



Jackson, Etti & Edu

## Banking Regulation Newsletter

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## Introduction

In March 2021, the Central Bank of Nigeria (CBN) once again re-emphasised its aggressive policy direction on diaspora remittances, as an important measure for addressing the perennial foreign currency squeeze. The Apex Bank has introduced a short-term Naira to Dollar policy to incentivize foreign currency remittances. The CBN also issued a new circular on the regulatory forbearance granted in 2020 (as part of the COVID-19 intervention) for the restructuring of credit facilities of other financial institutions.

### “NAIRA 4 DOLLAR SCHEME” FOR DIASPORA REMITTANCES

The CBN Naira 4 Dollar Scheme is a short-term scheme that will run from 8<sup>th</sup> March 2021 to 8<sup>th</sup> May 2021 to enhance the CBN's policy on diaspora remittances. By virtue of the CBN Circular Ref. TED/FEM/PUB/FPC/01/003 titled “Introduction of the CBN's Naira 4 Dollar Scheme for Diaspora Remittances” (‘the Circular’), recipients of diaspora remittances made through CBN licensed International Money Transfer Operators (IMTO). Hence for every Dollar remitted through the IMTO, the recipient will be paid an extra ₦5 (Five Naira) by the CBN through the commercial banks.

In the light of the CBN Circular, the key points to note are the eligibility and operability of the scheme. To qualify to benefit from the scheme, the remittance must be inflowed through an IMTO. The beneficiary can only be entitled to receive the ₦5 (five Naira) incentive for every Dollar remitted upon collection of the remittance either by cash payment over the counter or transfer into their domiciliary account. The scheme is slated for 2 months and it is not certain whether there will be an extension.

### REGULATORY FORBEARANCE FOR RESTRUCTURING OF CREDIT FACILITIES OF OTHER FINANCIAL INSTITUTIONS

As part of its policies to cushion the adverse effects of the COVID-19 pandemic on households, businesses, and regulated institutions, the CBN had granted a one-year moratorium on all principal payments on CBN intervention facilities effective March 1, 2020. Interest rates on the CBN intervention facilities were reduced from 9% per annum to 5% per annum for one year effective March 1, 2020.

Incidentally, upon the expiration of the moratorium and reduction of interest rate, the CBN has extended the interest rate reduction for Other Finance Institutions (“OFI”). The CBN Circular Ref. FPR/DIR/PUB/CIR/01/001 specifically provides:

- (a) The extension of the discounted interest rate for the CBN intervention facilities by another twelve (12) months to February 28, 2022;
- (b) The roll-over of the moratorium on the above facilities shall be considered on a case-by-case basis.

Based on the above Circular, the extension only applies to interest rate reduction, hence any further moratorium should be considered by the OFI's on a case-by-case basis. OFIs include microfinance banks, bureau-de-change, development finance institutions, primary mortgage institutions and finance houses.

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