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CIRCULAR TO ALL BANKS AND DISCOUNT HOUSES:
THE REVISED GUIDE TO BANK CHARGES

The Guide to Bank Charges, first issued in 2004, was meant to provide a standard for the application of charges in the banking industry, and to minimize conflicts between banks and their customers. Over time, it was observed that the various charges in the Guide had become out of tune with current realities in the market, and some provisions/terms in it allowed room for ambiguity and conflict.

In order to reflect current developments in the market and provide clarity on banking terms, the CBN recently conducted a review of the "Guide" in consultation with all the banks and discount houses, Bankers' Committee, financial experts/consultants and also considered inputs received from other stakeholders to produce the **Revised Guide to Bank Charges.** To reduce ambiguity in loan transactions, minimum disclosure requirements for loan contracts have been stipulated, in addition to the glossary of terms provided.

The **Revised Guide to Bank Charges** is hereby issued, to serve, as a regulation on applicable charges for banking services and products offered to customers. It replaces the Guide to Bank Charges issued in 2004.

Banks and discount houses are enjoined to ensure compliance with the provisions of the Guide.

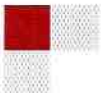
The Revised Guide to Bank Charges takes effect from April 1, 2013.

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REVISED GUIDE TO BANK CHARGES

April 1, 2013



PREFACE

The “Guide to Bank Charges” provides a standard for the application of charges on the various types of products and services Deposit Money Banks (DMBs) in Nigeria offer to their customers - individuals, corporate organizations and Governments (Federal, State, Local and their Agencies).

Wide consultations with relevant stakeholders were considered in arriving at the charges prescribed in the Guide. The intendment of this Guide is to enhance flexibility, transparency and competition in the Nigerian economy.

Where a charge is stipulated as “negotiable”, DMBs are required to appropriately draw the attention of their customers to its consequence and the two parties should mutually agree on the applicable charge. All commissions, charges and rates stated in this Guide are subject to relevant taxes.

Although the Guide provides for charges on various products and services of DMBs, it is not exhaustive. Banks are mandated to present any new product, service and charge(s) not covered by this Guide to the Central Bank of Nigeria for prior approval.

A glossary of terms is introduced to provide users with an explanation of the terminologies used in the Guide.

This Revised Guide to Bank Charges takes effect from April 1, 2013, and replaces the existing one issued in 2004 and may be reviewed from time to time to reflect changes in the business environment.

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SECTION 1: INTEREST ON DEPOSITS

	DESCRIPTION	RATE
1.1	Current account in credit balance	Negotiable
1.2	Savings deposits accounts	Minimum of 30% of MPR p.a.
1.3	Term Deposit Accounts	Negotiable
1.4	Domiciliary Accounts:	
	1.4.1 Current Accounts	Negotiable
	1.4.2 Savings Accounts	Negotiable
	1.4.3 Deposits held as collateral	Negotiable (in line with Term Deposit rate)

SECTION 2: INTEREST RATES/ LENDING FEES

	DESCRIPTION	RATE
	Interest Rates	
2.1	Lending Rate¹:	
	2.1.1 Local Currency Loans	Negotiable (the rate should reflect the risk-based pricing model). Also, when there is a change in agreed rate, the customer must be notified within 5 business days in advance of the application of the new rate.
	2.1.2 Lending Rate - Foreign currency Loans	Negotiable (reference to LIBOR)
2.2	Interest (on authorized excess OD)	Negotiable (the rate should reflect the risk-based pricing model). The customer must be notified within 5 business days in advance of the application of the new rate.
2.3	Unauthorized OD/Credit	Not permissible. The bank should sanction the officer and forward the name to the Director of FPRD, CBN
2.4	Drawing against Uncleared Effects	Negotiable
2.5	Equipment Leasing	Negotiable
2.6	Discountable instruments e.g. Usance bill, Bankers' Acceptance, Commercial Papers, Promissory Notes etc.	Negotiable

¹ Seven (7) days from the date of execution, shall be allowed within which loan contracts can be rescinded.

	Lending Fees	RATE
2.7	Credit Reference Reports NOTE: Applicable for only customer-induced credit reference reports.	Cost recovery
2.8	Facility Restructuring Fee	Negotiable, subject to a maximum of 0.50% on the outstanding amount being restructured (one off charge).
2.9	Management fee²: It covers processing and appraisal fee (one-off charge).	Negotiable subject to maximum of 1% of the principal amount granted (one off charge).
2.10	Renewal Fee³:	
	2.10.1 Corporate Bodies	Negotiable subject to maximum of 0.25% flat
	2.10.2 Individuals	Negotiable subject to maximum of 0.25% flat
2.11	Processing Fee for consent for share security	Negotiable, subject to a maximum of 0.25% of amount of facility (one-off charge)
2.12	Penal rate for Late Repayment of Loans/Advances (Default or Penalty Rate) NOTE: Seven (7) days shall be allowed within which there will be no penal charge on late repayments.	1% flat on unpaid installment per month in addition to charging current rate of interest on outstanding debt (without prejudice to the provisions of the Prudential Guidelines on the limitation of accruals)
2.13	Commitment Fee	Negotiable, subject to a maximum of 1% of the amount (one-off charge)
2.14	Advisory/Consultancy fee	Negotiable
2.15	Warehousing Facility	To be agreed amongst all the parties

² **NOTE ON MANAGEMENT AND RENEWAL FEES:** Chargeable for all requests granted whether fresh or renewed. The charge also applies each time an additional amount is granted but only for the additional amount. No charges for requests declined.

³ See Note 2 above

	Inter-bank Borrowing Rates	
2.16	Overnight /Call Money	Negotiable
2.17	Tenured	Negotiable
2.18	Charges for Consortium Lending	
	2.18.1 Agency Fee	Negotiable
	2.18.2 Management Fee	Negotiable
	2.18.3 Commitment/Non-Drawing Fee	Negotiable subject to a maximum of 1% of the amount
	2.18.4 Appraisal/ Renewal Fee	Negotiable, subject to a maximum of 0.25% of the principal
	2.18.5 Commission charges for underwriting services	Negotiable
	2.18.6 Participation Fee to be shared by Banks	Negotiable
	2.18.7 Non-Drawing Fees (for consortium lending)	No charge

SECTION 3: COMMISSION ON TURNOVER

	DESCRIPTION	RATE
3.1	Commission on Turnover:	
	3.1.1 COT applies to customer-induced debit transactions on current accounts. The banks should not charge COT on returned outward clearing cheques, reversal of transactions and all bank-induced debits NOTE: <ul style="list-style-type: none"> Gradual phase-out of COT from ₦3 (2013) to ₦2 (2014) to ₦1 (2015), and ₦0 (2016) 	Negotiable subject to a maximum of ₦3 per mille in 2013; ₦2 per mille in 2014; ₦1 per mille in 2015; and COT-free (i.e. zero) from 2016
	3.1.2 Loan repayment from current or savings account	COT free
	3.1.3 Debits representing transfer to other accounts in the same name, in the same branch or at another branch of the same bank	No charge
	Cost of Cheque Books	
3.2	Cheque Books	Full recovery of cost plus stamp duties
3.3	Counter Cheque	₦200 per leaflet

SECTION 4: COMMISSION ON BONDS GUARANTEES & INDEMNITIES, ETC.

	DESCRIPTION	RATE
4.1	Bid/Tender Bond (Bid Security)	Negotiable subject to a maximum of 1% of the Bond value (one-off charge)
4.2	Performance bond (chargeable from date of contingent liability)	Negotiable subject to a maximum of 2% of the Performance Bond value per half year
4.3	Advance Payment Guarantee (APG)	Negotiable subject to a maximum of 1% of the APG value (one-off charge)
4.4	Third-party Cheque Indemnities	To be discouraged – However, negotiable for non-clearing financial institutions e.g Micro-finance banks
4.5	Bank Guarantees	Negotiable subject to a maximum of 2% (one-off charge)
4.6	Other Bonds, Guarantees and Indemnities	Negotiable subject to a maximum of 2%, minimum of ₦5,000 (one-off)

SECTION 5: FOREIGN EXCHANGE COMMISSION

	DESCRIPTION	RATE
	Purchases:	
5.1	Purchases from CBN	1% of the value involved - flat (or as may be reviewed from time to time by the CBN)
5.2	Inter-bank purchases	Negotiable subject to a maximum spread of 50k per dollar
5.3	Inward Telegraphic/SWIFT and other transfers expressed in foreign currency	No charge
5.4	Travellers Cheques, Cheques and Sight Bills for negotiation:	
	5.4.1 Travelers' Cheques (TCs for pilgrimage are specially arranged for by the CBN)	As advised by CBN
	5.4.2 Cheques	Minimum of ₦1,000 subject to a maximum of 1%
	5.4.3 Sight Bills	Minimum of ₦1,000 subject to a maximum of 1%
	5.4.4 Usance Bills	Minimum of ₦1,000 subject to a maximum of 1%
5.5	Foreign Currency notes: Purchases from customers	At the banks spot rate

	Sales:	
5.6	Commission on Outward Telegraphic/SWIFT and other transfers	SWIFT cost recovery only
5.7	Foreign currency notes (sales to customers)	Bank's spot rate
5.8	Transfers for non-account holders (subject to enhanced due diligence)	Minimum of ₱3,000 subject to a maximum of 1.5% of transaction value (subject to enhanced due diligence)
5.9	Commission on cash withdrawals/Withdrawals from deposits other than cash:	
	5.9.1 Current account	Negotiable, subject to a maximum of 0.5% of transaction value
	5.9.2 Savings account	No charge
5.10	Charges for foreign cash currency lodgment	No charge
5.11	Foreign cheque purchase	1% of the value of the cheque + the standard charge for clearing cheques (Offshore charges + courier)
5.12	Collection Charge on Cheques	1% of cheque value or US\$10 (or its equivalent) whichever is higher
5.13	Commission on Telegraphic/SWIFT Transfer and Drafts	0.5% or US\$10 or its equivalent, whichever is higher

SECTION 6: BILLS FOR COLLECTION

	DESCRIPTION	RATE
	Bills for collection (Inward)	
6.1	Collection:	
	6.1.1 Commission on Clean Bill	Negotiable subject to a maximum of 2%
	6.1.2 Commission on Documentary Bill	Negotiable subject to a maximum of 2%
	6.1.3 Postage (where applicable)	Actual cost of postage
	6.1.4 Communication charge (where applicable)	Actual cost of communication
6.2	Holding charges after non-payment or non-acceptance, chargeable one month after arrival of goods:	
	6.2.1 ₦25,000 bills and below	₦2,500 per month
	6.2.2 Above ₦25,000	₦5,000 per month
6.3	Extension charges for accepted or sight bills altered to tenure bills	₦3,000 per bill
6.4	Bills for Collection - Negotiation	0.5% of the value of the bills
6.5	Protest charges plus Notary Public Fees	Negotiable, subject to a maximum of ₦5,000
6.6	Commission on handling charges in respect of collection:	
	6.6.1 Presenting Bank	25%
	6.6.2 Collecting Bank	75%
6.7	Unpaid Bills	In addition to the holding charge in (6.2) above, where a Nigerian bank is acting for Nigerian presenting bank, 1% commission is claimed and proceeds split with collecting bank in accordance with (6.6) above

	Bills for Collection (Outward)	
6.8	Collection commission	
	6.8.1 Documentary Bills	Negotiable subject to a maximum of 2%
	6.8.2 Clean Bills	Negotiable subject to a maximum of 1%

SECTION 7: STRAIGHT FORWARD HANDLING OF DOCUMENTS

	DESCRIPTION	RATE
7.1	Export Documents Delivery	₱5 per mille of the invoice value subject to a maximum of ₱5,000
7.2	Import Documents:	
	7.2.1 Delivery	Negotiable subject to a maximum of ₱5,000 plus cost of courier
	7.2.2 Bills for acceptance and return to Principals	Negotiable subject to a maximum of ₱5,000 plus cost of courier
	7.2.3 Bills for Collection due for payment	Cost of courier

SECTION 8: INWARD AND OUTWARD LETTERS OF CREDIT

	DESCRIPTION	RATE
	Inward Letters of Credit (Export)	
8.1	Processing and Registration of Nigerian Export (NXP) Form	₦5,000 flat
8.2	Advising Commission:	
	8.2.1 Where a Nigerian bank simply verifies authenticity of the Credit and delivers same.	₦2,000 flat
	8.2.2 Where a Nigerian bank has to rewrite the Credit	₦0.5 per mille, subject to a minimum of \$25 or its equivalent.
8.3	Confirming Commission	Minimum of ₦5,000 subject to a maximum of 1% of the face value.
8.4	Transferable Credits, Transferable and Divisible Credits (part-shipment):	
	8.4.1 Where all or part of a Credit is transferred, the charges (paid by the original beneficiary) are of the amount transferred	0.5% of face value subject to a minimum of US\$25 or its equivalent
	8.4.2 Negotiation of Documents Commission plus interest, if applicable, at local rate (to be clarified)	1%
	Outward Letters of Credit (Import)	
8.5	Purchase of Forms A	₦100 per form
8.6	Form M:	
	8.6.1 Processing	Negotiable subject to a maximum of ₦5,000
	8.6.2 Amendment	Negotiable subject to a maximum of ₦5,000
	8.6.3 Revalidation/ Extensions	Negotiable subject to a maximum of ₦5,000

8.7	Establishment Commission	
	8.7.1 For credits up to 180 days	1% of face value
	8.7.2 For credits up to 270 days	1.25% of face value
	8.7.3 For credits up to 360 days (these charges are on the period of validity of the credit)	1.5% of face value
8.8	Renewal, extension and Increase in the LC value:	
	8.8.1 Renewals ⁴	Commission on Applicable LC establishment
	8.8.2 Extensions	₦5,000.00 flat
	NOTE: Where a letter of credit is extended for a period in excess of 12 months from the date of establishment, a Re-establishment Commission of 1% is payable	
8.9	Increases or Enhancements: Additional establishment commission should be charged on the amount of any increase for the unexpired period of validity of credit	₦2,000 flat
8.10	Other Amendments	₦2,000 flat
8.11	Usance Bill under Credit Guarantee Commissions:	
	8.11.1 Where the bill is less than one year	₦3 per mille per month
	8.11.2 Where the bill exceeds one year	₦5 per mille per month
8.12	Risk Assessment Report (RAR)	Without valid for FX Form M - ₦ 2,500.00; With Valid FX Form M –No charge

⁴ Credits may be renewed not later than the 15th day following expiry only on payment of full Establishment Commission.

SECTION 9: INTERNAL TRANSACTIONS (within Nigeria)

	DESCRIPTION	RATE
9.1	Bank Drafts/Cheques	
	9.1.1 Customer	Current Account: - ₦300; and Savings Account: - ₦500
	9.1.2 Non-Customer	₦500.00 + COT
9.2	Draft Repurchase	No charge
9.3	Transfers within Nigeria:	
	9.3.1 Intra-bank Transfers	No charge
	9.3.2 Inter-bank Transfers	RTGS Cost
	9.3.3 Transfers to non-account holders	0.1% of the transactions amount subject to a minimum of N200.
9.4	Transactions paid for in cash by non-account holders (e.g. drafts, local money transfer, cash card loading etc.)	0.3% of the value of the transaction. However, banks are enjoined to undertake KYC on such customers
9.5	Cash handling charge	Extant CBN policy on the subject applies
9.6	9.6.1 Normal period for clearing of cheques: As advised by the Clearing House	Clearing House rules applies
	9.6.2 Special clearing of cheques	Negotiable
9.7	Standing Order Charge	₦300.00 plus external transfer cost (e.g NIBSS/NACS charges)
9.8	Direct Debit/Credit	CBN extant policy prevails
9.9	Safe Custody	Negotiable
9.10	Stopped cheques	₦500.00 per order
9.11	Purchase of Treasury Bills for customers	0.125% on the yield

SECTION 10: ELECTRONIC BANKING

	DESCRIPTION	RATE
10.1	Internet Banking:	
	10.1.1 Token	Maximum of ₦1,500 (one-off charge)
	10.1.2 Bills Payment	₦100
	10.1.3 Interbank Transfer	₦100
10.2	Electronic Funds Transfer:	
	10.2.1 Below N500,000	₦70
	10.2.2 ₦500,000 to ₦10,000,000	₦100
	10.2.3 Above ₦10,000,000	₦500
	10.2.4 RTGS	₦700
10.3	Annual maintenance Fee on foreign currency denominated cards	₦3,000
10.4	Credit Card Charges:	
	10.4.1 Interest charges	2.50%
	10.4.2 International withdrawals (per transaction)	₦240
	10.4.3 Late repayment	₦2,000
10.5	Debit Card Charges:	
	10.5.1 Issuing Fee	₦1,000 (one-off charge)
	10.5.2 ATM Bill Payment	₦100
	10.5.3 International withdrawals (per transaction)	₦240
	10.5.4 Debit card maintenance charges	₦100 (annual charge)
	10.5.5 Cash card loading/unloading	No charge

10.6	ATM Transactions:	
	10.6.1 Within the bank	No charge
	10.6.2 On other banks ATMS	No charge
	10.6.3 On approved Independent ATMs	₦150
10.7	Mobile Payments:	
	10.7.1 Interbank Funds Transfer	₦100
	10.7.2 Intra-bank Funds Transfer	₦100
	10.7.3 Bill payment	₦100
	10.7.4 Cash-out Agent (to be borne by the sender)	₦100
	10.7.5 Cash-out Branch (to be borne by the sender)	₦100
	10.7.6 Mobile Money Card Reissue	₦300
	10.7.7 Deposit at Agent	₦100
10.8	Point of Sales (PoS):	
	10.8.1 General Merchant	1.25% of transaction value subject to a maximum of ₦2,000
	10.8.2 Wholesale	Negotiable subject to a maximum of ₦2,000
	10.8.3 Hotels	Negotiable subject to a maximum of ₦2,000
	10.8.4 Food/Churches/NGOs	Negotiable subject to a maximum of ₦2,000
	10.8.5 Fuel station	Negotiable subject to a maximum of ₦2,000
	10.8.6 Airline operators	Negotiable subject to a maximum of ₦2,000
	10.8.7 Travel Agents	Negotiable subject to a maximum of ₦2,000
	10.8.8 Card Charges (International)	2.5% of transaction value

10.9	Bulk Payments Electronic Funds Transfer:	
	10.9.1 Salary payment	Negotiable subject to a maximum of ₦100 per employee.
	10.9.2 Vendor payments (payable by the vendor)	₦150
	10.9.3 Single payments	No charge
	10.9.4 Utility payments	No charge
	10.9.5 Tax payments	No charge
10.10	Alert Services:	
	10.10.1 Mandatory SMS alert	₦4 subject to NCC directives
	10.10.2 Email notification (optional)	No charge
10.11	PIN reissue	No charge
10.12	PIN reset	No charge
10.13	PIN mailer reprint (foreign currency denominated cards)	Cost of recovery subject to a maximum of \$1

SECTION 11: MISCELLANEOUS

	DESCRIPTION	RATE
11.1	Reactivation of accounts	No charge
11.2	Closure of Accounts:	
	11.2.1 Savings	No charge
	11.2.3 Current	No charge
11.3	Insurance Debits	Customer to negotiate with the insurance company
11.4	Issuance of statement of account:	
	11.4.1 Mandatory monthly issuance of statement of account on current and savings accounts	No charge
	11.4.2 Special request for statement of account	₦50 per page
11.5	Returned Cheques:	
	11.5.1 Due to reasons other than being unfunded	No charge
	11.5.2 Unfunded account	0.5% of amount, maximum ₦5,000 (to be borne by drawer). This is without prejudice to the Dud Cheque Act
11.6	Reimbursement for business visit initiated by customer	No charge
11.7	Status enquiry at the request of customer	0.5% of amount, maximum ₦5,000 (to be borne by drawer). This is without prejudice to the Dud Cheque Act.
11.8	Verification of customers' documents with Government Agencies:	
	11.8.1 Search at Corporate Affairs Commission (CAC), land registry, etc	Cost recovery

	11.8.2 Obtaining Certified True Copy (CTC)	Cost recovery
	11.8.3 Perfection of security for credit facilities.	Cost recovery
11.9	Confirmation of overseas enquiries to correspondent bank at the instance of the customer	₱10,000 flat
11.10	Intermediation fees for commercial papers (to be borne by the issuer)	Negotiable
11.11	Issuance of withdrawal Booklet/Passbook	Cost recovery
11.12	Customized deposit booklet	Negotiable/cost recovery
11.13	NIBSS/NEFT/NACS etc. - Processing Fee	Negotiable/cost recovery
11.14	Over-the-counter cash withdrawals below the limit set by the CBN cash withdrawal/lodgment policy	No charge
11.15	Inter-branch cash Deposits/withdrawals	No charge
11.16	Minimum amount for opening accounts	Subject to the CBN three-tiered KYC requirements

GLOSSARY

BANKING TERMS	DEFINITION
Access fees	These are fees charged by a financial institution for access to its network or distribution/transmission system.
Accepting bank/paying bank	This is a bank which accepts a Bill of Exchange by counter-signing or endorsing it and thus incurs the legal obligation of paying the bills amount on its maturity date. It can also be the bank nominated in a letter of credit to accept or pay drawings under that letter of credit. It can be either the Issuing or the Advising/Confirming Bank.
Advance Payment Guarantee	A guarantee that enables the buyer to recover an advance payment made under a contract or order if the supplier fails to fulfill its contractual obligations. It is also an irrevocable commitment by a bank to make payment if a third party fails to supply specific goods or services.
Advising	This is the act of conveying the terms and conditions of a letter of credit to the beneficiary. The Advising Bank is the issuing bank agent, usually located in the beneficiary country. Advising also involves authentication i.e. the Advising Bank should take reasonable care to check the apparent authenticity of the credit (UCP600 Art 9).
Advising Bank	The bank, usually in the exporter's country, which advises the terms of the letter of credit to the exporter is called the Advising Bank (this need not be the exporter's own bank).
Advising Commission	In inward letters of credit (export), this charge arises when a local bank simply verifies the authenticity of the credit and delivers same.
Advisory/Consultancy fees	Fees charged by financial institutions where there is an agreement for advisory services.
Amendment	This refers to alteration to the terms of a letter of credit. Amendments must stem from the applicant, be issued and advised to the beneficiary. The beneficiary has the right to refuse an amendment.
Annual Percentage Rate	It is a standardized method of quoting the effective interest rate (actual cost of credit) on loans and advances. It includes all fees and takes into account the continual reduction of the principal amount through amortization.

BANKING TERMS	DEFINITION
Applicant	This refers to a person who applies to his/her bank to issue a letter of credit. In the majority of credits issued, the applicant is an importer of goods.
Appraisal fees	This is the fee charged by a professional to estimate the market value of a property. This is usually charged as a fixed amount or a percentage of the estimated value.
Assignment of Proceeds	The assignment (transfer) by the exporter to their right to part or all of the proceeds of a letter of credit to a third party (usually the supplier of the goods).
Back-to-Back Letter of Credit (LC)	Back to Back letter of credit is an irrevocable LC which serves as collateral for another LC. The advising bank of the first LC becomes the issuing bank of the second LC. It is also called counter credit or reciprocal LC.
Bank Guarantee	A type of guarantee in which a bank promises to repay the liabilities of a debtor in the event that the debtor is unable to pay. The guarantee is usually on the bank's letter-headed paper and is signed/scaled in line with the agreed terms.
Bankers Acceptance (BA)	A BA is a draft drawn on and accepted by a bank, unconditionally ordering payment of a certain sum of money at a specified time in the future to the order of a designated party. Since the instrument is negotiable, title to it is transferred by endorsement. It is a marketable instrument and allows a bank to finance its customers without necessarily utilizing its loanable funds. Instead, funds are provided by investors who are willing to purchase these obligations on a discounted basis.
Beneficiary	A payee or recipient, usually of money. A party in whose favour a letter of credit is established, usually the exporter.
Bid/Tender Bond or Bid Security	This refers to a bond/document purchased by a company or individual (bidding on a large project or sale) in order to demonstrate that the company has sufficient funds to complete the transaction for the price quoted in the bid, should the company be selected to execute that transaction. The bond/document guarantees that the bidder will not be prevented from fulfilling the contract by availability of funding.
Bills for Acceptance	This is a bill drawn between the drawer and the drawee which confers liability on the drawee before a transaction can take place.

BANKING TERMS	DEFINITION
Bills for Collection	A Bill for collection provides the trading parties, i.e. buyer and seller, with a compromise between open account and advance payment terms for the settlement of import transactions.
Bills Payment	This is a process used by financial institutions to collect payments for utilities (such as water bills, cable subscription payments, etc.), usually via e-banking channels.
Card Issuance fees	Fees charged by banks for the issuance of e-cards such as ATM cards, MasterCard, etc.
Cheque	A negotiable instrument drawn against deposited funds, to pay a specific amount of money to a specific person upon demand. Examples include bills of exchange and drafts.
Cheque Indemnities	This the assurance issued by the drawee to a third party, stating that the drawee will honour a cheque issued by a drawer in the event of the inability of the drawer to effect the payment of the cheque.
Clean Bill	A bill of lading issued by a carrier declaring that the goods have been received in an appropriate condition, without the presence of defects. The product carrier will issue a clean bill after thoroughly inspecting the packages for any damage, missing quantities or deviations in quality.
Collection Charge on Cheques	The fee which a financial institution charges for the collection of money from the account of the drawer.
Collecting Bank	The bank to which a person has deposited a cheque. Such a bank has the duty to collect the money from the account of the writer of the cheque.
Commercial Papers	A Commercial Paper is an unconditional promise by a person to pay to the order of another person a certain sum at a future date. Such an instrument may or may not carry the bank's guarantee.
Commitment Fees	These are fee charged by financial institutions to keep a line of credit open, regardless of use.
Commission on Transaction	This is a fee charged by a financial institution for facilitating a withdrawal by its customer.
Confirming/Confirmation	This refers to the act of a bank other than the Issuing bank assuming the liability for honouring a letter of credit following receipt of a complying presentation. Confirmation is normally added at the request of the Issuing Bank.
Confirming Bank	This is the bank which adds its 'confirmation' (or irrevocable undertaking to pay) to that of the Issuing Bank. If no confirmation is added the letter of credit is unconfirmed.

BANKING TERMS	DEFINITION
Contingent Liability	This is a liability that arises only under specified conditions, e.g. When a bank opens a letter of credit it incurs an obligation to make a future payment on condition that the terms are fully met.
Counter Cheque	This is a bank-printed cheque provided to customers whose cheques are not available at the point of withdrawal from the current/checking account.
Credit Bureau	This is a company that collects information from various sources and provides consumer credit information on individual consumers for a variety of uses.
Credit Reference Report	This refers to a report containing detailed information on a person's credit history including identifying information, credit accounts and loans, bankruptcies and late payments, as well as recent inquiries. It can be obtained by prospective lenders with the borrower's permission to determine his/her credit worthiness.
Daily Balance	This is the closing balance in a savings or deposit account in any given day.
Default Rate	This is the interest rate that financial institutions charge for failure of their customers to make payments on loan obligations as at when due, including late payments to their credit lines.
Discountable Instruments	These are investible instruments such as Treasury bills and other Federal Government short term debt instruments in which interest is earned upfront. Liquidity is guaranteed by the CBN for these instruments and are redeemable at any point in time through any authorized dealer (Banks and discount houses)
Discrepancy	This refers to any deviation from the terms and conditions of a letter of credit, or the documents presented there under, or any inconsistency between the documents themselves.
Documentary Bill	This is often used in international trade to mean a bill of exchange or commercial draft that is presented for payment usually along with other required documents such as certificate of insurance and certificate of origin.
Endorsement	This refers to the legal transfer of title of a document by signature, usually, but not necessarily, on the reverse side.
Equipment Leasing	This refers to an arrangement that allows one party to purchase an equipment and then lease it to another party for an agreed upon cost. Usually the ownership of the equipment remains with the purchaser with an option to be transferred to the lessor upon the expiration of the lease

BANKING TERMS	DEFINITION
	period and upon the possible exercise of a buyout clause.
Establishment Commission	Is a commission charged when a bank initiates an outward letter of credit under import.
Expiry Date	This refers to the last date on which the beneficiary can fulfill the terms of an agreement, failing which the agreement becomes invalid.
Facility Restructuring fee	This is the fee charged where there is an agreement to change the terms and conditions of existing facility. This will usually apply when there is need to renegotiate a facility.
Foreign Cheque Purchase	This is a service in which value is given on a foreign cheque deposited into an account before the cheque clearing processes are completed.
Form M	This is an application form to import goods into Nigeria, the form is processed through any authorized dealer bank irrespective of the value of the goods and whether payment is involved or not.
FPRD	Financial Policy and Regulation Department – A department in the CBN.
Handling Commission	This is a banking commission charged for processing both outward and inward letters of credit.
Honour	This means the discharge by a bank of its obligations under a letter of credit following its receipt of documents that comply with the terms of the letter of credit, UCP600 and standard international banking practice. This is done by paying at sight if the credit is available by sight payment, incurring a deferred payment undertaking and paying at maturity if the credit is available by deferred payment or accepting a bill of exchange drawn by the beneficiary and paying at maturity if the credit is available by acceptance.
Issuing Bank	This refers to the bank that opens a letter of credit at the request of its customer, the applicant.
Indemnities	This is an undertaking given to compensate for (or to provide protection against) injury, loss, incurred penalty or from a contingent liability.
Insurance Debt	This refers to the payment of insurance premium on behalf of the bank customer to the insurance company.
Inward telegraphic transfer	This is the receipt of funds by SWIFT/Telex from an overseas party. It allows the receipt of funds in various currencies all over the world.

BANKING TERMS	DEFINITION
Letters of credit	This is a written commitment to pay, by a buyer's or importer's bank (called the issuing bank) to the seller's or exporter's bank (called the accepting bank, negotiating bank or paying bank). LCs guarantees a payment of a specified sum in a specified currency provided the seller meets precisely defined conditions and submits the prescribed documents within a fixed time frame.
Maintenance Fee	This is a banking fee on electronic cards charged annually in line with agreement, where applicable.
MPR (Monetary Policy Rate)	This is the baseline interest rate set by the CBN to control the amount of money in circulation at any given time. A higher MPR shrinks money supply while a lower MPR expands money supply.
NEFT (NIBSS Electronic Funds Transfer)	This is an electronic payment system that enables the execution of transfer instruction between banks on the NIBSS platform.
Negotiation	Negotiation means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and/or documents under a complying presentation, by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which the reimbursement is due to the nominated bank. Mere examination of the documents without giving value does not constitute a negotiation.
Negotiable Loan/contract	A negotiable loan/contract is one whose terms can be decided by agreement between the parties to the loan/contract.
Negotiation of Documents	This refers to a situation where LC documents are scrutinized as per international standard of scrutiny and discrepancies are found with the LC terms. The negotiating bank may opt to give value by paying or incurring a deferred payment obligation as per the LC provided the beneficiary undertakes to indemnify the negotiating bank in the event of rejection of the LC by the opening bank
NIBSS (Nigeria Inter-bank Settlement System)	This is an institution that provides the infrastructure for automated processing, settlement of payments and fund transfer instruction between banks, discount houses and card companies in Nigeria. It is owned by deposit money banks and the CBN. Discount houses also have shares.

BANKING TERMS	DEFINITION
OD (Overdraft)	This is a loan arrangement under which a bank extends credit up to a maximum amount (called overdraft limit) against which a current (checking) account customer can write cheques or make withdrawals.
Past Due	This is a bill or loan that has not been paid on the maturity date/due date.
Payroll Solution	This is a computerized payroll software that performs payroll processing duties such as salary payments, wage deductions, tax calculations etc.
Per Mille	This means a tenth of a percent or one part of a thousand. It is computed as 1/1000 or 0.001%.
Performance Bond	This is a written guarantee from a third party guarantor (usually a bank) submitted to a principal (client or customer) by a contractor to ensure the payment of a sum of money (usually covering 100% of the contract sum) in case the contractor fails in the full performance of the contract.
Presentation	This is the act of requesting the importer's payment/ acceptance of an import bill or, in UCP600 terminology, either delivery to the Issuing Bank, Confirming Bank or other Nominated Bank of documents for honour under a letter of credit, or the documents so delivered.
Prevailing Interest Rate	This is a term used by financial institutions to describe the average interest rate being charged by lending institutions.
Processing Fees	This refers to money paid to lenders by borrowers for collecting needed information to setup credit facilities.
Promissory Notes	These are written, signed unconditional promise by one party (the issuer) to pay a determinate sum of money to the other (the payee) either at a fixed or determinate future time or on demand by the payee under specific terms.
Revalidation	Official approval or confirmation of a document after a change has been effected on the same document is called revalidation.
Revolving Credit	This refers to a credit automatically reinstated after each drawing or upon receipt of authorization from the letter of credit issuing bank, with limits as to the duration of the facility and as to the (cumulative or non-cumulative) amount involved for each drawing.
Sight	This is a bill payable at sight and is payable on presentation to the drawee, i.e. on demand.

BANKING TERMS	DEFINITION
Standby Credit	This may be established as security for facilities granted at another branch or bank, usually to a subsidiary of the standby letter of credit applicant.
Usance Bill	This is a Bill of Exchange which allows the drawee a term or period of credit (this period is also called usance). The term is usually stated in days (e.g. 30 days) or months and starts either from the date of the bill (e.g. 30 days date) or from the date of bill of lading, or from sight by the drawee (e.g. 30 days sight) which in practice means from the date of acceptance.
Unauthorized OD	This refers to an account that becomes overdrawn without the bank's prior permission. (I.e.: go into an unauthorized overdraft or exceed your authorized overdraft limit) the bank will impose penalty charges. e.g late repayment of Loan facility.

MINIMUM DISCLOSURE REQUIREMENTS IN OFFER LETTERS FOR CREDIT FACILITIES /LOANS

GENERAL REQUIREMENTS

S/N		
1	Name of borrower	This includes the name of the borrower.
2	Contact details of the borrower	This should clearly state the address (location), telephone number, email, etc. of the borrower.
3	Credit type	This states the type of facility approved for the borrower.
4	Purpose of the credit	This states the reason for which the facility is granted.
5	Amount	This is the amount approved for the facility.
6	Collateral	The bank should disclose the asset pledged by the borrower as security for the facility (e.g. shares, landed property, cash, etc.).
7	Loan tenor	This spells out the approved duration for the facility.
8	Interest rate	This is the annual interest rate to be charged by the bank on the amount outstanding (except for overdrafts).
8	Variable rate information	This should clearly state the possibility of changes in rates in line with money market conditions. It should include notification and time lines for concurrence by customers to the changes. The new rates (both increase and decrease) can only apply 48 hours after the notification. The variable rate information should also outline the bank's responsibilities in the event of such movements in rates.
9	Fees and commissions	The fees and commissions are as contained in the Guide. These should be stated in percentage and Naira terms.
10	Repayment terms	This should state the frequency (i.e. monthly, quarterly, bullet etc.) of repayment of principal and interest on outstanding balance. It should also state the date on which the repayments fall due.
11	Repayment schedule	The bank should provide in details, the periodic amounts to be repaid by the borrower within the tenor of the facility.
12	Early Liquidation Terms	This includes all information the borrower needs to know, including rights/obligations, or penalties, in the

		event of liquidation of the facility, before the expiry date, in line with Guide.
13	Late repayment	This should detail all penalties that will be borne by the borrower in the event of default, in line with the Guide.
14	Grace period	<ul style="list-style-type: none"> a. Seven (7) days shall be allowed within which there will be no penal charge on late repayments. b. Seven (7) days from the date of execution, shall be allowed within which loan contracts can be rescinded.
15	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
16	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, perfection of collateral documentation, acceptance of loan offer letter, etc.

1. CONSUMER LOANS

This encompasses the various types of loans given to individuals either to finance the acquisition of an asset or to execute personal projects. Some of these loans are unsecured and are based on the borrower's ability to repay.

- (a) Unsecured personal loans;
- (b) Secured personal loans;
- (c) Computer loans;
- (d) Auto loans;
- (e) Other forms of bridging finance availed to borrowers.

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Item financed	This states the consumer good(s) to which the bank is financing.
3	Itemization of amount financed	This gives a breakdown of the item(s) being financed.

4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Payment schedule	The bank should also disclose with details, all necessary repayment information including the monthly, quarterly or other repayment sums as was agreed with the borrower.
7	Prepayment Terms	This includes all information the borrower needs to know during the consummation of the facility, such as the customer's rights (and penalties) in the event of his decision to pay off the facility before its expiration, etc.
8	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
9	Collateral	The bank will be required to disclose the property, goods, shares and/or other assets pledged by the borrower as security for the facility.
10	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
11	Repayment terms	This includes all information the borrower needs to know before the consummation of the facility, which includes information such as the bank's right to call in the facility (in the event of certain occurrences), etc.
12	Loan tenor	This spells out the approved duration for the facility.
13	Conditions precedent to drawdown	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, perfection of collateral documentation, etc.

2. MORTGAGE LOANS

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Description property financed	This should describe location and other features of property being financed by the bank.
3	Itemization of amount financed	This gives a breakdown of the item(s) being financed.
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Payment schedule	The bank should also disclose with details, all necessary repayment information including the monthly, quarterly or other repayment sums as was agreed with the borrower.
7	Prepayment Terms	This includes all information the borrower needs to know during the consummation of the facility, such as the customer's rights (and penalties) in the event of his decision to pay off the facility before its expiration, etc.
8	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
9	Collateral	Usually, the security for the loan is the property being financed.
10	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
11	Repayment terms	This spells out the approved duration for the facility.
12	Loan tenure	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, perfection of collateral documentation, etc.

3. OVERDRAFTS

S/N	DISCLOSURE REQUIREMENT	
1	Name and address of creditor	This includes the name, address and day-time contact details of the borrower.
2	Reason for the loan	This should describe the customer's needs which the overdraft is aimed to finance.
3	Overdraft limits	The limits on the OD line should be clearly stated.
4	Annual percentage rate (APR)	This is the interest rate which will be charged by the bank on the amount disbursed.
5	Variable rate information	This should clearly state the possibility of increase in rates in line with money market conditions. It should also outline the bank's responsibilities in the event of a movement in rates, including the means and timing of its notification to the customer.
6	Late payment policy	This should detail all penalties that will be suffered by the borrower in the event of default.
7	Collateral	Usually, the security for the loan should be clearly stated.
8	Insurance requirements (where applicable)	The bank is expected to disclose the nature of insurance policy required for the facility.
9	Repayment terms	This spells out the approved duration for the facility.
10	Loan tenure	This details all requirements which must be fulfilled by the borrower before drawdown on the facility. Such information includes the submission of Insurance documents, perfection of collateral documentation, etc.

MINIMUM DISCLOSURE REQUIREMENTS FOR CONTINGENT LIABILITIES

PRODUCTS	DISCLOSURE REQUIREMENTS
Bid Bond	<ul style="list-style-type: none"> - Bank should issue offer letter stating all terms and conditions; - Where customer provides cash – Place in an investment account at an agreed rate; - Where bank provides funds – Parties should agree on a rate; - Transaction dynamics
Performance Bond	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, based on risk assessment
Advance Payment Guarantee	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, specifically utilization of proceeds to be received; - Appointment of quantity surveyor/expert
Bank Guarantee	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions, most importantly when risk crystallizes; - Move to investment account, where customer provides funds.
Indemnities	<ul style="list-style-type: none"> - Issue offer letter stating all terms and conditions and specify when risk crystallizes.