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FPR/DIR/GEN/CIR/07/007

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CIRCULAR TO ALL COMMERCIAL, MERCHANT AND NON-INTEREST BANKS

REDESIGNED CREDIT RISK MANAGEMENT SYSTEM (CRMS): ADDITIONAL REGULATORY GUIDELINES FOR THE OPERATION OF THE REDESIGNED CRMS

Further to the Redesigned CRMS Go-Live in February 2017 and release of regulatory guidelines for same, attached document provides additional guidelines relating to:

- Companies/Entities legally registered in Nigeria where ALL or SOME of their Board members are Non-Nigerian Non-Resident Directors (NNNRDs)
- Federal, State or Local Government guarantee of loans or credit to any company/entity legally registered or established in Nigeria
- Sunset period for closed records on the CRMS
- Loans to employees (direct and indirect) of Commercial, Merchant and Non-Interest Banks

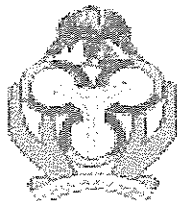
Should there be need for additional clarification please do not hesitate to contact the Director, Financial Policy and Regulation Department, Central Bank of Nigeria or send an email to cbncrms1@cbn.gov.ng.

A handwritten signature in blue ink, appearing to read 'H. Mahmud'.

DR. HASSAN MAHMUD

FOR: DIRECTOR FINANCIAL POLICY AND REGULATION DIVISION

CENTRAL BANK OF NIGERIA



**ADDITIONAL
REGULATORY GUIDELINES FOR THE
OPERATION OF THE REDESIGNED
CREDIT RISK MANAGEMENT SYSTEM (CRMS)**

FOR

**COMMERCIAL, MERCHANT AND
NON-INTEREST BANKS**

SEPTEMBER 2018



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SECTION 1: DEFINITION OF TERMS (ADDITIONAL)

In furtherance of the extant Guideline's Section-1 (Definition of Terms), the additional terminology for Non-Nigerian Non-Resident Director (NNNRD):

Eligibility and Qualifying Circumstances

- **Eligibility**
 - This option is only available to Directors/Promoter(s) of entities legally registered/established in Nigeria, seeking to borrow from a CBN regulated lending institution in Nigeria but have one or more NNNRD as a Director/Promoter.
 - The borrowing entity already has a valid and authenticated Taxpayer Identification Number (TIN)

- **Qualifying Circumstances for the NNNRD – The Director/Promoter,**
 - does not have any type of personal bank account or banking relationship in/with any bank operating with a valid license issued by the Central Bank of Nigeria
 - must be a non-Nigerian, but where dual citizenship exists, provision of BVN is required
 - must not be based/resident in Nigeria
 - does not have a valid Work Permit
 - does not have a valid Residency Permit
 - must be 18years old or above
 - must possess a valid international passport with at least six (6) months to expiration date



SECTION 2: INTRODUCTION

2.1 Background

In the exercise of the powers conferred on the Central Bank of Nigeria by Section 57 of the CBN Act 2007, the Regulatory Guidelines the Redesigned Credit Risk Management System (CRMS) for Commercial, Merchant and Non-Interest Banks was released on February 27th 2017 via CBN Circular FPR/DIR/GEN/CRM/06/012.

These additional guidelines

- are to address some grey areas in the rendition requirements and to ensure full compliance with the operations of the Credit Risk Management System (CRMS),
- shall apply to all Commercial, Merchant and Non-Interest Banks licensed and regulated by the Central Bank of Nigeria and authorized to grant credit facilities or loans to its customers.

2.2 Compliance with this Guideline

Participating Institutions shall continue to strictly comply with the provision of the extant and this additional Guidelines.



SECTION 3: UNDERLYING BASIS AND OBJECTIVES OF THE ADDITIONAL GUIDELINES

3.1 Underlying Basis Remain

- a) Individual borrowers must be uniquely identified by Bank Verification Number (BVN)
- b) **ALL** non-individual (corporate entities) must be uniquely identified by Taxpayer Identification Number (TIN)
- c) **ALL** Directors/Promoters of borrowing entities must be uniquely identified and reported for each loan record created on the CRMS.
- d) Rendition on the CRMS is required **before disbursement of any loan or credit facility**. This process of submission does not interfere with any Participating Bank's decision to extend a loan or credit to its customer. Consequently, rendition is only required after approval to disburse is given.

3.2 Objectives of the Additional Guidelines:

The aim of establishing the Credit Risk Management System (CRMS) remains to identify and minimize activities of serial defaulting and predatory borrowers in the financial services industry and to assist in strengthening the credit appraisal processes of Participating Institutions.

The objective of this additional regulatory guideline is to provide compliance clarification and guidance for rendition of credit/loan transactions under the following circumstances:

- a) Companies/Entities legally registered in Nigeria, by the CAC, but **ALL** or **SOME** Directors on their Board fall into the NNNRD category.
- b) Federal, State or Local Government guarantee of loans or credit to Companies/Entities legally registered/established in Nigeria.
- c) Sunset period for closed records on the CRMS.
- d) **ALL** categories of loans to employees (directly and indirectly) of Commercial, Merchant and Non-Interest Banks.



SECTION 4: IMPLEMENTATION OF THE ADDITIONAL GUIDELINES

4.1 Companies/Entities legally registered in Nigeria, by the CAC, where ALL or SOME Directors on their Board are NNNRD(s)

Participating Institutions may not be in a position to consistently satisfy the requirements of Section 5.4 of the approved CRMS Regulatory Guidelines which explicitly requires the submission of the BVN of ALL its Directors/Promoter(s).

Consequently, for purposes of accountability,

- 1) where **ALL** Directors of the borrowing entity are NNNRDs, shall avail themselves to a transparent and documented process of validating their international passport details (data page) with the Embassy/High Commission of the issuing country, through a participating bank.
 - a) using the prescribed template (Appendix-1), a participating bank shall individually submit each NNNRD's international passport details to his/her Embassy/High Commission in Nigeria for validation.
 - b) upon completion of the validation, the first reporting bank will submit relevant documents, through the CRMS for the generation of an NNNRD-ID after review and approval by designated CBN staff. This process is enumerated in Appendix-2.
 - c) For an international passport to be eligible for **process 1b** (above), it must remain valid at least 6months to its expiration date.
 - d) thereafter, the lending bank shall provide same to the borrowing entity for them to share with other lending/reporting banks for purposes of full and complete compliance with regulatory requirements of submitting details of **ALL** Directors.
- 2) where there is **only one Nigerian Director** and **one or more NNNRD(s)**, the sole Nigerian Director provide his/her BVN to the lending bank while the remaining NNNRD(s) will avail themselves to the process **1a-d** above



- 3) where there are **two or more Nigerian Directors** and other Director(s) are NNNRD(s); all the Nigerian Directors shall provide their BVN to the lending bank while the NNNRD(s) will avail themselves to the process **1a-d** above

Nevertheless, in all cases of NNNRDs, a participating bank must obtain and retain evidence of compliance with Sections 36 & 38 of the Immigrations Act 2015.

4.2 Federal, State or Local Government guarantee of loans or credit to any company or entity legally registered or established in Nigeria

All lending institutions are to ensure that National or State Assembly Approval(s) are in place as a precondition to accept Federal, State or Local Government guarantee for any loan/exposure/credit to a company or entity legally registered or established in Nigeria.

4.3 Sunset period for closed records on the CRMS

The sunset period of 5years shall apply to any closed record on the CRMS. Consequently, the CRMS shall automatically move such record(s) to permanent archives and shall only be available on official request to the CBN by a participating institution.

4.4 ALL categories of loans to employees (direct and indirect) of Commercial, Merchant and Non-Interest Banks

All participating and reporting banks shall cease to treat all categories of staff loans as payroll/HR issues. Consequently, all staff loans shall have credit files which are expected to have duly executed Loan/Credit Offer Letters clearly stating the approved terms.



APPENDIX-1

<DATE>

The Consular Section

<Country>

<Address-1>

<Address-2>

Dear Sir,

REQUEST FOR VALIDATION OF INTERNATIONAL PASSPORT - <Surname, First Name, Other Names> of <name of Non-Individual Borrower>

The above mentioned individual is a <Director or Promoter> in <name of Non-Individual Borrower> which is legally registered in Nigeria and operates from <address of non-Individual Borrower>.

<name of Non-Individual Borrower> has applied for a loan/facility from us and there is need to satisfy the Central Bank of Nigeria's requirement of identifying all Directors/Promoters of legally registered or established entities seeking to obtain loans/facilities from regulated lending financial institutions in Nigeria.

In this instance, <name of NNNRD> is a Non-Nigerian Non-Resident Director of <name of Non-Individual Borrower> and has provided the attached color copy of his International Passport with the following details:

- Name: <surname>, <first name> <other names>
- Gender/Sex:
- Passport No:
- Date of Issue (DD/MM/YYYY):
- Date of Expiration (DD/MM/YYYY):

Kindly validate the authenticity of these details with a written reply to us (with separate copies to The Director, Financial Policy and Regulation Dept and The Director, Banking Supervision Department at the Central Bank of Nigeria, Head Office, Abuja).

Yours sincerely,

<name>
Managing Director/CEO

<name>
Chief Compliance Officer or Chief Risk Officer

cc: The Director, Financial Policy and Regulation Dept; Central Bank of Nigeria, Abuja
The Director, Banking Supervision Dept; Central Bank of Nigeria, Abuja



APPENDIX-2

NNNRD Identity Validation Process

The participating institution shall undertake the following sequential steps:

- 1) The non-individual borrower to formally submit to the participating institution a **clear colour copy** of the eligible NNNRD's international passport data page (hereafter referred to as Data Page) with a cover letter signed by at least two Directors.
- 2) where there is more than one eligible NNNRD, the required information should be submitted separately.
- 3) the participating institution shall
 - a. prepare a cover letter to the eligible NNNRD's Embassy or High Commission in Nigeria with separate copies to the Director Financial Policy and Regulation Departments and Director Banking Supervision at the CBN;
 - b. prepare cover letters signed by either the Chief Compliance Officer or Chief Risk Officer and the MD/CEO (**with full names and title; not representatives**) using the prescribed template – Appendix 1;
 - c. submit the cover letter to eligible NNNRD's Embassy or High Commission in Nigeria along with **lending bank's acknowledgment copy** of the Non-Individual Borrower's cover letter and the **clear colour copy** of the eligible NNNRD's Data Page. Send copies to the two designated offices mentioned in 3a above;
 - d. where there is more than one eligible NNNRD, items 3a-c should be prepared and submitted separately;
 - e. obtain and retain acknowledged copies of the documents submitted to the Embassy or High Commission in Nigeria and the two CBN offices mentioned in 3a above;
 - f. The response from the Embassy or High Commission of the eligible NNNRD should be affixed with an official stamp (with date).

4.0 CRMS Submission Process

1. Where the response from the Embassy or High Commission is an unambiguous and favorable validation of the eligible NNNRD's Data Page, the participating bank can commence the normal record creation process for non-individual borrower.
2. Upon successful creation of the new record and a CRMS Reference Number obtained, the additional CRMS rendition steps required to submit the NNNRD's details are



captured in the "*CRMS Manual for Uploading/Attaching Validated Details of Non-Nigerian Non-Resident Directors/Promoters*" which is available on the CRMS portal.

3. For **each** NNNRD, the clear PDF version of documents to be uploaded are:
 - a. the Non-Individual Borrower's cover letter to the participating bank (acknowledgement copy)
 - b. color copy Data Page of the NNNRD
 - c. participating institution's cover letter to the Embassy or High Commission and the CBN (acknowledgement copies)
 - d. response from the Embassy or High Commission to the participating institution (acknowledgement copy)

PLEASE NOTE THAT THE DATES ON ANY OF THE DOCUMENTS MENTIONED IN THIS GUIDANCE NOTES MUST BE EARLIER THAN THE DATE THE CREDIT RECORD IS CREATED ON THE CRMS