

FINANCE UPDATE

FEBRUARY & MARCH 2018



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HIGHLIGHTS OF THE CIRCULARS AND GUIDELINES ISSUED BY THE CENTRAL BANK OF NIGERIA IN FEBRUARY, 2018

Dear Esteemed Clients,

Introduction

The Central Bank of Nigeria (“CBN”) issued the below Circulars in the months of February and March 2018. We hope that you find the information contained in the Circular useful in your operations.

- + BSD/DIR/GEN/LAB/11/002 – RE: INTERNAL CAPITAL GENERATION AND DIVIDEND PAYOUT RATIO**
 - + TED/FEM/FPC/GEN/01/001 – CHARGES ON THE SALE OF FOREIGN EXCHANGE FOR INVISIBLE TRANSACTIONS(BTA,PTA,SCHOOL FEES AND MEDICALS)**
 - + FPR/DIR/CIR/GEN/01/031 – AMENDMENT TO THE COMMERCIAL AGRICULTURE CREDIT SCHEME (CACS) GUIDELINES**
 - + TED/FEM/FPC/GEN/01/002 – TEMPORARY ENGAGEMENT OF PRE-SHIPMENT INSPECTION AGENTS (PIAS) FOR NON-OIL EXPORTS**
 - + FPR/PRD/GEN/CIR/02/042 – CIRCULAR TO ALL DEPOSIT MONEY BANKS AND DEVELOPMENT FINANCE INSTITUTIONS ON THE COMMENCEMENT OF THE NON-OIL EXPORTS STIMULATION FACILITY (NESF)**
 - + BPS/DIR/CIR/01/006 – REGULATION FOR BILL PAYMENTS IN NIGERIA, 2018**
 - + BPS/DIR/GEN/CIR/01/007 – REGULATION FOR DIRECT DEBIT SCHEME IN NIGERIA, 2018 (REVISED)**
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1. BSD/DIR/GEN/LAB/11/002 – RE: INTERNAL CAPITAL GENERATION AND DIVIDEND PAYOUT RATIO

This circular was issued to all banks as an addition/amendment to the earlier released Circular dated October 8, 2014 referenced BSD/DIR/GEN/LAB/07/033. These regulations are aimed at building the statutory reserves of supervised Banks in view of the dynamism, rapid changes and emerging risks in the financial sector.

The additions and amendments are highlighted in the table below whilst all other provisions of the circular remains unchanged.

S/N	Item	Provisions
1.	New Directives	<p>a) Any Deposit Money Bank (DMB) or Discount House (DH) that does not meet the minimum capital adequacy ratio shall not be allowed to pay dividend.</p> <p>b) DMBs and DHs that have a Composite Risk Rating (CRR) of “High” or a Non-Performing Loan (NPL) ratio of above 10% shall not be allowed to pay dividend.</p> <p>c) DMBs and DHs that meet the minimum capital adequacy ratio but have a CRR of “Above Average” or an NPL ratio of more than 5% but less than 10% shall have dividend payout ratio of not more than 30%.</p> <p>d) DMBs and DHs that have capital adequacy ratios of at least 3% above the minimum requirement, CRR of “Low” and NPL ratio of more than 5% but less than 10%, shall have dividend pay-out ratio of not more than 75% of profit after tax.</p> <p>e) There shall be no regulatory restriction on dividend pay-out for DMBs and DHs that meet the minimum capital adequacy ratio, have a CRR of “low” or “moderate” and an NPL ratio of not more than 5%. However, it is expected that the Board of such institutions will recommend payouts based on effective risk assessment and economic realities.</p> <p>f) No DMB or DH shall be allowed to pay dividend out of reserves.</p> <p>g) Banks shall submit their Board approved dividend payout policy to the CBN before the payment of dividend shall be permitted.</p> <p>All ratios shall be based on financial year averages.</p>

For the full details on the circular, please visit: <https://www.cbn.gov.ng/Out/2018/BSD/LettertoallbanksonInternalCapitalGenerationandDividendPayoutdatedJan31,2018.pdf>

2. TED/FEM/FPC/GEN/01/001 – CHARGES ON THE SALE OF FOREIGN EXCHANGE FOR INVISIBLE TRANSACTIONS (BTA, PTA, SCHOOL FEES AND MEDICAL)

This Circular was issued to all Authorised Dealers and the general public informing them that the charging of Commissions on Retail Foreign exchange transactions such as Business Travel Allowance (BTA), Personal Travel Allowance (PTA) and Medical and School Fees have been abolished.

Please refer to the circular for more details at: <https://www.cbn.gov.ng/Out/2018/CCD/ChargesonBTA.pdf>

3. FPR/DIR/CIR/GEN/01/031 – AMENDMENT TO THE COMMERCIAL AGRICULTURE CREDIT SCHEME (CACs) GUIDELINES

This Circular was issued to all Banks and other Financial Institutions by the CBN as part of the CBN’s efforts to reduce exclusion rates to finance. In seeking to achieve this, the CBN has revised the existing Commercial Agriculture Credit Scheme (CACs) to include Non Interest Financial Institutions (NIFIs).

Some of the salient points of the Guidelines are highlighted in the table below:

S/N	Item	Provisions
1.	Objectives of the Scheme	<p>The objectives of the scheme are:</p> <ul style="list-style-type: none"> i. To fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate; ii. Enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation; iii. Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector; and iv. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.
2.	Eligibility for Participation in the Scheme	<p>(A) Participating Bank:</p> <ul style="list-style-type: none"> (i) The Central Bank of Nigeria has approved the participation of all deposit money banks, including non-interest banks, under the Scheme. All Participating Banks (PBs) are required to sponsor projects from any of the target areas indicated in the Guidelines and bear all the credit risk of the loans they will be granting

		<p>(ii) The single obligor for any project from a participating bank under the Scheme shall be N2.0billion while for State Governments shall be N1.0billion. However, for special schemes and programmes for agricultural development, State Governments may be granted concessionary approval for more than N1.0 billion</p> <p>(B) Borrower:</p> <p>(i) Corporate and Large Scale Commercial Farms/Agro-Enterprise;</p> <p>(ii) Medium Scale Commercial Farms/Agro-Enterprises; and</p> <p>(iii) State Government /FCT</p>
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This amended CACS supersedes all former CACS guidelines. Please refer to the circular for more details at: <https://www.cbn.gov.ng/Out/2018/FPRD/CACSGUIDELINESINCORPORATINGNONINTERESTBANKS.pdf>

4. TED/FEM/FPC/GEN/01/002 – TEMPORARY ENGAGEMENT OF PRE-SHIPMENT INSPECTION AGENTS (PIAs) FOR NON-OIL EXPORTS

This circular was issued to all Authorised Dealers, the Nigerian Custom Service, the Nigerian Export Promotion Council, all terminal operators and the general public to notify them that the Honourable Minister of Finance has approved the appointment of Pre-shipment Inspection Agents (PIAs) on a Temporary basis for the inspection of non-oil exports at various ports prior to export. The PIAs are Messrs. Cobalt International Services Limited, Carmine Assayer Limited and Neroli Technologies Limited and the appointment takes effect from November 3, 2017 and on a temporary basis pending the appointment of new ones.

Please refer to the circular for comprehensive details of the appointment at: https://www.cbn.gov.ng/Out/2018/CCD/TED_Circular.pdf

5. FPR/PRD/GEN/CIR/02/042 CIRCULAR TO ALL DEPOSIT MONEY BANKS AND DEVELOPMENT FINANCE INSTITUTIONS ON THE COMMENCEMENT OF THE NON-OIL EXPORTS STIMULATION FACILITY (NESF)

This circular was issued by the CBN to all Money Banks and Development Finance Institutions informing them that the implementation of the Non-Oil Export Stimulation Facility (NESF) has commenced and that all enquiries on the NESF facility should be directed to the Director, Development and Finance Department, Central Bank of Nigeria corporate headquarters, central business district Abuja or by email to developmentfinancedept@cbn.gov.ng.

Some of the salient provisions of the NESF guidelines are as follows:

S/N	Item	Provisions
1.	Objectives	<p>The objectives of the facility are to:</p> <ol style="list-style-type: none"> 1. Improve access to exporters to concessionary finance to expand and diversify the non-oil export baskets. 2. Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports. 3. Shore up non-oil export sector productivity and create more jobs. 4. Support non-oil export oriented companies to upscale and expand their export operations as well as capabilities. 5. Broaden the scope of export financing instruments.
2.	Eligible Borrowers/Beneficiaries	<p>Non-oil export-oriented enterprise that fulfills the following conditions will be eligible to participate under the NESF.</p> <ol style="list-style-type: none"> 1. Duly incorporated in Nigeria under the Companies and Allied Matters Act (CAMA). 2. Has verifiable export off-take contract (s). 3. Satisfactory credit reports from at least two licensed Indigenous Credit Bureau in line with the provisions of CBN circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.
3.	Eligible Transactions	<p>Eligible transactions that shall qualify for funding under the NESF are listed below</p> <ol style="list-style-type: none"> 1. Export of goods processed or manufactured in Nigeria. 2. Export of commodities and services, which are allowed under the laws of Nigeria. 3. Imports of plant and machinery, spare parts and packaging materials, required for export-oriented production that cannot be sourced locally. 4. Resuscitation, expansion, modernization and technology upgrade of non-export industries. 5. Export value chain support services such as transportation, warehousing and quality assurance infrastructure. 6. Working capital/stocking facility 7. Structured trade finance arrangements.
4.	Participating Financial Institutions	<p>The following shall be eligible to participate under the facility:</p> <ol style="list-style-type: none"> 1. Deposit Money Banks (DMBs) 2. Development Finance Institutions (DFIs)

5.	Lending Limits	Term loans under the facility are not exceed 70% of verifiable total cost of the project subject to a maximum of N5,000,000,000.00
6.	Tenor	The NESF have a tenor of up to 10 years and are not exceed the 31st December, 2027. Working capital/stocking facility shall be for one year with the option of roll-over once subject to the approval of the CBN.
7.	Collateral Requirement	PFI shall submit irrevocable Standing Payment Order (ISPO) in respect of all projects approved under the scheme.
8	Participation Agreement	A participation agreement shall be signed between CBN and each PFI.
9	Monitoring and Evaluation	Monitoring and Evaluation of projects funded under the Facility shall include on-site and off-site verification and routine monitoring of projects by CBN and PFIs.
10	Penalty for defaults	<ol style="list-style-type: none"> 1. In the event of default in loan repayment of principal and/or interest by the borrower, the PFI shall have the right to charge its prevailing interest rate on the amount in default. 2. Failure of the PFI to disburse funds to the borrower within the period agreed in the loan, agreement shall attract a penal charge of the maximum lending rate of the PFI for the period that funds were not disbursed. 3. Failure to remit principal and interest to the CBN shall attract a penal charge of the maximum lending rate of the PFI for the period that funds were not remitted and 4. Non-remittance of returns or the rendition of false returns shall attract a penalty stipulated by section 60 of the Banks and Other Financial Institutions Act (BOFIA).

Please refer to the circular for additional information at [http://www.cbn.gov.ng/FPRD/March2018 Circular on NESF.pdf](http://www.cbn.gov.ng/FPRD/March2018/Circular%20on%20NESF.pdf)

This regulation was issued by the CBN to facilitate the development of an efficient and effective payments system in Nigeria.

Some of the salient provisions of the Regulation are as follows:

S/N	Item	Provisions
1.	Objectives	<p>The objectives of the Regulations are to:</p> <ol style="list-style-type: none"> 1. To document the minimum standards that must be complied with for the processing of bill payment transactions. 2. To identify stakeholders in Bill Payment system space. 3. To ensure achievement of the vision of a 'nationally utilized and international recognized' payments system in Nigeria. 4. To ensure adequate protection for the stakeholders in the Bill Payment system space.
2.	Scope	<p>The Regulation covers Bill Payments on various payment channels and any payment platform that seeks to integrate the payment side of commercial activity and merchant aggregators in Nigeria. The payment methods include Cheques, Cards, Direct Debit, Instant Payments, and Automated Clearing House, etc.</p>
3.	Eligibility Criteria	<p>Any person or entity desirous of operating a bill payment platform is to apply to the CBN for a license or be integrated to a duly licensed PSP.</p>
4.	Payment Service Providers	<ol style="list-style-type: none"> 1. All Inter-Bank transactions initiated and authorized on the bill payment platform are to be cleared via the Nigeria Clearing System and settled via Real Time Gross Settlement System (RTGS). 2. Each component payment method implemented on the platform is to be in accordance with the rules issued by Central Bank of Nigeria to guide the conduct of market activities for relevant payment channels.
5.	Dispute Resolution System (DRS)	<ol style="list-style-type: none"> 1. Payments are to be final and irrevocable and consistent with the provision of the circular on the Statement of Payments Finality. 2. All requests for refunds/recalls are to be via a dispute resolution system or other supplementary rules that guide the operations of the relevant payment method. 3. Service Providers are required to make an automated dispute resolution platform available to facilitate seamless resolution of complaints 4. Disputes arising from Bills Payment transactions are to

		be resolved amicably amongst the parties in line with the provisions of the guidelines on Operations of Electronic Payment Channels in Nigeria.
6.	Settlement	Each platform must be able to receive payment for multiple billers, clear transactions and settle such transactions through existing settlement mechanisms.

Please refer to the circular for additional information at

<https://www.cbn.gov.ng/Out/2018/BPSD/RegulationforBillPaymentsinNigeria.pdf>

7. BPS/DIR/GEN/CIR/01/007 REGULATION FOR DIRECT DEBIT SCHEME IN NIGERIA, 2018 (REVISED):

This regulation was issued to facilitate the development of an efficient and effective payments system in Nigeria.

Below are some of the salient provisions of the Regulation:

S/N	Item	Provisions
1.	Objectives	<p>The process typically involves five parties –</p> <ol style="list-style-type: none"> 1. Biller 2. Biller's bank 3. Payer 4. Payer's bank 5. Payment Service Provider
2.	Control Mechanisms for Participation in the scheme and Consumer Protection	<p>The Payer is to be notified of the following activities by SMS and / or email:</p> <ol style="list-style-type: none"> 1. Set up and approval of the Direct Debit Mandate by the Biller, Payment Service Provider or both. 2. Direct Debit passed into the Payer's account by the Payer's Bank. 3. On receipt of the mandate, the Biller is to be responsible for payments collection in respect to Direct Debit collection. A Biller cannot require the Payer's Bank to settle by any other means except with the Payer's consent 4. Amendments/modification made to the Direct Debit Mandate by the Biller or the Payment Service Provider as applicable. 5. Cancellation of Direct Debit Mandate by the Biller or the Payment Service Provider as applicable

3.	Compliance with the Rules	Each participant in this Scheme must comply with the provisions of this Regulation. Each participant is to comply with the specification and standards established by the relevant payment system guidelines issued by the Central Bank of Nigeria from time to time.
4.	Penalties	Any breach of this Regulation is to be subject to appropriate penalties as prescribed under penalties in Nigeria Bankers' Clearing System Rules.
5.	Dispute Resolution Mechanism	Any dispute, controversy or claim arising out of or relating to this Regulation or the breach, termination or invalidity thereof is to be settled in accordance with the CBN's dispute resolution mechanism and if unresolved, may be referred to an arbitral panel, as provided under the Arbitration and Conciliation Act Cap. A18 LFN 2004.

For additional information please refer to:

[https://www.cbn.gov.ng/Out/2018/BPSD/RegulationforDirectDebitSchemeinNigeria2018\(Revised\).pdf](https://www.cbn.gov.ng/Out/2018/BPSD/RegulationforDirectDebitSchemeinNigeria2018(Revised).pdf)