

FINANCE UPDATE

**HIGHLIGHTS OF THE
CIRCULARS ISSUED IN
THE FINANCE INDUSTRY
IN JUNE 2022**



Dear Esteemed Client,

Introduction

The Central Bank of Nigeria (CBN) issued the following Circulars in June 2022. We hope that you find some of the information useful in your operations.

- **FMP/DIR/PUG/GUI/001/002 - REVISED GUIDELINES FOR THE OPERATION OF NON-INTEREST FINANCIAL INSTITUTIONS' INSTRUMENTS BY THE CENTRAL BANK OF NIGERIA**
- **FMP/DIR/PUG/GUI/001/004 - FRAMEWORK FOR THE OPERATIONALISATION OF THE CENTRAL BANK OF NIGERIA NON-INTEREST ASSEST BACKED SECURITIES**
- **GUIDELINES FOR THE REGISTRATION & OPERATION OF BANK NEUTRAL CASH HUBS (BNCH) IN NIGERIA**
- **OF1/DOA/CON/ACT/004/155 - ISSUANCE OF RISK-BASED CYBERSECURITY FRAMEWORK AND GUIDELINES FOR OTHER FINANCIAL INSTITUTIONS (OMs)**

1. **FMP/DIR/PUG/GUI/001/002 - REVISED GUIDELINES FOR THE OPERATION OF NON-INTEREST FINANCIAL INSTITUTIONS' INSTRUMENTS BY THE CENTRAL BANK OF NIGERIA**

The CBN has informed all Non-Interest Financial Institutions (NIFIs) that its circulars: ***Guideline for the operation of Non-Interest Financial instruments by the CBN***; and ***Intra-day Facility and Funding for Liquidity Facility*** released in December 2012 and August 2017 respectively have become obsolete and will be replaced by the ***Revised Guidelines for the operation of Non-Interest Financial Institutions' Instruments by CBN***. These Guidelines are to be read in conjunction with the CBN Act and Banks and Other Financial Institutions Act. The new Guideline consolidates all five previous instruments and has introduced a fourth liquidity management instrument called the CBN Non- Interest Special Bills.



The CBN Non- Interest Special Bills (CNI-SB) is an interest free loan drawn from the cash reserve requirement account of the Lender (an eligible authorized financial institution) by the borrower (the CBN). The CBN CNI-SB is set a tenor to be determined by the CBN and is only transferrable at par amongst non-interest banks; conventional banks with non-interest windows; and non-interest model non-bank financial institutions. The CBN CNI-SB also entitles the holder (lender) to an interest free loan of ten percent of the face value of the matured instrument for a period equivalent to one third of the original tenor.

It goes without saying that the development of innovative financial products that are non-interest bearing will deepen the nation's financial system, boost its economy and the financial inclusion rates and the introduction of the CBN CNI-SB, a new liquidity management instrument will undoubtedly help to further maximize the potentials of NIFIs, facilitate liquidity management for businesses and individuals and assist the apex bank in effective monetary policy implementation.

For more information on the circular, please refer [here](#)

2. FMP/DIR/PUG/GUI/001/004 - FRAMEWORK FOR THE OPERATIONALISATION OF THE CENTRAL BANK OF NIGERIA NON-INTEREST ASSEST BACKED SECURITIES

The CBN has via a new circular increased the minimum bid for non-interest asset-backed securities to N100 million (\$240,517) from N1 million (\$2,405.17) which will be subject to periodic review by the CBN. These securities are to be auctioned as assets to eligible institutions; limited to the commercial banks offering non-interest banking service, as well as non-interest banks licenced by the CBN.



Asset-backed securities are loans, leases, or credit card loans issued to generate cash or income by companies. The CBN's Non-interest Asset Backed Securities (CNI-ABS) were created by the apex bank to expand the financial markets in Nigeria, boost financial inclusion, and offer a liquidity management tool that complies with the country's non-interest financing principles.

For more information on the circular, please refer [here](#)

3. GUIDELINES FOR THE REGISTRATION AND OPERATION OF BANK NEUTRAL CASH HUBS (BNCH) IN NIGERIA

Following the release of an exposure draft in March 2022, The CBN has released substantive guidelines for the registration and operation of Bank Neutral Cash Hubs (BNCH) in Nigeria. The BNCH is an initiative aimed at reducing the risk borne by banks, merchants and cash handlers in the course of cash management activities; deepening financial inclusion; and leveraging on shared services to enhance cash management efficiency. The BNCHs will be structured as cash collection centers established by registered processing companies or Deposit Money Banks (DMBs), located in areas with high volumes of commercial activities and cash transactions and will provide a platform where customers can make cash deposits and receive value irrespective of the bank their account is domiciled.

A BNCH's operation will however be limited to receipt of Naira deposits and disbursement of high-volume cash and will not be permitted to carry out investing or lending activities nor receive, disburse, or engage in any transaction involving foreign currency. The minimum deposit and withdrawal transaction value at a BCHN is pegged at ₦500,000 (Five hundred thousand Naira) (\$1,201.28) for individuals and ₦1,000,000 (One million Naira) (\$2,402.57) for corporate entities. The BNCHs will be expected to comply with the CBN Cashless Policy, the CBN Consumer Protection Regulations, the CBN's Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria Regulation and other relevant Cash handling charges as approved by the CBN.

The introduction of an open banking system where customers can withdraw or deposit money notwithstanding which DMB holds their accounts through the BCHN is a welcome development and is in line with the CBN's policy to bank the unbanked.

For more information on the circular, please refer [here](#)

4. **OFI/DOA/CON/ACT/004/155 - ISSUANCE OF RISK-BASED CYBERSECURITY FRAMEWORK AND GUIDELINES FOR OTHER FINANCIAL INSTITUTIONS (OMs)**

The CBN has issued a Risk-Based Cybersecurity Framework and Guidelines for Other Financial Institutions (OFIs) in the country, which represents the minimum requirements to be implemented by all OFIs. OFIs are expected to be fully compliant by January 01,2023.



OFIs are to ensure among other things that a cybersecurity program is fully integrated into their company goals and objectives and forms a crucial element of their overall risk management processes. The framework is divided into six sections:

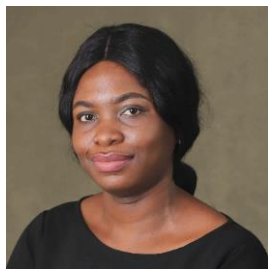
- i. **Cybersecurity Governance and Insight:** This sets the agenda and boundaries for cybersecurity management and controls through defining, directing and supporting the cybersecurity efforts of the OFIs. It also spells out the responsibilities of the Board of Directors, Senior Management and Chief Information Security Officer (CISO) and these responsibilities entail the development and implementation of requisite policies and procedures. All board members are required to understand the nature of their institution's business and the cyber threats involved. The Board is to ensure that cybersecurity governance is cyber-threat intelligence driven, proactive, resilient and communicated to all internal and external stakeholders and on a regular basis conduct a review of the implementation of the institution's cybersecurity framework and implementation plan.

- ii. **Cybersecurity Risk Management System:** OFIs are to incorporate cyber-risk management with their institution-wide risk management framework and governance requirements and designate an information security/cybersecurity team who shall be responsible for risk mitigation/treatment.
- iii. **Cyber Resilience Assessment:** Cybersecurity Resilience Assessment is useful in evaluating an organization's defense posture and readiness to tackle cybersecurity risks. All OFIs are to determine their "current" cybersecurity position at regular intervals by evaluating all identifiable cybersecurity vulnerabilities; threats and likelihood of successful exploit; potential impact (reputational, financial and regulatory).
- iv. **Cybersecurity Operational Resilience:** Nigeria's Offices of Financial Institutions (OFI) are required to be aware of their critical business environment and ensure the confidentiality, integrity and availability of assets. OFIs must adopt the minimum cybersecurity baseline controls required to continue to support and provide business services even in the event of a cyber-attacks.
- v. **Cyber-Threat Intelligence and Metrics:** An OFI must possess an objective knowledge of all emerging threats, cyber-attacks, attack vector, mechanisms and indicators of attack/compromise to its information assets. An OFI is also required to establish a Cyber-Threat Intelligence (CTI) programme to proactively identify, detect and mitigate potential cyber-threats.
- vi. **Monitoring & Reporting:** An OFI is required to put in place metrics and monitoring processes to ensure compliance, provide feedback on the effectiveness of controls and provide the basis for appropriate management decisions. The Board and Senior Management of an OFI must be provided with quarterly reports on the state of the cyber/information security programme and governance issues. The Board and Senior Management of OFIs shall ensure compliance with all relevant statutes and regulations such as the Nigerian Cybercrimes (Prohibition, Prevention etc. Act, 2015 and all CBN directives. Non-compliance with the provisions of this framework shall attract appropriate sanctions as may be determined by the Central Bank of Nigeria.

Considering the recent rise in the quantity and sophistication of cybersecurity threats targeting financial institutions, particularly OFIs, the Guidelines are very commendable as they will ensure that institutions fortify their cyber defenses and have laid forth the basic standards that OFIs must follow when creating and putting into practice strategies, policies, processes, and other relevant actions targeted at reducing cyber risk.

For more information on the circular, please refer [here](#)

For further enquiries, please contact:



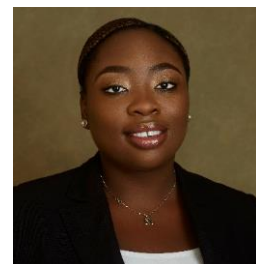
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