Central Bank of Nigeria,
Regulatory update, August 2016.
1. **FPR/DIR/CIR/GEN/06/002: REVIEW OF RESTRICTIONS AND LIMITS ON LEVELS I AND II OF THE TIERED KNOW YOUR CUSTOMER (“KYC”) ACCOUNTS**

The CBN had, in an earlier Circular dated 18th January, 2013, introduced the three-tiered Know Your Customer (KYC) requirements which directed all financial institutions to adopt the provisions of the three-tiered KYC in addition to the provisions of the CBN AML/CFT (Anti Money Laundering/Combating the Financing of Terrorism) Regulations 2009 (as Amended).

The three tiered KYC regime was introduced to guarantee easy access to low-value and medium value account opening which are subject to caps and restrictions. The three tiered KYC recognizes three levels of account holding (Low value -Tier I; medium value -Tier II and high value – Tier III) with different thresholds for single deposit and cumulative balance; as well as different level of customer identification requirements.

However, in this recent Circular, the CBN has, following representations from stakeholders and as part of its efforts to deepen financial inclusion, reviewed upward the monetary thresholds for single deposits from N20,000.00 to N50,000.00 for Tier I accounts and N50,000.00 to N100,000.00 for Tier 11 accounts. The monetary threshold for cumulative balance was also increased from N200,000.00 to   N300,000.00 for Tier I and from N400,000.00 to N500,000.00 for Tier II.

In identifying and verifying Tier II customers, the provisions of Regulations 77 of the CBN AML/CFT Regulations 2013 (“The 2013 AML/CFT Regulations”). The customer identification and verification requirements as provided by the 2013 AML/CFT Regulations and the KYC Circular are: (i) evidence of basic customer information such as passport photograph, name, place and date of birth, gender, address which may be forwarded electronically or submitted on-site in banks’ branches or agents’ offices; and (ii) the verification of the customer information against similar information contained in the official databases of government agencies such as National Identity Management Commission (“NIMC“), Independent National Electoral Commission (“INEC”) Voters Register, Federal Road Safety Commission (FSRC).

For mobile money, the CBN directed that the maximum single transaction limit and daily cumulative transaction limit for Tier I and Tier II, shall be in line with the CBN banking and payments system department circular dated 2nd February, 2015 and referenced BPS/DIR/GEN/CIR/02/003

Banks and other financial institutions should take note of these directives in the opening accounts for prospective bank customers.

2. **FMD/DIR/GEN/CIR/07/003: ONBOARDING CORPORATES ON FMDQ-ADVISED FX TRADING AND SURVILLANCE SYSTEMS**

As part of its effort towards fostering transparency and professionalism in the foreign exchange market, the CBN issued the above Circular on 8th July 2016, directing all authorized dealers (banks) and corporate institutions in the Nigerian foreign exchange market to execute, with effect from 1st August, 2016, all foreign exchange related trades through the FMDQ-advised foreign exchange Trading, Auction and Surveillance system.

Going forward, banks are required to execute all foreign exchange trades among themselves and with their clients, who are corporate institutions, through the FMDQ-advised FX systems. This system is to be used only by corporates that have been screened and pre-approved by FMDQ in line with its on-boarding eligibility criteria.

Authorised dealers and corporate institutions operating in Nigerian Foreign Exchange market are required to ensure strict compliance with this directive.
3. **BSD/DIR/GEN/LAB/09/035: MANDATORY REGISTRATION AND LISTING OF COMMERCIAL PAPERS**

This Circular of 12th July 2016, is issued further to the Guidelines on the Issuance and Treatment of Bankers Acceptances (BAs) and Commercial Papers (CPs). The Circular permits banks to deal only in CPs that are registered on the Authorised Securities Exchanges with effect from 11th July, 2016.

Consequently banks are prohibited from transacting in CPs that are not quoted or intended for quotation on an authorised Securities Exchange, in any capacity, including but not limited to as Issuer, Guarantor, Placing, Paying and Collecting Agent (IPPCA), Collecting and Paying Agent (CPA), etc. from the effective date.

In the circular, the CBN further noted the approval of the quotation rules of FMDQ OTC Securities Exchange for the quotation of CPs in Nigeria.

Deposit Money banks and Discount houses would be updated on the subsequent clearance of additional Securities Exchanges from time to time.

This circular supersedes the letter issued by the CBN dated 11th July, 2016 on the same subject.

4. **TED/FEM/FPC/GEN/01/004: SALES OF FOREIGN CURRENCY PROCEEDS OF INTERNATIONAL MONEY TRANSFERS TO BUREAUX DE CHANGE OPERATORS**

The CBN, in its bid to guarantee stability in the foreign exchange market and encourage participation of key stakeholders in the foreign exchange market, issued the circular on the sales of foreign currency proceeds of international money transfers to Bureau De Change (“BDCs”) operators on 22 July 2016. This Circular requires authorized dealers who are agents to approved International Money Transfers Operators to sell foreign currency accruing from inward money remittances to licensed BDCs with effect from the date of this circular.

The International Money Transfer Operators are also required to remit foreign currency to the agent banks for disbursement in Naira to the beneficiaries, while the foreign currency proceeds shall be sold to the BDCs. These proceeds sold to BDC operators are to be retailed to end users in compliance with the provisions of Anti-Money Laundering Laws and observance of appropriate Know Your Customer (“KYC”) principles, including the use of BVNs.

Furthermore, the authorized dealers and BDCs are required to render returns on their daily and monthly operations to the Director, Trade & Exchange, CBN via e-FASS application. Failure of the authorized dealers and BDCs to render their daily and monthly returns would attract appropriate sanction, including withdrawal of dealership license.

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**Failure of the authorized dealers and BDCs to render their daily and monthly returns would attract appropriate sanction, including withdrawal of dealership license.**
5. **BSD/DIR/GEN/LAB/09/037: PROVISIONING FOR FOREIGN CURRENCY LOANS**

The CBN, as part of its efforts towards enhancing efficiency and transparency in the foreign exchange market, recently revised the Guidelines for the operations of the Nigerian inter-bank foreign exchange market. This revised Guidelines resulted in the increase in the balances of foreign currency-dominated loans and advances in the books of banks; particularly, facilities that had been fully provided for under the previous exchange rate regime, but are yet to be written off as required under Section 3.21 (a) of the Prudential Guidelines for Deposit Money banks in Nigeria of July 1, 2010.

In view of the foregoing, the CBN directed all banks to take steps to ensure that immediate provisions are made in the income statements for the portion of those facilities which have not been provided for and these additional provisions should be forwarded to the Director of banking supervision within one week of the date of this circular.

In addition, all banks are required to ensure that all foreign currency-dominated loans are reviewed and adequate provision made on all delinquent ones in line with the prudential guidelines for deposit money banks in Nigeria of July 1, 2010.

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6. **BSD/DIR/GEN/CIR/03/005**

In order to further strengthen, fortify and boost the confidence of users of the various electronic payment systems in Nigeria, the Banking and Payments Department of the CBN released the above circular setting out the new rules in respect of the payment system. The new rules are as follows:

- **No fixed interest rates on the credit cards of customers**
- **Approval of BVN watch-listing modalities by the CBN**
- **Bank customers are now allowed to deposit cheque of not more than N2,000,000.00 (Two Million Naira) in their savings account each day**
- **Insertion of BVN data on issued payment cards for the purpose of easy offline BVN verification and biometric-based customer authentication on payment devices**
- **No need to verify actual address of customers with already existing Bank Verification Number (“BVN”)**
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