CENTRAL BANK OF NIGERIA

MONETARY, CREDIT, FOREIGN TRADE AND EXCHANGE POLICY GUIDELINES FOR FISCAL YEARS 2010/2011

(MONETARY POLICY CIRCULAR NO. 38)

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SECTION ONE

1.0 INTRODUCTION

The Central Bank of Nigeria (CBN) adopted a medium-term framework for the conduct of monetary policy in 2002 based on the premise that it impacts on the ultimate objectives of price and monetary stability with a lag. The adoption of a medium term framework was also intended, amongst others, to free monetary policy from overreacting to temporary shocks. In order to strengthen the relative gains of the previous years, the medium term framework would be retained in 2010/2011. Consequently, the present guidelines are designed for a two-year period, beginning January 2010 to December 2011.

The purpose of this circular is to outline the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines applicable to deposit money banks (DMBs) and other financial institutions in 2010/2011. The guidelines are subject to amendments in the light of developments in the financial system and performance of the economy during the programme period. Such amendments shall be communicated to the relevant institutions as supplementary circulars.

The remaining part of this circular is structured as follows: Section Two reviews the developments in the economy and policy environment in 2009, as a background to policy measures for 2010/2011. Section Three outlines the monetary and credit policy measures and guidelines for implementation by banks and other financial institutions during the programme period. The foreign trade and exchange policy measures are highlighted in Section Four. The appendices contain prudential guidelines and reporting formats for banks.

SECTION TWO

2.0 REVIEW OF MACROECONOMIC AND POLICY ENVIRONMENT IN 2009

2.1 Macroeconomic Developments

The macroeconomic outcomes in 2009 were influenced by developments in both the domestic and international economy. Overall, the Nigerian economy was relatively stable with mixed outcomes. The major challenge to monetary policy in 2009 was the management of tight liquidity in the banking system as against the issue of excess liquidity in the previous years. Specifically, growth rates in major monetary aggregates were below the programmed targets. In particular, the growth in credit to the private sector slowed significantly. Inflation rate (year-on-year) moderated substantially although it remained at double digit at the end of the year. The exchange rate, which remained relatively stable during the first and second quarters of the year, depreciated during the third and fourth quarters. Interest rates rose generally in 2009, influenced by the global financial crisis which precipitated tight liquidity conditions in the banking system. Crude oil production improved in the second half of the year following the amnesty programme implemented by the Federal Government in resolving the Niger Delta crisis. In addition, oil prices improved in the international oil market in response to economic recovery in most advanced and emerging market economies during the second half.

Provisional data from the National Bureau of Statistics (NBS) indicated that real Gross Domestic Product (GDP) grew by 7.07 per cent in the third quarter of 2009, compared with 7.2 per cent in the second quarter. The projected growth was driven mainly by the non-oil sector, particularly agriculture, which constituted 45.35 per cent of GDP and grew by 5.99 percentage points in the third quarter compared to 6.00 in the corresponding period of 2008. A GDP growth rate of 5.86 per cent is envisaged for 2009 compared with 5.99 per cent in 2008.

Output of Nigeria's crude oil declined in the first half of 2009, with an estimated total average daily production of 1.76 million barrels per day (mbd), but increased to 2.15 mbd in the third quarter of 2009. Aggregate crude oil production including condensates in the first half and third quarter of 2009, was estimated at 560.55 million barrels and 197.330 million barrels respectively. The increase was attributed to the relative peace being experienced in the Niger Delta Region as a result of the ongoing implementation of the Federal Government's amnesty programme. Allocation of crude oil for domestic consumption remained at 0.445 mbd or 134.84 million barrels for the first ten months of the year. In the international oil market, the average spot price of Nigeria's reference crude, the Bonny Light (37^{o} API) which was US$53.65 per barrel in the first half of 2009, rose to US$78.61 in November, 2009.

Inflationary pressure moderated in 2009, as the inflation rate assumed a downward trend. The year-on-year headline inflation, which stood at 15.1 per cent at end-December, 2008, trended downward, from 14.4 per cent at the end of first quarter to 10.4 per cent by the end of third quarter 2009. However, it increased to 12.0 per cent by end-December 2009, reflecting increase in demand pressure due to festivities and the spate of fuel shortages linked to the speculation that petroleum products prices would be deregulated.

The estimated Federal Government retained revenue and aggregate expenditure stood at ₦2,613.6 billion and ₦3,304.0 billion, showing increases of 18.2 per cent and 2.0 per cent, respectively, over the levels in 2008. Consequently, the fiscal operations of the Federal Government resulted in a lower than estimated deficit of ₦690.5 billion, compared with the budgeted deficit of ₦836.6 billion for the 2009 fiscal year.

The growth in monetary aggregates moderated considerably in 2009. Relative to end-December 2008, the broad measure of money supply (M2), rose by 17.06 per cent to ₦10,730.79 billion at end-December 2009, compared with the growth of 57.78 per cent at the end of the corresponding period of 2008 and the indicative target of 20.8 percent for 2009 fiscal year. The moderation in narrow money (M1) was more pronounced, as it grew by only 2.26 per cent compared to 55.87 per cent for the corresponding period of 2008. The modest growth in broad money was attributable wholly to the increase in net domestic credit, which outweighed the declines in net foreign assets and other assets (net) of the banking system, respectively. Base money, at ₦1,668.52 billion as at end-December, 2009, was higher than the ₦1,549.00 billion recorded as at end-December, 2008. Compared to the indicative benchmark of ₦1,604.83 billion for 2009, base money outcome was 3.96 per cent higher.

Aggregate bank credit to the domestic economy (net) rose by 59.04 per cent at the end of the review period, compared with the growth of 84.2 per cent as at end-December 2008. The growth in aggregate bank credit to the domestic economy was also below the indicative benchmark of 86.97 per cent for fiscal year 2009. The moderation in the growth of net domestic credit, relative to the preceding year, was due mainly to the reduction in the growth of credit to the private sector as it grew by only 26.01 per cent compared to 59.38 per cent in 2008. Net claims on the Federal Government, however, increased by 26.64 per cent as against the decline of 31.21 per cent as at the end of the corresponding period of 2008. This notwithstanding, the Federal Government remained a net creditor to the banking system.

The global financial crisis, which started in 2008, affected the credit market adversely in Nigeria, as banking system's credit to the core private sector grew rather very slowly compared to the levels in 2008. Average monthly growth rate of deposit money banks' (DMBs) credit to the core private sector[1] was 1.86 per cent, compared with 5.13 per cent in the same period of 2008. In absolute terms, the average monthly increase in DMBs' credit to the core private sector stood at ₦142.32 billion, compared with ₦243.1 billion in 2008.

Available data on interest rates showed that in spite of the measures taken by the CBN to ease monetary stance and inject liquidity into the banking system, including reduction of the monetary policy rate [MPR], downward review of cash reserve ratio [CRR] and Liquidity Ratio [LR] to 1.0 per cent and 25.0 per cent, respectively, following the global liquidity crisis, both DMBs' lending and most deposit rates rose in 2009 relative to their levels at end-December 2008.

[1] Core Private Sector is private sector excluding state and local government

At 12.2 per cent at end-October 2009, average term deposit rates increased by 1.5 percentage points from 10.7 per cent at end-December 2008. Prime and maximum lending rates rose by 2.6 and 4.2 percentage points to 18.5 per cent and 22.7 per cent, respectively, during the review period. Consequently, the spread between the average term deposit and the maximum lending rates widened to 10.5 percentage points from 7.8 percentage points at end-December 2008.

In the external sector, there was a significant moderation in the performance of the current account, nevertheless, the sector as a whole still recorded a modest improvement during the review period. Total exports, free-on-board (fob), decreased by 41.05 per cent to ₦2,934.19 billion (US$20.12 billion) by end-December 2009, compared with the level in the corresponding period of 2008. The development reflected the downward movement in crude oil prices, relative to the preceding year in the international market. The overall balance of payments position stood at ₦4,241.04 billion at end-December 2009 compared to ₦3,712.57 billion at the corresponding period of 2008, reflecting an increase of 14.23 per cent. The modest improvement in the overall balance of payment position was mainly from the capital and financial account which stood at ₦1,306.85 billion (US$8.96 billion) at end-December 2009 compared to negative ₦1,265.14 billion (US$10.74 billion) in 2008. The current account surplus as a ratio of the Gross Domestic Product (GDP) stood at 11.87 per cent at end-December 2009 compared to 20.49 per cent in 2008 while the capital and financial account as a ratio of GDP was 5.29 per cent in 2009 compared to -5.21 per cent in 2008. External reserves which stood at US$53.0 billion as at end-December 2008 was US$42.38 billion as at end-December 2009, and could finance 20.8 months of imports which exceeded the six months of imports under the West African Monetary Zone (WAMZ) arrangement. During the year under review, the average exchange rate of the naira under the Retail Dutch Auction System (RDAS)/ Wholesale Dutch Auction System (WDAS) closed at ₦148.82 per US dollar, showing a depreciation of 20.1 per cent below the level in 2008. At the Bureaux de Change (BDC) segment of the foreign exchange market, the naira traded at an average exchange rate of ₦161.58 per US dollar during the review period, showing a depreciation of 25.3 per cent below the level in the preceding year. Consequently, the WDAS/BDC premium widened from 1.6 per cent in 2008 to 8.6 per cent during the year. The depreciation in all segments of the market reflected persistent demand pressure in the foreign exchange market, arising from the impact of the global financial crisis, which led to low foreign exchange earnings and decline in autonomous inflows.

2.2 Outstanding Macroeconomic Problems and Policy Challenges for 2010/2011

The current credit squeeze which manifested in sluggish growth in credit to the core private sector remains a big threat to domestic production. Thus, resolving the credit crisis will be a major challenge to monetary policy in 2010. Recent crude oil price volatility in the international market portends uncertainty in the revenue profile of the Federation and the external position. This poses a challenge to exchange rate policy. It is, therefore, of utmost importance that the on-going implementation of the Federal Government's amnesty programmes as well as reforms in the oil and gas sector are expedited and sustained.

The major challenge to the external sector remains the need to diversify the economy away from excessive dependence on crude oil, in view of its volatile nature. Other challenges include persistent demand pressure at the WDAS and shallow interbank foreign exchange market. Fiscal policy in the coming year faces the challenges of developing the capacity for full implementation of the budget, narrow tax base as well as the sustenance of the amnesty programme and the implementation of the Niger Delta Master Plan. Moreover, inflation is a major challenge due to the expected deregulation of the prices of petroleum products which is likely to impact on transportation and other costs.

Some of the real sector challenges include poor state of electricity, roads, transportation and water infrastructure as well as inadequate supply and high cost of farm inputs, and poor post-harvest processing. In addition, weak technological base and effective demand for manufactured products, low level of manufactured exports and local raw material utilisation by industries, and insecurity of lives and properties are some of the downside risk that would constitute a challenge to monetary policy.

Other challenges to effective monetary policy management include the bridging of liquidity shortfall in the system as well as banks unwillingness to extend credit to the economy. The preponderance of toxic assets in the banks' balance sheets will also negatively influence the transmission mechanism of monetary impulses to target variables. Weak micro finance institutions undermine the flow of resources to the micro, small and medium enterprises which are the backbone of most economies. The challenge posed by cross border supervision of Nigerian banks in other countries is increasing as more Nigerian banks extend their reach into more countries. Other challenges include over dependence on the banking sector for financing economic activities, dearth of private sector initiated financing instruments (such as Bankers' Acceptances and Commercial Papers), a shallow bond market, and non-availability of long term funds for investment. Thus, the thrust of policy is to remedy these challenges in order to free monetary, credit, foreign trade and exchange policy to impact positively on economic growth and development.

SECTION THREE

3.0 MONETARY AND CREDIT POLICY MEASURES IN 2010/2011

3.1 Objectives and Strategy of Policy

The primary objective of monetary policy in 2010/2011 shall be the maintenance of price stability in accordance with the CBN Act, 2007. Specifically, the monetary authority shall strive to achieve government's overall inflation objective during the period, through effective monetary management in order to provide a conducive environment for sustainable growth. In addition, the CBN shall continue to ensure banking soundness and financial sector stability as well as enhance the efficiency of the payments system. In particular, the Bank shall continue to seek effective enforcement of the financial market rules to foster the right market expectations. As in the previous years, the broad measure of money supply (M2) shall continue to be monitored along with other money market indices. Consequently, during the two-year period, an average growth in M2 of 28.16 per cent shall be maintained, translating to a maximum increase of 29.25 per cent and 27.07 per cent in 2010 and 2011, respectively.

3.2 Policy Measures

The conduct of monetary policy shall continue to be proactive. This will involve discretionary management of the CBN's balance sheet, in order to ensure that the operating variables are within the programme targets. The monetary policy rate (MPR) shall remain the Bank's policy rate which shall be adjusted from time to time by the Monetary Policy Committee (MPC) in response to prevailing liquidity conditions and the stance of monetary policy. The primary instrument of monetary policy shall be Open Market Operations (OMO), supported by reserve requirements and discount window operations for enhanced effectiveness. The CBN's intervention security would be issued, as the need arises, to complement OMO and its effectiveness in liquidity management. Private sector issued instruments as may be approved by the CBN would be eligible at the CBN discount window, pursuant to the Bank's role as the lender of last resort. However, in view of the CBN guarantee of the interbank lending transactions, Expanded Discount Window (EDW) shall remain discontinued.

3.2.1 Open Market Operations

The Bank shall continue to use OMO as the major instrument for the conduct of monetary management in the secondary market, using both direct auctions and two-way quote trading, and on the basis of need for intervention. Government securities of appropriate tenor would be used in the market to support the liquidity management objectives of the Bank. Authorised dealers in money market instruments (appointed deposit money banks and discount houses) shall continue to act as intermediaries. The conduct of OMO 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 would announce, daily, the shortage/surplus in aggregate liquidity while appropriate measures would be taken to achieve equilibrium in the system.

3.2.2 Reserve Requirements

Reserve requirement shall continue to serve prudential and liquidity management policy objectives.

3.2.2.1 Cash Reserve Ratio (CRR)

The minimum cash reserve requirement had continuously been reviewed from the 2002 dual CRR regime of 9.5 per cent and 12.5 per cent to a uniform level of 9.5 per cent, effective January 2, 2004. In response to the impact of the global financial crisis on the Nigerian economy, the CRR was reduced from 4.0 per cent to 2.0 per cent on September 18, 2008 and subsequently to 1.0 per cent on April 14, 2009. The aim was to improve liquidity in the banking system which would impact positively on DMBs ability to extend credit to the real sector of the economy. The cash reserve requirement shall continue to complement OMO towards the achievement of monetary stability.

The computation/calculation of the CRR shall continue to be based on individual banks' total deposit liabilities, less domiciliary accounts. The CBN shall continue to ensure the effective administration of the CRR through timely application of this instrument. The computation is done fortnightly and no changes are presently being contemplated to this prudential requirement.

DMBs are therefore mandated to ensure timely rendition of daily and monthly returns to the CBN, failing which appropriate sanctions shall be applied.

3.2.2.2 Liquidity Ratio (LR)

The current minimum liquidity ratio of 25.0 per cent shall remain in force in 2010 subject to review as appropriate.

The basis for the computation of liquidity ratio is specified in the CBN Circular ref **BSD/DO/CIR/GEN/VOL.02/044 dated January 29, 2009.** The requirement that discount houses should invest at least 60.0 per cent of their total deposit liabilities in Government Securities shall continue to apply in the 2010 and 2011 fiscal years. Similarly, the ratio of individual bank's loan to deposit ratio shall be retained at 80.0 per cent.

3.2.3 Discount Window Operations

In pursuit of the objective of maintaining monetary stability and the need to promote the development of the money market, the discount window operations shall continue to be administered to provide liquidity to needy banks in accordance with the CBN's role as the lender-of-last-resort. To this end, transactions at the window shall be in the form of overnight facility, backed by borrower's holdings of government debt instruments and other eligible securities approved by the CBN. Consequently, the Bank shall continue to provide Standing Facilities (Standing Lending Facility and Standing Deposit Facility) to provide overnight accommodation for authorized dealers in the discount window who are either in temporary shortage position (in case of Standing Lending Facility) or surplus position (in case of Standing Deposit Facility). The applicable rates to the Standing Facilities shall be determined by the Bank from time to time.

3.2.4 Interest Rate Policy

Interest rates shall continue to be market-driven in fiscal years 2010 and 2011. The level and direction of interest rate movements shall continue to be influenced indirectly by the CBN through proactive adjustment to its MPR, to reflect the prevailing market conditions.

The procedures for interest rate determination by banks in 2010 and 2011 are as follows:

a) Banks shall continue to pay interest on current account deposits at rates negotiated between them and their customers. Where deposits for special purpose are held for more than seven days, banks shall pay interest on such deposits at a rate agreed between the banks and their customers.

b) The reducing balance method shall continue to be used for calculating interest charges on loans repayable instalmentally. The use of any other method, whatsoever, for loans payable in agreed installments, such as the discount method of the simple interest straight line method that would result in a higher effective rates than the contracted rate, is disallowed.

c) Statements of account shall be rendered promptly, to each account holder, on monthly basis and shall include the following:

i. Commission on turnover (COT); and

ii. Rates of interest on over-drawn account, the amount and the period.

d) Interest on savings shall continue to be calculated on the customer's account as at the end of each month and any accrued interest paid shall be reflected at the time of calculation.

e) The amount of deposits in a personal savings account on which interest is payable shall not be subjected to any ceiling.

f) Banks shall continue to design their pass books in such a way that the following information shall be clearly shown when calculating the interest earned on savings deposits: interest rate applied, amount of savings on which the calculation is based, and the period for which interest is calculated.

g) The Inspectorate Department of each bank shall continue to have the responsibility for cross-checking bank charges and interest rates payable on deposit accounts. Where the Inspectorate Department of a bank discovers non-payment or under-payment of interest on deposits or other entitlement or excessive interest and bank charges, a return thereon shall be made to the Central Bank. Under-payment and/or excessive interest and other charges shall be refunded with interest at the prevailing CBN monetary policy rate, along with a letter of apology to the customer within two weeks. Any bank which fails to refund excess charges or under-payment of interest on deposits within two weeks of the discovery of such error shall, in addition to the refund to the customer, be liable to a penalty amounting to 100.0 per cent of the amount involved.

h) Banks shall, in accordance with the provisions of BOFIA CAPB3, Law of the federation of Nigeria, 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 rates weekly in the national newspapers.

3.2.5 Remittance of VAT and Duty Collections

The requirement that banks should remit VAT and custom duties collected on behalf of the Federal Government to the CBN within seven (7) days is hereby reviewed. Henceforth banks are required to remit VAT and custom duties by the next working day. Accordingly, banks that keep such collections beyond the stipulated period shall pay interest as may be determined by the CBN. In addition, such collection not remitted within the stipulated period, shall form part of the banks' deposit base for the purpose of computing both their CRR and LR.

3.2.6 Framework for Determining Banks' Cost of Funds

Deposit money banks shall, in computing their cost of funds, employ the weighted average cost of funds computation framework. The cost items in this framework 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 requirement. For the avoidance of doubt, overhead costs are excluded in this framework.

3.2.7 Federal Government of Nigeria Bonds (FGN Bonds)

In line with the commitment of the Federal Government to develop the bond market and also achieve its fiscal objectives, the floatation and re-issue of Federal Government Bonds, which was introduced in 2003, shall continue to be determined by the Debt Management Office (DMO) in collaboration with the Bank, during the period. The use of this instrument is expected to deepen the financial markets and encourage the government to source its long term financing needs from the capital market.

3.2.8 Opening and Maintaining Minimum Balances on Savings and Current Accounts

The Bank hereby notes with satisfaction efforts made by the deposit money banks in the area of deposit mobilization, where small amounts (in some cases zero balances) were required for the opening of bank accounts, as well as the simplification of account opening processes, without compromising the Know Your Customer (KYC) principles. Nonetheless, some DMBs have continued to require high minimum amounts for savings and current accounts opening. Although the CBN has since discontinued the policy of stipulating a mandatory minimum amount for opening a savings deposit account, banks are enjoined to support and encourage small savers by avoiding the stipulation of unduly high minimum amounts for opening and maintaining savings account.

3.2.9 Ways and Means Advances

The CBN shall continue to fulfill its statutory role of providing Ways and Means Advances to the Federal Government at a maximum of 5.0 per cent of the previous year's actual revenue of the Federal Government and repayable as soon as possible and in any event not later than the end of the financial year in which they were granted.

3.2.10 The Payments System

(i) Promoting the Use of Cheques and e-Money

The CBN shall continue to work with all relevant stakeholders on enhancing the efficiency of the payment system. To this end, the Bank shall intensify the efforts aimed at the migration of the system from being cas-based to electronic-based through the implementation of a number of identified and well-defined initiatives.

In addition to this, an enabling environment shall be created for the efficient processing of cheques and other paper-based instruments through complete application of the already adopted measures. The measures include:

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

The Bank shall ensure strict compliance with the minimum technical requirements for effective implementation of cheque standard. To this end, the Nigerian Cheques Printers Accreditation Scheme was established to regulate cheque printing and standardization. Only accredited printers, foreign or local, shall be given approval/license to print cheques in Nigeria.

All accredited printers shall provide back-up for Disaster Recovery Plan (DRP) and business continuity.

(b) Cheque Clearing

As part of the effort to develop the payments system, the Bank shall ensure that the system remains safe and efficient. To this end, the cheque clearing cycle shall remain at T+2 (transaction day plus two additional working days for both local and upcountry cheques) for effective payment.

(c) Maximum Limit on Cheque Payments

The Bank shall continue to maintain its supervisory role on risk reduction measures in line with international best practice. Consequently, the maximum limit on cheque payments shall be ₦10 million, and any payment value exceeding that amount shall be made through e-payment mode such as Central Interbank Funds Transfer System (CIFTS) otherwise referred to as the Real Time Gross Settlement (RTGS) System.

(ii) Electronic Payments

Towards the development of the electronic payments system, the CBN shall issue guidelines to support the following payment system initiatives.

i. Government Supplier Payments
ii. Person-to-Person (P2P) Payments
iii. Salary and Pension Payments
iv. Taxes Payments
v. Securities Settlement

vi. Consumer Bills Payments

vii. Stored Value and Prepaid Cards

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

ix. Cross-border Payments

(iii) CIFTS Operations

The CBN shall update the CIFTS operational guidelines when necessary to improve the efficiency of the system. The operation hours of the CIFTS remains between 8.00 a.m. to 3.30 p.m. on working days. Any participant that fails to comply with the CIFTS operation hours shall pay appropriate penalty as specified in the operating guidelines/circular.

(iv) Settlement and Clearing Banks

Settlement account for banks that meet the prescribed criteria for clearing and settlement operations shall be maintained by the CBN. To this end, the following are the minimum requirements for maintaining Settlement Account with the CBN.

- Capacity to provide the clearing collateral of not less than ₦15.0 billion worth of treasury bills, which will be reviewed from time to time.
- Ability to offer agency facilities to other banks and to settle on their behalf, nationwide.
- Branch network in all the CBN locations.

Banks that meet the specified requirements shall be designated as "Settlement Banks". Other banks that failed to qualify shall do their clearing through the

Settlement banks under agency arrangement and shall be known as "Clearing Banks". The terms of agency arrangements shall be mutually agreed between the Settlement Banks and the Clearing Banks.

Meanwhile, all banks shall continue to maintain three accounts (Current Account, RTGS-Settlement Account, and CRR Account) with the CBN.

(v) Card Security

In order to ensure maximum customer protection on the use of card and card issuance, the Bank in its regulatory capacity, shall encourage card issuers/acquirers to ensure that all devices/software used for transmitting financial data with their switching networks are Europay, MasterCard and Visa (EMV) – compliant.

The production and issuance of cards with magnetic stripe shall be discontinued.

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 put in place.

The CBN shall ensure that the following rules are observed by all card issuers:

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

b. A card issuer shall keep sufficient internal records over a sufficient period in line with existing CBN guideline on e-banking to enable the tracing of errors on cards-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 defaulters.

e. Full compliance with guidelines on transaction switching services, guidelines on stored value/prepaid cards as well as e-banking guidelines issued by the CBN.

A card issuer must furnish its card holders with a detailed list of contractual terms and conditions prior to activation. Such terms shall include at a minimum

- Fees and charges;
- Withdrawal limits;
- Billing cycles;
- Termination procedures;
- Default/theft/misuse of card procedures; and
- Grievance/Complaints procedures.

The CBN shall establish a help desk to receive complaints on Card and ATM related issues. The help desk could be reached online the following e-mail address: atmhelpdesk@cenbank.org as well as the following telephone numbers;

09-462-38425 and 09-462-38471

3.2.11 Publication of Financial Statements

In accordance with Section 27 of BOFIA 2004, a bank is required, subject to the written approval of the CBN, to publish not later than four months after the end of its financial year, its audited financial statements (balance sheet, and profit and loss account) in a daily newspaper printed and circulated in Nigeria. To ensure greater commitment by the Board and Management of banks to comply with this mandatory requirement, the CBN shall hold the Board Chairman and Managing Director of any defaulting bank directly responsible for any breach and impose appropriate sanctions which may include the following:

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

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

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

The CBN vide its circular dated June 18, 2009 has adopted December 31, as a common year end for all banks and discount houses effective from December 31, 2009. Consequently, all banks and discount houses will be required to publish their annual financial statements within four months from end-December 31, in line with the provisions of BOFIA , 2004.

Also, in order to facilitate the implementation of consolidated supervision, all banks and discount houses' financial institution subsidiaries are required to adopt December 31, as their accounting year end.

3.2.12 Other Policy Measures

The Bank shall continue to pursue its developmental role vigorously in 2010/ 2011 by supporting specific programmes/projects in view of the persistent demand – supply gap in financing the real sector (e.g. agricultural sector). Improving access to finance by micro, small and medium enterprises (SMEs)is necessary to generate employment and moderate inflation.

(a) Financing the Development of SMEs

Government instituted various measures and schemes to promote the growth of SMEs in view of their importance in employment generation and economic development. These measures involved, in some cases, establishment of sector specific development finance institutions (DFIs) such as the Bank of Industry (BOI) and Nigeria Agricultural, Cooperative and Rural Development Bank (NACRDB). The Bank will continue to collaborate with the DFIs to develop the sub-sector in 2010/2011 fiscal year. In addition, the Bank will continue to strengthen the supervision of the DFIs to ensure that they deliver on their mandates to improve funding of the SMEs sub-sector.

(b) SMEs Credit Guarantee Scheme (SMECGS)

The gap created in the financing of SMEs by the policy shift in 2009 with respect to the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) necessitated the establishment of SMEs Credit Guarantee Scheme

(SMECGS) in view of the role of SMEs in economic growth and development. The Bank shall in 2010/2011 set up the SMECGS to mitigate the risks associated with lending to the sub-sector, which is one of the major impediments to its access to finance. The Scheme is expected to encourage financial institutions, particularly, deposit money banks (DMBs) to lend to small businesses, which have viable projects and good prospects of success, but unable to satisfy the lender's collateral requirements. Eligible beneficiaries would be micro, small and medium scale enterprises in the real sector and related service industries.

(c) Microfinance Development Fund (MDF)

The Microfinance Policy stipulates that a Microfinance Development Fund (MDF) shall be established to support the development of the microfinance industry. The establishment of a Microfinance Development Fund will therefore be pursued in 2010/2011 as a reliable source of funding for the industry, including providing 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 (MSME).

Other auxiliary programmes include the Entrepreneurial Development Centres (EDCs) initiated in 2006, to develop entrepreneurship spirit and generate employment among Nigerian graduates and school leavers. Six EDCs were earmarked for establishment. While three EDCs have already been established, the remaining three shall be established in 2010.

(d) Microfinance Credit Fund (MCF)

The Micro Credit Fund (MCF) was established in February 2008 to be a partnership between deposit money banks and State Governments for the funding of microfinance activities. In 2010/2011, deposit money banks (DMBs) shall continue to set aside 5 per cent of their annual profit after tax for the MCF, while State Governments which intend to support micro-activities can borrow 50 percent of the amount required for the programme as counterpart funding from DMBs. Interest charges for loan facilities to State Government under the Scheme in 2010/2011 shall remain at 8 per cent as in the previous years.

(e) Commercial Agriculture Credit Scheme (CACS)

The Central Bank of Nigeria in collaboration with the Federal Ministry of Agriculture and Water Resources (FMA&WR) set up the ₦200 billion Commercial Agriculture Credit Scheme (CACS) in March 2009 to fast track the development of commercial agricultural enterprises, generate employment and enhance national food security. The interest rate under the Scheme shall remain at 9 per cent in the 2010/2011 fiscal years. The fund shall continue to be disbursed to eligible beneficiaries through selected deposit money banks (DMBs). Any infraction to the guidelines by participating banks (PBs) shall be appropriately sanctioned.

(f) Agricultural Credit Support Scheme (ACSS)

The ACSS was introduced as a Presidential initiative in 2006 to promote large-scale commercial agricultural projects through reducing the cost of access to funding for agricultural production. Credit facilities under the ACSS shall continue to be granted at 14 per cent interest rate per annum, while farmers that fully repaid on schedule shall be entitled to a refund of 6 per cent of the interest paid on the loan. The Bank shall monitor the Scheme to improve its performance in 2010/2011.

(g) Refinancing and Rediscounting Facility (RRF) for Medium to Long-Term Credit

The Refinancing and Rediscounting Facility (RRF) established to encourage banks to lend on medium-long-term to the productive sectors elicited only a modest response from banks. Accordingly, a review of the Guidelines on RRF shall be undertaken in fiscal years 2010 and 2011, in collaboration with all stakeholders, in order to regenerate interest in the use of the facility and make it more attractive to banks.

(h) Infrastructure Finance

Infrastructural development remains grossly inadequate relative to the nation's requirements due to lack of funds. To improve financing of infrastructure development, the Bank shall in 2010/2011 fiscal year in collaboration with stakeholders, launch an Infrastructure Finance Policy and Development Strategy (IFPDS) and Diaspora Mobilization Initiative (DMI) to encourage Nigerians outside the country to support the country's development as well as make Nigeria attractive to the private sector and foreign direct investment.

(i) Orderly Development of the Banking System

1. Minimum Paid-up Capital Requirement

In view of the need to strengthen the operational capacity of deposit money banks and minimize the risk of distress, the banks were required to shore up their shareholders funds to ₦25 billion by the end of December 31, 2005 during the consolidation exercise. This level of capital requirement shall be maintained in the 2010/2011 period.

2. Transparency in Banks Operations

The CBN shall in the fiscal years 2010 and 2011, continue to closely monitor the operations of banks, in order to ensure the adoption of international best practice, risk based supervision, consolidated supervision, compliance with laws and regulations and sound banking system. The CBN shall continue to consult and dialogue with stakeholders in the industry to foster better understanding.

Furthermore, the Bank shall continue to promote high ethical standards in the banking industry. The Bank shall during the period continue to review the guidelines 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) manual to ensure soundness and financial sector stability.

3. 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 standard and professionalism in interest and exchange rate management.

(j) Public Sector Deposits

Movement of public sector deposits in and out of the banking system by the monetary/fiscal authorities is an important instrument of monetary management that could be used during the programme period, if the need arises. Accordingly, deposits of key government parastatals and overhead of core ministries may be moved from deposit money banks to the CBN, depending on liquidity conditions in the economy. In this regard, deposit money banks shall receive prior notice before public sector deposits are withdrawn or re-injected into the system, as dictated by monetary conditions.

(k) Measures for Quantitative Easing

(i) Establishment of an Asset Purchase Facility

The CBN in collaboration with the Federal Government shall establish an Asset Purchase Facility (APF) as a separate limited liability company to purchase Federal Government Treasury Securities/Bonds and other high-quality private sector instruments that meet CBN eligibility criteria. In particular the private sector assets to be purchased would have potential significant impact on the growth of the domestic economy. The focus would be on power projects and other infrastructure which are the backbone of the economy and instrumental to non-oil economic growth in Nigeria. The programme is to ease banking system liquidity and corporate financing conditions.

(ii) Setting up of an Asset Management Corporation (AMC)

The CBN, in collaboration with the Federal Government, shall establish an Asset Management Corporation (AMC) through the instrumentality of an Act of the National Assembly. The AMC shall buy up toxic assets of the banking system in order to strengthen the balance sheets of the banks with a focus on asset quality, improving liquidity and capital adequacy as well as reducing debt overhang, thereby facilitating their ability to extend credit to the domestic economy.

(iii) Redeeming Contractors' Bonds

The CBN shall liaise with the Federal Ministry of Finance (FMF) to redeem contractors' bonds by buying such instruments which would be issued and held until when they can be traded in the secondary market or held to maturity. Thus, the Bank shall acquire instruments to use for monetary management in times of excess liquidity. The payment of contractor's arrears has the advantage of stimulating domestic economic activities.

(iv) Payment of Pension Arrears

The CBN in collaboration with the National Pension Commission shall take up all verified pension arrears of the Federal Government's retirees to inject funds into the system. The CBN shall collaborate with the FGN to offset the "loans" from the operating surplus accruing to the Federal Government at the end of the CBN financial year or alternatively, the arrears may also be securitized.

Buying of Bonds from the Primary and Secondary Markets

The CBN shall during the period participate in the primary and secondary markets for bonds for the purpose of injecting money into the system and for building up its own portfolio of bonds which could later be used for monetary policy operations.

(v) Re-admission of Commercial Papers and Bankers' Acceptances for Repo Transactions

The CBN shall re-admit the use of Commercial Papers and Bankers' Acceptances for repurchase transactions in the financial markets at the appropriate time. This is expected to help in developing the repo market as well as improving financial intermediation in the system as investors' confidence in the instruments increases.

3.2.13 Existing Monetary Policy Measures Retained/Modified in Fiscal Years 2010/2011

i. Bank Credit Expansion

Only banks, which meet the following criteria, shall be allowed to grant new credit facilities in 2010/2011:

- **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.

DMBs, which fail to meet the requirements, shall not be allowed to grant new credit until the situation is normalized. In the event that a bank, which has all along met the criteria, suddenly reverses and becomes unhealthy, such a bank shall be precluded from granting further credit until the situation is normalized to the satisfaction of the supervisory authorities.

ii. Grace Period on Loan to Agriculture

Despite the prevailing deregulated financial market environment, there is need for financial institutions to continue to observe appropriate grace periods on agricultural loans in recognition of the differences in gestation periods of various agricultural products. In this regard, banks are enjoined to always allow borrowers' adequate grace periods before the commencement of loan repayment.

iii. Prudential Guidelines for Licensed Banks

The existing prudential guidelines on early recognition of losses and adequate provisioning for bad and doubtful debts shall remain in force pending the completion of the review of the current prudential guidelines and additional disclosure requirements for the banking system by the CBN.

The requirement that banks make provision of 50 per cent and 100 per cent for performing and non-performing credits to all tiers of government has been reviewed.

In the revised circular, banks are now to apply the normal provisions of the prudential guidelines to all public sector credits. However, aggregate credit to all tiers of government shall not exceed 10 percent of the total credit portfolio, including off-balance sheet engagements

In line with the decision of the MPC meeting of 3rd November, 2009, the 1 per cent general provision charged for all performing loans is cancelled until further notice.

iv. Capital Fund Adequacy

The minimum ratio of capital to total risk-weighted assets shall remain at 10 per cent as it was since January 1, 2004. Furthermore, at least 50.0 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 funds and total credit net of provisions. However, banks are encouraged to maintain a higher level of capital commensurate with their risk profile.

v. 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 by the CBN.

vi. Rules for Currency Transactions

Pursuant to the provisions of Section 21 of Foreign Exchange (Monitoring and Miscellaneous Provisions) Act Cap F34 laws of the Federation of Nigeria, persons who import foreign currency in excess of US$5,000.00 by cash and lodge such money in a domiciliary account with an authorized dealer, can only make cash withdrawals from the account. Also, by virtue of Section 22 of the same legislation, no person in Nigeria 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 those items shall be made by means of bank transfers or cheques drawn on banks in Nigeria. In order to ensure full compliance with this regulation, all banks are required, as in the previous year, to appoint Compliance Officers whose duty shall be to ensure that the provisions are complied with. The Compliance Officers shall report all breaches of the regulation to the CBN, through the Chief Executive Officer of each bank, in such a manner as the CBN may prescribe.

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

Existing Central Bank of Nigeria's directives to banks and other financial institutions to instruct their external auditors to forward two copies of their audit reports to the CBN not later than three months after the end of banks' financial year shall remain in force in fiscal years 2010/2011. In addition, reports on fraud and forgeries committed during the accounting year under review shall accompany the audited reports. Furthermore, 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 appointments. In this regard, the CBN shall apply appropriate penalty. 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 Authorities to their Board of Directors. Furthermore, external auditors shall devote a portion of their report to the review of the bank's implementation of prior year's audit recommendations.

viii. Banks Operating Subsidiary Companies Offering Financial Services

Banks with subsidiary companies offering financial and related services shall continue to report on the operations of such companies along with their Monthly Returns to the Central Bank of Nigeria. Banks shall submit consolidated financial statements of the group in line with the consolidated supervision requirement.

ix. Public Complaint Desk and Consumer Protection at the Central Bank of Nigeria.

The CBN shall continue to maintain a Public Complaint Desk at its Head Office and branches to enable the public lodge any complaint they may have against their banks. Where the case against any bank is proved, the bank shall be required to make necessary amends and pay appropriate penalties. In addition, the CBN shall set up a Consumer Protection Unit within the Banking Supervision Department that will investigate all complaints lodged. These measures are aimed at encouraging good banking habits and promoting efficiency in the delivery of financial services, in order to boost public confidence in the system. Public complaints can also be forwarded online to the following email address: consumerprotection@cenbank.org.

x. Agricultural Credit Guarantee Scheme (ACGS)

The Bank shall continue to facilitate the provision of affordable credit for agricultural production. The ACGS has improved on its claims settlement process resulting in prompt settlement of legitimate claims to further elicit banks' active participation. Microfinance Banks (MFBs) have continued to participate under the Scheme since 2006, as facilities extended to farmers by MFBs are now guaranteed by the Scheme. In 2010/2011 fiscal year, the Bank shall pursue the review of the ACGSF Act to increase the capital base and loan limits, and expand the guarantee to cover the entire agricultural value chain.

xi. Interest Drawback Programme (IDP)

The IDP rebate will continue to be paid to eligible farmers in the 2010/2011 fiscal years who liquidate facilities obtained as at and when due under the ACGS. The IDP interest rebate to farmers who borrowed at market determined rate and repay on schedule under the Agricultural Credit Guarantee Scheme (ACGS) shall continue to be 40.0 per cent. This is expected to reduce the burden of interest payment by farmers on agricultural loans as well as serve as incentive to enhance prompt loan repayment and to encourage banks to fund the agricultural sector.

xii. Returns from Banks

All banks in the country are required to report accurately, faithfully and promptly, on their activities in the prescribed format for the daily, weekly monthly, quarterly and semi-annual returns. The returns shall be rendered through the Electronic Financial Analysis and Surveillance System (e-FASS).

Daily returns are to be submitted at or before 10.00 a.m. of the following working day, while monthly, quarterly and semi-annual returns should be submitted on or before the 5th day of the following month. Where the 5th day happens to be a weekend or public holiday, returns should be submitted on the previous working day. The banks shall continue to render the returns to Banking Supervision, Trade and Exchange, Statistics Departments of the CBN and the Off-site Supervision Department of the NDIC through the e-FASS. Banks are also enjoined to send monthly and mid-month returns on public sector account balances with them to the Director of Banking Operations.

To ensure transparency and accountability banks shall, with effect from January 6, 2010 render weekly returns on deposit and lending rates to the Banking Supervision Department. The rates shall include all changes, commissions and fees, annualized and added to the base lending rates to arrive at the all-inclusive rate, in line with the CBN circulars of January 29,2009 and October 14,2009.

xiii. Other Financial Institutions

The Central Bank shall continue its surveillance on the operations of the Other Financial Institutions (OFIs), namely, finance companies (FCs), primary mortgage institutions (PMIs), microfinance banks (MFBs), development finance institutions (DFIs) and bureaux de change (BDCs) to ensure orderly growth of the sub-sectors.

a. Finance Companies

The resurgence of the activities of illegal finance companies in the past two years has impacted negatively on the confidence of the investing and banking public. The CBN will, in 2010 and 2011, continue in its efforts to stop the operations of illegal FCs, reform the sub-sector and reposition it for greater effectiveness. Areas to be covered by the reforms will include: minimum capitalization levels, expansion of the scope of activities and the development of revised guidelines for the sub-sector.

b. Primary Mortgage Institutions (PMIs)

Due to the sub-optimal performance of primary mortgage institutions and the unrealized potential of the sub-sector, the CBN will continue its process of reforming the mortgage/housing finance sub-sector. The reforms which are geared towards promoting access to mortgage/housing finance and increasing the sub-sector's contribution to the Gross Domestic Product (GDP) shall involve the re-capitalization and re-focusing of the PMIs, introduction of sound risk management and strong corporate governance, and promotion of the secondary mortgage market through the establishment of a specialized Mortgage Re-finance/Liquidity Company. 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)

In a bid to ensure that the nascent microfinance banks achieve the policy objectives for which they were established and avoid the pitfalls which characterized the community banking era, the CBN will intensify its surveillance on the banks. The Bank shall also ensure the full implementation of a Microfinance Certification Programme in Nigeria with the objective of enhancing knowledge, impacting microfinance skills/competencies and methodology for service delivery among operators in the sub-sector on a sustainable basis. In the 2010/2011 period, the Bank shall continue to license new microfinance banks and the capital requirements of N20million and N1 billion for unit and state microfinance banks shall be maintained.

d. Development Finance Institutions (DFIs)

The CBN shall in 2010 and 2011 continue to monitor the operations of DFIs and intensify efforts aimed at re-capitalizing the institutions, institutionalizing strong corporate governance and a risk management system to enable the institutions effectively deliver on their core mandates. The Uniform Prudential and Assessment Standards prescribed for DFIs in Africa, under the aegis of the Association of African Development Finance Institutions (AADFI) for benchmarking the DFIs will continue.

e. Bureaux De Change (BDCs)

The two categories of BDCs (A and B) currently existing will remain until further notice. They will continue to render monthly returns on their Assets and Liabilities, as well as daily returns on utilization of foreign exchange to the CBN through the e-FASS.

xiv. Compliance with Statutory Regulations/Rendition of Returns

All OFIs are required to strictly comply with the prudential requirements (Appendix I) specified in the existing guidelines/circulars, directives and provisions of BOFIA 2004 while appropriate sanctions shall be imposed on any erring OFI.

xv. Penalties for Default

The CBN shall in 2010/2011 continue to enforce all the stipulated penalties for non-compliance with regulatory guidelines as well as the provisions of the CBN Act, 2007 and Banks and Other Financial Institutions Act, 2004 as amended. Any financial institution which fails to comply with the existing and revised guidelines as well as other directives that may be issued by the CBN shall be sanctioned accordingly.

xvi. Policy on Transparency in Financial Transactions

In line with the recommendations of the Basle Committee on Banking Regulations and Supervisory Practices, all financial institutions are required to continue to observe the following standards to promote transparency in financial transactions:

a) Customer Identification

Banks and other financial institutions are enjoined to intensify efforts to determine the true identities of all customers requiring their services. In particular, financial institutions should not, as a matter of policy, conduct business transactions with customers who fail to provide evidence of their identity. The principle of "Know Your Customer (KYC)" as specified in the CBN AML/CFT Manual, 2009 should be strictly adhered to.

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 particular, banks shall ensure full compliance with the Guidance Note, AML/CFT Manual 2009 and other relevant circulars on money laundering surveillance, issued by the Bank, in order to ensure the enforcement of the provisions of the Money Laundering Act, Cap M18, laws of the Federation of Nigeria, 2004.

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 the 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 in reporting to the law enforcement authorities.

Any contravention of the above-stated guidelines by any financial institution shall attract penalties as stipulated in the Banks and Other

Financial Institutions Act, 2004, or the Money Laundering Act, 2004 as appropriate.

xvii. Risk-Based Supervision

The Bank recently migrated from the compliance based supervisory approach to risk-based supervision (RBS) approach in the supervision of institutions under its purview. The approach is designed to enable supervisors to focus attention on the risks that threaten the achievement of supervisory objectives and accordingly devise appropriate risk mitigation programs. In addition to addressing emerging challenges facing our banks, RBS would assist in Nigeria's drive to fully comply with the Basel Core Principles on Supervision and also prepare an enabling environment for the eventual implementation of the Basel II Capital Accord. In the 2010/2011 period the Bank shall continue with Risk based supervision.

xviii. Consolidated/ Cross Border Supervision

In recent years Nigerian banks have established off shore branches and subsidiaries, in an attempt to increase shareholder's wealth. This has exposed them substantially to cross border risks. Furthermore, the expansion of Nigerian banks into different sectors coupled with the recent turmoil in the world financial system has necessitated consolidated supervision of banks. In a nutshell, consolidated supervision is a comprehensive approach to banking supervision which seeks to evaluate the strength of an entire group, taking into account all the risks which may affect a bank, regardless of whether these risks are carried in the books of the bank or related entities. In view of the above, the Bank shall continue with consolidated, cross-border supervision in 2010/2011.

xix Macro-prudential Regulation and Stress Testing

The current global banking crisis has underscored the importance of complementing the current micro-prudential approach to regulation and supervision with the macro-prudential perspective. The latter, which assesses the strength and weaknesses of the financial system in terms of its overall soundness, will help regulators have a holistic view of the banking system. A key component of the macro-prudential analysis is stress testing which gauges the potential impact of adverse shocks on banks if macro conditions are weak. As an important risk management tool, stress testing helps to identify adverse unexpected outcomes related to a variety of risks and provides an indication of how such risks might be handled by facilitating the development of risk mitigating or contingency plans across a range of stress conditions. Accordingly, the Bank shall ensure the use of macro-prudential regulation and stress testing in assessing the health of banks in 2010/2011.

xx Strengthening Risk Management and Corporate Governance in Nigerian Banks

Effective risk management and corporate governance play a key role in the maintenance of strong financial institutions and by extension sound financial systems. Against this background, the CBN issued guidelines for the development of risk management framework for individual banks in July 2007. Having regard to the dynamic nature of risks, the guidelines shall be constantly reviewed and updated in line with global best practice and the recommendation of the Basel II Capital Accord.

The Guidelines were designed to enable banks develop their respective strategy for managing each risk element as part of the overall strategy for evolving efficient risk management systems. Likewise, the CBN issued a new Code of Corporate Governance in April 2006 to assist banks in installing corporate governance structures that meet international best practices. The guidelines on risk management and code of corporate governance shall remain in force in 2010/2011.

xxi Additional Disclosures by Banks

Banks are required to publish disclosure statements so as to strengthen the incentives for banks to maintain sound banking practices and assist depositors and other investors to make well informed decisions on where to invest their money. The current disclosures are inadequate to address the contemporary challenges of a complex and dynamic banking industry. Thus, in order to enhance transparency in the Nigerian banking system and in light of contemporary experiences in the global and Nigerian financial systems, the following additional disclosures shall form part of banks' regulatory and financial reporting:

- Risk Management
- Capital Structure/Adequacy
- Executive Compensation
- Regulatory Sanctions and Penalties

- Disclosure of related companies/persons engaged as service providers/suppliers to a bank
- Disclosure on Insider Related Credits
- Disclosure on Board of Directors' Performance
- Disclosure on concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product
- Disclosure on Loan Quality
- Disclosure on lending/borrowing to/from subsidiaries and associates
- Disclosure on credit collaterals
- Disclosure on Fraud and Forgeries
- Disclosure on Banks' Contingency Planning Framework
- Disclosure on Loans and Advances/funding or credit lines from institutions outside Nigeria
- Balance Sheet and Profit and Loss Account of Banks' Subsidiaries/Affiliates.

A circular detailing the content of each heading and the frequency of publication/disclosure will be issued soon.

xxii Contingency Planning Framework for Banking Systemic Distress and Crises

In order to ensure public confidence in the banking system, the Bank shall develop a set of policies, actions and processes necessary for the prevention, management and containment of banking systemic distress and crises. A guideline to aid banks in developing their contingency plans, establish thresholds for supervisory intervention incorporating appropriate action plans and defines the compositions and functions of a crisis management unit would be issued soon.

SECTION FOUR

4.0 FOREIGN TRADE & EXCHANGE POLICY MEASURES

4.1 New Policy Measures for 2010/2011

4.1.1 Foreign Exchange Market

(i) Retirement benefits of foreign nationals who contributed to the pension scheme are eligible for remittance subject to the following documentation requirements:

- Duly completed Form 'A'
- Resident Permit and/or expatriate quota
- Retirement Savings Account statement
- National Pension Commission's (Pencom) approval

(ii) Premium remittances on oil and gas and special risks which are handled by foreign broker/insurer can now be undertaken in the foreign exchange market. The documentation requirements are:

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

(iii) Authorised Dealers are allowed to sell autonomous funds to Bureaux de Change operators subject to compliance with the Anti-Money Laundering Act 2004 and disclosure of the sources of such funds to the CBN. In addition, daily returns shall be rendered to the CBN by both the Authorised Dealers and the BDC.

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

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

(vi) Travelers entering and/or leaving Nigeria are required to declare any amount above ₦20,000.00 (twenty thousand naira only) in their possession at the time of arrival or departure from the country.

(vii) In accordance with the provisions of Public Procurement Act 2007 and subject to the provision of a performance bond and or bank guarantee by the suppliers' bank overseas, down payments in respect of imports into Nigeria shall not exceed 15 per cent of the free on board (fob) value of the transaction.

4.1.2 Form 'M' Procedure

(ix) Shipping documents predating Form 'M' and Letter of Credit (LC) approval date is liable to sanction in line with the provisions of BOFIA, as well as other appropriate sanctions by the CBN.

4.2 Existing Policy Measures Amended/Retained in 2010/2011

4.2.1 Foreign Exchange Market

(i) In order to ensure stability of the exchange rate and confidence in the market, the Foreign Exchange Market (FEM) shall operate freely, subject to the provisions of relevant laws and guidelines.

(ii) Authorised Dealers shall continue to deal freely in autonomous funds in their own right subject to compliance with advised Net Open Position (NOP) limits. Banks are, however, not allowed to purchase funds, including inter-bank, on behalf of a customer without a valid underlying transaction and supporting documentation.

(iii) The direct foreign exchange cash sales by BDCs shall continue with the maximum limit of US$5000.00 per approved transaction.

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

(v) To ensure transparency and accountability in foreign exchange dealings, pooling of funds purchased from CBN with those acquired from other sources is allowed provided their sources are duly segregated and reported. Consequently, banks shall continue to render appropriate returns on sources of funds and utilization to the CBN.

(vi) Payment in foreign exchange for products and services provided in Nigeria by Nigerians either as an individual or a company shall not be allowed in the foreign exchange market. However, where the payer accepts to pay in foreign exchange, the funds shall be from his ordinary domiciliary account and/or offshore sources.

(vii) All oil and oil services companies shall continue to sell their foreign exchange brought into the country to meet their local expenses 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.

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

(ix) Payment of interest in respect of bills for collection shall continue to be on the tenor of the bill but not exceeding 180 days at a maximum of 1 per cent above the prime lending rate prevailing in the country of the beneficiary based on London Interbank Offered Rate (LIBOR).

(x) Transactions executed at private sector initiative shall continue to have no government guarantee or obligations.

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

(xii) WDAS funds shall neither be tradable in the inter-bank foreign exchange market nor sold to BDCs.

(xiii) Only hotels registered as Authorised Buyers 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) Post-landing charges 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 remittances on Form 'A' in respect of such charges shall be allowed.

(ii) The initial validity period of an approved Form 'M' for general merchandise shall be 180 days. The validity period of the approved Form 'M' and the related Letter of Credit may be extended for another 90 days by the Authorized Dealer. For capital goods the initial validity of an approved Form 'M' shall be 365 days and the validity of the form M and related Letter of Credit may be extended by another 180 days by the Authorised Dealer. However, any subsequent request for revalidation of form 'M' shall be forwarded to the Director, Trade and Exchange Department, CBN for consideration.

4.2.3 Destination Inspection of Imports

(i) All goods consigned for imports to Nigeria (except those exempted) shall be subject to Destination Inspection Scheme (DIS).

(ii) All imports to the country, whether or not exempted from DIS shall require the completion of Form 'M'.

4.2.4 Import Duty Payment Procedures

(i) 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 rate on the day the Form 'M' was approved.

(ii) Payments of import duty and other charges shall be made through the processing bank provided that it is a designated bank. However, where the processing bank is not a designated one, the duty should be paid in another designated bank of the importer's choice and the processing bank advised accordingly.

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) Payments for exports from Nigeria shall continue to be by means of Letters of Credit or any other approved international mode of payment.

In addition, such exports shall be executed on free-on-board (fob) or cost and freight (c&f) basis, depending on the contract between the Nigerian 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 0.5 to 5.0 per cent of net sales value or profit before tax where net sales is not available. Trademarks fee shall not be allowed in respect of any agreement where the trademarks owner has over 75 per cent of the equity in the local company. Companies with several product lines should 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.

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(ii) Technical Services fees shall no longer be tied to net sales. Services such as training, installation and maintenance, etc., shall henceforth be settled on per diem rate or man-hour, man-day or man-month basis while fees for Research & Development and improvement shall attract up to 1 per cent of net sales.

(iii) Management Services fees shall range from 2.0 to 5.0 per cent of the company's profit before tax. Management fees in respect of products where no profit is anticipated during the early years shall range from 1 to 2.0 per cent of net sales during the first three to five years only.

(iv) Annual Technical Support (ATS) fees payable to Information Technology (IT) licensor shall be between 15.0 per cent and 23.0 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 must be involved in all ATS for Software Agreements and the local vendors' fee shall not be less than 40.0 per cent of the ATS fees.

(v) In case of Hotel Services, a basic fee or lump sum not exceeding 3.0 per cent of the net sales plus incentive fees not exceeding 8.0 per cent of Gross Operating Profit (GOP) shall be applicable. Other payments which are internationally acceptable within the applicable hotel chains may be allowed.

(vi) Remittable consultancy fees shall be a maximum of 5.0 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.

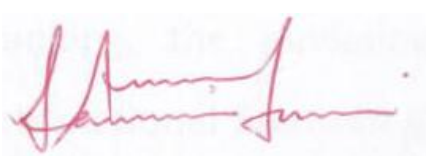
4.2.7 Miscellaneous Policy Measures

(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 purpose 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. The banks should, therefore, exhibit professionalism and transparency in handling transactions.

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

(iv) All Authorised Dealers are required to refer issues in respect of the policy which they are in doubt, to the Director, Trade & Exchange Department of the Central Bank of Nigeria for clarification.



SANUSI LAMIDO SANUSI

GOVERNOR,

CENTRAL BANK OF NIGERIA

ABUJA

5TH JANUARY, 2010

APPENDICES

APPENDIX I

The Prudential Guidelines for Licensed banks issued by the CBN vide our circular BSD/DO/23/VOL.1/11 dated November 7, 1990 will continue to be used as a guide for the banks for reviewing and reporting credit performances pending the anticipated review of the prudential guidelines.

However, the decision taken at the MPC meeting of November 3, 2009, that banks are no longer required to make a general provision of at least 1.0 percent of risk assets not specifically provided would have an impact on the guidelines.

PRUDENTIAL GUIDELINES FOR LICENSED BANKS

Without prejudice to the requirements of the Statements of Accounting Standard on Accounting by Banks and Non-Bank Financial Institutions (Part 1) to be issued by the Nigerian Accounting Standards Board (NASB) in the near future, all licensed banks shall be required to adhere to the prudential guidelines enunciated in this circular for reviewing and reporting their performances, with immediate effect. In view of the international nature of banking, the guidelines are based on practices endorsed by reputable international financial institutions and regulatory authorities. These guidelines should be regarded as minimum requirements and licensed banks, which already have more stringent policies and practices in place, are encouraged to continue with them.

2. Credit Portfolio Classification System

2.1 Licensed banks should review their credit portfolio continuously (at least once in a quarter) with a view to recognizing any deterioration in credit quality. Such reviews should systemically and realistically classify banks' credit exposures based on the perceived risks of default. In order to facilitate comparability of banks classification of their credit portfolios, the assessment of risk of default should be based on criteria which should include, but are not limited to, repayment performance, borrowers' repayment capacity on the basis of current financial condition and net realizable value of collateral.

2.2 Credit facilities (which include loans, advances, overdrafts, commercial papers, bankers' acceptances, bills discounted, with a bank's credit risks) should be classified as either "performing" or "non-performing" as defined below:-

(a) a credit facility is deemed to be performing if payments of both principal and interest are up to date in accordance with the agreed repayment terms.

(b) a credit facility should be deemed as non-performing when any of the following conditions exists:

(i) interest on principal is due and unpaid for 90 days or more.

(ii) interest payments equal to 90 days interest or more have been capitalized, rescheduled or rolled over into a new loan (except where facilities have been reclassified in 2.3 below).

2.3 The practice whereby some licensed banks merely renew, reschedule or roll-over non-performing credit facilities without taking into consideration the repayment capacity of the borrower is objectionable and unacceptable. Consequently, before a credit facility already classified as "non-performing" can be reclassified as "performing", the borrower must effect cash payment such that outstanding unpaid interest does not exceed 90 days.

2.4 Non- performing credit facilities should be classified into three categories namely, sub-standard, doubtful or lost on the basis of the criteria specified below:

(a) Sub-standard

The following objective and subjective criteria should be used to identify sub-standard credit facilities:

(i) Objective criteria: facilities as defined in 2.2(b) on which unpaid principal and/or interest remain outstanding for more than 90 days but less than 180 days.

(ii) Subjective criteria: credit facilities which display well defined weaknesses which could affect the ability of borrowers to repay – such as inadequate cash flow to service, under-capitalization or insufficient working capital, absence of adequate financial information or collateral documentation, irregular payment of principal and/or interest, and inactive accounts where withdrawals exceed repayments or where repayments can hardly cover interest charges.

(b) Doubtful

The following objective and subjective criteria should be used to identify doubtful credit facilities:

(i) Objective criteria: facilities on which unpaid principal and/or interest remain outstanding for at least 180 days but less than 360 days and are not secured by legal title to leased assets or perfected realizable collateral in the process of collection or realization.

(ii) Subjective criteria: facilities which in addition to the weakness associated with sub-standard credit facilities reflect that full repayment of the debt is not certain or that realizable collateral values will be insufficient to cover bank's exposure.

(c) Lost Credit facilities

The following objective and subjective criteria should be used to identify lost credit facilities:

(i) Objective criteria: facilities on which unpaid principal and/or interest remain outstanding for 360 days or more and are not secured by legal title to leased assets or perfected realizable collateral in the course of collection or realization.

(ii) Subjective criteria: facilities which in addition to the weaknesses associated with doubtful credit facilities, are considered uncollectible and are of such little value that continuation as a bankable asset is unrealistic such as facilities that have been abandoned, facilities secured with unmarketable and unrealizable securities and facilities extended to judgment debtors with no means of foreclosable collateral to settle debts.

2.5 Banks are required to adopt the criteria specified in paragraphs 2.1 to 2.4 to classify their credit portfolios in order to reflect the true accounting values of their credit facilities. Licensed banks should note that the Central Bank of Nigeria reserves the right to object to the classification of any credit facility and to prescribe the classification it considers appropriate for such credit facility.

3. Provision for non-performing facilities

3.1 Licensed banks are required to make adequate provisions for perceived losses based on the credit portfolio classification system prescribed in paragraph 2 in order to reflect their true financial condition. Two types of provisions (that is specific and general) are considered adequate to achieve this objective. Specific provisions are made on the basis of perceived risk of default on specific credit facilities while general provisions are made in recognition of the fact that even performing credit facilities harbour some risk of loss no matter how small.

Consequently, all licensed banks shall be required to make specific provisions for non-performing credits as specified below:

(i) For facilities classified as sub-standard, doubtful or lost:

- interest overdue by more than 90 days should be suspended and recognized on cash basis only.
- Principal repayments that are overdue by more than 90 days should be fully provided for and recognized on cash basis only.

For principal repayments not yet due on non-performing credit facilities, provision should be made as follows:-

a. Sub-standard Credit Facilities: 10.0 per cent of the outstanding balance.

b. Doubtful Credit Facilities: 50.0 per cent of the outstanding balance.

c. Lost Credit Facilities: 100.0 per cent of the outstanding balance.

3.2 For prudential purpose, provisioning as presc4ibed in 3.1 should only take cognizance of realizable tangible security (with perfected legal title) in the course of collection or realization. Consequently, collateral values should be recognized on the following basis:

(i) For credit exposure where the principal repayment is in arrears by more than six months, the outstanding unprovided principal should not exceed 50.0 per cent of the estimated net realizable value of the collateral security.

(ii) For credit exposure where the principal repayment is in arrears by more than one year, there should be no outstanding unprovided portion of the credit facility irrespective of the estimated net realizable value of the security held.

(iii) For a credit exposure secured by a floating charge or by an unperfected or equitable charge over tangible security, it should be treated as an unsecured credit and no account should be taken of such security held in determining the provision for loss to be made.

3.3 General Provision

Each licensed bank is required to make a general provision of at least 1.0 percent of risk assets not specifically provided for.

4. Credit Portfolio Disclosure Requirement

(i) Each licensed bank is required to provide in its audited financial statements, an analysis of its credit portfolio into "performing" and "non-performing" as defined in paragraphs 2.2 and 2.4.

(ii) The amount of provision for deterioration in credit quality (that is, losses) should be segregated between principal and interest.

(iii) A maturity profile of credit facilities based on contracted repayment programme, should be provided along with the maturity profile of deposit liabilities in the financial statement.

5. Interest Accrual

5.1 It is the responsibility of bank management to recognize revenues when they are earned or realized and make provision for all losses as soon as they can be reasonably estimated. However, experience revealed a wide diversity amongst licensed banks on income recognition. While few banks cease accruing interest on non-performing credit facilities after three months, some after six months or one year, some do not appreciate the need to suspend interest on such facilities.

5.2 In order to ensure the reliability of published operating results, the following criteria should be adopted by all licensed banks for the treatment of interest on non-performing credit facilities:

(i) All categories of non-performing credit facilities should automatically be placed on non-accrual status, that is, interest due thereon should not be recognized as income.

(ii) All interest previously accrued and uncollected but taken into revenue should be reversed and credited into suspense account specifically created for this purpose which should be called "interest in suspense account" unless paid in cash by the borrower. Future interest charges should also be credited into same account until such facilities begin to perform.

(iii) Once the facilities begin to perform, interest previously suspend and provisions previously made against principal debts should be recognized on cash basis only. Before a "non-performing facility" can be re-classified as "performing", unpaid interest outstanding should not exceed 90 days.

6.0 Classification of Other Assets

6.1 The term "Other Assets" relate to those asset items not shown separately in the balance sheet of a bank. Those items include, Impersonal Accounts (of various descriptions), Suspense Accounts such as frauds and cashiers' shortages, Cheque Purchased, Uncleared Effects and Inter-branch Items. More often than not, the accounts usually grouped together as "Other Assets" contain fictitious or intangible assets. The accounts could contain many long outstanding items, the origins of which had been long forgotten, untraceable as well as unreconciliable. In situations like these, the items if not material should be written off and where material (i.e. at least 10.0 per cent of aggregate balance of Other Assets) should be classified as below. It should be noted that items enumerated below are by no means exhaustive:

a) Sub-standard

- Cheques purchased and uncleared effects outstanding after the permissible clearing period.
- Fraud cases of up to 6 months old and under police investigation regardless of the likely outcome of the cases.
- Inter –branch items of between 2 months to 3 months.
- All other intangible suspense accounts existing in the books for up to 3 months.

A minimum provision of 10.0 per cent should be made for “Other Assets” items classified as sub-standard.

b) Doubtful

The above-listed features must have been aggravated and are likely to result in losses higher than recommended for substandard items. Items for doubtful classification should include, but are not limited to the following:

- Cheques purchased of between 3 to 6 months old but which had been withdrawn or cancelled and substituted with new ones. Similar treatment should be accorded to uncleared effects for which values had been given.
- Outstanding fraud cases of 6 to 12 months old and with slim chances of full recoveries.
- Inter-branch items outstanding for between 3 to 6 months.
- All other intangible suspense accounts outstanding for between 6 months and 12 months.
- A minimum of 50.0 per cent provision should be made for “Other Assets” items classified as doubtful.

c) Lost

Items for lost classification should include, but are not limited to the following:

- Cheques purchased and uncleared effects over 6 months old and for which values had been given.

- Outstanding fraud cases over 12 months and involving protracted litigations.
- Inter-branch items over 6 months old whether or not the origins are known.
- All other intangible suspense accounts over 12 months old.

Full provision (i.e. 100.0 per cent) should be accorded to items classified lost.

7.0 Off-balance Sheet Engagements

7.1 A proper appraisal of off-balance sheet engagements should be undertaken with a view to determining the extent of loss a bank may likely sustain. Off-balance sheet items include letters of Credit, Bonds, Guarantees, Indemnities, Acceptances, and Pending or Protracted Litigations (the outcome of which could not be easily determined).

7.2 The following factors should be taken into consideration in recognizing losses on off-balance sheet engagements:

- Date liability was incurred
- Expiry date
- Security pledged
- Performance of other facilities being enjoyed by the customer, e.g. loans and advances.

Full provisions must be made for any loss that may arise from off-balance sheet transactions.

APPENDIX II

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) Mid-Month 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

c) 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		MONTHLY RETURN ON BANKS DEPLOYMENT OF AUTOMATIC TELLER AND POINT OF SALES TERMINALS DEVICES BY STATE

d) 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 OTHET 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

e) Semi-Annual Returns

S/N	**Return Code**	**Description**
s/n	SBR 1900	SEMI-ANNUAL RETURN ON INVESTMENT IN SHARES
2	SBR 1905	PROPILE OF SHAREHOLDERS, DIRECTORS AND TOP MANAGEMENT OF AFFILIATED COMPANIES
3	SBR 1910	SEMI-ANNUAL RETURN ON CORPORATE PROPILE
4		SEMI-ANNUAL RETURN ON BRANCH NETWORK
5		SEMI-ANNUAL RETURN ON BANK'S DIRECTORS
6		SEMI-ANNUAL RETURN ON SHAREHOLDERS
7		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 JUDGEMENTS
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 RECIEVABLE
16	QRL 1362	CAPTURE DATA FOR INTEREST RECIEVABLE
17	QRL 1363	CAPTURE DATA FOR PREPAYMENT

c) Credit Risk Management System (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

d) 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

ii. 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

e) Bank Offsite Surveillance Money Laundering Return

i. Weekly

S/N	RETURN CODE	DESCRIPTION
1	WBR 200	RETURN ON MONEY LAUNDERING
2	WBR 300	RETURN OF LODGEMENT ON TRANSFER OF FUNDS
3	WBR 400	RETURN ON SUSPICIOUS TRANSACTIONS
4	WBR 500	RETURN OF FOREIGN EXCHANGE ROUTINE

APPENDIX III

PRUDENTIAL REQUIREMENTS FOR OTHER FINANCIAL INSTITUTIONS

Items	MFBs	PMIs	FCs	DFIs	BDCs
Prescribed Minimum Paid-up Capital	Unit: N20m State: N1b	N100m	N20m	N/A	Class 'A': N250m Class 'B': N10m
Adjusted Capital (Minimum)/ Shareholders' Funds (SHF) unimpaired by losses	Unit: N20m State: N1b	N100m	N20m	N/A	N/A
Capital Adequacy Ratio	10%	10%	12.5%	10%	10%
Adjusted Capital to Net Credit Ratio	1:10	1:10	1:10	1:10	1:10
Liquidity Ratio	20%	20%	N/A	N/A	N/A
Single Obligor Lending Limit	Individual - 1% of SHF; Group – 5% of SHF	50% of SHF	20% of SHF	N/A	N/A
Mortgage Assets to Total Assets	N/A	30%	N/A	N/A	N/A
Mortgage Assets to Loanable Funds	N/A	60%	N/A	N/A	N/A

- N/A – Not Applicable

  SHF – Shareholders' Funds