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## **CIRCULAR TO ALL BUREAUX DE CHANGE**

### **NEW REQUIREMENTS FOR THE OPERATION OF BUREAU DE CHANGE IN NIGERIA**

**Background:** In line with the powers vested on it by the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 17 of 1995 and the BOFI Act of 1991, the Central Bank of Nigeria (CBN) licenses and regulates Bureaux de Change (BDC) operations in Nigeria to achieve the following objectives:

- i. Provide access to foreign exchange to small-scale end-users;
- ii. Serve as tools for the management of exchange rate;
- iii. Assist in the fight against illegal financial activities;
- iv. Facilitate economic activities; and
- v. Provide economic data for policy decisions.

However, the CBN has observed with grave concern the deficiencies in the operational effectiveness of BDCs, which runs counter to the aforementioned objectives. In particular, the Bank has observed the following unintended outcomes:

- i. Avalanche of rent-seeking operators only interested in widening margins and profits from the foreign exchange market, regardless of prevailing official and interbank rates;
- ii. Weak and ineffective operational structure, resulting in the subsector completely abandoning the objectives for its establishment;
- iii. Depletion of the country's foreign reserves, in view of the unusually large number of BDCs;
- iv. Potential financing of unauthorized transactions with foreign exchange procured from the CBN Window;

- v. Gradual dollarization of the Nigerian economy with attendant adverse consequences on the conduct of monetary policy and subtle subversion of cashless policy initiative; and
- vi. Inadequate level of minimum paid-up capital. The required minimum paid-up capital of BDCs is set at ₦10 million. While the capital requirements of all other CBN-regulated entities have been reviewed upwards over the years, the one for BDCs has remained the same; and
- vii. Prevailing ownership of several BDCs by the same promoters in order to buy foreign exchange multiple times from the CBN Window, which is clearly related to the low level of capital requirements for licensing BDCs.

**Expected Role of BDCs**— The CBN's expectation is to have BDCs that are properly structured, effectively regulated, and well-capitalised to meet the objectives for which operators are licensed. In particular, the CBN envisages the following:

- i. The emergence of well-capitalised and structured entities that can effectively perform the roles of Bureau De Change in the economy;
- ii. Partnership between BDCs and renowned companies engaged in inward and outward money transfers in Nigeria. It is in expectation of this collaboration that the CBN as at 18 June 2014, approved the "Guidelines for International Money Transfer Services in Nigeria". Under the Guidelines, Western Union, Monegram and RIA Financial Services have been authorised to carry out inward and outward money transfer services in Nigeria.
- iii. Creation of robust and sustainable business franchises that are not dependent on rent-seeking activities but are properly situated to compete in the foreign exchange market, and deliver superior values and returns.

**New Requirements**—In view of the background and vision provided above, and in order to ensure that only genuine companies operate as BDCs in Nigeria, the CBN makes the following modifications to the "Bureaux De Change Guidelines":

- i. The minimum capital requirement for the operation of BDCs in Nigeria is reviewed to ₦35 million;
- ii. The mandatory cautionary deposit is reviewed to ₦35 million and shall be deposited in a non-interest yielding account in the CBN upon the grant of Approval-in-Principle;

- iii. The following fees shall apply to the licensing of BDCs: Application Fee- ₦100,000.00; Licensing Fee- ₦1 million; and Annual Renewal Fee- ₦250,000.00; and
- iv. Ownership of multiple BDCs is not permissible, and would be punishable if detected;

All existing BDCs and those currently operating with a Final Approval Letter are required to comply with the requirement on mandatory cautionary deposit by **15 July 2014** while all current applications are expected to comply with these new requirements.

Furthermore, the compulsory membership of the Association of Bureau De Change Operators of Nigeria (ABCON) is no longer a requirement for the licencing of BDCs.



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