



Jackson, Etti & Edu



## Banking Regulation Newsletter

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## Introduction

In April, 2021 the CBN made a very significant policy initiative by extending its credit risk management system (CRMS) to other financial institutions (OFIs) aside from commercial banks, mortgage banks and non-interest banks. This entails that OFIs can access the central credit database of customers. This initiative will enhance other CBN policies (such as policies on loan to deposit ratio and the global standing instruction) aimed at expanding credit to the SME sector and reducing non-performing loans. This policy also entails additional regulatory responsibility on entities that lend to the SME sector particularly the Fintech companies who have adopted the microfinance structure as a platform for extending credit. In addition to CRMS for OFIs, the CBN also emphasised the need for banks and other foreign exchange dealers to stop the growing practice of rejection by banks and other authorised FX dealers of old and small denomination of US Dollars.

## Enrolment of Other Financial Institutions on the Credit Risk Management System

Pursuant to the Circular Number FPRD/DIR/PUB/CIR/01/002, the CBN will commence the enrolment of Other Financial Institutions (OFIs) on the Credit Risk Management System (CRMS). OFIs include Development Finance Institutions (DFIs), Microfinance Banks (MFBs), Primary Mortgage Banks (PMBs) and Finance Companies (FCs).

As part of the efforts to promote a safe and sound financial system in Nigeria, the CRMS was introduced by the CBN in 1990 to improve credit risk management in Nigeria. It was subsequently given legal backing by Sections 28 and 52 of the Central Bank of Nigeria Act 1991. THE CRMS provides a central database for borrower's credit history. Before now only the commercial banks, merchant banks and non-interest banks have access to the CRMS system.

Upon enrolment on the CRMS, OFIs are required to render a monthly report of all credit facilities (including principal and interest) to the CRMS. As part of the mandatory enrolment process, the OFIs must conclude the tagging of all live credit files for both individual and non-individual borrowers with Bank Verification Numbers (BVNs) and Tax Identification Numbers (TINs) respectively by May 14, 2021. The TIN and BVN being the only basis for regulatory rendition.





The general framework for the operation of the CRMS is contained in the Regulatory Guidelines for The Operations of the Redesigned CRMS for Commercial, Merchant, and Non-Interest Banks in Nigeria of February 2017 and the additional regulatory guidelines of September 2017. These guidelines will also apply to the OFIs, hence it is expected that OFIs should acquaint themselves with these guidelines and seek necessary advice on that regard.

### **Rejection of Old/Lower Denomination of US Dollar**

The CBN has directed all Deposit Money Banks (DMBs) and authorised foreign exchange dealers to, henceforth, accept old and lower denomination of US dollars from their customers. This directive came after several complaints from members of the public on the rejection of old and lower denominations of the Dollar by banks and other authorised forex dealers.

In the Circular Number COD/DIR/INT/CIR/001/002, the apex bank noted that it would not hesitate to sanction any DMBs or other authorised forex dealers who refuse to accept old and lower denominations of the Dollar.

In addition, the circular directs all authorised forex dealers from defacing/stamping US Dollar banknotes as these would fail the authentication test during processing and sorting.



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