issued by the CBN evidencing an interest-free loan instrument between an authorised financial institution (lender) and the CBN (borrower), which entitles the authorised non-interest financial institution to raise a corresponding interest free loan from the CBN.

Features

The features are as follows:

a) An investment in the CNIN shall evidence an interest-free loan received from an authorised financial institution, and entitles the authorised financial institution to an interest-free loan from the CBN after the maturity of the first loan.
b) The CBN shall determine the amount (**A**) and tenor (**N**) of the first loan, and announce details of its offer to borrow to participating financial institutions.
c) If the authorised financial institution gets a Note of value **A** and tenor **N**, it will be entitled after maturity at a period **t** to qualify for a loan of an amount **A x C** for a period **N x 1/C**, where **C** is a factor that can assume the value of 2, if the amount required is double the amount of the first loan (i.e. **2 x A**) and the period **N** will be half of the period of the first loan (i.e. **N/2**).
d) The determination of the value of **A** and **N** shall be based on the liquidity conditions of the economy, while **t** shall not be more than 12 months.
e) The exercise of the right to the interest-free loan from the CBN shall be limited to holders of this Note that have liquidity needs.
f) The Note is not discountable, but transferrable at par.
g) The minimum amount of this Note shall be N1, 000,000 with different tenors of 30, 60, 91 and 180 days.

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h) These features are without prejudice to other terms and conditions as the Bank is permitted to present on the law.

iii) CBN Non-Interest Asset Backed Securities (CNI-ABS):

This instrument involves the securitisation of CBN's holdings in International Islamic Liquidity Management (IILM) Sukuk and / or Sukuk by multilateral organisations in which Nigeria is a member.

Features

The features are as follows:

a) This instrument shall serve to deepen the money market and serve as an investment instrument.
b) The securities shall be denominated in naira.
c) The securitised assets shall be dollar- or other reserve currency-denominated or as may be approved by the Management of the Bank.
d) The tenor of the CNI-ABS will be based on the tenor of the underlying assets.
e) The return will be based on the net returns on the underlying assets and a 10 per cent margin for the CBN.
f) The instrument shall be tradable in the money market.
g) The minimum investment for this instrument shall be N50, 000 and integral multiples of N1,000 in excess thereof, and subject to periodic review by the Bank from time to time.
h) The underlying assets shall be short to medium term to avoid tenor mismatches and must also be tradable in the secondary market.

4. Governance Structure

I. Market Support Committee

There shall be a Market Support Committee (MSC) in the Financial Markets Department (FMD) to act as an advisory body for the management of non-interest bearing instruments.

The membership of the Market Support Committee shall comprise the Director Financial Markets Department as the Chair, Head of all the Offices in the Financial Markets Department and representatives of Financial Policy and Regulation (FPR), Banking Supervision Department (BSD), Consumer Protection Department (CPD), Banking and Payment System (BPS), Reserve Management Department (RED), Monetary

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Policy Department (MPD), Risk Management Department (RMD) and Legal Services Department (LSD).

The MSC shall meet quarterly or as directed by the Chairman.

II. NIFI Product Development Committee

There shall be a NIFI Product Development Committee (NIFI-PDC) in the Financial Markets Department that will be responsible for the consideration, initiation and review of non-interest bearing instruments and structures for the orderly development and integration of the market segment into the mainstream financial architecture. The NIFI-PDC shall be chaired by the Director, Financial Markets Department and members drawn from the FPR, BSD, CFP, BPS, GOV, RED, MPD, DFD, RMD and LSD. The NIFI-PDC shall meet monthly or as directed by the Chairman.

Structured Liquidity Product Office (SLPO) shall serve as the Secretariat for these Committees.

Financial Markets Department
Central Bank of Nigeria, Abuja
Monday, 10th December, 2012

ANNEXURE V

PRUDENTIAL REQUIREMENTS FOR OTHER FINANCIAL INSTITUTIONS

THRESHOLD FOR OFIs PRUDENTIAL RATIOS

	MFB			PMB		MRC	FC	DFI		BDC
	Unit	State	National	State	National			Wholesale	Retail	
Regulatory Capital (Minimum)	N20M	N100M	N2.0B	N2.5B	N5.0B	N5.0B	N100M	N100B	N10B	N35M
Investment in NTB / CRR	5% of Total Deposits			2% Private; 75% Public		N/A	N/A	N/A	N/A	N/A
Capital Adequacy Ratio	10%	10%	10%	10%	10%	10%	12.50%	10%	10%	N/A
Adjusted Capital Ratio	1:10	1:10	1:10	1:10	1:10		1:10	1:10	1:10	N/A
Liquidity Ratio	20%	20%	20%	20%	20%	Same as DMBs	N/A	10%	10%	N/A
Equity Investment Ratio	7.50%	7.50%	7.50%	10%	10%		N/A	N/A	N/A	N/A
Fixed Asset : SHF Ratio (Maximum)	20%	20%	20%				20%	N/A	N/A	N/A
Fixed Asset & Long Term Inv : SHF Ratio (Maximum)				100%	100%	N/A	N/A	N/A	N/A	N/A
Single Obligor Limit	1% Individual; 5% Group			5% Individual; 20% Corp		25%	20%	20%	20%	N/A
Portfolio At Risk	5%	5%	5%	30%	30%		10%	Same as DMBs	Same as DMBs	N/A

S/N	DESCRIPTION	REFERENCE	DATE ISSUED
	SUPERVISION CIRCULARS: http://www.cbn.gov.ng/documents/bsdcirculars.asp		
	Liquidity Ratio Computation	BSD/DO/CIR/GEN/VOL.02/044	January 29, 2009
	Risk-Based Pricing Model	BSD/DIR/GEN/RPM/04/120	October 20, 2011
	Common Accounting Year End	BSD/DIR/CIR/VOL.2/004	June 18, 2009
	Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010	Regulation No. 3, 2010	October 4, 2010
	Scope, Conditions & Minimum Standards for Commercial Banks	Regulation No. 1, 2010	
	Scope, Conditions & Minimum Standards for Merchant Banks	Regulation No. 2, 2010	September 4, 2010
	Prudential Guidelines for Deposit Money Banks in Nigeria	BSD/DIR/GEN/NPG/02/126	July 1, 2010
	Customer Complaints Helpdesk	FPR/DIR/GEN/01/020	August 16, 2011
	Framework for Cross Border Supervision	BSD/DIR/CBF/04/052	April 4, 2011
	Supervisory Intervention Framework	BSD/DIR/GEN/SIF/04/042	March 15, 2011
	RE: Letter To Banks On The Recapitalization Of Foreign Subsidiaries	BSD/DIR/GEN/RFS/06/016	March 28, 2013
	External Auditors' Recommendations In The Management Letters In Banks Audited FinancialStatements	BSD/DIR/GEN/LAB/06/025	May 30, 2013
	RE: Guidelines For The Licensing, Operations And Regulation Of Credit Bureaux And Credit Bureaux Related Transactions In Nigeria	BSD/DIR/GEN/LAB/06/051	November 14, 2013
	Timelines For Rendition Of Statutory Returns Through The FinA Application To The CBN And NDIC	BSD/DIR/GEN/LAB/07/011	April 10, 2014
	Exclusion of Non-Distributable Regulatory Reserve and Other Reserves in the Computation of Regulatory Capital of Banks and Discount Houses	BSD/DIR/GEN/LAB/07/021	August 5, 2015

Framework For The Regulation And Supervision Of Domestic Systemically Important Banks (SIBs) In Nigeria	BSD/DIR/CON/LAB/07/026	September 5, 2014
Guidelines For Processing Requests From DMBs To Extend New/Additional Credit Facilities To Loan Defau lters And AMCON Obligors	BSD/DIR/GEN/LAB/07/034	October 10, 2014
Prudential Regulation For The Management Of Foreign Exchange Risks Of Banks	BSD/DIR/GEN/LAB/07/037	October 24, 2014
Daily Rendition Of Net Open Position	BSD/DIR/GEN/LAB/08/006	January 28, 2015
Recovery Of Delinquent Credit Facilities	BSD/DIR/GEN/LAB/08/022	April 22, 2015
Revised Guidance Notes On Basel II Implementation And The Reporting Template For Capital Adequacy Ratio	BSD/DIR/GEN/BAS/08/031	June 24, 2015
Guidance Notes on Regulatory Capital	BSD/DIR/GEN/BAS/08/031/1	June 24, 2015
Guidance Notes on the Calculation of Capital Requirement for Credit Risk	BSD/DIR/GEN/BAS/08/031/2	June 24, 2015
Guidance Notes on the Calculation of Capital Requirement for Market Risk	BSD/DIR/GEN/BAS/08/031/3	June 24, 2015
Guidance Notes on the Calculation of Capital Requirement for Operational Risk	BSD/DIR/GEN/BAS/08/031/4	June 24, 2015
GuidanceNotesonSupervisoryReviewProcess	BSD/DIR/GEN/BAS/08/031/5	June 24, 2015
Guidance Notes on Pillar III – Market Discipline	BSD/DIR/GEN/BAS/08/031/6	June 24, 2015
Revised Microfinance Policy, Regulatory and Supervisory Framework	OFI/DIR/GEN/CIR/01/06	August 11, 2011
Over-the-Counter Cash Transaction Policy	COD/DIR/GEN/CIT/05/031	April 20, 2011
Codes of Corporate Governance for Banks and Discount Houses in Nigeriaand Guidelines for Whistle Blowing in the Nigerian Banking Industry	FPR/DIR/CIR/GEN/01/004	May 16, 2014

ANNEXURE VI

CIRCULARS

09-462-36401

BSD/DIR/GEN/LAB/10/006

February 6, 2017

LETTER TO ALL BANKS AND THEIR EXTERNAL AUDITORS

APPLICATION OF INTERNATIONAL STANDARD ON AUDITING (ISA) 701 (COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT) IN THE BANKING SECTOR

The attention of all banks and their external auditors is hereby drawn to the Rule 9 (Application of International Standard on Auditing (ISA) 701 - Communicating Key Audit Matters in the Independent Auditor's Report) of the Financial Reporting Council of Nigeria (FRCN) which requires independent auditors of listed and unlisted entities to comply with the requirements of ISA 701 for audit of financial statements for periods ending on or after December 15, 2016 and June 30, 2017, respectively.

In order to create a level playing field for the implementation of ISA 701 in the Nigerian banking industry, the CBN has obtained the concurrence of the FRCN for external auditors of all banks (both listed and unlisted) to comply with the requirements of the new standard for audits of financial statements for periods ending on or after December 15, 2016.

Accordingly, the auditors' reports accompanying audited financial statements of all banks for the applicable periods should be compliant with ISA 701.

Please be guided accordingly.

Yours faithfully,

K. O. BALOGUN
FOR: DIRECTOR OF BANKING SUPERVISION

https://www.cbn.gov.ng/Out/2017/BSD/Application%20of%20International%20Standard%20on%20Auditing.pdf

09-462-36401

BSD/DIR/GEN/LAB/10/032

September 6, 2017

Letter to All Banks

FURTHER GUIDANCE TO BANKS AND DISCOUNT HOUSES ON THE IMPLEMENTATION OF IFRS 9 (FINANCIAL INSTRUMENTS) IN NIGERIA

Further to the Guidance Notes on the Implementation of IFRS 9 (Financial Instruments) in the Nigerian banking sector issued by the Central Bank of Nigeria on December 20, 2016, banks are required to note that the commencement date for the parallel run of IAS 39 and IFRS 9 system requirements has been shifted to October 1, 2017. This is to enable banks conclude the deployment of their newly developed ECL Models and implementation of IFRS 9 accounting policies for classification and measurement as well as impairment calculations.

Also, banks are required to assess the financial impact of the implementation of IFRS 9 on their operations. The assessment reports which should detail comprehensively the expected impact on total provisions, capital and reserves as well as capital adequacy as at June 30, 2017, should reach the undersigned on or before October 31, 2017.

Yours faithfully,

THOMPSON O. SUNDAY
FOR: DIRECTOR OF BANKING SUPERVISION

https://www.cbn.gov.ng/Out/2017/BSD/Circular%20of%20further%20Clarification%20on%20the%20Implementation%20of%20IFRS%209%20in%20Nigeria.pdf

09-462-36401

BSD/DIR/GEN/LAB/09/043

September 5, 2016

LETTER TO ALL BANKS

DISCONTINUATION OF PRUDENTIAL RETURNS RENDITION THROUGH THE ELECTRONIC FINANCIAL ANALYSIS AND SURVEILLANCE SYSTEM (e-FASS)

You may recall the successful deployment of the FinA application in 2013 and the various correspondence on how to improve the returns rendition process.

Following the sustained stability of the FinA application, all banks are hereby advised to discontinue the rendition of prudential returns through the e-FASS application with effect from October 3, 2016.

However, the rendition of Trade and Exchange-related returns will continue on the e-FASS application platform until further notice.

Thank you.

Yours faithfully,

A. O. IDRIS
FOR: DIRECTOR OF BANKING SUPERVISION

https://www.cbn.gov.ng/Out/2016/BSD/Circular%20on%20Discontinuation%20of%20Prudential%20Returns%20Rendition%20through%20the%20Electronic%20Financial%20Analysis%20and%20Surveillance%20System%20.pdf

09-462-36401 February 13, 2017

BSD/DIR/GEN/LAB/10/009

LETTER TO ALL BANKS

REVIEW OF THE LIMIT ON FOREIGN BORROWING BY BANKS

The recent depreciation in the value of the currency has led to an increase in the Naira equivalent of foreign currency denominated borrowings by banks. A major consequence of this development was the inadvertent breach of the regulatory limit for foreign currency borrowings (75% of shareholders' funds unimpaired by losses) by some banks. To address this development, banks are advised to be guided by the following requirements regarding their foreign currency exposures:

1. The aggregate foreign currency borrowing of a bank excluding inter-group and inter-bank (Nigerian banks) borrowing should not exceed 125% of shareholders' funds unimpaired by losses.
2. The Net Open Position (Long or short) of the overall foreign currency assets and liabilities taking into cognizance both on and off-balance sheet items should not exceed 10% of shareholders' funds unimpaired by losses using the Gross Aggregate Method.

In addition, banks are required to institute the following risk mitigation strategies, among others, around their foreign currency borrowings:

- All borrowings should be hedged using financial market tools acceptable to the CBN;
- Borrowings must be subordinated debts with prepayments allowable only at the instance of the bank and subject to the prior approval of the CBN; and
- All debts, with the exception of trade lines, should have a minimum fixed tenor of 5 years.

Banks are also directed to report their utilisation of all FCY borrowings to the CBN on a monthly basis.

Please note that these Guidelines take immediate effect.

Thank you.

AHMAD ABDULLAHI
DIRECTOR, BANKING SUPERVISION DEPARTMENT

https://www.cbn.gov.ng/Out/2017/BSD/Circular%20on%20the%20%20Review%20of%20the%20limit%20of%20foreign%20borrowing%20by%20banks.pdf

09-462-36401

BSD/DIR/GEN/IFR/09/130

December 20, 2016

Letter to All Banks and Discount Houses

GUIDANCE NOTE TO BANKS AND DISCOUNT HOUSES ON THE IMPLEMENTATION OF IFRS 9 (FINANCIAL INSTRUMENTS) IN NIGERIA

We hereby forward the Central Bank of Nigeria's initial Guidance Note on the implementation of IFRS 9 (Financial Instruments) in the Nigerian banking sector.

The Guidance Note communicates supervisory expectations for the implementation of the new standard, especially in areas where banks are expected to exercise considerable judgment and/or elect to use simplifications and other practical expedients permitted under the standard. The Note also specifies information to be submitted to CBN not later than April 30, 2017 on IFRS 9 Implementation Projects while requiring banks to submit monthly status updates on the implementation projects starting May 2017.

To ensure a seamless implementation, the CBN has established a Project Team and banks are encouraged to seek clarifications, if any, on the Guidance Notes by contacting the Project Manager, Mr. C. D. Nwaegerue, via email on cdnwaegerue@cbn.gov.ng.

Yours faithfully,

'TOKUNBO MARTINS (MRS)
DIRECTOR OF BANKING SUPERVISION

https://www.cbn.gov.ng/out/2016/bsd/guidance%20note%20to%20banks%20and%20discount%20houses%20on%20the%20implementation%20of%20ifrs%209%20(financial%20instruments)%20in%20nigeria.pdf

ANNEXURE VII

GLOSSARY OF TERMS

TERMS	DEFINITION
Authorised Dealers	Any bank licensed under the Banks and Other Financial Institutions Act 1991 as amended and such other specialised banks issued with license, to deal in foreign exchange.
Bank Guarantee Proceeds	Funds received by a bank on behalf of its customer in respect of a guarantee issued by the bank.
Bank Verification Number (BVN)	It is a unique number issued to every bank customer irrespective of the number of accounts or banks linked to the customer. It is linked to the biometric of a person.
Bills for Collection	The handling of documents by banks (financial and/or commercial documents) in accordance with instructions received, in order to obtain payments and or acceptance; or to deliver do cuments against payment and/or against acceptance.
Bills of Lading	It is a receipt in respect of cargo accepted for transportation
CBN Bills	These are securities issued by the CBN at OMO auctions for liquidity management purposes. They evidence the withdrawal of funds from the banking system. They are tradeable at the secondary market.
Certificate of Capital Importation	A certificate issued by a bank confirming an inflow of foreign currency or goods.
Cheque Truncation	A process that involves stopping the physical movement of the cheque and replacing the physical instrument with the image of the instrument and the corresponding data contained in MICR line. The cheque details are captured, typically by the bank presenting the cheque or it clearing agent and electronically presented in an agreed format to the Cleaning House for onward delivery to the paying bank for payment. Unlike the more common form of presentment where a cheque is physically presented to the paying bank, a truncated cheque is typically stored by the presenting bank.

Cost, Insurance and Freight	This is a trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with insurance and documents necessary to obtain the goods from the carrier.
Customer Due Diligence	This is a process by which an entity, for example a financial institution, determines that a customer or proposed customer is who he purports to be and assesses the extent to which that customer or proposed customer exposes the entity to risk.
Deposits held as collateral	A deposit that, given the consent of a customer, is used to secure or part-secure a credit facility. Though it is not required that a new deposit account be created to hold deposit being held as collateral, it may be convenient for such new account to be created in the customer's name. It should be noted that a customer may pledge his/its deposit as collateral for a facility extended to another party.
Destination Inspection Scheme	A Customs process of inspecting imports on arrival at the port of discharge/entry.
Domestic Systemically Important Banks (D-SIBs)	Domestic Systemically Important Bank
e-Form 'M'	Electronic application form form to import goods (visible trade transactions)
Electronic Certificate of Capital Importation	This is the automated system of confirming an inflow of foreign currency or goods.
Eligible Transactions	Transactions that have been prescribed as eligible for foreign exchange from the interbank foreign exchange market by the CBN and may be reviewed from time to time
Foreign Currency Trading Position (FCTP)	This is the sum of the structural balance sheet position in each currency plus the dealing position. It is the maximum exposure (long or short) allowed in foreign currency or currencies to a bank in respect of its daily trade.

Form "A".	Application to pay for service transactions (invisible trade transactions)
Forms 'M'	Application to import goods (visible trade transactions)
Form NXP	Application for the commercial export of goods and services
Form "Q"	Application of Forex in respect of medium and small-scale enterprises.
Free-on-Board (fob) Value	This is a term in international commercial law specifying at what point respective obligations, costs, and risk involved in the delivery of goods shift from the seller to the buyer under the Incoterms 2010 standard published by the International Chamber of Commerce.
Interbank Foreign Exchange Market (IFEM)	Forum in which Authorised Dealers buy and sell foreign exchange among themselves. Also, Authorised Dealers can sell to Authorised Buyers.
Insider	An insider includes a director, a significant shareholder, an officer, any entity in which a director has significant shareholding or is a director, subsidiaries, and affiliates of the bank or OFI.
Insider-related loans	A loan or other credit facility granted to an insider or his/its related party.
Investors and Exporters(I&E) Window	The Investors' and Exporters' Foreign Exchange Window (I&E FX Window) is the market trading segment for investors, exporters and end-users that allows for foreign exchange trades to be made at exchange rates determined based on prevailing market circumstances, thus ensuring efficient and effective price discovery in the Nigerian foreign exchange market. The exchange window was established by the CBN via a circular, dated April 21, 2017. Ref :
Letter of Credit (L C)	Any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation. (UCP 600, article 2)

Money Market Dealers	The money market consists of financial institutions and dealers in money or credit who wish to either borrow or lend short – term financial instruments typically up to twelve month s, on their own account or on behalf of other entities.
Monetary Policy Rate (MPR)	It is a policy instrument at the disposal of the monetary authorities which can be used for controlling inflation, managing liquidity and for determining other market rates. The rate is set by Monetary Policy Committee (MPC) which expectedly anchors on other interest rates in the financial system.
Multiple ownership of BDCs	This refers to a situation in which a single person has equity shareholding in more than one bureau d e change.
Net Foreign Currency Trading Position	The net difference between foreign currency cash assets and foreign currency cash liabilities
Net Open Position	The net difference between the overall foreign assets and foreign liabilities of a bank, whic h includes on - and off - balance sheet items as well as spot and forward transactions
Net Open Position (Long)	A bank is considered to have a NOP in the Long Position when total foreign assets exceed total foreign liabilities
Net Open Position (Short)	NOP is in the Short Position when total foreign liabilities exceed total foreign assets
Nigerian Treasury Bills	They are money market securities, backed by the guarantee of the Federal Government, issued for tenors of 91 days, 182 days and 364 days at the pri mary market auction, which are held fortnightly or as stipulated in the NTB issuance calendar/programme.
Open market operations	Open Market Operations (OMO) refer to the buying and selling of government securities in the open market through auctions in order to expand or contract the amount of money in the banking system.

Post-landing charges	Fee incurred in respect of the importation of plant and machinery from the point of landing at the port of discharge to the installation and commission of the plant and machinery as would have been indicated on the contract agreement, Proforma invoice and Pre-Arrival Assessment Report (PAAR).
Related party	This is any natural or legal person that is controlled by or connected to an insider or any other person as the CBN may deem from time to time.
Repo	A repurchase agreement is a contract in which the vendor of a security agrees to repurchase it from the buyer at an agreed price. Repos are money -market instruments, usually used to raise short-term capital.
Reverse Repo	Reverse repurchase agreement is the opposite of repo. It is the purchase of securities with the agreement to sell them at a higher price at a specific future date.
Risk-Based Pricing Model	This refers to the process by which banks compute the interest rates charged based on a customer's risk profile. In order to promote transparency in the pricing and setting of rates, the CBN vide a circular referenced BSD/DIR/GEN/CIR/04/015 directed banks to develop all inclusive risk -based interest rate pricing models and forward same to the CBN. DMBs are expected to quote lending rates as fixed spread over the Monetary Policy Rate (MPR).
Special Purpose Deposits	A deposit made by a customer or transferred from his/her account that is not accessible to the custom er, for more than seven (7) days.
Special Purpose Vehicle (SPV)	A legal enity created as a subsidiary of an organisation to fulfil narrow, specific or temporary objectives.
Subordinated Debts	Subordinated debt is a loan or security that ranks below other loans and securities with regard to claims on a company's assets or earnings.

Sukuk Instruments	They are Islamic bonds, structured to generate returns to investors without infringing on the principles and provisions of the Islamic law. Sukuk represents u ndivided shares in the ownership of tangible assets relating to particular projects or special investment activity.
Travel Export (TE)	Form for declaration of export of foreign currency and financial instrument above US$10,000.00 or its equivalent, precio us stones, jewelry and works of art (including antiquities) from Nigeria.
Travel Import (TM)	Declaration of import of foreign currency and financial instruments above US$10,000.00 or its equivalent, precious stones, jewelry and works of art (including antiquities) into Nigeria.
'Valid' or 'Not-valid' for foreign exchange	When a transaction is ' valid' it implies that the applicant can access the interbank foreign exchange market for funding and when ' not valid' it implies the applicant cannot access the interbank foreign exchange market for funding.