CENTRAL BANK OF NIGERIA

MONETARY, CREDIT, FOREIGN TRADE AND EXCHANGE POLICY GUIDELINES FOR FISCAL YEARS 2012/2013

(MONETARY POLICY CIRCULAR NO. 39)

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SECTION ONE

1.0 INTRODUCTION

The Central Bank of Nigeria (CBN) continued to adopt the medium-term framework for the conduct of monetary policy in 2010/2011. The understanding was that monetary policy impacted the ultimate objective of price stability with a lag, while the need to free monetary policy from time inconsistency problem and over-reaction to temporary shocks, informed the policy continuity. The 2012/2013 Monetary, Credit, Foreign Trade and Exchange Policy Guidelines, anchored on the medium term framework of the two-year period, January 2012 to December 2013, is expected to strengthen the gains of the previous years.

This circular outlines the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines applicable to banks and other financial institutions under the supervisory purview of the Central Bank of Nigeria in 2012/2013. The guidelines may be amended by the Central Bank of Nigeria to take account of developments in the global and domestic economy as well as the financial system in the programme period. Such amendments shall be communicated to the relevant institutions/stakeholders in supplementary circulars.

Following this introduction, Section Two reviews the developments in the domestic economy in 2011 as a background to the policy measures in 2012/2013. Section Three outlines the monetary and credit policy measures and guidelines during the programme period. In Section Four, the applicable foreign trade and exchange policy measures are highlighted while Section Five provides contacts for customer protection. The annexures contain prudential guidelines and reporting formats for the relevant institutions.

SECTION TWO

2.0 REVIEW OF POLICY ENVIRONMENT AND MACROECONOMIC DEVELOPMENTS IN 2011

2.1 Policy Environment

The bank's monetary policy in 2011 shifted from quantitative easing in September 2010 to monetary tightening, against the backdrop of the apparent threats of inflationary build-up. Monetary policy aimed at moderating the anticipated inflationary pressures, expected to be triggered by the pre-election spending and the high liquidity injections into the banking system through the purchase of non-performing loans (NPLs) by the Asset Management Corporation of Nigeria (AMCON).

Available data showed that interest rates in 2011 exceeded their levels in the corresponding period of 2010. The development was attributed to steady upward review of the Monetary Policy Rate (MPR) from 6.25 to 12.00 per cent and the increase in Cash Reserve Ratio (CRR) to 8.00 per cent from 2.00 per cent. At 5.93 per cent at December 2011, average term deposit rates rose by 0.33 percentage point to over 5.60 per cent at end-December 2010. Prime and maximum lending rates rose by 0.62 and 1.81 percentage points to 16.62 and 23.66 per cent, respectively, during the review period. Consequently, the spread between the average term deposit and the maximum lending rates widened to 17.73 percentage points from 16.91 percentage points at end-December 2010.

As a result of the restrictive monetary policy stance through higher MPR and increased mop-up activities in Open Market Operations (OMO), interest rates rose generally. Consequently, lending was depressed as liquidity conditions became tight until the purchase of the AMCON bonds from the intervened banks, following the suspension of the reserve averaging framework. However, given the increased liquidity injection from the exercise and the need to rein in inflation expectations, the regime of monetary tightening continued while banks cautiously approached lending.

The effects of the continued liquidity squeeze are expected to linger through 2012 as banks readjust their portfolios to accommodate prevailing liquidity conditions. Consequently, lending rates are expected to rise.

2.2 Macroeconomic Developments

Developments in both the global and domestic economy influenced the macroeconomic outcomes in 2011. Generally, the economy was vibrant as growth in domestic output was strong and broad based. The need to contain liquidity surfeit in the banking system, while ensuring financial and price stability, was a challenge to monetary policy in 2011. However, growth in the major monetary aggregates was moderate. Growth in credit to the private sector improved in 2011, while inflation (year-on-year) declined, but remained above single digit. The exchange rate depreciated in all segments of the foreign exchange market, due mainly to sustained demand pressure.

Provisional data from the National Bureau of Statistics (NBS) indicated that real Gross Domestic Product (GDP) grew by 7.70 per cent in 2011, slightly lower than the 7.90 per cent in 2010. The development reflected largely, the performance of the non-oil sector, with relative contributions of 0.60 from 1.20 per cent at the end of the preceding year.

Crude oil production rose marginally in 2011, in spite of constraints imposed by pipeline leakages and oil supply logistics while international oil prices rose, generally.

At an estimated average of 2.38 Million Barrels per Day (MBD) in 2011, crude oil output rose by 5.78 per cent, compared with 2.25MBD in 2010. Consequently, annual aggregate output of crude oil at end-December 2011 was estimated at 868.7 million barrels (mb), while allocation for domestic consumption remained at 0.445 mbd or 162.43 million barrels at end-December 2011. The average spot price of Nigeria's reference crude, the Bonny Light (37^{o} API), was US$113.73 per barrel in 2011, compared with US$80.92 in 2010.

Inflation developments in 2011 were mixed. The year-on-year headline inflation, which was 12.10 per cent at end-January, trended downward, but remained at double-digit. However, in July and August, it stood at 9.40 and 9.30 per cent, respectively, but was 10.30 per cent at end-December 2011.

The provisional cumulative Federal Government retained revenue for 2011 was N3,083.38 billion, showing a decrease of 0.20 per cent below the level in 2010. On the other hand, cumulative aggregate expenditure for the period stood at N4,259.85 billion, showing an increase of 1.60 per cent over the level in 2010. The fiscal operations of the Federal Government in 2011 resulted in an estimated deficit of N1,176.46 billion, compared with the budgeted deficit of N1,136.62 billion for fiscal 2011. The high deficit had negative implications on the outcome of monetary policy.

Provisional data for 2011 indicated that growth in the monetary aggregates moderated considerably. Broad money (M2), rose by 15.40 per cent to N13,300.34 billion at end-December 2011, compared with the indicative benchmark of 13.75 per cent for fiscal 2011 and the growth of 6.91 per cent at end-December 2010. This development was driven largely by the increases of 42.13 and 10.36 per cent in domestic credit (net) and foreign assets (net) of the banking system, respectively. The moderation in growth in the monetary aggregates was due to the sharp decline of 70.30 per cent in other assets (net) of the banking system.

Narrow money (M1) rose by 21.49 per cent to N6,768.43 billion at end-December 2011, compared with the indicative benchmark of 15.75 per cent for the 2011 fiscal year and growth of 11.05 per cent at end-December 2010. The development was traceable to the 23.05 per cent growth in the demand deposit component. Reserve money, at end-December, 2011, being N2,784.28 billion, was higher than the level at end-December 2010 (N1,845.71 billion) and the indicative target of N1,936.0 billion for 2011 by 50.85 per cent and 43.82 per cent, respectively.

Aggregate bank credit to the domestic economy (net) rose by 42.43 per cent at the end of the review period, compared with the growth of 10.00 per cent at end-December 2010. The increase in net domestic credit reflected the expansion of 31.58 per cent in credit to the private sector, as claims on the Federal Government increased by 52.65 per cent at the end of the review period. The banking system's credit to the core private sector[1] grew by 31.58 per cent, in contrast to 3.81 per cent decline recorded in 2010.

The performance of the external sector in 2011 improved moderately; with a lower overall balance of payments position of N13.20 billion (US$0.08 billion), compared with the level of N1,491.48 billion (US$10.0 billion) in 2010. The development reflected weak economic conditions in some of Nigeria's major trading partners, particularly the United States of America (USA) and the Euro Area. At N15,021.80 billion, total exports (fob) increased by 23.40 per cent in 2011. At US$80.92 per barrel in 2010, the price of Nigeria's reference crude (Bonny Light 37^0 API), increased by 40.55 per cent in 2011.

The current account position was in surplus of N2,605.30 billion (US$16.80 billion) in 2011, compared with N0.37 billion (US$2.50 billion) in 2010, representing 7.10 per cent of the Gross Domestic Product (GDP). The increase in the current account surplus reflected higher exports occasioned by significant increase in international price of crude oil as well as improvements in domestic oil production. The capital and financial account recorded a deficit of N2,104.4 billion (US$13.60 billion) and N443.40 billion (US$2.00 billion), respectively during the same period.

The Wholesale Dutch Auction System (wDAS) remained the exchange rate management mechanism by the Bank in 2011. To moderate demand pressure and reduce speculative bidding, the Bank in March 2011, introduced the forward market (wDAS-Forward) where authorized dealers traded 1-month, 2-month and 3-month forward contracts.

The average exchange rate at wDAS depreciated by 4.90 per cent from N150.48/US$ at December 2010 to N158.23/US$ at December 2011. At the interbank and BDC segments of the market, the average rates depreciated by 5.90 and 5.40 per cent below the same period to close at N162.27/US$ and N163.35/US$, respectively. Consequently, the premium between the wDAS/BDC and the wDAS/interbank rates closed at 3.20 and 2.60 per cent, respectively, compared with 2.70 and 1.40 per cent at December 2010. This development resulted from the sustained demand pressure in the foreign exchange market during the period.

In the forwards segment of the market, the average rates at the 1-, 2- and 3-month wDAS-forwards depreciated by 1.70 per cent below their respective levels in December 2011 over the March 2011 period when CBN commenced forward segment of the foreign exchange market.

The stock of external reserves at December 2011 stood at US$32.60 billion, compared with US$32.30 billion in the corresponding period of 2010. The low accretion to external reserves was attributed to increased funding of wDAS operations. At December 2011, the stock of external reserves represented 6.6 months of imports cover which exceeded the West African Monetary Zone (WAMZ) requirements of 3 months of imports cover.

2.3 Outstanding Policy and Macroeconomic Issues in 2010/2011

2.3.1 Policy Challenges

The monetary policy stance of the CBN is expected to be mixed during the programme period. Meanwhile, the tight monetary policy adopted in 2011 would be mixed with monetary easing while the cautious approach to lending by the banks expressed in 2011 is expected to moderate in 2012, thus further easing credit expansion. This would boost credit to the productive sectors of the economy in 2012 and amplify inflationary pressures. Accordingly, in the wake of phased deregulation of the oil sector, containing inflationary and demand pressure in the foreign exchange market would remain major challenges to monetary policy during the programme period.

2.3.2. Macroeconomic Issues

The sluggish growth in the economies of Nigeria's major trading partners and the lingering sovereign debt crisis in the Euro area, remain potential threats to domestic economic growth. Given that Nigeria is oil dependent with high imports, the challenge to policy in the programme period remains the management of external reserves and diversification of the economy to reduce the impact of oil price volatilities.

A decline in global output and aggregate demand in 2012/2013 could trigger negative shocks to international oil prices and threaten Nigeria's Balance of Payments (BOP) position. This is expected to be counter–balanced by the face-off between Iran, the US and the EU which could lead to rising oil prices. Moreover, the continued decline in external reserves could encourage unabated demand pressure arising from speculative attacks and further heighten exchange rate volatility.

The challenges facing the steady growth of the real sector include the poor state of infrastructure such as roads, transportation, electricity and water supply. Others are inadequate supply and high cost of agricultural inputs as well as low level of post-harvest management. The sector is further constrained by weak technological base and expensive domestic manufactured products, compared with stiff competition from cheap foreign goods, low level of manufactured exports and the low utilization of local raw materials by industries, as well as insecurity of lives and property.

Fiscal sustainability remains a major concern, particularly the lack of diversification of the economy due to excessive dependence on oil as a major source of government revenue. The continued drawdown in the Excess Crude Account to finance current consumption has accentuated inflationary pressures and constrained the efficacy of monetary policy in taming inflation and moderating swings in interest and exchange rates. Overall, there is the need to increase domestic revenue mobilization by broadening the tax base and improved revenue collection mechanism.

2.4 Outlook for the Domestic Economy in 2012/2013

The outlook for the domestic economy in 2012/2013 is cautiously optimistic. The global demand for crude oil is projected to remain sluggish as the US and Euro zone economies recover slowly. Thus, crude oil prices are expected to continue to be favourable to the domestic economy.

The agricultural sector is expected to lead growth and remain robust if recent trends in rainfall across the country and the increased public sector funding of the sector are sustained. With bumper harvest, food prices would trend downwards, thus moderating inflationary pressures. However, the phased removal of subsidy on petroleum products and full implementation of the National Minimum Wage across the country could counteract the gains in inflation. The major challenge for policy in Fiscal 2012/2013 would thus be containing upward trending inflationary pressures.

Another major challenge is the slow pace of improvement in infrastructure, particularly power, which has impeded growth in manufacturing output. Fixing the power infrastructure is imperative to reviving output growth during the programme period.

As the world economy slowly recovers from the lingering impact of the global financial and economic crises, Nigeria's external sector is expected to grow moderately in 2012/2013, as demand for oil picks cautiously. Oil is expected to continue its dominance in exports given the sluggish growth in non-oil exports. The exchange rate of the naira is expected to moderate during the programme period.

SECTION THREE

3.0 MONETARY AND CREDIT POLICY MEASURES IN 2012/2013

3.1 Objectives and Strategy of Policy

The primary objective of monetary policy in 2012/2013 shall be the maintenance of price stability in compliance with the CBN Act, 2007. Thus, the Central Bank of Nigeria shall endeavour to achieve the overall inflation objective of government during the programme period, through effective liquidity management; with a view to creating an environment conducive for sustainable growth. The CBN shall also continue to take all necessary steps to ensure banking soundness and financial sector stability as well as enhance the efficiency of the payments system. The Bank shall sustain the effective enforcement of financial market rules to promote the evolution of credible financial markets.

The strategy of monetary policy shall continue to be monetary targeting. The Bank shall maintain the close monitoring of broad money supply (M2) alongside other key monetary aggregates. Consequently, broad money is projected to grow by 24.64 and 18.38 per cent in 2012 and 2013, respectively.

3.2 Policy Measures

Monetary policy shall continue to be proactive, involving the discretionary management of the CBN's balance sheet, with a view to ensuring that the operating variables are within programme targets. The MPR shall remain the anchor rate, which is expected to drive other interest rates in the economy. Consequently, the MPR shall be adjusted periodically in response to prevailing liquidity conditions and the stance of monetary policy.

The primary channel of monetary management shall continue to be OMO, supported by reserve requirements and discount window operations. The CBN's intervention securities would be issued, as the need arises, to complement OMO in effective liquidity management. Federal, State and private sector instruments (approved by the Bank), shall continue to be eligible for discount window operations.

3.2.1 Open Market Operations

The Bank shall continue to use OMO as the major channel of monetary operations in the secondary market. OMO operations shall involve the use of direct auctions and two-way quote trading, which shall be on the basis of need. Intervention securities of appropriate tenor shall continue to be used in liquidity management while Authorised Dealers in instruments (appointed deposit money banks and discount houses) shall be maintained as intermediaries in the money market.

OMO operations shall be complemented by repurchase agreements (repo/reverse repo), with the applicable rates based on market conditions and the subsisting MPR. To strengthen inter-bank operations and facilitate market development, the Bank shall announce daily aggregate liquidity shortages/surpluses.

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 Ratio (CRR)

The CBN in 2011 reviewed the CRR from 1.00 to 2.00 per cent (February 01), from 2.00 to 4.00 per cent (June 08) and from 4.00 to 8.00 per cent (October 11). The reviews were in response to prevailing global and domestic economic conditions which had negative impact on domestic liquidity and threatened price and exchange rate stability. The CRR shall continue to be computed based on prevailing guidelines.

3.2.2.2 Liquidity Ratio (LR)

The liquidity ratio was reviewed from 25.00 to 30.00 per cent with effect from March 01, 2011 and remained at that level for the rest of 2011. The computation of liquidity ratio as specified in the CBN Circular Ref. **BSD/DO/CIR/GEN/VOL.02/044** of January 29, 2009 shall continue to apply. Discount houses shall continue to invest at least 60.00 per cent of their total deposit liabilities in Government Securities in 2012/2013 fiscal years while the ratio of individual bank's loan to deposit ratio is hereby retained at 80.00 per cent.

3.2.3 Discount Window Operations

Discount window operations in 2012/2013 shall continue to be conducted to accommodate banks in need of temporary liquidity support in line with prevailing guidelines. To this end, discount window operations in overnight facilities shall be backed by borrower-holdings of government debt instruments and other eligible securities approved by the Bank. The CBN shall maintain the provision of Standing Facilities (Standing Lending/Standing Deposit Facility) to provide overnight accommodation for Authorized Dealers in the discount window who are either in temporary liquidity shortage (in case of Standing Lending Facility) or liquidity surplus (in case of Standing Deposit Facility). The applicable rates to the Standing Facilities shall be determined by the CBN from time to time.

3.2.4 Interest Rate Policy

Interest rates in 2012/2013 shall continue to be market-driven with the level and direction of their movement being indirectly influenced by CBN's adjustments to the anchor rate (MPR).

Accordingly, interest rates posted by banks in 2012/2013 shall comply with the following approved guidelines:

a) Banks shall continue to pay negotiated interest rates on current account deposits. Where special purpose deposits are held for more than seven days, banks shall pay interest at a rate negotiated with the customer.

b) The reducing balance method shall be used for calculating interest charges on loans repayable instalmentally. The use of any other method for calculating interest on loans payable in agreed installments, such as the discount method of 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.

c) A Statement of Account shall be rendered promptly, to each account holder, minimally, on a monthly basis free of charge and shall include:

- **i.** Commission on Turnover (COT);
- **ii.** Rates of interest on over-drawn accounts, the amount and the period; and
- **iii.** Details of operation of the Account during the month.

d) Interest on savings deposits shall continue to be calculated on a customer's account as at the end of each month. Any accrued interest shall be credited to the account at the due date.

e) The balance on a personal savings account on which interest is payable is not subject to any ceiling.

f) Banks shall continue to design their Savings Pass Books (Manual /Electronic) in a way that clearly shows the interest rate applied, savings balances on which interest calculation is based, and the period for which interest is calculated and paid.

g) The Inspectorate Department of each bank shall continue to be responsible for cross-checking bank charges and interest rates payable on deposit accounts. Where the Department discovers a non-payment or under-payment of interest on deposits, other entitlements, excessive interest and bank charges, a return thereon shall be made to the Central Bank within two weeks from the date of discovery by the Inspectorate Department of the bank or date of receipt of customer complaint. Under-payment and/or excessive interest and other charges shall be refunded within two weeks of the discovery/customer complaint to the CBN, with interest at the bank's maximum lending rate on the date of refund, along with a letter of apology to the customer. Any bank that fails to comply with this provision shall, in addition to the refund to the customer, be liable to a penalty amounting to 100.00 per cent of the amount involved.

h) Banks shall, in accordance with the provisions of BOFIA 2004 and amendments to Monetary Policy Circular No. 30 of 1996, continue to display at their offices, their current lending and deposit rates, as well as publish such applicable rates daily on their websites and weekly in national newspapers.

3.2.5 Remittance of Value Added Tax (VAT), Custom Duties and Other Collections

Banks shall continue to remit VAT, custom duties and other collections on behalf of the Federation and the Federal Government by the next working day. Accordingly, banks that keep such collections for more than the stipulated period shall pay interest as may periodically be determined by the CBN. Revenue collections not remitted within the stipulated period shall continue to form part of the banks' deposit base for the purpose of computing their CRR and LR.

3.2.6 Framework for Determining Banks' Cost of Funds

Deposit money banks shall, in the computation of their cost of funds, employ the weighted average cost of funds computation framework. The applicable cost items shall include banks' interest cost on the different types of deposit liabilities, borrowings from the inter-bank funds market, payments in respect of deposit insurance premium and costs due to reserve requirements. For the avoidance of doubt, overhead costs are excluded in this framework.

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

Deposit money banks are enjoined to pursue profitability in their business models through efficient operations. They shall, therefore, charge competitive rather than excessive rates of interest and disclose their prime and maximum lending rates as fixed spreads over the MPR. Deposit money banks shall, develop and implement a Risk-Based Pricing Model consistent with the provisions of CBN Circular Ref. No. **BSD/DIR/GEN/RPM/04/120** dated 30th October 2011.

3.2.8 Federal Government of Nigeria (FGN) Bonds and Nigerian Treasury Bills (NTBs)

The floatation, re-issue and quantum of FGN Bonds, and/or NTBs, shall continue to be determined by the Debt Management Office (DMO) in partnership with the CBN, during the programme period. The use of these instruments shall continue to be fine-tuned with a view to enhancing the depth of the financial markets and in developing a credible and transparent alternative source for financing government deficits.

3.2.9 Maintenance of Savings and Current Accounts

The CBN shall continue to encourage banks to improve their deposit mobilization efforts. In line with the financial inclusion initiative, banks shall be required to demand zero balances for opening new bank accounts so as to make banking services accessible to the unbanked public. Accordingly, banks are encouraged to develop new products that would improve access to credit. Banks are, therefore, required to simplify their account opening processes, without necessarily compromising the Know Your Customer (KYC) requirements.

3.2.10 Ways and Means Advances

The pilot scheme of the FGN implementation of the Treasury Single Account (TSA) will commence in 2012. The scheme is designed to consolidate the accounts of the FGN with the CBN and DMBs into a single or connected system of accounts domiciled at the CBN. In exercise of its role as banker to the Federal Government, the Ways and Means Advances window shall continue to be available to the FGN at any time in financing temporary liquidity needs to a maximum of 5.00 per cent of the previous year's actual collected revenue of the FGN and such advances shall be liquidated as soon as possible and shall in any event be payable at the end of the Federal Government's financial year in which it was granted.

3.2.11 The Payments System

(i) Promoting a Cashless Society, use of Cheques and e-Money

The CBN shall continue to intensify efforts at enhancing the efficiency of the national payments system. To this end, the Bank shall strengthen efforts at migrating the payments system from cash to electronic modes through the implementation of specific initiatives. An enabling environment for efficient cheque processing and other paper-based instruments through complete application of new and already adopted technologies shall be implemented.

(a) The Nigerian Cheque Printers Accreditation Scheme (NICPAS)

The Bank shall ensure strict compliance with the minimum technical requirements for the effective implementation of the Nigerian cheque standards.

(b) Cheque Clearing

The Bank shall in 2012, introduce new clearing rules through the issuance of Cheque truncation guidelines, designed to effectively reduce the clearing cycle from T+2 to T+1 for both local and upcountry cheques.

(c) Cash Deposit/ Withdrawal Limits

In order to encourage the use of alternative payments channels and discourage the dominance of cash transactions in the economy, the CBN through its Circular Ref. No. **COD/DIR/GEN/CIT/05/031** of 20th April, 2011 introduced an over-the-counter cash transaction limiting policy commencing 1st June, 2012. Consequently, a daily cumulative limit of N150,000.00 and N1,000,000.00 has been imposed on over the counter free cash lodgment/withdrawals by individuals and corporate customers, respectively. However, individuals and corporate bodies that make cash transactions above the set limit shall be charged a penal fee of N100.00 per N1,000.00 withdrawal for individuals and N200.00 per N1,000.00 for corporate bodies for amounts above the regulatory daily limits. In line with this policy, Banks shall cease the provision of cash-in-transit (CIT) lodgment services to merchants and customers as such services have been ceded to CBN Licensed CIT providers (see Annexure).

(d) Maximum Limit on Cheque Payments

The Bank shall endeavour to limit financial system risk by encouraging the use of electronic based transactions. In line with this, the maximum limit on cheque payments shall be N10.00 million per transaction and payments in excess of that value shall be consummated only through the e-payment mode.

(ii) Electronic Payments

In view of the CBN's commitment to developing the electronic payments system and in furtherance of the Payments System Vision 2020, the Bank shall continue to fine tune policies and ensure implementation of the guidelines issued for the promotion of the underlisted initiatives during the programme period.

i. Government Supplier Payments

ii. Person-to-Person (P2P) Payments

iii. Salary and Pension Payments

iv. Tax Payments

v. Consumer Bill Payments

vi. Stored Value and Prepaid Cards

vii. Cheques and Automated Clearing House (ACH) Credits and Debits

The CBN shall also issue guidelines to support the operation of the Securities Settlement and Cross-border Payments' initiatives.

(iii) CBN Inter-bank Funds Transfer System (CIFTS) Operations

The CBN shall continue to maintain and upgrade the CIFTS infrastructure during the programme period. The CIFTS shall continue to operate between the hours of 8.00 a.m. to 4:00 p.m. on work days only. Participants who fail to comply with the CIFTS operation hours shall be penalized as may be determined by the CBN from time to time.

(iv) Settlement and Clearing Banks

The CBN shall maintain a Settlement Account for each bank that meets the prescribed criteria for clearing and settlement operations. The minimum requirements for maintaining Settlement Account with the CBN are indicated below:

i. Capacity to provide the clearing collateral of not less than N15.00 billion worth of treasury bills (to be reviewed from time to time).

ii. Ability to offer agency facilities to other banks and to settle on their behalf, nationwide.

iii. Branch network in all the CBN locations.

Banks that meet the specified criteria shall continue to be designated as "Settlement Banks". Consequently, non-settlement banks, called "Clearing Banks" shall continue to carry out clearing operations through the Settlement banks under agency arrangement. The terms of agency arrangements shall be mutually agreed between the Settlement Banks and the Clearing Banks. Banks shall continue to maintain three accounts: Current Account, RTGS-Settlement Account, and CRR Account, with the CBN until directed otherwise.

(v) Card Security

In order to ensure maximum customer protection on the use of card and card issuance, 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) switching networks.

In line with this directive, the production and issuance of cards with magnetic stripe is 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 the following rules:

a. No card issuer or its agent shall deliver any cards in a fully-activated state.

b. A card issuer shall keep internal records over a sufficient period of time in line with existing CBN guidelines on e-banking to enable easy tracking of card-related transactions.

c. All card schemes must be approved by the CBN.

d. A card issuer shall put in place adequate credit control to track and minimize credit card defaults.

e. Ensure full compliance with guidelines on transaction switching services, stored value/prepaid cards and e-banking.

Card issuers shall continue to furnish card holders with details of the contractual terms and conditions prior to activation. Such terms shall include at a minimum:

- Fees and charges;
- Withdrawal limits;
- Billing cycles;
- Termination procedures; and
- Consequences of Default/theft/misuse of cards.

3.2.12 Publication of Financial Statements

In compliance with Section 27 of BOFIA 2004, banks shall continue, subject to the written approval of the CBN, to publish not later than four months after the end of their financial year, audited financial statements (balance sheet, and profit and loss account) in a daily national newspaper printed and circulated in Nigeria. The CBN shall continue to hold the Board Chairman and Managing

Director of any defaulting bank directly responsible for any breach and shall impose appropriate sanctions which may include the following:

a) Barring the MD or his/her nominee from participating in the Bankers' Committee.

b) Suspension of the foreign exchange dealership licence of the affected bank and forwarding its name to the Nigerian Stock Exchange (in the case of a public quoted company).

c) Removal of the Chairman and Managing Director of the affected bank from office if the accounts remain unpublished for twelve months after the end of the bank's financial year.

The CBN had through its circular **Ref. No. BSD/DIR/CIR/Vol.2/004** of 18th June, 2009, adopted a common year end for all banks and discount houses effective December 31, 2009. The provisions of this circular shall continue to have effect during the programme period. Consequently, all banks and discount houses are required to publish their annual Audited Financial Statements within four months from end-December 31 (Annexure V).

To facilitate the implementation of the consolidated supervision scheme, all banks, discount houses and their subsidiaries shall continue to adopt December 31, as their common accounting year end.

3.2.13 Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria

A new policy, designed to strengthen the depth and reach of MFB operations in the country was introduced, following the review of the MFBs policy in 2011. Excerpts of the new policy are presented below:

Table 1

Classification of Microfinance Banks

Classification		
Unit	N20.00 Million	One Location
State and Federal Capital Territory	N100.00 Million	Statewide
National	N2.00 Billion	Nationwide

During the programme period, the ratio of micro loans in total loans extended to SMEs by MFBs shall be in the ratio of 80:20. This is to ensure that more micro clients are served by the MFBs. The high percentage of 80.00 per cent of total SME loans to micro enterprises will ensure that the unserved and underserved micro entrepreneurs requiring small loans are adequately catered for. **(Annexure V).**

Deposit Money Banks (DMBs) wishing to engage in microfinance services can continue to do so through a designated Department/Unit and/or offer microfinance as a financial product. This is in line with the new banking reform model.

3.2.14 Other Policy Measures

In view of the persistent financing gap for real sector development, the CBN shall continue to actively promote the flow of funds to the sector and improve access to finance by micro, small and medium enterprises (MSMEs) in 2012/2013.

(a) Financing Small and Medium Enterprises (SMEs)

The CBN shall continue to encourage and collaborate with relevant institutions and stakeholders to promote initiatives designed for the development of SMEs during the programme period. To this end, the Bank shall continue to strengthen the supervision of the Development Finance Institutions (DFIs) to ensure that they deliver on improving access to finance by the SMEs.

(b) SMEs Credit Guarantee Scheme (SMECGS)

The SMEs Credit Guarantee Scheme (SMECGS) was established to encourage banks to lend to productive sectors. The Scheme provides 80.00 per cent guarantee to banks' loans to SMEs to improve lending to the small businesses and elicited a modest response from banks in 2010/2011. Accordingly, the Bank will continue in 2012/2013 to strengthen the operations of the Scheme and enlighten stakeholders in view of its role in mitigating the risks associated with lending to the SME sub-sector.

(c) Microfinance Development Fund (MDF)

As provided in the revised Microfinance Policy, the MDF will be set up as a vehicle to fund SMEs in the country, including the provision of refinancing, guarantee and wholesale facilities and liquidity support to microfinance banks/microfinance institutions (MFBs/MFIs) to enhance their lending activities to micro, small and medium enterprises (MSMEs) in 2012/2013.

(d) Refinancing and Rediscounting Facility (RRF) for SME/Manufacturing Sector

The RRF was established by the CBN to boost real sector development through adequate funding. This initiative has proved to be very effective, judging by the fact that almost all the fund has been disbursed. The Bank will continue to monitor the impact of the programme on the real sector in year 2012/2013.

(e) Commercial Agriculture Credit Scheme (CACS)

The N200.00 Billion Commercial Agriculture Credit Scheme (CACS) was established in March 2009 by the Bank in partnership with the Federal Ministry of Agriculture and Rural Development (FMARD) to fast track the development of commercial agriculture in the country. The applicable interest rate under the Scheme shall be retained at 9.00 per cent. The Fund shall continue to be disbursed to eligible applicants through the deposit money banks. Applicable sanctions under the scheme shall continue to be imposed during the 2012/2013 period.

(f) Agricultural Credit Support Scheme (ACSS)

Credit facilities under the ACSS shall continue to be granted at 14.00 per cent, while beneficiaries who fully repaid their loans on schedule shall continue to receive a refund of 6.00 per cent of the interest paid.

(g) Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)

NIRSAL is an agricultural transformation agenda which seeks to address the problems of agricultural lending and development in the country through an integrated agricultural value chain financing platform. It will leverage on its' fund to increase bank lending within 10 years from the current 1.40 to 7.00 per cent. NIRSAL' s US$500.00 million is shared across five pillars: Risk-sharing Facility (US$300.00 million), Insurance Facility (US$30.00 million), Technical Assistance Facility (US$60.00 million), Holistic Bank Rating Mechanism (US$10 million) and Bank Incentives Mechanism (US$100.00 million). The CBN shall continue to actively support the realization of NIRSAL's objectives during the programme period.

(h) Infrastructure Finance

The N300.00 billion Power and Airline Intervention Fund (PAIF) is a special intervention vehicle in power projects and the airlines. The funds under the programme shall continue to attract a maximum interest rate of 7.00 per cent per annum, with a tenor of 15 years.

In addition, the Bank, in collaboration with relevant stakeholders will put together a National Infrastructure Finance Policy to leverage private finance for infrastructure development. It will also diversify and develop the non-bank sources of long term debt finance and promote the involvement of specialised funds and/or multilateral agencies and international banks in financing core infrastructure projects in the country.

(i) Entrepreneurship Development Centres (EDCs).

The Entrepreneurship Development Centres (EDCs) initiated in 2006 to develop entrepreneurship skills amongst young Graduates, commenced with three EDCs in Kano (North West), Onitsha (South East) and Ikeja (South West) geo-political zones. The remaining three (3) EDCs shall be established in the North East, South South and North Central geo-political zones.

(j) Financial Inclusion Strategy

To enhance access of the population of adult Nigerians excluded from formal financial services, the CBN commenced the development of a comprehensive financial inclusion strategy in 2011. The strategy would focus on institutional structures and arrangements, infrastructure and technological solutions to provide timely and adequate financial services such as loans/credits, savings, insurance, leasing, hire purchase, overdraft, payment/remittance services and financial advisory services, amongst others.

Accordingly, the financial inclusion strategy would synthesize the schemes and programmes of stakeholders in the area of financial access; establish and address weaknesses and causes of failure of these programmes; promote workable models for fostering financial inclusion as well as establish special funds for promoting and developing a financial inclusion agenda for Nigeria. The Financial strategy document will be launched in the first quarter of 2012.

(k) Orderly Development of the Banking System

i. The New Banking Model: Minimum Paid-up Capital Requirement

The CBN reviewed the universal banking model in 2010 with a view to ensuring the protection of depositor funds by ring fencing "banking" from non-banking businesses. Consequently, the reforms redefined the licensing model of banks and minimum requirements to guide bank operations; effectively regulated the business of banks without hindering their growth aspirations and facilitated more effective regulator-intervention in public interest entities.

Consequently, the CBN issued guidelines on the Scope, Condition and Minimum Standards for Commercial Banks Regulations, No. 01, 2010; CBN Scope, Condition and Minimum Standards for Merchant Banks Regulations, No. 02, 2010; and Regulation on the Scope of Banking Activities & Ancillary Matters, No. 3, 2010, which specified capital requirement for commercial banking authorization, Merchant banking authorization and repealed the erstwhile Universal Banking (UB) model, respectively. The extant circulars shall remain applicable during the programme period.

The applicable capital requirements to be determined by the nature and scope of operation of the institution shall continue to apply as follows:

i. Commercial banks with authorization on:

(a) Regional level N10.00 billion

(b) National level N25.00 billion; and

(c) International level N50.00 billion

ii. Merchant Banking N15.00 billion

iii. Specialized Banking Licence:

(a) Non-interest banks (Regional) N5.00 billion

(b) Non-interest banks (National) N10.00 billion

(c) Primary Mortgage Banks (State) N2.50 billion

(d) Primary Mortgage Banks (National) N5.00 billion.

Commercial banks with regional banking licences shall operate within a minimum of six (6) and a maximum of twelve (12) contiguous States of the Federation, lying within not more than two (2) Geo-Political Zones of the Federation, as well as within the Federal Capital Territory, (FCT).

Commercial banks with national banking authorization shall operate within every State of the Federation including FCT.

Commercial banks with international banking authorization shall operate in all the States of the Federation, as well as establish and maintain offshore subsidiaries in jurisdictions of their choice, subject to the approval of the CBN and compliance with regulatory requirements of host country.

The Specialized Banks include non-interest banks, microfinance banks, development banks; mortgage banks and such other banks as may be designated by the CBN from time to time. The non-interest banks are further categorized into two, namely:

a. National non-interest bank, which shall have a capital base of N10.00 billion and will operate in every State of the Federation including the Federal Capital Territory (FCT).

b. Regional non-interest bank, which shall have a capital base of N5.00 billion, and will operate in a minimum of six (6) and a maximum of twelve (12) contiguous States of the Federation, lying within not more than two Geo-Political zones as well as the Federal Capital Territory.

ii. Transparency in Banks' Operations

The CBN shall in 2012/2013, continue to closely monitor the operations of banks through risk based and consolidated supervision to ensure the adoption of international best practice, compliance with prudential and disclosure requirements and abidance with relevant laws and regulations. The Bank shall continue to consult and dialogue with relevant stakeholders in the industry to foster industrial harmony and promotion of a sound financial system.

During the programme period, the CBN shall continue to promote high ethical standards, monitor the implementation and review, where necessary, guidelines and circulars on risk management, e-banking, risk-based supervision, consolidated supervision; code of corporate governance, non-interest banking, credit bureau and Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) policies, etc with a view to ensuring banking sector soundness.

iii. Moral Suasion

The CBN shall continue to use moral suasion, through regular dialogue and consultation with banks and other financial institutions, under the aegis of the Bankers' Committee and other channels, to promote enhanced efficiency in the banking industry, and high ethical standards and professionalism in the industry.

(l) Public Sector Deposits

Public sector deposits are an important part of the liquidity of the banking system. Accordingly, the CBN shall continue to monitor the movement of deposits of key government parastatals and overheads of core Federal Ministries to ensure compliance with manageable liquidity conditions in the economy. During the programme period, banks may be informed in advance of any need to withdraw or re-inject public sector deposits in the banking system as may be dictated by liquidity conditions.

(m) Asset Management Corporation of Nigeria (AMCON)

The Asset Management Corporation of Nigeria (AMCON) was established in 2010 by the CBN in partnership with the Federal Ministry of Finance to buy up the non-performing loans of the banking system and to recapitalize the banks. During the programme period, the Bank shall continue to support AMCON operations to strengthen the balance sheets of the banks with focus on asset quality, improved liquidity and capital adequacy as well as a reduction in debt overhang.

(n) Commercial Paper and Bankers' Acceptances for Repo Transactions

The CBN shall continue to admit Commercial Paper and Bankers' Acceptances for repurchase transactions during the programme period with a view to developing the repo market and improve financial intermediation in the country.

3.2.15 Monetary Policy Measures Retained/Modified in Fiscal Years 2012/2013

i. Bank Credit Expansion

Only banks, which meet the following criteria, shall be allowed to grant new credit facilities in 2012/2013:

a) Specified cash reserve requirement;

b) Specified liquidity ratio;

c) Prudential guidelines;

d) Statutory minimum shareholders fund;

e) Capital adequacy ratios; and

f) Sound corporate governance.

Banks which fail to meet the prudential and regulatory requirements during the 2012/2013 period shall not grant new credit lines until they normalized their positions.

ii. Prudential Guidelines for Licensed Banks

The CBN reviewed the prudential guidelines in July 2010. The guidelines would continue to be applied during the 2012/2013 fiscal years. Loan Loss Provisioning is contained in the Prudential Guidelines and aim to:

a. Promote enhanced provisioning policies and practices, which are consistent with sound risk management practices for Nigerian Banks;

b. Ensure that provisioning guidelines support the life cycle and gestation periods of the various specialized loans;

c. Provide a framework for ensuring that the current provisioning guidelines are counter-cyclical; and

d. Provide a framework for "Haircuts" adjustments for lost facilities.

Banks shall in 2012/2013, consider these prudential guidelines as minimum requirements and are, therefore, encouraged to implement more stringent policies and practices on loan provisioning to enhance the mitigation of risks.

iii. Capital Adequacy

The minimum ratio of capital to total risk-weighted assets shall remain at 10.00 per cent for Regional and National Banks, while it shall be 15.00 per cent for International Banks. At least 50.00 per cent of a bank's capital shall comprise paid-up capital and reserves, while every bank shall maintain a ratio of not less than one to ten (1:10) between its adjusted capital and total credit, net of provisions. However, banks are encouraged to maintain a higher level of capital commensurate with their risk profile.

iv. Foreign Guarantees/Currency Deposits as Collateral for Naira Loans

The use of foreign bank guarantees/foreign currency deposits for naira denominated loans shall remain in force. However, request for such guarantees shall be subject to prior approval of the CBN.

v. Rules for Currency Transactions

Pursuant to the provisions of Section 21 of Foreign Exchange (Monitoring and Miscellaneous Provisions) Act No. 17, 1995, persons who import foreign currency in excess of US$10,000.00 by cash and lodge such money in a domiciliary account with an authorized dealer, can only make cash withdrawals from the account.

Pursuant to Section 22 of the extant Act, no person shall make or accept cash payment, whether denominated in foreign currency or not, for the purchase and acquisition of landed property, stocks, shares, debentures, all forms of negotiable instruments and motor vehicles. Payments for these items shall be made by means of bank transfers or cheques drawn on banks in Nigeria.

To ensure full compliance with the Act, banks shall continue to designate Compliance Officers who shall ensure full compliance with the provisions of the Act. The Compliance Officers shall report all breaches of the Act to the CBN, through the Chief Executive Officer of each bank, in such a manner as the CBN may prescribe.

vi. Responsibilities of Banks' External Auditors to the Supervisor Authorities

The directive to banks and other financial institutions to instruct their external auditors to forward two copies of their Audit Report to the CBN not later than three months after the end of the banks' financial year shall remain in force in fiscal years 2012/2013. In addition, reports on fraud and forgeries committed during the accounting year under review shall accompany the Audit Report. Each bank shall continue to communicate the appointment, re-appointment, termination and resignation of the bank's 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 of such action and apply appropriate sanctions. In recognition of the complementary role of external auditors, banks are required to ensure that their external auditors are in attendance at the presentation of Bank Examination Reports by the Supervisory authority to their Board of Directors.

External auditors shall devote a portion of their audit report to the review of the bank's implementation of prior year's audit recommendations. The tenure of the external auditors in a given bank shall continue to 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 10 years.

vii. Banks Operating Subsidiary Companies Offering Banking Services

Banks with Subsidiaries offering banking services shall continue to report on the operations of such companies along with their Monthly Returns to the CBN. Banks shall submit consolidated financial statements of the group in line with the consolidated supervision requirement.

viii. Agricultural Credit Guarantee Scheme (ACGS)

The CBN shall continue to facilitate the provision of affordable credit for agricultural development. Facilities extended to farmers by MFBs shall continue to be guaranteed by the ACGS in 2012/2013. The Bank shall pursue the review of the Agricultural Credit Guarantee Scheme Fund (ACGSF) Act to increase the capital base and loan limits, and expand the guarantee to cover the entire agricultural value chain during the period 2012/2013.

ix. Interest Drawback Programme (IDP)

The IDP rebate shall continue to be paid to eligible farmers in the 2012/2013 fiscal years who liquidate facilities obtained as at and when due under the ACGS. The IDP interest rebate to farmers who borrow at market interest rates and repay on schedule under the Agricultural Credit Guarantee Scheme (ACGS) shall continue to be at 40.00 per cent.

x. Returns from Banks

All banks shall report accurately, faithfully and promptly, on their activities in the prescribed format for the daily, weekly, mid-monthly, monthly, quarterly and semi-annual returns. The returns shall be rendered through the Electronic

Financial Analysis and Surveillance System (e-FASS) and any other medium as may be required.

Daily returns shall be submitted at or before 10.00 a.m. of the next work day, while monthly, quarterly and semi-annual 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 next 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.

Banks shall also continue to submit monthly information on their outstanding loans and advances in line with the modified version of the International Standard Industrial Classification of All Economic Activities (ISIC) issued to the industry vide the circular ref: BSD/DIR/GEN/CIR/04/016 and dated 30th April, 2010.The monthly credit portfolio classification should be sent electronically to bsdreturns@cbn.gov.ng, with the hard copy forwarded to the Director of Banking Supervision not later than the 5th working day of the month following the reporting month.

xi. Other Financial Institutions

The Central Bank shall continue its supervision of the Other Financial Institutions (OFIs), namely: finance companies (FCs), primary mortgage banks

(PMBs), microfinance banks (MFBs), development finance institutions (DFIs) and bureaux de change (BDCs) to ensure orderly growth of the sub-sectors.

a. Finance Companies

The CBN shall, in 2012/2013 initiate moves to reform the finance companies sub-sector and reposition it for greater effectiveness. The reforms are expected to cover minimum capital requirements, expansion of the scope of activities and the revision of guidelines for the sub-sector.

b. Primary Mortgage Banks (PMBs)

In 2012/2013, the CBN shall expand the scope of financial sector reforms to include the mortgage/housing finance sub-sector. The reforms shall, amongst other things, target the enhancement of access to mortgage/housing finance through re-capitalization and re-focusing of the PMBs, introduction of sound risk management, strong corporate governance, and the promotion of secondary mortgage market through supporting the evolution of specialized Mortgage Re-finance/Liquidity Companies. The specialized second-tier institution shall provide short-term liquidity, long-term funding or guarantees to mortgage originators and housing finance providers.

c. Microfinance Banks (MFBs)

The CBN shall in 2012/2013, sustain the implementation of the Microfinance Certification Programme. The Bank shall also continue to license microfinance banks under the new capital requirements of N20.00

million, N100.00 million and N2.00 billion for Unit, State, and National microfinance banks, respectively.

d. Development Finance Institutions (DFIs)

The CBN shall in 2012/2013 continue to monitor the operations of DFIs and intensify efforts at re-capitalizing the institutions, institutionalizing strong corporate governance and a risk management system to enable the institutions effectively deliver on their mandates. The Bank shall also continue to enforce the Uniform Prudential and Assessment Standards prescribed for DFIs in Africa, developed under the aegis of the Association of African Development Finance Institutions (AADFI) for benchmarking operations of the DFIs.

e. Bureaux De Change (BDCs)

The BDCs currently in operation shall continue to render monthly returns to the CBN, through the e-FASS, on their assets and liabilities, and daily returns on the utilization of foreign exchange.

xii. Statutory Regulations/Rendition of Returns

All Other Financial Institutions (OFIs) are required to strictly comply with the prudential requirements (Annexure I) specified in the existing guidelines/circulars, directives and provisions of BOFIA CAP B3 Laws of the Federation of Nigeria, 2004. Appropriate sanctions shall be imposed on any OFI found in contravention of the prudential guidelines, circulars, directives or provisions of the BOFIA, 2004.

xiii. Penalties for Default

The CBN shall in 2012/2013 continue to enforce all the stipulated penalties for non-compliance with regulatory guidelines as well as the provisions of the CBN Act, 2007 and BOFIA, 2004. Financial institutions which fail to comply with applicable guidelines as well as other directives that may be issued from time to time by the Bank shall be sanctioned accordingly.

xiv. Transparency in Financial Transactions

Financial institutions shall continue to observe the following standards in 2012/2013:

a) Customer Identification

Banks and other financial institutions are enjoined to intensify efforts at determining the true identity of their customers. In particular, financial institutions shall not conduct any business with persons/entities who fail to properly identify themselves. The principle of "Know Your Customer (KYC)" as specified in the CBN AML/CFT Manual, 2009 shall strictly apply.

b) Compliance with the Law

Banks and other financial institutions shall observe high ethical standards as well as comply with the laws and regulations governing their operations. In order to ensure the enforcement of the provisions of the Money Laundering Act, Cap M18, laws of the Federation of Nigeria, 2004, banks shall ensure full compliance with the Guidance Note, AML/CFT

Manual 2009 and other relevant circulars on money laundering surveillance.

c) Co-operation with Law Enforcement Authorities

Banks and other financial institutions are required to cooperate fully with the law enforcement authorities within the limits of the rules governing confidentiality. In particular, where financial institutions are aware of facts which lead to a reasonable presumption that funds lodged in an account or transactions being entered into, derive 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 which contravenes these guidelines shall attract appropriate penalties as stipulated in the BOFIA 2004, or the Money Laundering Act, 2004.

xv. Risk-Based Supervision

In order to speed up the drive towards compliance with the Basel core principles on banking supervision and prepare an enabling environment for the eventual implementation of the Basel II/III Capital Accord, the CBN shall continue with risk-based supervision in 2012/2013. The migration from the compliance-based-supervisory approach to risk-based supervision (RBS) in supervising the financial institutions has been completed.

xvi. Consolidated/ Cross-Border Supervision

The establishment of off-shore branches and subsidiaries by Nigerian Banks led to an increase in cross-border risks and warranted a modification of the supervisory approach to the operations of these entities. A framework for Cross-Border Supervision was issued in 2011, aimed at providing guidance on the supervision of Nigerian banks with off-shore operations. On 20th July 2010, the Governors of the Central Banks of the West African Monetary Zone (WAMZ) member countries signed a formal charter establishing the College of Supervisors for the West African Monetary Zone (CSWAMZ). The CSWAMZ was designed to strengthen the supervision of cross-border operations through consolidated supervision and promote greater cooperation amongst supervisors in the WAMZ. In line with the objective, a series of Memoranda of Understanding (MoUs) were signed with several jurisdictions to improve cross border supervision.

In fiscal 2012/2013, only commercial banks with international authorization in line with the New Banking Model shall receive approval to establish off-shore subsidiaries.

In view of the above, the CBN shall continue with consolidated and cross-border supervision in 2012/2013.

xvii. Macro-Prudential Regulation and Stress Testing

The CBN shall sustain the use of macro-prudential regulation and stress testing in assessing the health of banks in 2012/2013. In this regard, banks shall be required to conduct and forward to the CBN, on a quarterly basis, a comprehensive report of their stress test for the period.

xviii. Risk Management and Corporate Governance in Nigerian Banks

The Code of Corporate Governance of April 2006 and the guidelines for the development of a risk management framework for individual banks issued in July 2007 shall remain in force in 2012/2013 and shall be continually reviewed and updated in line with the recommendations of the Basel II Capital Accord.

xix. Credit Risk Management System (CRMS)

In addition to the existing Credit Risk Management System (CRMS), the CBN approved the licensing and establishment of three (3) private credit bureaux namely:

- XDS Credit Bureaux Ltd 1st quarter, 2009
- CRC Credit Bureaux Ltd 2nd quarter, 2009
- CR Services Credit Bureaux Ltd 3rd quarter, 2009

To strengthen the credit risk management system framework, the CBN directed all banks and other financial institutions to partner with the licensed private credit bureaux to enhance the performance of their operations. Consequently, banks and other financial institutions under the supervision of the CBN shall comply with the following:

(a) Have data exchange agreement with a least two (2) licensed private credit bureaux and obtain credit report from, at least two (2) credit bureaux before granting any facility to their customers,

(b) Obtain quarterly credit report from, at least two (2) bureaux for all previous loans/facilities granted to assist in the determination of the borrowers current exposure to the financial system,

(c) Lending institutions shall provide accurate credit information on their customers and update the status of the credit regularly to reflect the true position of the credit at all times, and

(d) Lending institutions shall also ensure that only customers with performing or favourable credit reports are granted fresh or additional credit.

xx. Additional Disclosures by Banks

Banks shall continue to publish additional disclosure statements to strengthen the incentives regime for maintaining sound banking practices to address the contemporary challenges of a complex and dynamic banking industry. To enhance transparency and in compliance with Government's directive on the mandatory adoption of International Financial Reporting Standards (IFRS) by publicly listed and significant public interest entities, banks are required to adopt the IFRS in 2012.

xxi. Supervisory Intervention Framework for the Banking Industry

To engender public confidence in the banking system, the Bank shall develop policies, actions and processes necessary for the prevention, management and containment of bank systemic distress and crises. Guidelines issued to aid banks and other financial institutions in developing their contingency plans, establish thresholds for supervisory intervention incorporating appropriate action plans and definition of the compositions and functions of a crisis management unit in the banks shall continue to be applicable during the period 2012/2013.

SECTION FOUR

4.0 FOREIGN TRADE & EXCHANGE POLICY MEASURES

4.1 New Policy Measures for 2012/2013

4.1.1 Foreign Exchange Market

I. 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 autonomous sources only.

II. Unconfirmed Letters of Credit (L/C) opened for the importation of raw materials, plant and machinery, could be used to access the official foreign exchange market (wDAS). However, finished goods/general merchandise shall not qualify for the use of the wDAS even if the underlying Letters of Credit (LC) were confirmed before negotiation.

III. All Exporters shall repatriate their exports proceeds to a designated Export Proceeds Domiciliary Account. The export proceeds shall be used to fund their subsequent imports, subject to compliance with the extant import regulations. However, where a shortfall exists, supported by a current statement of domiciliary account, such could be sourced from the wDAS and inter-bank windows.

IV. To streamline the extant regulations on the issuance of Certificate of Capital Importation (CCI), authorized dealers are required to issue CCI 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 is more than 6 months at the time of submission, the authorized dealer is required to seek and obtain the approval of the CBN before issuing the CCI.

4.1.2 Form 'M' Procedure for Importation of Petroleum Products

For the purpose of establishing Letters of Credit and Bills for Collection transactions 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 the transactions.

4.2 Policy Measures Amended/Retained in 2012/2013

4.2.1 Foreign Exchange Market

(i) 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

(ii) 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)

(iii) Authorised Dealers may sell autonomous foreign exchange funds to Bureaux de Change operators subject to compliance with the Anti-Money Laundering Act 2004 and disclosure requirements of the CBN. In addition, daily returns on foreign exchange transactions shall be rendered to the CBN by both the Authorised Dealers and the BDC.

(iv) Authorised Dealers that engage in the importation of foreign exchange (cash) shall render monthly returns of such transactions to the CBN.

(v) For the disposal of export proceeds, the instruction of the account holder shall be sufficient for the use of own funds. However, where the fund is to be transferred to third parties, the purpose for transfer shall be provided by the account holder.

(vi) Travelers entering/leaving Nigeria shall be required to declare any amount in excess of ₦20,000.00 (Twenty Thousand Naira only) in their possession at the time of arrival into or departure from the country.

(vii) In line with the provisions of the Public Procurement Act 2007, down payments in respect of imports into Nigeria shall not exceed 15.0 per cent of the free on board (fob) value of the transaction.

(viii) The Foreign Exchange Market (FEM) shall continue to operate under the provisions of relevant laws and guidelines during the programme period.

(ix) Subject to compliance with advised Net Open Position (NOP) 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 documentation.

(x) The direct foreign exchange cash sales by BDCs shall continue with the maximum limit of US$5,000.00 per approved transaction.

(xi) Holders of all categories of domiciliary accounts shall continue to have unfettered access to their funds.

(xii) To promote transparency and accountability in foreign exchange transactions, 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 of funds and utilization to the CBN.

(xiii) Payment for products and services provided in Nigeria by companies or individuals: Nigerians or foreigners, resident in Nigeria, shall not be made in foreign exchange. Where the beneficiary/payer accepts to settle in foreign currency, the funds shall be sourced from own ordinary domiciliary account and/or offshore sources and not through the foreign exchange market.

(xiv) Foreign exchange brought into the country by oil and oil services companies to meet their local expense 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.

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

(xvi) The Payment of interest in respect of bills for collection shall continue to be on the tenor of the bill which shall not exceed 180 days at the maximum, 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).

(xvii) Private sector transactions shall not qualify for government guarantee or obligations.

(xviii) Business Travel Allowance (BTA) and Personal Travel Allowance (PTA) shall be subject to a maximum of US$5,000.00 and US$4,000.00 per quarter, respectively.

(xix) Foreign exchange sourced from wDAS shall (from the Spot and Forwards windows) neither be tradable in the inter-bank foreign exchange market nor sold to BDCs.

(xx) The CBN shall intervene in the interbank foreign exchange market from time to time and on the basis of need to achieve policy objective.

(xxi) Only hotels registered as authorised buyers of foreign exchange shall receive from foreign visitors, payment of hotel bills in foreign currency. However, payment of such bills in foreign currency shall be optional and at the discretion of the foreign visitor making the payment.

4.2.2 Form ‘M’ Procedure

(i) Shipping documents predating Form ‘M’ and Letters of Credit (LC) approval date shall be liable to sanctions in line with the provisions of BOFIA Laws of the Federation of Nigeria, 2004 CAP B3, as well as other appropriate sanctions that may be determined from time to time by the CBN.

(ii) Post-landing charges on imports of equipment shall continue to be treated as an integral part of the total cost of projects and that of the 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 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 Form ‘M’/LC shall be 365 days subject to a maximum extension of another 365 days. However, any subsequent request for revalidation of Form ‘M’/LC shall be forwarded to the Director, Trade and Exchange Department, CBN for consideration.

4.2.3 Destination Inspection of Imports

(i) All imports to 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 a Form ‘M’.

4.2.4 Import Duty Payment Procedures

Import duty payable on items registered under Form ‘M’ transactions, whether or not valid for foreign exchange, shall be calculated on the basis of CBN prevailing exchange rate on the day the Form ‘M’ was approved.

4.2.5 Export and Trade Promotion

(i) Repatriation of export proceeds (oil and non-oil) and other inflows shall be held in Domiciliary Accounts. Holders of such domiciliary accounts shall continue to have unfettered access to their funds subject to existing guidelines.

(ii) Payment for exports from Nigeria shall continue to be by means of Letters of Credit or Bills for Collection. In addition, such exports shall be executed on a free-on-board (fob) or cost and freight (c and f) basis, depending on the contract between the exporter and the overseas buyer.

4.2.6 Invisible Trade Transactions

(i) Remittances for licences (Trademarks, Patents, Know-how, etc.) or Other Industrial Property Rights shall range between 0.50 to 5.00 per cent of net sales value or profit before tax. Trademarks fee shall not be allowed in respect of any agreement where the trademarks 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 2.00 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 1.0 and 2.0 per cent of net sales only.

(iv) Annual Technical Support (ATS) fees payable to Information Technology(IT) licensor shall be between 15.00 and 23.00 per cent of the license fee (the local component of which must be paid in Naira) and shall not last for more than 3 years. In addition, indigenous local vendors shall be involved in all ATS for Software Agreements and local vendor fees shall not be less than 40.00 per cent of the ATS fees.

(v) Basic fee or lump sum fee not in excess of 3.00 per cent of net sales plus incentive fees not exceeding 8.00 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) Remittable consultancy fees 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 training of Nigerian personnel for eventual take-over. In addition, Nigerian professionals shall be involved in the project implementation from inception.

4.2.7 Miscellaneous Policy Measures

(i) The declaration on Forms TM & TE of foreign currency imports and exports, respectively, of US$5,000.00 (Five Thousand US dollars) 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.

SECTION FIVE

5.0 CONSUMER PROTECTION

5.1 Consumer Protection

The Bank shall continue to maintain the Consumer Protection Office at its Head Office and Branches to enable members of the public forward their complaints against banks. Where any of the cases is proved, the bank shall be required to make necessary amends. The measures are aimed at encouraging good banking habits and promoting efficiency in the delivery of financial services as well as boosting public confidence in the system.

On March 01, 2010 the CBN created a division in Financial Policy and Regulation Department known as Consumer and Financial Protection Division with the following mandate:

- To educate consumers and defend their interest
- To detect money laundering and combat financial terrorism
- Enhance Awareness

From March 01, 2010 to December 31, 2011, the division has received a total of 3,306 petitions from banks customers. As at same date, the banks had refunded the sum of N4.30 billion, $199,373 and EU10,000 to its customers

5.2 Public Complaints/Help Desk at the Central Bank of Nigeria

5.2.1 Central Help Desk

All Consumer complaints in respect of any services of the Central Bank of Nigeria 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

5.2.2 Consumer Protection Help Desk

All Consumer complaints in respect of all transactions, not identified below, shall be made to the Help Desk: e-mail: fprd@cbn.gov.ng, Telephone: **+234-9-46237409, +234-9-46237464, +234-9-46237435, +234-9-46237436,** Address: Director, Financial Policy and Regulation Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P. M. B. 0187, Garki-Abuja.

5.2.3 ATM Complaints

Banks, discount houses and other financial institutions shall in line with CBN Circular Ref: **FPR/DIR/CIR/GEN/01/020** of August 16, 2011 continue to expand their existing ATM help desks to handle all categories of customer complaints. The CBN shall continue to review complaints that banks have not been able to resolve amicably with their customers.

The General Public and bank Customers can contact the CBN on ATM-related complaints on the Help Desk: atmhelpdesk@cbn.gov.ng; Telephone Nos.: **+234-9-46238425, +234-9-46238468, 234-8057008273 and 234-805710136** Address: Director, Banking and Payments System Department, Central Bank of Nigeria, Corporate Headquarters, Central Business District, P. M. B. 0187, Garki-Abuja.

5.2.4 Foreign Exchange Authorised Dealers/Customers

All Authorised Dealers, where in doubt, should refer issues in respect of Trade and Foreign Exchange Policy to the Director, Trade & Exchange Department of the Central Bank of Nigeria for clarification.

The General Public/Bank and BDC Customers in respect of Trade and Foreign Exchange Policies and transactions should refer their queries to the **Help Desk on: 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**.**

5.2.5 Monetary Policy Help Desk

The General Public can reach the CBN on all Monetary Policy enquiries using the Help Desk: email-mpd@cbn.-gov.gov.ng, Telephone: **+234-9-46237903**; **+234-9-46238912**

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

SANUSI LAMIDO SANUSI

GOVERNOR

CENTRAL BANK OF NIGERIA, ABUJA

1ST JANUARY, 2012

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 the banks for reviewing and reporting credit performances.

Check the CBN website below:

http://www.cbn.gov.ng/documents/bsdcirculars.asp

Reference BSD/DIR/GEN/NPG/02/126

ANNEXURE II

FRAMEWORK FOR THE IMPLEMENTATION OF RISK-BASED INTEREST PRICING MODEL

BSD/DIR/GEN/RPM/04/120

October 20, 2011

LETTER TO ALL BANKS AND DISCOUNT HOUSES
RE: THE NEED FOR BANKS TO DEVELOP AND IMPLEMENT A RISK-BASED PRICING MODEL

The Central Bank of Nigeria had issued a circular ref: BSD/DIR/GEN/CIR/04/015 dated April 30, 2010 on "THE NEED FOR BANKS TO DEVELOP AND IMPLEMENT A RISK-BASED INTEREST PRICING MODEL (RBIPM)" to guide banks in the computation of their lending rates. The Circular was aimed at encouraging banks to:

- Pursue profitability by driving down cost and charging competitive rates rather than charging excessive rates of interest; and
- Disclose their prime and maximum lending rates as fixed spread over Monetary Policy Rate (MPR) thus making the MPR an effective tool for driving lending rates up or down as policy stance dictates.

The results of our analysis of the returns from banks with respect to the circular however indicated a lack of uniformity in the application of the guidelines. Furthermore, instances of double counting of certain cost elements in the computations by some banks were noted. Following these developments, the CBN, upon due consultation with stakeholders, has developed a standardized template together with explanatory notes to guide deposit money banks in the computation of their Risk Based Lending Rates (RBLR). The template is based on 6 key cost elements, namely:

- Direct Cost of Funds
- Indirect Cost/ Overheads
- Statutory Cost
- Opportunity Cost of Holding Non-Liquid Assets
- Target Return on Equity
- Risk Premium

Consequently, banks are advised to be guided by these key elements and also to specifically note the following in the computation of their RBLR:

i. The monthly average deposits balance is to be used in the computation of 'direct cost of funds' and all other costs that use average deposit as a denominator.

ii. Only the proportion of indirect costs attributable to the generation of interest income should be used in the computation of 'indirect cost' for the purpose of RBLR.

iii. The basis for the computation of the 'Opportunity cost of funds sterilized in CRR 'should be the Standing Deposit Facility (SDF) rates.

Iv. The 'opportunity cost of holding liquid assets in excess of the minimum requirement' has been expunged from the computation of the RBLR.

v. The opportunity cost of holding non-earning assets should be benchmarked against the risk free rate, that is, the 90 days Treasury Bills Rate. This will eliminate the inconsistencies observed in the rates currently being used by banks, thus improving standardization and making the RBLR more sensitive to movements in the MPR.

vi. Cash is to be excluded in the computation of opportunity cost of holding non-earning assets.

vii. Banks are encouraged to use a combination of transparent and verifiable process for the determination of their Risk Premium. This process, which should be systematic, should be verifiable by interested third parties and regulators alike.

viii. The model used by any DMB should take into cognisance available credit information on the customer from the credit bureaux and the obligor rating of the customer from one or more accredited agencies.

viii. The latest five (5) year industrial average is to be used as 'Target Return on Equity' or as may be advised by the CBN from time to time. Meanwhile, all DMBs are to apply the current industry rate of 12.15 per cent.

Henceforth, DMBs are expected to quote their lending rates as fixed spread over the MPR or any reference rate as may be determined by the CBN. They are also required to render monthly returns and publish on a regular basis (on their websites, newspapers, and other periodic reports), statements showing the relationship between the MPR and their Risk Based Lending Rates. This Circular supersedes our earlier circular of April 30, 2010 and takes effect from November 1, 2011.

ANNEXURE III

December 30, 2011

FPR/DIR/CIR/GEN/01/024

CIRCULAR TO ALL BANKS

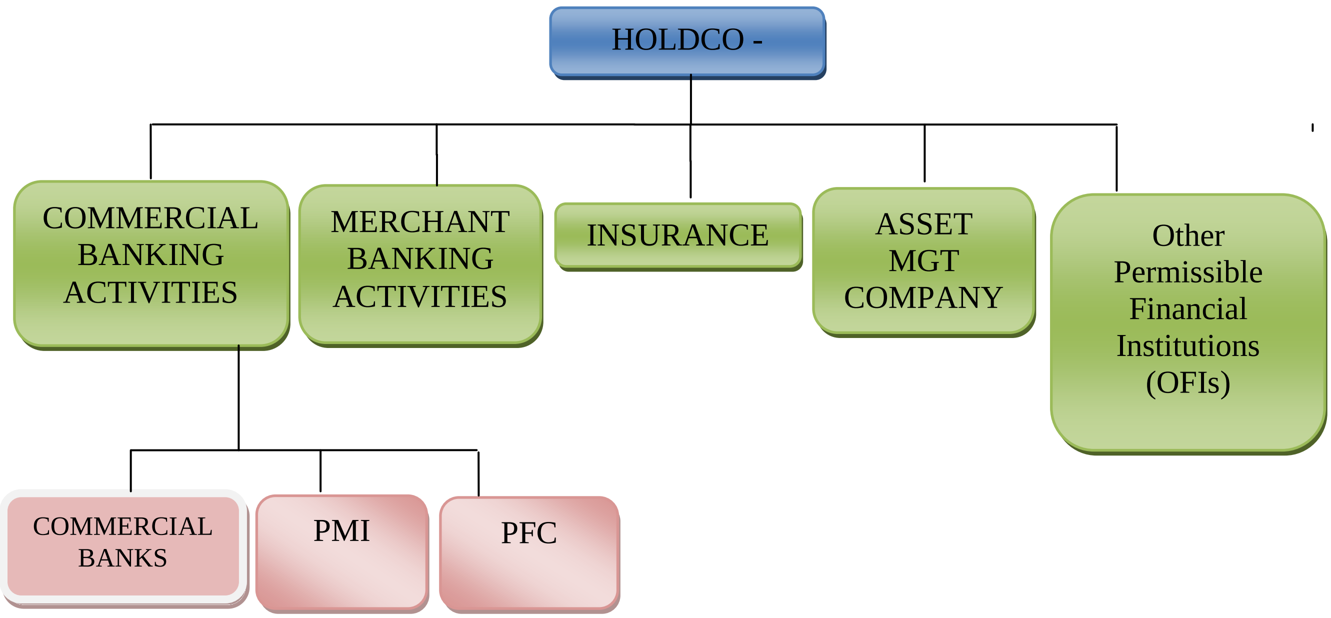
DEFINITION AND STRUCTURE OF HOLDING COMPANIES IN PURSUANCE OF THE NEW BANKING MODEL

Following the repeal of the Universal Banking Guidelines by the Central Bank of Nigeria in pursuance of one of its objectives of promoting a sound financial system, it was deemed necessary to expound upon the licencing requirements for commercial, merchant and specialized banks, with the aim of providing clarity on the conduct of banking business.
Consequently, in exercise of its powers under Section 57 (1) of BOFIA, and other enabling powers in that regard, it issued the Regulation on the Scope of Banking Activities & Ancillary Matters, No. 3, 2010 (Regulation 3).
In the light of enquiries from various stakeholders, it was deemed necessary to issue this circular to define the Holding Company structure as envisaged in the Regulation 3.

As a general rule, a Holding Company (HoldCo) is defined as "any corporation that owns controlling shares in another company (subsidiary) or companies (subsidiaries) to influence decision making process". Under Regulation 3, it is expected that banks will adopt a financial holding company which can be defined as "other financial institution" licensed and regulated as such by the Central Bank of Nigeria for the purpose of making and managing, (for its own account), equity investments in companies engaged in the provision of financial services.

The nature and characteristics can be derived from the definition above.

The structure is as shown in the example below:



A financial HoldCo must be registered with the Corporate Affairs Commission as a Holding Company. The Incorporation documents must state and list the subsidiaries as well as the nature of business engaged in by the subsidiaries. The CAC registration must conform with Regulation 3 establishing the New Banking Model.

A non-operating financial HoldCo must control at least one bank or other financial institution. Control is gauged by the holding of more than 50% of the voting shares of the subsidiary by the financial HoldCo. The only income stream for the non-operating financial HoldCo shall be dividend plus service fees, as appropriate, from the subsidiaries under the structure. However, a non-operating financial HoldCo is at liberty to transform to an operating financial Holdco. In so doing, it must amend its Memorandum of Association (MEMART) and re-file same with the Corporate Affairs Commission (CAC) and other relevant regulatory authorities. It must also obtain the prior approval of Central Bank of Nigeria.

A HoldCo within another HoldCo structure may be permissible, under Regulation 3, with the prior approval of the CBN. However, all commercial banking activities whether offshore or onshore must come under the commercial banking subsidiary.

This circular is for your guidance and direction.

U. F. SHEHU
ACTING DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

ANNEXURE IV

BANK SURVEILLANCE RETURNS

a) Daily Returns

S/N	Return Code	Description
1	DBR 300	Daily Statement of Asset and Liabilities
2	DBR 310	Schedule of Other Liabilities
3	DBR 311	Breakdown of Other Liabilities Items
4	DBR 320	Other Assets
5	DBR 321	Breakdown of Other Assets Items
6	DBR 330	Daily Returns on External Assets and Liabilities (Main Report)
7	DBR 331	Daily Returns on External Assets and Liabilities (Sub-Report)
8	DBR 335	Daily Return on Net Foreign Assets
9	DBR 338	Daily Return Branch Network
10	DBR 340	Schedule of Bank Placement with Other Banks
11	DBR 341	Schedule of Taking from Bank
12	DBR 342	Schedule of NCD Held
13	DBR 343	Schedule of NCD Issued (Bank Sources)
14	DBR 344	Schedule of Money at Call with Banks secured with Treasury Bills
15	DBR 345	Schedule of Money at Call from Banks
16	DBR 346	Schedule of Secured Placements and Money at Call with Discount Houses
17	DBR 347	Schedule of Takings and Money at Call with Discount Houses
18	DBR 348	Schedule of Loans and Advances to Other Banks in Nigeria
19	DBR 349	Schedule of Loans and Advances
20	DBR 350	Bankers Acceptances (Bank's Source)
21	DBR 351	Schedule of Other Creditors
22	DBR 352	Schedule of Current Account Balances with Other Banks
23	DBR 353	Schedule of Current Account Balances due to Other Banks
24	DBR 354	Breakdown of Credits to Affiliated Companies
25	DBR 355	Return on Loans and Advances from Banks and Institutions outside Nigeria
26	DBR 356	Breakdown of Investment in Affiliated Companies
27	DBR 357	Breakdown of Credits from Affiliated Companies
28	DBR 358	Schedule of Unsecured Placements and Money at Call with Discount Houses
29	DBR 359	Schedule of Unsecured Money at Call with Banks
30	DBR 360	Schedule of Off-Balance Sheet Engagements
31	DBR 911	Schedule of Foreign Exchange Purchases from Other Banks
32	DBR 912	Schedule of Foreign Exchange Sales to Other Banks

b) Weekly Returns

S/N	Return Code	Description
1.	WDHR 300	Discount House Weekly Returns Statement of Assets and Liabilities

c) Mid-Monthly Returns

S/N	Return Code	Description
1	MMBR 100	Mid-Month Return on Assets and Liabilities
2	MMBR 200	Mid-Month Return on Interest Rates

d) Monthly Returns

S/N	Return Code	Description
1	MBR 250	Monthly Returns on Interest Rates
2	MBR 300	Monthly Statement of Assets And Liabilities
3	MBR 310	Schedule of Other Liabilities
4	MBR 311	Breakdown of Other Liabilities Items
5	MBR 320	Other Assets
6	MBR 321	Breakdown of Other Assets Items
7	MBR 330	Monthly Returns on External Assets and Liabilities
8	MBR 331	Monthly Returns on External Assets and Liabilities
9	MBR 335	Monthly Return on Net Foreign Assets
10	MBR 338	Returns on Branch Network
11	MBR 340	Schedule of Bank Placements with Other Banks
12	MBR 341	Schedule of Takings from Banks
13	MBR 342	Schedule of NCD Held
14	MBR 343	Schedule of NCD Issued (Bank Sources)
15	MBR 344	Schedule of Money at Call with Banks Secured with Treasury Bills
16	MBR 345	Schedule of Money at Call from Banks-Return Template MBR 345
17	MBR 346	Schedule of Secured Placements and Money at Call with Discount Houses
18	MBR 347	Schedule of Secured Takings and Money at Call with Discount Houses
19	MBR 348	Schedule of Loans and Advances to Other Banks in Nigeria
20	MBR 349	Schedule of Loans and Advances from Other Banks in Nigeria
21	MBR 350	Bankers Acceptances (Bank Sources)
22	MBR 351	Schedule of Other Creditors
23	MBR 352	Schedule of Current Account Balances with Other Banks
24	MBR 353	Schedule of Current Account Balances due to Other Banks
25	MBR 354	Breakdown of Credits to Affiliated Companies

26	MBR 355	Return on Loans and Advances from Banks and Institutions outside Nigeria
27	MBR 356	Breakdown of Investment in Affiliated Companies
28	MBR 357	Breakdown of Credits from Affiliated Companies
29	MBR 358	Schedule of Unsecured Placements and Money at Call with Discount Houses
30	MBR 359	Schedule of Unsecured Money at Call with Other Banks
31	MBR 360	Schedule of Unsecured Interbank Placements
32	MBR 361	Breakdown of item code 11511 Of MBR 300
33	MBR 362	Breakdown of item code 11512 Of MBR 300
34	MBR 363	Breakdown of item code 11513 Of MBR 300
35	MBR 364	Breakdown of item code 11520 Of MBR 300
36	MBR 365	Breakdown of item code 11530 Of MBR 300
37	MBR 366	Breakdown of item code 11540 Of MBR 300
38	MBR 367	Breakdown of item code 11541 Of MBR 300
39	MBR 368	Breakdown of item code 11542 Of MBR 300
40	MBR 400	Monthly Statement of Maturity Profile of Assets and Liabilities
41	MBR 450	Monthly Return on Credits and Deposits
42	MBR 500	Monthly Return on Total Credits Granted
43	MBR 600	Monthly Return on Credit by Sector, Borrower And Interest Rates
44	MBR 601	Monthly Return on Undrawn Commitments
45	MBR 700	Funds Sources and Interest Costs
46	MBR 710	Cost of Funds
47	MBR 800	Monthly Return on Deposit Ownership
48	MBR 850	Monthly Return on Domestic Smartcards Operations of Banks
49	MBR 852	Monthly Return on Foreign Currency Smartcards Operations of Banks
50	MBR 855	Monthly Return on Banks Deployment of Automatic Teller Machines and Point of Sales Terminals Devices by State
51	MBR 900	Monthly Return on Lending above Statutory Limit
52	MBR 911	Schedule of Foreign Exchange Purchases from Other Banks
53	MBR 912	Schedule of Foreign Exchange Sales to Other Banks
54	MBR 920	Returns on Dismissed/Terminated Staff
55	MBR 921	Returns on Fraud & Forgeries Fraud Profile
56	MBR 922	Returns on Non-Bank Staff involved in Fraud
57	MBR 1000	Monthly Profit & Loss Account
58	MBR 1001	Schedule of Non-Interest Income(Others)
59	MBR 1002	Schedule of Other Expenses
60	MBR 1010	Breakdown of Interest/Discount Income and Expenses
61	MBR 850	Monthly Return on Smartcards Operations of Banks
62	MBR 810	Monthly Returns on Deposit by Branch

e) Quarterly Returns

S/N	Return Code	Description
1	QBR 1100	Quarterly Returns on Total Credit Granted
2	QBR 1200	Quarterly Return on Structure of Deposits
3	QBR 1210	Branch Quarterly Return on Structure of Deposits to The Head Office
4	QBR 1220	Top 50 Sources of Funds
5	QBR 1300	Quarterly Return on Credit
6	QBR 1310	Branch Quarterly Returns on Credits to The Head Office
7	QBR 1350	Quarterly Report on Non-Performing Credits to Affiliated Companies
8	QBR 1400	Quarterly Return on Other Assets
9	QBR 1410	Branch Quarterly Returns on Other Assets to Head Office
10	QBR 1500	Quarterly Return on Off-Balance Sheet Engagements
11	QBR 1510	Branch Quarterly Returns on Off Balance Sheet Engagement to Head Office
12	QBR 1600	Quarterly Return on Risk Assets by Sector
13	QBR 1650	Quarterly Return on Credits to Directors, Officers, Employees, Principal Shareholders and their Related Interests
14	QBR 1700	Quarterly Return on Top Users of Funds
15	QBR 1810	Fem Interest Repatriation and Distribution
16	QBR 1820	Schedule of Interest Distribution to Customers
17	QBR 1830	Foreign Exchange Holdings by Authorised Dealers
18	QBR 1831	Foreign Exchange Holdings Reconciliation Statement
19	QBR 1311	Breakdown of Loans and Advances
20	QCR 1000	Consolidated Profit & Loss Account
21	QCR 1000S	Consolidated Profit & Loss Account
22	QCR 1001	Schedule of Consolidated Non-Interest Income (Others)
23	QCR 1002	Schedule of Consolidated Other Expenses
24	QCR 311	Breakdown of Other Liabilities Items
25	QCR 312	Details of Other Liabilities on Inter-Group Transaction
26	QCR 321	Breakdown of Other Assets
27	QCR 322	Details of Other Assets Items on Inter-Group Transaction
28	QCR 1300	Quarterly Report Return on Consolidated Non-Performing Credit
29	QCR 1350	Consolidated Inter-Group Non-Performing Credits
30	QCR 1400	Quarterly Return on Consolidated Non-Performing Other Assets.
31	QCR 1500	Quarterly Return on Consolidated Non-Performing Off Balance Sheet Engagements
32	QCR 1650	Quarterly Return on Consolidated Credits to Directors, Officers,

		Employees, Principal Shareholders and their related interest.
33	QCR 300	Consolidated Balance Sheet
34	QCR 300s	Consolidated Balance Sheet
35	QCR 310	Breakdown of Consolidated Other Liabilities
36	QCR 320	Breakdown of Other Assets
37	QCR 354	Breakdown of Credits to Subsidiary Companies
38	QCR 355	Return on Loans and Advances from Banks and Institutions Outside Nigeria
39	QCR 356	Breakdown on Investment in Subsidiary Companies
40	QCR 357	Breakdown of Credits from Subsidiary Companies
41	QCR 800	Quarterly Return on Deposit Ownership
42	QCR 801	Breakdown of Insider Deposit
43	QCR 900	Quarterly Consolidated Return on Lending Above Statutory Limit

f) Semi-Annual Returns

S/N	Return Code	Description
1	SBR 1900	Semi-Annual Return on Investment in Shares
2	SBR 1905	Profile of Shareholders, Directors and Top Management of Affiliated Companies
3	SBR 1910	Semi-Annual Return on Corporate Profile
4	SBR 1920	Semi-Annual Return on Branch Network
5	SBR 1930	Semi-Annual Return on Bank's Directors
6	SBR 1940	Semi-Annual Return on Shareholders
7	SBR 1950	Semi-Annual Return on Management and Top Officers

BANK SURVEILLANCE- RESTRUCTURING RETURNS

a) Monthly

S/N	Return Code	Description
1	MBR 950	Cash Flow Variance Analysis
2	MBR 951	New Lending Return
3	MBR 952	Debt Recovery Drive Return
4	MBR 953	New Deposits Return
5	MBR 954	Profit and Loss Account
6	MBR 955	Schedule of Non-Interest Income and Non-Interest Expenses

b) Quarterly

S/N	**Return Code**	**Description**
1	QRL 1220	Returns on Deposit Liabilities
2	QRL 1320	Capture Quarterly Branch Returns on Risk Assets
3	QRL 1330	Capture Quarterly Branch Returns on Physical Assets
4	QRL 1340	Capture Quarterly Branch Returns on Legal Status Report
5	QRL 1342	Litigation Judgments
6	QRL 1343	Quarterly Returns of Pending Litigation
7	QRL 1345	Schedule of Collateral Report
8	QRL 1360	Capture Data for Schedule of Foreign Balances Held
9	QRL 1350	Capture Data for Breakdown of Account Payable
10	QRL 1351	Capture Data for Interest Accrued Not Paid
11	QRL 1352	Capture Data for Bankers Payment
12	QRL 1353	Capture Data for Uncleared Effects
13	QRL 1354	Capture Data for Dividend Payable
14	QRL 1355	Capture Data for Deposit For Shares
15	QRL 1361	Capture Data for Account Receivable
16	QRL 1362	Capture Data for Interest Receivable
17	QRL 1363	Capture Data for Prepayment

c) Pre-Examination Returns (PER)

S/N	Return Code	Description
1	PER 100	List Of Directors
2	PER 101	List Membership of Board and Management Committees
3	PER 200	Comprehensive Staff List
4	PER 201	List of Principal Staff Officers
5	PER 203	Inspection Programme
6	PER 204	Training Programme
7	PER 300	Branch by Branch Trial Balance
8	PER 301	Balance Sheet
9	PER 302	Accounts of Associates and Subsidiaries
10	PER 303	List of Subsidiaries and Associated Companies
11	PER 304	Off Balance Sheet Engagements
12	PER 305	List of Outstanding Fraud and Forgeries
13	PER 306	List of Pending Litigations
14	PER 400	Customer Credit Information
15	PER 401	Directors and Officers Indebtedness
16	PER 402	Insider Related Credits
17	PER 403	Single Obligor Limit
18	PER 404	Facilities to Government and its Agencies
19	PER 405	List of Accounts Written Off

20	PER 406	List of Outstanding Intermediated Funds
21	PER 407	Schedule of Written Back Provision
22	PER 500	Foreign Exchange Inflow
23	PER 501	Foreign Exchange Outflow
24	PER 502	Interest Repatriation for the Period
25	PER 503	Repatriation of Export Proceeds
26	PER 600	Customer Deposit Information
27	PER 601	List of Exempted Deposits
28	PER 602	List of Computer Generated Reports
29	PER 700	Branch by Branch P&L

CREDIT RISK MANAGEMENT (CRMS) RETURNS

S/N	RETURN CODE	DESCRIPTION
1	CRMS 100	Return for Individual Borrower Code
2	CRMS 200	Return for Corporate Borrower Code-Return
3	CRMS 201	Return for Directors of Corporate Borrower-Form
4	CRMS 300	Return for Credit Profile-Return
5	CRMS 301	Return on Structured Credit Profile-Return
6	CRMS 400	Return on Monthly Credit Update-Return

BANK POLICY AND MANAGEMENT FOREIGN EXCHANGE RETURNS

i. Daily

S/N	CALL REPORT CODE	DESCRIPTION
1	DTR203	Daily Foreign Exchange Posit
2	DTR205	Daily Import Duty Collected with Form ‘M’
3	DTR206	Daily Sources of Funds
4	DTR207	Daily Utilization of Form M (L/C Valid) CBN Forex Sales
5	DTR208	Daily Utilization of Form M (Bills for Collection) CBN Forex
6	DTR210	Daily Breakdown of Utilization (Others under Finished Goods)
7	DTR211	Daily Breakdown of Utilization (Foods under Finished Goods)
8	DTR212	Breakdown of Utilization (Others under Invisible)
9	DTR213	Daily Operation of Domiciliary and External Account
10	DTR214	Daily Detail Operation of Domiciliary and External Account
11	DTR215	Daily Detail for Transfer of Form ‘M’
12	DTR216	Daily Detail of Customers who have Defaulted in the

		Submission of Complete Shipping Document
13	DTR301	Export Registration
14	DTR302	Non-Oil Exports Export Proceeds
15	DTR303	Daily Report on Capital Importation
16	DTR306	Private Sector Debt (Loan)
17	DTR307	Private Sector External Investment
18	DTR308	Transfer of Profit and Dividends and Capital Transfer
19	DTR316	Forex Purchases by Banks from Oil and Oil Services Companies
20	DTR202	Daily Foreign Exchange Flow
21	DTR305	Forex Sales to End Users
22	DTR204	Daily Import Registration
23	DTR209	Daily Consolidated Foreign Exchange Utilization
24	DTR217	Customer Information
25	DTR319	Issuance of Letters of Credit
26	DTR001	Daily Inward Money Transfer
27	DTR002	Daily Outward Money Transfer
28	DTR003	Daily Loading of Prepaid Cards
29	DTR004	Analysis of Sales of Travellers Cheques for PTA/BTA

i. Monthly

S/N	RETURN CODE	DESCRIPTION
1	MTR202	Monthly Foreign Exchange Flow
2	MTR204	Monthly Import Registration
3	MTR205	Monthly Import Duty Collected with Form 'M'
4	MTR206	Monthly Sources of Funds
5	MTR207	Monthly Utilization of Form M (L/C Valid) CBN Forex Sales
6	MTR208	Monthly Utilization of Form M (Bills for Collection) CBN Forex
7	MTR209	Monthly Consolidated Foreign Exchange Utilization
8	MTR210	Monthly Breakdown of Utilization (Others under Finished Goods)
9	MTR211	Monthly Breakdown of Utilization (Foods under Finished Goods)
10	MTR212	Breakdown of Utilization (Others under Invisible)
11	MTR213	Monthly Operation of Domiciliary and External Account
12	MTR214	Monthly Detail Operation of Domiciliary and External Account
13	MTR215	Monthly Details for Transfer of Form 'M'
14	MTR216	Monthly Detail Of Customers who have Defaulted in the Submission of Complete Shipping Document
15	MTR301	Export Registration

16	MTR302	Non-Oil Exports Export Proceeds
17	MTR303	Monthly Report on Capital Importation
18	MTR305	Forex Sales to End Users
19	MTR306	Private Sector Debt (Loan)
20	MTR307	Private Sector External Investment
21	MTR308	Transfer of Profit & Dividends and Capital Transfer
22	MTR316	Forex Purchased by Banks from Oil and Oil Services Companies
23	MTR319	Issuance of Letters of Credit
24	MTR217	Customer Information
25	MTR203	Monthly Foreign Exchange Position
26	MTR001	Monthly Inward Money Transfer
27	MTR002	Monthly Outward Money Transfer
28	MTR003	Monthly Loading of Prepaid Cards
29	MTR004	Analysis of Sales of Travellers Cheques For PTA/BTA

ANNEXURE V

PRUDENTIAL REQUIREMENTS FOR OTHER FINANCIAL INSTITUTIONS

Items	MFBs	PMBs	FCs	DFIs	BDCs
Prescribed Minimum Paid-up Capital	Unit: N20.00m State: N100.00m National N2.00b	State: N2.50 b National: N5.00b	N20.00m	N/A	Class 'A': N250.00m Class 'B': N10.00m
Adjusted Capital (Minimum)/ Shareholders' Funds (SHF) unimpaired by losses	Unit: N20.00m State: N100.00m National: N2.00b	State: N2.50b National: N5.00b	N20.00m	N/A	N/A
Capital Adequacy Ratio	10.00%	10.00%	12.50%	10.00%	10.00%
Adjusted Capital to Net Credit Ratio	1:10	1:10	1:10	1:10	1:10
Liquidity Ratio	20.00%	20.00%	N/A	N/A	N/A
Single Obligor Lending Limit	Individual: 1.00% of SHF; Group : 5.00% of SHF	Ind: 5.00% of SHF Coy: 20.00%	20.00% of SHF	N/A	N/A
Mortgage Assets to Total Assets	N/A	30.00%	N/A	N/A	N/A
Mortgage Assets to Loanable Funds	N/A	60.00%	N/A	N/A	N/A

- N/A – Not Applicable

  SHF – Shareholders' Funds

  Ind: Individual

  Coy: Corporate

ANNEXURE VI

OTHER CIRCULARS/ GUIDELINES

The publications listed below can be found on the Central Bank of Nigeria website at http://www.cbn.gov.ng/publications/

S/N	DESCRIPTION	REFERENCE	DATE ISSUED
	SUPERVISION CIRCULARS: http://www.cbn.gov.ng/documents/bsdcirculars.asp		
1.	Liquidity Ratio Computation	BSD/DO/CIR/GEN/VOL.02/044	January 29, 2009
2.	Risk-Based Pricing Model	BSD/DIR/GEN/RPM/04/120	October 20, 2011
3.	Common Accounting Year End	BSD/DIR/CIR/VOL.2/004	June 18, 2009
4.	Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010	Regulation No. 3, 2010	October 4, 2010
5.	Scope, Conditions & Minimum Standards for Commercial Banks	Regulation No. 1, 2010	
6.	Scope, Conditions & Minimum Standards for Merchant Banks	Regulation No. 2, 2010	September 4, 2010
7.	Prudential Guidelines for Deposit Money Banks in Nigeria	BSD/DIR/GEN/NPG/02/126	July 1, 2010
8.	Customer Complaints Helpdesk	FPR/DIR/GEN/01/020	August 16, 2011
9.	Framework for Cross Border Supervision	BSD/DIR/CBF/04/052	April 4, 2011
10.	Supervisory Intervention Framework	BSD/DIR/GEN/SIF/04/042	March 15, 2011
	OTHER FINANCIAL INSTITUTIONS SUPERVISION CIRCULARS: http://www.cbn.gov.ng/documents/ofidcirculars.asp		
1.	Revised Microfinance Policy, Regulatory and Supervisory Framework	OFI/DIR/GEN/CIR/01/06	August 11, 2011
1.	Over-the-Counter Cash Transaction Policy	COD/DIR/GEN/CIT/05/031	April 20, 2011