INTERNATIONAL TRADE SERVICES
STANDARD OPERATING POLICIES AND PROCEDURES

PTB/ITS/SOPP/22/0001

Version1.0

Policy number	**PTB/ITS/SOP/22/0001**
Policy Owner	International Trade Services
Policy Status	Approved
Date Signed off	September 2022
Review Frequency	36 Months
Next Review Date	September 2025

Document Control Sheet

Date	Document Version	Document Revision History	Document Author/Reviser
September 2022	1.0	Document creation	International Trade Services
September 2022	1.0	Document Review	Cosmas Uwaezuoke
September 2022	1.0	Document Approval	Cyril Osheku

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CHANGE CONTROL

The contents of this document are subject to change control on a thirty-six (36) months review cycle or at the instance of a policy review, business rules modification, or regulatory requirement.

CONTENTS

PREAMBLE

Globalization and the varying human and capital resources have greatly heightened international trade as a great driver of economic growth and development. There is no country which has grown without the useful tool of trade, however the significance of international trade to economic growth relies a great deal on the conditions in which it works and the purpose it serves. It is therefore concluded that trade relationship suggests that countries need to export commodities to create revenue to be able to import those commodities which cannot be made domestically.

The international Trade Services department is poised for the provision of cutting-edge services for the bank's trade business and foreign currency transactions. The department provides support that ensures seamless processing of transactions that meet global standards practice and not nullifying all local exchange control regulations and international rules, practices, and standards.

OBJECTIVE

I. The international Trade services Standard operating policies and procedures provide the processes and standards needed for the department to have a free flow course of action(s) to succeed.
II. They will benefit the business by reducing errors, increasing efficiencies and profitability.
III. Creating a safe work environment, producing guidelines for how to resolve issues, overcome obstacles, meet regulatory requirements, and establish a chain of command.
IV. It will provide documentary guidance permitted within the ambit of standard practice accepted locally and internationally as it affects the Bank's international trading business. It is also meant to maintain consistency within the department and enhance productivity.
V. The latest edition of the CBN's Foreign exchange Manual will be maximally used in its entirety with other related circulars on case-by-case basis.

REVIEW CYCLE

This document shall be reviewed every three years, however, there could be need for change(s)if the regulatory environment demands it.

TRADE REGULATION AND CONTROL

The reasons for Trade Regulation and Control are to:

I. Conserve external reserve position
II. Maintain healthy balance of payment position
III. Achieve sustainable economic growth, employment and even income distribution
IV. Correct observed distortions
V. Expedite competitive advantage

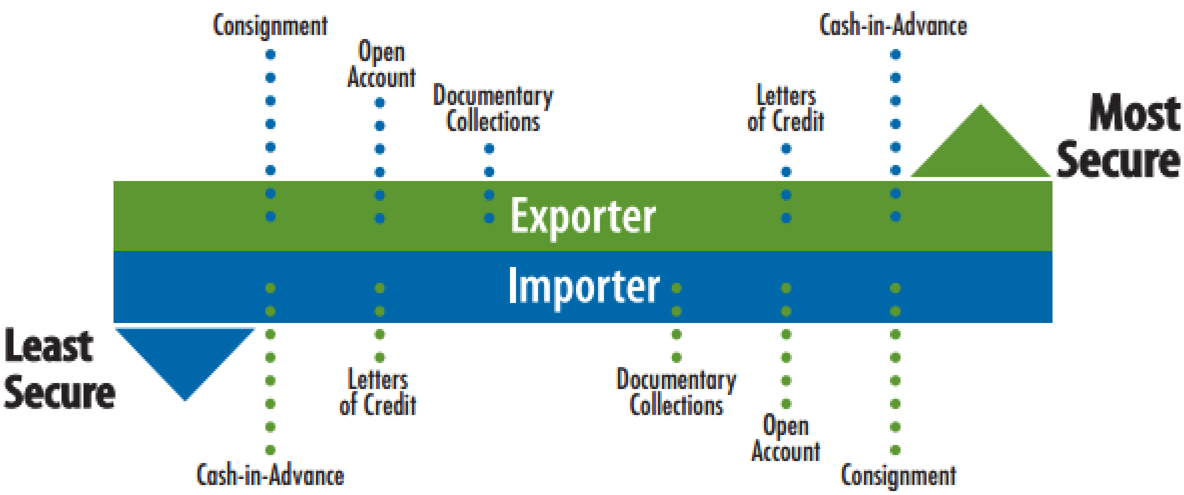
These objectives may not be realized if controls are not properly implemented. Introduction of various trade documentations is one of the several means through which Government seeks to implement controls. Expectation is that conformity with the submission of prescribed trade documentation signifies compliance with predefined prerequisites.

Basic guides to foreign trade and its documentation requirements are drawn by the Bank from the:

I. Foreign Exchange Manual (A publication of the Trade and Exchange Department Central Bank of Nigeria latest revision)
II. Uniform Customs and Practice for Documentary Credits, 2007 Revision (ICC Publication no. 600)
III. Uniform Rules for Collection (ICC Publication no. 522)
IV. Uniform Rules for Demand Guarantees (ICC Publication no. 758)
V. Uniform Rules for Standby Letters of Credit (ISP98)
VI. CBN Monetary Policy Guideline (Current version)
VII. Customs Excise & Tariff book otherwise known as the Green Book or H.S. Code Book
VIII. CBN Circulars
IX.The Bank's Internal Policies and Procedures

PAYMENT METHODS IN INTERNATIONAL TRADE

To succeed in today's global marketplace and win sales against foreign competitors, exporters must offer their customers attractive sales terms supported by the appropriate payment methods. Since getting paid in full and on time is the goal for each export sale, an appropriate payment method must be chosen carefully to minimize the payment risk while also accommodating the needs of the buyer. As shown in the diagram below, there are five primary methods of payment for international transactions. During or before contract negotiations, one should consider which method in the figure is mutually desirable for the exporter and the customer.



Key Points

I. International trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer).
II. For exporters, any sale is a gift until payment is received.
III. Therefore, exporters want to receive payment as soon as possible, preferably as soon as an order is placed or before the goods are sent to the importer.
IV. For importers, any payment is a donation until the goods are received.
V. Therefore, importers want to receive the goods as soon as possible but to delay payment, if possible, preferably until after the goods are resold to generate enough income to pay the exporter.

Cash-in-Advance

With cash-in-advance payment terms, an exporter can avoid credit risk because payment is received before the ownership of the goods is transferred. For international sales, wire transfers and credit cards are the most used cash-in-advance options available to exporters. However, requiring payment in advance is the least attractive option for the buyer because it creates unfavorable cash flow. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, exporters who insist on this payment method as their sole manner of doing business may lose to competitors who offer more attractive payment terms.

Letters of Credit

Letters of credit (LCs) are one of the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter, provided that the terms and conditions stated in the LC have been met, as verified through the presentation of all required documents. The buyer establishes credit and pays his or her bank to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped as promised.

Documentary Collections

A documentary collection (D/C) is a transaction whereby the exporter entrusts the collection of the payment for a sale to its bank (remitting bank), which sends the documents that its buyer needs to the importer's bank (collecting bank), with instructions to release the documents to the buyer for payment. Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment) or on a specified date (document against acceptance). The collection letter gives instructions that specify the documents required for the transfer of title to the goods. Although banks do function as facilitators for their clients, D/Cs offer no verification process and limited recourse in the event of non-payment. D/Cs are generally less expensive than LCs.

Open Account

An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60 or 90 days. Obviously, this is one of the most advantageous options to the importer in terms of cash flow and cost, but it is consequently one of the highest risk options for an exporter. As a result of intense competition in export markets, foreign buyers often press exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may lose a sale to their competitors. Exporters can offer competitive open account terms while substantially mitigating the risk of non-payment by using one or more of the appropriate trade finance techniques covered later in this Guide. When offering open account terms, the exporter can seek extra protection using export credit insurance.

Consignment

Consignment in international trade is a variation of open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end user or customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods for the exporter who retains title to the goods until they are sold. Exporting on consignment is very risky as the exporter is not guaranteed any payment and its goods are in a foreign country in the hands of an independent distributor or agent. Consignment helps exporters become more competitive based on better availability and faster delivery of goods. Selling on consignment can also help exporters reduce the direct costs of storing and managing inventory.

The final choice of a payment method will depend on the nature of the underlying transactions, the relationship between the trading parties, negotiation skills, political and cross border risks as well as the prevailing exchange control regulations etc.

CHAPTER 1: ELECTRONIC FORM M TRANSACTIONS

1.1 Introduction

Every standard conventional importation method in Nigeria requires Form m which is the first official document.

An e-Form M is an online obligatory documentation process introduced by the Central Bank of Nigeria (CBN) and the Nigeria Custom Service (NCS). It was put in place by the Federal Government of Nigeria through the Federal Ministry of Finance (FMF) to monitor goods that are imported into Nigeria, as well as enable the collection of import duties where applicable.

Section A Memorandum 9 of the Foreign Exchange Manual makes it mandatory for importers in Nigeria to register e Form 'M' prior to importation / shipment of goods, whether payment is involved or not.

The guidelines say, "***Any person intending to import physical goods into Nigeria shall in the first instance process the E-Form M through any Authorized Dealer Bank irrespective of the value and whether or not payment is involved***."

I. The Customer submits the form M online to the bank of choice for further processing.

II. The Bank validates the form M details against supporting documents and for compliance with existing regulation.

III. The approved number in the form **BA105YYYYXXXXXXX** or **CB105YYYYXXXXXXX** is generated upon validation by Banks. The validated form M moves to the Nigeria Customs Service for further processing.

IV. The Bank / Nigerian Customs Service may accept or reject the form M.

V. Upon acceptance or rejection by Bank or the Nigeria custom Service, the processing platform generates a notification to the customer and the processing Bank.

VI. The Bank also notifies customer of transaction status in case the customer misses out the NCS notification.

VII. The form M is only valid for importation purpose after it has been duly registered by NCS.

VIII. The Nigerian Foreign Exchange Guidelines also requires that form M number be captured on the shipping documents (Bill of Lading, Airway Bill, or Roadway Bill).

1.2 Where can importers obtain the e-Form M?

The e-Form M can be obtained on the Federal Government of Nigeria Single Window for Trade portal or through the assistance of the importer's Authorized Dealer Bank. However, the e-Form M can only be accessed when the importer has fulfilled the following requirements:

I. Registration of a Taxpayer Identification Number (TIN) at the Federal Inland Revenue Service (FIRS) offices.

II. TIN validation by the importer at the FIRS offices.

III. Logging into the FIRS portal to register as importer.

IV. The Bank/customer has logged into https://app.trade.gov.ng/formx to initiate the e-Form M

V. Forwarding all required documents (Proforma Invoice, Insurance, Certificates for items regulated by either SON or NAFDAC etc.) to the Bank for approval.

1.3 Validity of an e-Form M

The initial life span of a Form "M" is 360 days for general merchandise and 720 days for plants, machineries, and equipment.

Subsequent extension of life span for another 180 and 360 days are allowed respectively by the Bank without recourse to CBN. Any extension after, requires the approval by the CBN.

1.4 Requirements for opening an e-Form M

I. Certificate of Incorporation (CAC) of the company.

II. Filled and Endorsed E-Form M Submission Form.

III. Pro Forma Invoice (which has a validity period of 90days)

IV. Insurance Certificate (which must be 110% of C&F value)

V. An Endorsed SONCAP PERMIT/Product Certificate for Standard Organization of Nigeria (SON) regulated Products.

VI. National Agency for Food and Drugs Administration and Control (NAFDAC) Permit for food, drugs, and chemicals.

VII. Fisheries Permit for Fish Importation

VIII. In the case of importation of oil products, a current NMDPA (Nigerian Midstream and Downstream Petroleum Authority) Import Permit, Depot License and SONCAP product certificate issued in the name of the Importer is required. Where the Depot License is not issued in the name of the importer, a Throughput agreement between the owner of the depot and importer will be an additional document required.

IX. Nigerian Electricity Regulatory Commission (NERC) Approval for generating sets and meters.

X. NESREA Certificate – for used items and chemicals.

XI. CBN approval in case item of import falls under 43 items listed in CBN circular ref. TED/FEM/FPC/GEN/01/012 dated July 01, 2015.

****Any other document that may be advised by the regulators from time to time***.

Important Facts:

- Handwritten Insurance Certificates are not acceptable for Form M processing.
- Insurance Value must be 110% of CFR Value.
- SONCAP Permit/Product Certificate must be endorsed by the Authorized SON Officials.
- Forms M/ BA Numbers is generated after Form M has been submitted to the Nigerian Customs for Approval via the Single Window for Trade Platform.
- Item of Import that is inspectable is preceded by **"BA"** non-Inspect able Import items are preceded by **"CB"**
- Customers get an alert immediately the Form M has been Submitted and Approved, respectively.
- Importer sends the Form M and BA Number to the beneficiary abroad to facilitate processing of shipping documents and shipment of items of Import.

- Beneficiary sends the shipping documents for processing of Pre-Arrival Assessment Report (PAAR).
- The Shipping Documents include Bill of lading, Commercial/Final Invoice, CCVO, Packing List, Certificate of Analysis, and manufacturer's Certificate of Production.
- After the details of the shipping documents must have been uploaded and validated via Single Window Platform for PAAR applications, the NCS issues the Pre-Arrival Assessment Report.
- Exchange Control Document submitted to the Bank after clearance.
- Amendment of Approved Form M on the Single Window Portal is possible for few fields.
- Cancellation of the Form "M"; substitution of pro-forma invoice and/or substitution of insurance certificate etc. shall be processed in line with the CBN policy.

1.5 **FORM 'M' FEATURES**

The e-Form 'M' requires several information to be completed before validation by the Bank and subsequent registration by the Nigerian Customs.

The following information should be on the Form 'M'.

a) Form M No.
b) Valid for FX status
c) Processing Bank's name, Branch Details, Address, Town, and Country
d) Details of the Applicant and the Beneficiary
e) General Description of the goods being imported, total number of items, sectorial purpose, unit of measurement, the H.S. Code
f) Ancillary Charges (where applicable), Insurance Value, Date
g) The Currency, FOB Value, Freight Value, Total Value, Source of Funds, Payment Mode, Details of the Proforma Invoice
h) The mode of transportation, Country of Origin, Country of Supply,
i) Port of Loading, Port of Discharge,
j) Customs' office, Inspection Agent,
k) Applicant's endorsement and registration of Form M via e-Form M platform
l) Authorized dealer's validation to Nigerian Customs.

A review of the completed Form 'M' and the supporting documents is undertaken to ensure that the form is correctly filled out and the supporting documents are in order.

1.6 Specific Control Checks around e-Forms M

a) The Proforma Invoice must contain the detailed description of the goods imported, commercial name for each item, whether new, used or refurbished etc. it must also show the H.S Code of the import item
b) Amount on Proforma Invoice agrees with that on the Form 'M'.
c) Invoice must show separately the FOB value, freight and ancillary charges (if any) and the total value. These separations must be reflected on the form 'M'.
d) Proforma Invoice must show place of shipment and the port of destination.
e) Proforma Invoice must be current i.e., within three months of issuance.
f) Country of Origin and Supply must be shown on the Proforma Invoice.
g) The applicant and beneficiary with their addresses must be clearly stated on the Proforma invoice and they must correspond to those on the form 'M'.
h) The beneficiary's telephone/fax numbers should also be clearly stated on the Proforma invoice and must correspond with those on the form 'M'.
i) Goods must not be on the list of banned import items.
j) Licenses/permits must be current and valid.
k) Insurance must cover 110% of the Form 'M' value.
l) The insurance certificate (electronic) must be obtained locally and uploaded on the form M platform using the policy number.

1.7 Exemption From Inspection

Some goods irrespective of value are exempted from inspection. Examples are gold, precious stones, object of art, explosives, used motor vehicles, weapons, implementation of war, designated grades of petroleum and refined products, etc. and any such product that may be designated from time to time by the government.

1.8 Controls And Sanctions

a) Prompt and accurate returns must be made to CBN when any of the Form 'M' transactions are executed, using the prescribed schedules.

b) Appropriate sanctions are imposed on authorized dealers who release foreign exchange based on forged documents/inadequate documentation engage in fraudulent transactions, fail to render accurate returns to CBN or fail to report defaulting customers.

c) Customers who breach foreign exchange regulations and guidelines spelt out by the CBN from time to time shall be appropriately sanctioned.

1.9 **Accounting Entries**

Upon successful review the following entries are passed and the form M validated:

- DR Customers (CBN Fee +Form M Comm. +7.5% VAT on Com)
- CR CBN Form M Suspense Account
- CR Form M Commission Account
- CR VAT A/C

Upon receipt of CBN debit advice for processed form Ms:

- DR CBN Form M Suspense Account
- CR: CBN Account

On Form M Amendment, the following entries are passed:

- DR Customer (Amendment Commission + 7.5% VAT)
- CR Form M Commission account
- CR VAT A/C

Charges will be subject to general, or customer specific concessions as approved from time to time.

1.10 **The Pre-Arrival Assessment Report (PAAR)**

PAAR is an acronym for Pre-Arrival Assessment Report.

I. The Pre-Arrival Assessment Report is an import clearance document which details the assessed value, duty payable and related information concerning the import item.

II. A Pre-Arrival Assessment Report (PAAR) is issued for all imports except those exempted from inspection and those expressly exempted by the Honourable Minister of Finance, provided approval was obtained before shipment of goods.

III. The Nigeria single window does not allow individuals the right to process PAAR.

IV. By regulation, the exporter is required to send original PAAR documents for a particular shipment to the Bank. The exporter sends documents (CCVO, Packing List, SONCAP, Commercial invoice and the Bill of Lading) to the authorised dealer bank Directly by courier or any other means.

V. Form M and PAAR document are needed to clear goods in Nigeria.

PAAR contains basic information on the transaction as provided on the Form M and final documents (shipping documents). More importantly, it details the correctness of the import item by allocating corresponding HS code from which the duty payable will be determined.

1.11 Processing Documents For PAAR

I. Shipping documents should always come as either advance set or the original set.

II. Copies of the below must be forwarded to Customs electronically via the Single Window for Trade (https;//trade.gov.ng) portal for the Pre-Arrival Assessment Report:

- Final Invoice / Commercial invoice (Mandatory)
- Packing list (Mandatory)
- Certificate of Origin (Mandatory)
- Certificate of Analysis (optional)
- Bill of Lading (Mandatory
- Regulatory Certificates (Mandatory)

Immediately the PAAR is issued by the Nigeria Customs Service, the customer receives an electronic notification and copy of the issued PAAR on their registered e-mail address. International trade Services Desk Officer also reviews the platform for issued PAAR and sends notification to concerned customers and business relationship team.

1.12 **Accounting Entries**

For PAAR processed the following income entries are passed:

- DR Customer
- CR Commission
- CR VAT A/C

a) Charges are subject to general, or customer specific concessions as approved from time to time.

b) Upon deployment of a functional trade solution relevant accounting entries will be generated and passed by the system.

CHAPTER 2: LETTERS OF CREDIT

2.1 **Introduction**

This Chapter deals with definitions, general rules and policies governing Letters of Credit (LC) process in Premium Trust Bank.

The Letter of Credit is one of the most reliable methods of financing international trade. A Letter of Credit is an instrument issued by a bank to a named party through which the bank substitutes its own creditworthiness for that of its customer (applicant). The bank bridges the confidence gap between offshore seller - exporter and local buyer - importer by assuring the seller of payment provided he complies with all the terms and conditions of the credit.

2.2 **WHAT IS A LETTER OF CREDIT?**

A letter of Credit is a mode of payment used for importation of visible goods. It is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. If the buyer is unable to make a payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

Due to the nature of international dealings, including factors such as distance, differing laws in each country, and difficulty in knowing each party personally, the use of letters of credit has become a very important aspect and one of the most reliable methods of payment in international trade.

2.3 **Parties in an LC**

I. Applicant of the Letter of Credit
II. LC Issuing Bank
III. Beneficiary party
IV. Advising Bank
V. Confirming Bank
VI. Negotiating Bank
VII. Reimbursing Bank

Note however that a bank may take more than one role in a single LC.

2.4 Types of Letters of Credit

The following is the most used or known types of letters of credit: -

I. **Revocable Letter of Credit:** This is a credit that may cancelled or amended at any time by the opening bank without notice to the beneficiary. Revocable LC is not supported under UCP 600 and as such all PremiumTrust LCs will be issued as Irrevocable.

II. **Irrevocable Letter of Credit**: An LC that may not be cancelled and amended without the consent of all parties to the credit.

III. **Confirmed Letter of Credit**: This is issued by one bank and confirmed by another. The confirming bank adds its definite commitment to that of the opening bank

IV. **Unconfirmed Letter of Credit:** This is an LC which has not been confirmed by any other Bank other than the opening or issuing Bank.

V. **LC at Sight**: This is a Letter of Credit that is payable immediately after the seller meets the requirements of the credit.

VI. **Usance LC or Deferred Payment LC:** This LC provides that the Beneficiary will be paid at a later specified maturity date after complying presentation.

VII. **Back-to-Back LC**: This involves two letters of credit to secure financing for a single transaction. These are usually used in a transaction involving an intermediary between the buyer and seller.

VIII. **Transferable Letter of Credit:** This credit grants the beneficiary the right to give instructions to the bank called upon to effect payment or acceptance or to any bank entitled to effect negotiation to make the credit available in whole or in part to one or more third parties (second beneficiaries). More details can be obtained from the Uniform Customs and Practice for Documentary Credits (2007 Revision, as of July 1, 2007), International Chamber of Commerce Publication No. 600

IX. **Standby Letter of Credit :** a legal document that guarantees a bank's commitment of payment to a seller in the event that the buyer–or the bank's client–defaults on the agreement.

X. **Freely Negotiable Letter of Credit**: The Letters of credit can be negotiated through any willing bank without any specified condition attached.

XI. **Revolving Letter of Credit:** This permits the reinstatement of availments on certain conditions so that, although the total amount outstanding at any time is fixed, the aggregate amount available during the life of the credit is not necessarily limited.

XII. **Red Clause LC:** This is an LC that authorizes the designated negotiating bank to make clean advances (which is not more than the amount of the credit) to the beneficiary to finance the purchase and preparation for shipment of the relative merchandise.

XIII. **Green Clause LC:** This is an extension of a red clause LC, with the additional coverage of pre-shipment warehousing and insurance costs. It is a secured loan that the consignee extends to the consigner as per an international trade agreement between the two parties.

Letters of credit can be confirmed or unconfirmed and are irrevocable upon Issuance. Payment can be made at Sight, Deferred Payment, and Mixed payment or by Acceptance.

2.5 **Issuance of Letters of Credit**

i. All Letters of Credit application shall be processed in accordance with the requirement of the CBN Foreign exchange manual and subject to the provisions of the Uniform customs and practices for documentary credits (**UCP 600**).

ii. An Importer who wishes to effect payment via a letter of credit would have indicated this payment mode on the underlying form 'M'. Additionally, the applicant would complete a Letter of Credit Application and Agreement Form. The application represents a legal contract, which is required to be entered with the bank for the proposed Letter of Credit transaction.

iii. The terms and conditions of the credit, which depend principally on the terms of sales previously arranged between the customer and the beneficiary, this will be stated clearly by the customer in the application/agreement.

iv. The practice of opening credits for specified amounts plus unspecified amount to cover consular fees, insurance premiums, excess or regular sight charges, etc., should be avoided. Credit should be issued for specified amounts, taking into consideration the Proforma Invoice.

v. The customer's signature on the application/agreement must be verified and all details must be checked. Verification of signatures will be done by the branches or International Trade Services using the appropriate signature verification platform.

vi. In certain areas where exchange controls exist and there may be import and unconfirmed LC's/ or export restrictions, the credit will be opened only after ensuring that the terms and conditions are permissible under prevailing rules and regulations.

vii. Where required, the necessary approval from governmental authorities will be obtained prior to the opening of the credit.

Import Letters of Credit issued by the Bank will fall under three major categories namely:

- Cash Collateralized Confirmed Letter of Credit
- Clean (Confirmation) Line Confirmed Letter of Credit
- Unconfirmed Letter of Credit

I. Each credit issued will be assigned a unique identification number and the LC details updated in an online LC register.

II. The assigned number must be consistent with the bank's prescribed nomenclature with a suffix **C**, **CL**, or **U** for import Letters of Credit depending on whether it is a Cash Collagenized, Confirmation Line or Unconfirmed LC respectively.

III. Funds for cash backed LCs will be sourced from the CBN, Inter-bank, investors and exporters window, or customer's own funds.

IV. Requests for funding through the CBN window will be presented at the available Bid session after confirming adequacy of funds and debit to the customers' accounts (without COT).

V. Upon FX allocation, funds previously debited at bid will be returned to the customer's account and the naira equivalent of the funds allocated to the customer is debited to the customer's account (with COT) and the customer's FCY suspense (FEM) credited for subsequent debit by the desk officer at LC issue for cash collateralized confirmed letter of credit. In case of funding from customer's domiciliary account, the account is immediately debited to establish the LC.

I. Issue of Unconfirmed and Confirmation Line LCs will be subject to receipt of relevant credit approvals/executed term sheets which will usually specify the conditions precedent to draw down.

II. Such conditions must include provision of margin contribution in which case the officer will confirm that the contribution is in the designated account prior to LC establishment.

III. A proof of the margin contribution is provided as part of the LC records.

IV. Request for other LC types apart from Import LCs above may be considered subject to compliance with regulatory and internal procedures and approvals.

V. Selection of a correspondent bank to advise, confirm, negotiate, or pay under a credit will depend on the LC type, currency, beneficiary location, available line with correspondent banks (in case of confirmation line LC), customer's preference and Premium Trust Bank's internal policy / business decision.

VI. International Trade Services will make its selection from the approved correspondent banks list. Selection of the correspondent bank to use for a LC on the Banks' credit line is based on the availability of lines with the correspondent bank.

VII. The LC is transmitted via SWIFT to the correspondent bank while copy of the transmitted message is forwarded to the originating branch / customer to evidence processing.

VIII. All credits issued, confirmed, or advised by the bank are subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce.

2.7 Approvals for Letter of Credit

i. Letters of Credit, guarantees, undertakings, etc., will be issued only after the required credit approval is obtained; this is where there is a credit customer. Offerings under approval lines will be approved as per locally established credit policies. Similarly, any amendment that increases the original amount of the credit and/or extends the expiry date must be approved.

ii. Approval, as established by the designated authority (the customer/authorised signatory), is required to negotiate, or pay drafts drawn under credits for which there are discrepancies in the documents presented. In such cases and depending on the circumstances customer/beneficiary will be advised accordingly at the time the documents are received and checked. International Trade Services will obtain written approval from the customer to honour the drawings with the existing discrepancy or revert to the beneficiary for amendment and resubmission of amended documents for further processing.

2.8 Requirements to Establish a Letter of Credit

I. Approved Form M with all the attachments.
II. Letters of Credit application form.
III. Customer's Instruction Letter.

2.9 LC Issue Process Procedure

Customer is to complete Form M online with Letters of Credit indicated as the mode of payment.

All related documentation to be reviewed by the processing Officer ensuring that the below contains all documents for LC opening.

I. Copy of Approved e-Form M (valid only after registration by the NCS)
II. Completed LC Application form with customer's signature duly verified or duly completed online LC application form
III. Proforma Invoice
IV. Valid Insurance Certificate
V. Valid Regulatory Certificates/Permits (where applicable) ensuring that such documents are genuine.
VI. FX Request (for Cash Backed) LCs or approved Booking Memo/ Credit Approvals / Executed Terms Sheets etc. (for Confirmation Line or Unconfirmed LCs)

Any observed discrepancy in transaction documentation is notified to the Customer / Branch / Responsible Business Group depending on the nature of regularization required.

Preliminary Procedure for issuance

I. The processing officer establishes the LC type required: confirmed cash-collateralized, confirmation line or unconfirmed LC.

II. Where conditions for establishing the LC type are met, the processing officer registers form M details in an online LC register, assigns the next serial LC number, and inscribes LC number on LC application file.

III. The assigned number ends with a suffix C, CL, or U depending on whether it is a Cash Collaterized, Confirmation Line or Unconfirmed LC respectively.

Cash- Backed LC

I. Funds for cash backed LCs are sourced from the CBN, inter-bank, Investors & Exporters window, or customer's own funds (domiciliary funds).

II. If a customer wishes to access CBN funds, processing officer checks the customer's account for funds availability and if the account is funded, includes the request in the collation for the next bidding session.

III. Where customer opts for the interbank/I & E fund which value takes effect same day, request file is forwarded to Treasury though the Treasury Operations Team to purchase FCY on behalf of the customer.

IV. Upon FX allocation, Treasury will raise the deal slip and will inform the FX Officer / Desk /officer.

The following entries will be passed:

Dr: Customer's NGN account

CR: Customer' FCY FEM Suspense account

Where funding is from customer's domiciliary account, the LC processing officer will pass the following entries:

Dr: Customer's FCY domiciliary account

CR: Customer' FCY FEM Suspense account

For Confirmation Line, Unconfirmed LC and Bank's funded cash backed IFF:

I. The LC processing officer reviews duly approved booking memo/Executed Offer Letter for conditions precedent to LC establishment.
II. Such conditions must include provision of margin contribution in which case the officer will confirm that the contribution is in the designated account prior to LC establishment.

Where margin contribution is to be booked from Trade Services, the Desk Officer will pass entries thus:
DR: Customer's NGN Account / FCY Domiciliary account
CR: Customer's NGN/FCY FEM Suspense account

Centralized Operations Team is informed to book the margin contribution collateral using the unique Form M number.

At FX purchase via I & E / Successful Retail bid, the Desk Officer liaises with Centralized Operations to drop part collateral deposit for FX bid purchase.

At final FX purchase and reconciliation of the collateral deposit utilization, the balance collateral deposit is terminated, and appropriate customer's current account credited.
A proof of the margin contribution is printed and kept in the transaction file.

Preparation and Transmission of SWIFT Message

I. The desk officer based on the information provided on the Proforma Invoice, LC application and other supporting documents prepares the LC message on the relevant processing platform (**SWIFT-MT700**).
II. Prepared message reviewed thoroughly and if satisfied with the accuracy of work done disposes the transaction for approval.
III. The approving officer reviews the message and if satisfied disposes for final approval otherwise the job is returned to the inputter for necessary correction.
IV. After satisfactory review, the message is transmitted via SWIFT and a copy of the transmitted message is kept in the transaction file.

V. For Cash-Backed LCs and depending on the account funded by Treasury for the LC, a SWIFT message (MT 202) may be required to move funds to account with correspondent bank on which the LC is established.

The following entries are passed on LC establishment:

Income Entries (for all LC types)

Commission on LC Establishment

DR: Customer's account- 1% of LC amount

CR: (Branch) LC commission account

LC commission is subject to customer's approved concession

VAT is taken on establishment.

This is 7.5% of the above commission and the system should take automatically.

SWIFT on establishment

DR: Customer's account

CR: SWIFT account

Concessions are generally not allowed on SWIFT charge being a recoup of the payment for use of SWIFT.

Cash-Backed LC Entries

I. Funds Movement: (Conditional)

DR: Correspondent Bank's operating account

CR: Source account (Bank's Auto, Dom etc.)

ii. Cash Margin:

Dr: Customer' FCY FEM Suspense account

Cr: Customer's Cash Margin A/C

iii. Collateral:

Dr: Correspondent Bank Collateral A/C

Cr: Correspondent Bank Operating A/C

Unconfirmed / Confirmation Line LC

Contingent Entries:

Dr: Customer's Contingent Asset A/C

CR: Bank's Contingent Liability A/C

Upon successful implementation of a trade Solution, SWIFT message transmission and generation of accounting entries will take place concurrently.

Post Transmission Review

I. Processing Officer confirms that transmitted messages are duly acknowledged on SWIFT (ACK) and not impeded by sanction screening.

II. Any NACKED message is retrieved and corrected to ensure successful transmission. The transaction documents / tickets are filed off for next day call-over.

III. The Officer also looks out for an acknowledgement (MT 730) from the correspondent banks and updates the LC register with the correspondent bank reference.

IV. A follow up is initiated where acknowledgement is not received after 72 hours.

2.10 Instalment and Down Payments

I. Down (advance) payments apply only to the importation of capital goods including plant/ machinery/equipment.

II. The request for such payment will be at the instance of the LC applicant and will not be more than 15% of the FOB value of the goods. Such payment is subject to the presentation of invoice/demand note and an Advance Payment Guarantee or Performance Bond issued by a recognized bank in the exporter's country to secure the down payment.

III. Subsequent instalment payment is subject to prevailing foreign exchange regulations as documented in the CBN Foreign Exchange Manual (latest version) and amendments to date.

2.11 AMENDMENTS TO LETTERS OF CREDIT

I. Amendments are usually at the instance of the beneficiary or applicant.

II. All amendment requests must be backed by a valid request from the LC applicant.

III. Where a request to amend a letter of credit is received from the beneficiary through the offshore correspondent bank, this must be forwarded to the applicant and their documented consent obtained before the amendment can be processed.

IV. In like manner, a beneficiary has the right to reject amendments to an issued documentary letter of credit in which case such rejection will be communicated through the correspondent bank to the issuing bank.

V. All amendment requests will be reviewed for consistency with local regulations and bank's internal policy prior to processing.

VI. Where amendments call for increase in documentary credit amounts or extensions, the desk officer must confirm that necessary approvals and / or funding are in place prior to processing.

VII. The LC amendment is transmitted via MT707 SWIFT message and relevant records / registers are updated for processed amendments.

VIII. Appropriate entries are passed to recognize the amendment(s) and relevant charges taken.

2.11.1 LC Amendment Procedural Flow

I. Customer's amendment instruction(s) will be received through Branches or Relationship Managers.

II. Scanned copy(ies) of customer's amendment request to be sent via the Premium Trust Bank electronic mail platform.

III. Processing Officer will review amendment request to determine if the request does not conflict with extant regulations or the bank's internal policies and procedures.

IV. Officer will also confirm that relevant conditions / approvals necessary for the amendment are in place.

V. Upon satisfactory review, the amendment message is processed using the relevant processing platform. A SWIFT MT707 is generated, and the amendment register updated with the amendment details.

The following entries will be passed to recognize amendment charges:

Dr: Customer Amendment commission

CR: Income Account

Dr: Customer SWIFT charges

CR: SWIFT Account

Amendment commission is subject to customer's approved concession.

I. Where amendment involves an increase in LC amount, cover must be provided for the increase for cash-backed LCs.
II. For unconfirmed or confirmation line LCs, appropriate credit approval must be in place to cover the increase before the amendment can be affected.
III. The LC should not be increased for more than 10% of the original value.

Whether increase / decrease in LC value the following entries are passed to reflect the change in LC amount:

I. **Funds Movement** (where required for increase/decrease in value)
II. **Contingent Entries** (for increase/decrease in value – for unconfirmed and confirmation line LCs only)
III. **Margin Entries** for (increase/decrease in value – for cash-backed LCs only)
IV. **Collateral Entries** for (increase/decrease in value – for cash-backed LCs only))
V. Commission on the increased value

The SWIFT message is transmitted after satisfactory review. Further confirmation is done by the desk officer confirms that the transmitted message is SWIFT Acknowledged.

Officer further looks out for acknowledgement message from the correspondent banks.

2.12 Shipment Under Letters of Credit

This section deals with shipment of merchandise across borders under Letters of Credit.

2.12. **Modes of Shipment**

i. Airfreight shipments
ii. Ocean/Sea shipments

2.12 **Shipping Documents**

i. **A full set of original clean/shipped on-board ocean bills of lading** bearing weight and quantity of goods will be made out to the order of the bank, or to the order of shipper and blank endorsed. If shipping documents are to be sent directly to the bank, the terms of the credit will clearly stipulate that the bills of lading must be made to order of the Premium Trust Bank or restrictively endorsed to that effect. It must be marked freight prepaid and notify applicant.
ii. **The original commercial invoice** will describe the merchandise in the same terms as the credit. Description of the merchandise should be limited to general terms only, without detailed requirement (e.g., grade. quality, mix). Excessive details in no way give additional protection to the customer since the bank deals in documents and not in goods.
iii. **The original Certificate of Origin**. This will describe the merchandise in the same terms as the credit, value of goods and origin of the goods.
iv. **The original packing list** will describe how the goods will be packed in terms of metric tons, kilograms, milligrams, crates etc.
v. **The original manufacturer certificate** stating standard of production adopted or certificate of analysis stating production and expiry date depending on the item of import.
vi. Where special documents (certificate of inspection, etc.) are required, the credit should indicate by whom such document will be issued, if possible.

All documents must bear the related Form M and LC numbers and issued in English Language. At the last drawing, a beneficiary's certificate confirming final shipment of goods under the LC should be presented.

2.12 **RECEIPT OF SHIPPING DOCUMENTS**

i. Shipping documents must come through the Banking System. Nigeria's local regulation does not allow direct receipt of documents from the beneficiary for negotiation purposes. However, advanced set of documents for processing Pre-Arrival Assessment Report (PAAR) prior to receipt of negotiation documents is allowed.

ii. Documents (including drafts) received under a credit, if not processed on the day of receipt, will be held in custody by a designated officer and locked overnight in a metal file cabinet or container.

iii. Documents accompanying availments will be reviewed against the terms and conditions of the credit, if received from the negotiating or collection bank. Discrepancies if any will be notified to the customer and a single notice of refusal given to the presenting bank not later than the close of the fifth banking day. The notice must state that the issuing bank is holding documents until it receives waiver from the applicant or receives further instruction from the presenter or that the bank is acting in line with instructions previously received from the presenter.

iv. Documents will not be endorsed or dispatched to the customer until funds are provided to cover the availment plus interest, if any, or release against signed receipt is authorised in accordance with local credit policy.

2.13 LETTER OF CREDIT NEGOTIATION

This is the process of making payment on the Letters of Credit.

I. After complying with the terms of the credit, the beneficiary presents the required documents and drafts to the nominated bank for negotiation / payment.

II. Document examination is done in line with the provisions of *UCP 600 (**Articles 14 – 16**) and pre-defined LC terms and conditions.*

III. The negotiating bank examines the documents for compliance with LC terms and conditions before making payment or deferred payment undertaking on the documents.

IV. In the event of any discrepancy, the beneficiary is notified so that such may be corrected.

V. The negotiating bank may also at the beneficiary's instance notify the LC issuing Bank of observed discrepancies for the purpose of obtaining applicant's consent to accept discrepant documents.

VI. Where the discrepancy does not violate standing CBN regulations, the opening bank contacts the account party and if the discrepancy is acceptable to the account party, the acceptance is communicated to the issuing bank for onward communication to the correspondent bank.

VII. Where observed discrepancies are not acceptable or regulatory in nature, the same will be communicated to the presenting bank to enable the beneficiary to resubmit corrected documents. **Article 16 of UCP 600** provides guidelines for handling of discrepant documents.

VIII. The negotiating / paying bank makes payment to the beneficiary in line with LC terms and conditions and reimburses itself on the LC issuing bank.

2.14 PROCESS FLOW FOR RECEIPT, EXAMINATION AND NEGOTIATION OF DOCUMENTS

2.14.1 **Receipt Of Advance Shipping Documents**

I. Where LC calls for advance documents, the Desk Officer upon receipt of advance set of documents sent by courier directly by the beneficiary is expected to notify the Customer/Branch /RM.

II. The documents are scanned for compliance with LC terms and copies sent to the PAAR Desk to fast-track the PAAR process.

III. The online shipping document register is updated, and document status indicated.

2.14.2 **Receipt Of Original Shipping Documents**

I. The Desk Officer receives set of original shipping documents directly from the offshore bank.

II. Documents are checked in details for compliance with LC terms.

III. Discrepancies if any is notified to the customer / Relationship team for necessary action.

IV. Where there are no discrepancies, the customer / Relationship Team is notified to allow for the commencement of the shipping documents endorsement process.

2.14.3 LC NEGOTIATION

A. Cash-backed LCs

The following entries to be passed:

I. DR: Cash Margin Account
II. CR: Cash collateral with offshore Bank

The LC register is updated with the following details:

I. Date of receipt of documents
II. Date of negotiation of documents
III. Amount negotiated
IV. Unutilised balance (if any)
V. Due date for submission of Exchange Control Documents

In case LC is overdrawn, which has been notified to and duly accepted by the customer:

I. the customer's account is debited for the excess drawing, and foreign currency procured to cover the overdrawn position.
II. Where overdrawing is more than 10% of the LC, CBN approval should be sought before processing or the customer makes the excess payment outside the LC.

In case of under drawing and upon receipt of beneficiary's confirmation that there will be no further drawing on the LC or upon LC expiration,

I. the unutilized balance is repatriated to the CBN for repurchase where funds is sourced from the CBN, and customer's account credited upon naira receipt.
II. Where original fund is purchased from the I & E window, unutilized fund is returned to Treasury for repurchase and customer's account credited with Naira equivalent
III. where original funds are from customer's domiciliary account, the unutilized FCY balance is credited to the customer's account

B. For Unconfirmed LCs and Confirmation Line LCs

Where the LC is for sight payment

I. Relationship manager and or customer should be notified and advised on the need to fund account for purchase of FX for settlement (where cover has not been previously provided).

II. Where charges are to be borne by Beneficiary and the presenting bank is different from the advising bank, advising Bank should be requested to confirm their charges.

III. Treasury is advised to procure FX (Through Treasury Operation) for the settlement of the obligation provided settlement is not from customer's domiciliary or FCY loan account.

IV. Deal slip is obtained as evidence of FX purchase.

V. Necessary SWIFT messages are generated to honour the obligation and communication made to the Advising or Presenting bank.

Pass relevant entries as follows:

I. Contingent Reversal

a. DR: Bank's Contingent Liability A/C
b. CR: Customers Contingent Asset account

II. Movement Entries

a. DR: Operating account
b. CR: Source account (The Bank's Auto or Principal A/c, Dom etc.)

III. Payment Entries

a. DR: Customers FEM account
b. CR: Offshore Bank Operating account

(i) Where the LC is for deferred payment.

I. The tenor of payment is captured on the Maturity Profile Register

II. Communicate document acceptance and due date to the presenting bank and advising Bank. Obtain confirmation of offshore charges due

III. Notify RM / Customer to ensure account funding at maturity

IV. At maturity, procure FX for settlement, generate relevant SWIFT messages, and pass accounting entries.

V. Update relevant registers.

(ii) Where the LC is to be refinanced under confirmation line

I. Desk officer to ensure proper documentary checks as stated above.

II. Confirm that refinancing request is already embedded in the LC otherwise refinancing request to be sent to the correspondent bank.

III. Upon receipt of loan advice from the correspondent bank, check the refinancing details for consistency with transaction details and agreed pricing. Any observed disparity should be clarified with the correspondent banks.

IV. Where refinancing details are satisfactory, update relevant schedules/registers and pass the following entries:

Reversal of LC Contingent

- DR: Bank's Contingent Liability A/C
- Cr: Customers Contingent Asset account

Refinanced LC Contingent

- DR: Customer's Premium Trust Bank Refinanced Contingent A/C
- Cr: Premium Trust Bank Refinanced Contingent A/C

- Notify Customer / RM of impeding maturities to enable customer fund account for settlement of maturing obligations
- At loan maturity and upon FX procurement for settlement, update payment registers and pass the following entries:

Refinanced LC Contingent (Reversal)

- DR: Premium Trust Bank Refinanced Contingent A/C
- CR: Customer's Premium Trust Bank Refinanced Contingent A/C

Movement entries (where required)

- DR: Correspondent Bank Operating A/C
- CR: Source account (Bank's Auto, Dom etc.)

Payment

DR: Customer' FCY FEM Suspense account

CR: Correspondent Bank Operating A/c

C. **Pre and Post Negotiation Charges**

\` Pre and post negotiation charges are taken on confirmation line LCs and unconfirmed LCs subsequently confirmed or paid using the confirmation line facility. Calculation of pre and post negotiation charges are based on the rate sold to customer as evidenced on the Booking memo/ Approval, signed off by relevant approving departments.

The facility utilization and post refinancing fee due to the offshore bank is deducted from the fees taken and remitted to the offshore bank while the balance is credited to the relevant income accounts.

Accounting Entries:

(1) DR: Customer's A/c
CR: Trade Suspense a/c (NGN) } With total Naira value

(2) DR: Trade Suspense a/c (NGN)
CR: Customer's FEM A/C (FCY) } With amt to remit offshore

(3) DR: Trade Suspense a/c (NGN)
CR- Income Account (NGN) } With the balance of the total

D. Other Offshore Bank Charges

- charges must be reviewed against the L/C terms and offshore Bank pricing matrix.
- Discrepancies if any is clarified with the offshore bank.
- Upon satisfactory review, customer is notified, and their account debited for the settlement of the offshore bank charges.
- Relevant entries are passed to recognize FX purchase and subsequent settlement of offshore bank charges.

2.15 HANDLING DISCREPANCIES

Documents are examined to determine compliance with LC terms and conditions. Discrepant documents are those that do not comply with LC terms and conditions.

'A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank must examine a presentation to determine, based on the documents alone, whether or not the documents appear on their face to constitute a complying presentation.' (***UCP 600 Article 14a***).

A bank is not under obligation to honour a discrepant presentation provided the notice of refusal is given before the expiration of the fifth banking day following the day of presentation in line with *UCP600 Article 14b.*

The notice must state the following:

i. That the bank is refusing to honour or negotiate.
ii. Each discrepancy in respect of which the bank refuses to honour or negotiate.
iii. (a) that the bank is holding the documents pending further instructions from the presenter.

   (b) that the issuing bank is holding the documents until it receives a waiver from the applicant and agrees to accept it or receives further instructions from the presenter prior to agreeing to accept a waiver or

   (c) that the bank is returning the documents; or

   (d) that the bank is acting in accordance with instructions previously received from the presenter.

Irrespective of applicant's disposition, regulatory discrepancies, or discrepancies that conflict with the bank's internal policies and procedures can only be accepted after obtaining necessary regulatory / internal approvals.

Process Flow for Handling Discrepancies

I. Notice of discrepancies and or discrepant documents must come from the offshore correspondent.
II. Document review is executed for compliance with LC terms and observed discrepancies highlighted.

III. Determination of the nature of discrepancies if regulatory or otherwise, to be conducted.

IV. Generation of discrepancy notice to the applicant and requests for disposal instruction to accept or reject documents.

V. Generation of discrepancy advice to the offshore bank stating the highlighted discrepancies and the bank's refusal to honour until it receives a waiver from the applicant (for non-regulatory discrepancies) or until it receives corrected documents.

VI. Applicant's disposal instruction to be conveyed to the correspondent bank via SWIFT.

Accounting Entries:

Dr: Customer's acct
CR: SWIFT A/C
} Swift Charges

2.16 THE FINAL EXCHANGE CONTROL DOCUMENTS (FECD)

The Final Exchange Control Documents are documents evidencing that imported goods has been cleared and necessary duties paid. They include the following:

i. Original Single Goods Declaration Form (SGD Form)
ii. Original Terminal Delivery Order (TDO)
iii. Tally Sheet (Sea shipment)
iv. Gate Pass (Airfreight)
v. Copy of the PAAR
vi. Copy of the on-line Duty Payment Receipt
vii. NMDPRA Product Certification Report for Petroleum Products only

a) Customers must submit Final Exchange Control Documents on or before 90 days after negotiation for general imports while submission of the documents (SGD form and NMDPRA Product Certification Report only) must be within 30 days after arrival of cargo for petroleum products.
b) A notice of exchange control submission due date to be attached to shipping documents at endorsement / release to serve as reminders to customers.
c) The online register is updated for submission of exchange control documents (ECD) while the documents are filed off in the respective LC file.

d) The Desk Officer will also review the register to determine outstanding ECD falling due within the next 15 days and generates a follow up mail to customer / relationship team to facilitate submission of the documents on or before the due dates.

e) The Desk Officer periodically reviews the LC register to determine outstanding ECD that will be falling due for submission and generates a follow up mail to customer / relationship team to facilitate submission of the documents on or before the due dates.

f) Non-submission of ECD documents is a contravention of the extant regulations. The Bank sends a report of defaulters on ECD submission to the CBN monthly. Failure to send the report can attract regulatory sanction to the Bank while non- submission can attract regulatory sanctions to customers including placement of foreign exchange embargo.

2.17 TREATMENT OF UNUTILIZED LC BALANCE

Unutilized balance may arise because of under drawing or non-utilization of LC before expiry.

I. Transaction file to be reviewed to confirm the existence of unutilized balance.
II. Make certain that there are no outstanding payments / reimbursement on the LC
III. Check shipping documents for Beneficiary’s Certificate declaring final shipment has been made.
IV. In case of expired LC, customer’s confirmation is obtained that there is no intention to reinstate / extend LC validity.
V. A free format message should be sent to the correspondent bank to request for a return of unutilized balance from collateral account to the operating account.

Upon receipt of unutilized balance in the operating account, the following to be done:

Where original fund was sourced from the CBN:

I. Unutilized balance to be repatriated to the CBN for repurchase.

II. Unutilized USD Funds are aggregated in Premium Trust Bank designated offshore account and the aggregated amount moved to the CBN's designated account number.

III. Copy of the SWIFT message and a schedule of the aggregated amount is sent via electronic mail to Banking Services Department of the CBN.

IV. The CBN credits the bank with the Naira equivalent and forwards a breakdown of amount credited.

V. Customer's account is credited with the Naira equivalent within 24 hours of receipt of funds.

VI. The following entries are passed to recognize the various activities involved in the repatriation / repurchase of unutilized balance:

Movement of funds from the collateral account to the operating account:

- **Reversal of collateral entries**
  DR: Correspondent Bank's Operating A/C
  CR: Correspondent Bank's Collateral A/C
  With Unutilized Balance
- **Movement of UTB to CBN Transit Account**
  DR: Customer's Cash margin A/C
  CR: Correspondent Bank's Operating
  With Unutilized Balance
- **Bulk transfer of UTB to CBN**
  Debit / Credit Knock Off on Nostro (No entries)
- **Receipt of Naira Proceeds**
  DR: CBN Naira A/C
  CR: Customer Naira A/C
  With Naira equivalent

The Desk Officer updates relevant registers, and a mail notification is sent to the customer and RM to notify them of the receipt.

Where original fund was sourced from I & E Window

- Unutilized balance will be repatriated and sold to Treasury for repurchase.
- The following entries are passed to recognize the various activities involved in the repatriation / repurchase of unutilized balance sourced from the I & E window

Movement of funds from the collateral account to the operating account:

I. **Reversal of collateral entries**

   i. DR: Correspondent Bank's Operating A/C
   ii. CR: Correspondent Bank's Collateral A/C

   With Unutilized Balance

II. **Movement of UTB to Treasury Trading Account**

   i. DR: Customer's Cash margin A/C
   ii. CR: Correspondent Bank's Operating

   With Unutilized Balance

III. **Purchase of UTB by Treasury**

   i. DR: Treasury Trading Account (FCY)
   ii. CR: Customer Naira A/C

   With Naira equivalent

Where original fund was sourced from customer's domiciliary account:

- Funds will not be repurchased but repatriated for onward credit to customer's domiciliary account.
- The following entries will be passed to recognize the various activities involved in the process:

Reversal of collateral entries

I. DR: Correspondent Bank's Operating A/C
II. CR: Correspondent Bank's Collateral A/C

With Unutilized Balance

Movement of UTB to offshore Dom. A/c

I. DR: Dom (Nostro) A/C
II. CR: Correspondent Bank's Operating A/c

With Unutilized Balance

Reversal of Margin Entries

With Unutilized Balance

I. DR: Customer Cash Margin A/C
II. CR: Customer Domiciliary A/C

2.18 CANCELLATION OF LETTER OF CREDIT AND RETURN OF FUNDS

Article 10 of UCP600 – A Credit can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank, if any, and the beneficiary.

Cancellation of a Letter of Credit Procedure

I. The customer sends LC cancellation request directly to International Trade Services or through the branch / relationship team.
II. Necessary reviews to be taken by the desk officer to ensure it is properly authorized by the customer and passes to the LC desk for further processing.
III. Transaction file should be retrieved and reviewed by the desk officer and upon satisfactory review, SWIFT message is prepared to the correspondent bank to request for LC cancellation and return of cash cover where LC is cash backed.
IV. SWIFT message to be reviewed by the responsible officer and if satisfied disposes for final approval otherwise the job is returned to the inputter for necessary correction.
V. After satisfactory review, the message is transmitted via SWIFT and a copy of the transmitted message is kept in the transaction file.
VI. The Desk officer follows up with the correspondent to confirm final cancellation.
VII. Relevant entries to reflect the cancellation are passed. For cash backed LCs, outstanding cash collateral is repatriated to the CBN for repurchase in case of original purchase from CBN or other autonomous sources. Funds sourced from customer's domiciliary account will be returned to same account upon LC cancellation (see treatment of unutilized balance).
VIII. Outstanding charges (offshore and local) are recouped from the customer.
IX. Relevant records / registers are updated, and the transaction file closed.

2.19 HANDLING OF CORRESPONDENT BANK CHARGES AND INTEREST

Offshore charges comprise of but not limited to confirmation, advising, extension, cancellation, negotiation, amendments, and courier charges. They also include facility utilization fees and refinancing fees in case of letters of credit established under the correspondent banks confirmation lines.

The charges are usually at the correspondent banks standard rates or negotiated rates where refinancing is involved. While applicable rates may be pre-determined at LC issue actual amount payable may not be ascertained until transaction closure because of certain dependencies like LC tenure, prevailing LIBOR etc.

The LC terms will usually indicate the party that will be responsible for offshore charges. However, where LC expires without utilization, outstanding charges (if any) will be recouped from the applicant in line with article 13 item b (iv) of UCP600 even where the LC terms expressly provides that charges are for the account of the beneficiary.

2.20 QUARTERLY INTEREST DISTRIBUTION

I. Interest earned on LC collateral held by correspondent banks are distributed to qualifying customers on a quarterly basis in compliance with prevailing foreign exchange regulations in the country.
II. Distribution is based on the credit interest received from the offshore bank, LC amount and the period for which funds are held in the collateral account.
III. The Desk officer reviews the interest and charges account for interest earned on cash collateral and passes appropriate in-house entries.
IV. At the end of the quarter the total interest earned is repatriated to the CBN for repurchase.
V. Upon receipt of Naira proceeds distribution is made to qualifying customers and appropriate reports in the prescribed format prepared and forwarded to the Reporting Unit for onward submission to the CBN.

Accounting Entries:

Entries passed during the various stages:

Upon receipt of credit interest on nostro account:

DR: Correspondent Nostro A/C

CR: Interest Distribution (FCY) Suspense A/C

With credit interest

Upon transfer of interest to CBN at the end of the Quarter

DR: Interest Distribution (FCY) Suspense A/C

CR: Correspondent Nostro A/C

Transfer amount

Upon receipt of Naira proceeds from CBN

DR : CBN A/c

CR : Interest Distribution (Naira) Suspense A/C

With Naira received

Upon distribution to LC Customers

DR: Interest Distribution (Naira) Suspense A/C

CR: LC Customers

Distributed amount

2.21 LC MATURITY PROFILE

An aging report of LCs showing all advances and outstanding is maintained by the Unit for monitoring purpose.

CHAPTER 3: GUARANTEES / STANDBY LETTERS OF CREDIT (SBLC)

3.1 **INTRODUCTION**

In international transactions, it is often the case that a third party sees to a bank guarantee, to pay an amount of money to one party if the counterparty defaults, for instance, if it fails to deliver a project within the agreed timeline.

Thus, the Guarantee transfers the creditworthiness of the Applicant to the bank (which acts as the Guarantor).

A Guarantee is an agreement by a bank to effect payment to another party (Beneficiary) if the bank's customer (Principal) defaults in his debt or obligation (usually job contract) to the beneficiary.

Premium Trust Bank will upon receipt of customer's request issue local and foreign Guarantees on behalf of its customers and in favour of a third party provided the conditions of issuance have been met and the text of the guarantee conforms with the bank's requirements and that of the offshore correspondent bank.

The diverse types of Guarantees that can be handled by Premium Trust Bank include the below and many others as acceptable by management:

- Bid Bond
- Performance Bond
- Advance Payment Guarantee
- Customs Bond

3.2 **Issuance of Guarantee**

All Premium Trust Bank Guarantees are expected to be issued at the Head Office and branches are required to forward all requests to the responsible Head Office Department for processing. Responsibility for issuance of Bank Guarantees resides with the Legal and Credit Administration Departments. Where Guarantee is to be issued in favour of offshore beneficiaries, they will be passed on to international trade Services for relay via SWIFT to the offshore correspondent bank for further advice to the beneficiary.

However, Foreign Guarantees with underlying trade obligation will be issued by Trade Services upon receipt of relevant credit approvals or provision of cash collateral and Legal concurrence on the guaranteed text.

The usual guarantee covers an agreement by the Bank to effect payment to another party (the beneficiary or obligee) if the Bank's customer (the principal) defaults in his debt or obligation (a job contract, etc.) to the obligee.

A customer requesting for Guarantee to be issued on their behalf will be required to submit a guaranteed application with relevant supporting documents. The completed application / guarantee request form should specify the following:

I. Type of Guarantee
II. The name of the company requesting for the guarantee (principal)
III. The Amount
IV. The Expiry Date
V. The underlying Contract
VI. The name of the Beneficiary/Beneficiary
VII. Place of Payment
VIII. Triggers for payment

The guarantee processor reviews submitted documentation for completeness and accuracy before processing.

Note:

I. Where a customer has provided a guarantee format, it will be referred to the Legal department for review and concurrence before adoption.
II. All guarantees are subjected to legal review prior to issuance with evidence of Legal review / concurrence provided in the transaction file. Amount and expiry date of the guarantee should not exceed that on the counter guarantee.
III. Guarantees will be issued only after the required credit approval is obtained or requisite cash collateral is provided in the transaction currency. Similarly, any amendment that increases the original amount of the credit and/or extends the expiry date must be approved

IV. For Advance Payment Guarantee, a clause will be added domiciling the Advance Payment Guarantee at Premium Trust Bank and to discharge its liability as work progresses.

V. The Guarantee is transmitted via SWIFT to the offshore correspondent for onward advice to the beneficiary and the following accounting entries passed:

As contingent

- DR Customer's outstanding guarantee a/c
- CR Bank's Outstanding under guaranteed a/c

Cash Margin

- DR Customer's account for cash collateral (where applicable)
- CR Cash Collateral a/c

Commission

- DR Customer's account for commission and applicable fees
- CR Commission account as per banker's tariff

Note:

I. In case of guarantees issued by the credit team or Legal and passed to International Trade Services for relay or transmission via SWIFT, the relevant contingent entries and commission will be passed by the Credit Admin Department.

II. Relay of Guarantees via SWIFT must be duly authorized by Head Legal or his / her duly designated officers.

III. International Trade Services will liaise with Legal or Credit administration for debit account for offshore bank charges where required if this has not been previously provided.

IV. A copy of the transmitted SWIFT message is forwarded to the applicant for their records and the transaction documents appropriately filed.

3.3 AMENDMENT UNDER A GUARANTEE

Instrument may be received from the customer for amendments such as extension of expiry date, increase in amount, etc. to be made to the guarantee.

Amendments requiring extension of expiry date or increase in guaranteed amount must be supported by relevant credit approval and or cash collateral

3.4 CLAIMS UNDER A GUARANTEE

Payments under guarantees require receipt of prior / written complying demand from the beneficiary / correspondent bank and full credit approval.

Receipt of Claims must be notified to Legal / Credit Administration and their approval obtained before honoring the claim where they initially approved the guarantee issue.

Where original instrument was issued, the Relationship Manager and the customer are informed, while customer's account is debited for claim settlement. The following entries are passed for claim settlement:

- DR: Outstanding Under Guarantee a/c
- CR: Customer's Outstanding Guarantees a/c
- DR: Cash collateral or Customer for claim
- CR: The Beneficiary / Nostro

3.5 RELEASE UNDER A GUARANTEE OR SBLC

Guarantee register will always be reviewed to from time to time to monitor expired ones. When a guarantee expires, the following will be done.

(i) Relationship Manager /Customer to have the original instrument returned to the bank.

(ii) Where it is not practicable for the original guarantee to be returned, a letter / SWIFT message from the beneficiary/agency discharging the bank of its liability will be obtained.

Release under a guarantee /SBLC may also occur prior to expiry at the instance of the beneficiary / correspondent bank. The release will be supported by the return of the original guarantee by the obligee (where practicable) or by other appropriate SWIFT message / evidence of the release.

(iii) On receipt of the original guarantee/letter/SWIFT message the guarantee officer will do the following:

- DR: Outstanding Guarantee Unutilised a/c
- CR: Customer's Outstanding a/c
- DR: Cash Collateral (applicable)
- CR: Customer

Mark file and other documents cancelled and update the guarantee register

A monthly proof of outstanding guarantee to be prepared and contingent liabilities that remain outstanding after expiry will be escalated for determination and liquidation.

CHAPTER 4: TRANSACTION DYNAMICS FOR TRADE FINANCE PRODUCTS

Trade Finance desk will be made up of Import Finance and Correspondent Banking Teams. The Unit is responsible for growing the bank's Trade portfolio by facilitating customers' trade transactions.

4.1 IMPORT FINANCE

The team sees to the financing of eligible import trade transactions through utilization of offshore confirmation/credit lines for Letters of Credit issuance / settlement and Bills for collection.

4.1.1 CONFIRMATION LINE LETTERS OF CREDIT

I. This is an offshore confirmation/credit line facility availed to customers where a customer requires a confirmed Letter of Credit but has no delivered foreign exchange as FCY cash-collateral for the LC.

II. The bank requests an offshore bank to add confirmation to the Letter of Credit and refinance same at compliance presentation by the beneficiary, using available credit line.

III. To access this facility, the customer is required to provide cover in naira in lieu of a credit approval availed to the customer to cover for the value of the transaction.

IV. Trade finance unit to ensure all terms and condition is in place before LC issuance under clean-line facility. Also duly approved by the approving authorities, accepted, and signed by the customer.

V. If backed with full naira deposit, ensure that Customer and Business Unit executes offer letter and related approved facility fee.

VI. Where the naira deposit is partial, ensure receipt and sign-off of Booking Memo from Credit Admin containing terms of funding.

VII. Check, assign and communicate correspondent bank credit line to the group on the transaction.

VIII. Trade finance to ensure that LC is issued within service level agreement period and share SWIFT/telex copy evidencing LC issued with RM/Customer.

IX. Follow up with correspondent bank to ensure that the LC issued was received and is advised to the beneficiary on time.

X. Where agreement is to source FX within the pre-negotiation period, ensure that the transaction is scheduled and presented for FX purchase from specified Window.

4.1.2 **LC NEGOTIATION AND REFINANCING**

i. Trade finance to ensure that the confirmation line schedule is updated to reflect refinancing details.

ii. Trade finance to ensure that FX purchased is settled on time by the correspondent bank.

iii. Collate for next FX purchase bid/allocation if required (depending on available deposit, total IFF tenure or total clean-up cycle).

iv. Ensure that group/department notifies the business unit of loan details, retail bid session and Retail bid results.

4.2 CORRESPONDENT BANKING RELATIONS

This involves establishing and maintaining relationship with our correspondent banks. The correspondent bank assist to facilitate our trade transactions by advising letter of Credit, adding confirmation to Letters of Credit, making payment upon receipt of compliant documents and refinancing of payments on LC

4.2.1 **ESTABLISHMENT OF CORRESPONDENT RELATIONSHIPS**

Any prospective correspondent banking relationship must be preceded by a KYC/due diligence exercise thoroughly handle and executed by the compliance Team of the Bank.

4.2.2 **CORRESPONDENT RELATIONSHIPS MANAGEMENT**

Functions entail the following:

i. Giving heads-up via telephone call (optional) or email for big-ticket transactions

ii. Responding to facility-related enquiries from correspondent banks, e.g., loan due date, repayment, extension, etc.

iii. Follow-up with correspondent banks on LC advise status

iv. Negotiating facility pricing in line with business needs or market trends

4.2.3 **CONFIRMATION LINE MANAGEMENT**

i. Ensure that LC Unit updates individual banks' utilization schedules and FX allocation.

ii. Update global confirmation line utilization schedule.

iii. Update FX allocation on global confirmation line schedule.

4.2.4 **CONFIRMATION LINE LIMIT ENHANCEMENT**

i. Where the Bank has a potential transaction, an addition of which will exceed current credit limit with a correspondent bank, Trade Finance Unit will engage the correspondent bank to extend the Bank's limit to accommodate the transaction value.

ii. Trade Finance Unit ensures that the new limit is advised to Trade Services to update the confirmation line register.

iii. The Team will also be responsible for rendering returns to the CBN on confirmation line.

4.3 SALES SUPPORT (BUSINESS CALLS)

Trade Finance Unit shall take physical or virtual joint calls as requested by Business Units and subject to availability.

WHERE REQUESTED JOINT CALL IS A PHYSICAL ENGAGEMENT:

i. Business units should provide minimum of 48 hours' notice for joint-call requests

ii. Joint-call requests should be sent via meeting request on mail.

iii. Where notice is shorter than required 48 hours, escalation should be done to the Head, International Trade Services.

iv. For mobility to call venue:

a) Requesting unit to arrange pick-up of trade officer.

b) Trade Finance personnel to request approval for use of pool service from Corporate Services with concurrence by Head, International Trade Services.

vi. Trade Finance to note required action for the Team and expedite action as may be required.

CHAPTER 5: BILLS FOR COLLECTION

5.1 INTRODUCTION

This chapter deals with the receipt, processing, and control of Bills of Exchange, Cheques, Drafts, and other related items received for collection.

I. The ICC Uniform Rules for Collection URC522, defines Collection as the handling by the bank, of documents, in accordance with instructions received, to obtain payment and/or acceptance, or to deliver documents against acceptance.

II. The bank acts as an agent that collects payment from the importer on behalf of the exporter.

III. This involves the remittance of funds to a beneficiary on behalf of the Bank's customer upon receipt of valid shipping Documents from the Beneficiary and acceptance of Bill of exchange by the customer.

The documents may be:

I. **Financial Documents** - Bills of exchange, promissory notes, cheques, or other similar instruments used for obtaining the payment of money

II. **Commercial Documents** - transport documents, documents of title or other similar documents.

Parties to a Bill for Collection transaction include:

- The Drawer (i.e., the Seller/Beneficiary)
- The Drawee (i.e., the Buyer/Applicant)
- The Remitting Bank (Usually the Drawer's Bank
- The Collecting Bank (Usually the Drawee's Bank)
- The Correspondent Banks (for the Drawee's Bank and or for the Drawer's Bank)

5.2 PRESENTATION / DISPOSITION

1. Collection items received will be advised or presented (or remitted for collection) without delay or, in the case of collection items with fixed maturity date, in a manner to ensure presentation on or before the stated maturity date. Advice of payment or acceptance, non-payment or non-acceptance, status advice, etc. will be immediately mailed (or sent by telecommunications, if required) to the remitter after first presentation.
2. The remitter's handling instructions (protest, telecommunications advice, waive charges, etc.) will be carefully followed and the remitter will be advised on all developments. The remitter's instructions regarding the collection of the item will not be changed without prior approval from the remitter or his authorized agent. When local regulations or customs or the bank's policy do not permit adherence to certain instructions, the remitter will be advised accordingly.
3. When a local agent or "case of need" is named by the remitter, the extent of the authority will be limited to that conferred by the remitter. An appropriate record of any general authorizations or instructions received from remitters will be maintained.
4. If collection items are to be presented "on arrival of goods", the arrival of the relative carrier will be followed up to ensure prompt presentation.
5. If merchandise covering a collection item is consigned to the bank, or may become the responsibility of the bank, specific instructions must be received as to what action the bank should take in case of non-payment or non-acceptance of the collection.
6. If no such instructions are in hand, they will be obtained (by telecommunications if necessary). However, consignment of collection documents to Premium Trust Bank as against consignment to drawee is not encouraged given the preferred handling of collection as Supplier's credit.
7. Inquiries regarding the fate of items received for collection will be directed to a designated desk officer who is on collection processing. He/she will also be responsible for investigating all other inquiries to satisfy that the relative collection items are handled properly.
8. A proper follow-up system will be established to monitor the receipt of proceeds on due date or shortly thereafter.

5.3 INITIATING A BILLS FOR COLLECTION TRANSACTION

An Importer who wishes to effect payment on a Bills for Collection basis would have indicated this payment mode on the underlying e form 'M'. Processing of form M only confers a moral obligation on the bank to provide FX for Bills Settlement on best effort basis and subject to adequacy of documentation and funding in customer's account.

The Bills for Collection process begins with the customer completing an electronic form M accompanied with relevant supporting documents depending on the item of import.

I. The responsible International Trade Services Officer validates the form M online and moves it electronically to Nigeria Customs Service for acceptance.
II. Upon receipt of notification of Customs Acceptance, the approved form M and other supporting documents is moved to the Bills for Collection Desk.
III. The Bills officer reviews the documents against accompanying checklist for completeness. Any exception is notified to the Counter Services desk for rectification. The reviewed document is filed off in a chronological order pending receipt of shipping documents from the supplier's bank.

5.5 RECEIPT OF SHIPPING DOCUMENTS FOR BILLS FOR COLLECTION

I. The Foreign Exchange Regulation in Nigeria provides that shipping documents on Bills for Collection transactions must come to the Importer's Bank directly from the Supplier's bank or through the offshore correspondent of the importers bank.
II. Documents that do not comply with the prescribed routing method will not be eligible for collection purpose.

On receipt of the Collection documents, the Bills for Collection Desk Officer will do the following:

- ❖ Verify the correctness of the documents received against the documents listed on the collection order
- ❖ Retrieve the underlying form M to which the collection relates
- ❖ Review the collection documents to ensure they include the following:
  - Tenor Draft / Bill of Exchange drawn on the importer
  - Original Bill of Lading / Airway bill
  - Certificate of Origin

- Packing List
- Final Invoice
- Manufacturer's Certificate of Production/ Certificate of Chemical Analysis
- Bill History / Collection Order from the Remitting Bank
- Other relevant documents depending on item of import and prevailing regulation

❖ Review the Collection order and payment terms to ensure they are consistent with what is allowed by local regulations. Currently only tenured bills with maturity date not exceeding 180 days from Bill of Lading date in the first instance are allowed.

❖ Review Collection terms to ensure there are no hidden clauses / avalisation requirement that may create unwanted credit exposure to bank.

❖ Communicate observed discrepancy (if any) to the Remitting Bank via SWIFT or any other acceptable communication channel for necessary corrections with notice to the drawee to facilitate the correction process.

❖ Where documents are okay; notify customer / relationship team of receipt of shipping documents to enable customer pick up bill of exchange for acceptance.

❖ Allocate an internal reference number for the transaction or maintain the same reference / file number with previous shipments in case of partial shipment on the same form M.

❖ Make and forward copies of the documents to the PAAR Desk for processing.

❖ Upon acceptance of Bill of Exchange and compliance with the Collection terms, the shipping document is released to the customer or their authorized agent to facilitate the clearing process. The shipping documents release officer ensures that an acknowledged copy of the endorsed shipping documents is retained in the file for record purpose.

❖ The Desk Officer also generates a SWIFT message to communicate acceptance of the Bill of Exchange to the Remitting Bank and passes the following SWIFT charges
  - Dr: Customer
  - Cr: SWIFT Recovery

❖ The Online Register is updated to capture Bills maturity date.

5.6 A CASE OF DUPLICATE DOCUMENTS

a. Duplicate sets of documents received after the originals have been received and processed will be assigned the same collection number as the corresponding originals.

b. Disposition of duplicate documents depends on whether the original has been received.

c. If the originals are held awaiting disposition, duplicates will be attached and held with the originals.

d. If duplicates arrive before the originals, a collection number will be assigned, and the duplicates will be processed as originals.

e. However, the remitter will be informed by cable of the non-receipt of the originals.

f. A system will be established to avoid the processing of the originals as separate items when subsequently received.

KEY RISK	**KEY CONTROL**
Payment may be made on an expired Bill	The Team Lead will ensure that periodic spooling of Expiring Bills Report is done and advise customers accordingly.
Payment may be made against incomplete documentation	The responsible officer will review the documents for accuracy, validity and completeness before processing the bill payment.
Transfers may be made using the wrong account number on collection order	The Trade officer will ensure that the remittance is made by strict adherence to the collection order
Instructions may be wrongly remitted using the instructions provided by the customer rather than using the collection order	The Trade officer will ensure that first level call over is done for the previous day transactions.

Possibility of violating URC522	The Trade officer should confirm that checklists are duly ticked and signed to ensure all necessary documents are sent from the offshore bank

5.7 TRANSFER OF COLLECTION DOCUMENTS TO ANOTHER BANK

I. A request for the transfer of collection documents to another collecting bank at the instance of the Drawee will be actioned where the collection order expressly permits such transfer without further reference to the Remitting Bank.

II. Transfer with notice to the Remitting Bank may also be done where it is discovered that the collection documents had been routed in error.

III. The approval of the Central Bank of Nigeria is required where the transfer is from a distressed bank to a non-distressed bank.

Subject to availability of the required approvals, the collection documents in original and duplicate (if any) is transferred to the designated bank with a covering letter listing details of transferred documents which must be duly acknowledged by the designated bank. The acknowledged letter and photocopies of all transferred documents are maintained in the bank's records.

The Remitting bank is notified as soon as the transfer is done, and the following entries passed in respect of cost of the transfer:

- DR. Customer's Account (VAT and Commission)
- CR. Commission Account
- CR. VAT

****The books are subsequently closed.**

5.8 SETTLEMENT OF BILLS FOR COLLECTION OBLIGATION

Submission of Final Exchange Control Documents is a pre-requisite for assessing official window for foreign exchange for settlement of bills for collection obligation at maturity.

Upon clearing the consignment, the drawee is required to forward the following exchange control documents to the Collecting Bank in readiness for foreign exchange purchase for settlement at maturity:

- Original Custom's Payment Schedule
- Original Single Goods Declaration Form (SGD Form)
- Original Terminal Delivery Order (TDO)
- Copy of the PAAR
- Copy of the on-line Duty Payment Receipt
- NMDPRA Product Certification Report for Petroleum Products only.

I. The desk officer must review the exchange control documents to ensure that they relate to the underlying shipment / shipping documents before filing them off in the respective transaction file.

II. A mechanism for following up on outstanding collections will be established and the remitting bank advised on collection status.

III. At bills maturity the drawee will either instruct the purchase of FX from the official window for Bills settlement or instruct a direct debit to their foreign currency domiciliary account for settlement.

IV. A customer may also opt to use the bank's refinancing facility (confirmation line) for settlement of bills for collection obligation to the supplier while repayment of the facility amounts, and associated fees is deferred to a new future maturity date.

V. SWIFT messages are generated for the settlement of the bills for collection obligation and the bills records updated appropriately.

5.8.1 **REMITTING PROCEEDS ON BILLS FOR COLLECTION TRANSACTION**

On receipt of Customer's request for payment on Bills for collection transaction the Desk Officer is expected to adhere to the following:

- Retrieve transaction file and reviews to confirm that
    - Bill is within its expiration date of 180 days from Bill of lading date (expired bill must be revalidated prior to settlement)
    - All relevant exchange control documents are in file
    - A set of shipping documents is in file

- Confirms the total amount to be remitted. In case of interest payment, this will be calculated based on the prevailing regulatory conditions.
- Confirms availability of requisite funds for payment (payment may be made using customer's own funds – naira or foreign currency)
- Where FX purchase is required for settlement, customer's request is scheduled for FX allocation and upon successful allocation the officer generates SWIFT messages MT103 or MT202 and MT999 to remit funds and notify the remitting bank of bills settlement.

  The following entries will be passed for the remittance:

  - **FX Sales Entries**:
    - DR Customer Naira equivalent of Remittance Amount
    - CR: Customer FCY Fem Suspense
  - **Payment Entries**:
    - DR Customer FCY Fem Suspense with Remittance Amount
    - Cr: Offshore Nostro
  - **Commission and Fees Entries**:
    - Dr Customer A/c – Commission amount
    - Cr: P and L
    - Dr Customer A/C
    - Cr: VAT
    - Dr Customer A/C
    - Cr: SWIFT Recovery
- Where customer wishes to use own domiciliary funds for settlement, relevant SWIFT messages will be generated, and the following entries passed:
  - **Payment Entries**:
    - DR Customer Dom Account – Remittance Amount
    - Cr: Offshore Nostro
  - **Commission and Fees Entries**:
    - Dr Customer A/c
    - Cr: Commission
    - Dr Customer A/C
    - Cr: VAT

- Dr Customer A/C
- Cr: SWIFT Recovery

5.8.2 BILLS SETTLEMENT WITH OFFSHORE CONFIRMATION LINE

A customer may wish to use the offshore confirmation line for the settlement of their bills for collection and repay the facility later.

For Bills settlement using the offshore confirmation line with correspondent banks, the Desk Officer must:

- Ensure that customer's request meets documentation / regulatory requirements already spelt out.
- Ensure that the customer has met the following additional conditions:
  - Approval to use the line as evidenced by approved Booking memo and or Executed Term Sheet.
  - Evidence of compliance with the conditions specified on the Booking memo and or executed term sheet.
- Liaise with the Correspondent Banking Desk to determine the correspondent bank to use for the transaction.
- Scan copy of the underlying trade documents to correspondent banks and prepares relevant SWIFT messages in pre-agreed format to authorize the correspondent to effect payment on the collection and book loan
- Send a SWIFT notification to the remitting bank to inform them of bills settlement through the offshore correspondent
- **Passes the following contingent entries to recognize the transaction**
  - Dr Customer Refinanced Bills
  - Cr Bank's Refinanced Bills
- **Passes the following entries to recognize income**:
  - Dr Customer Commission + VAT+ SWIFT
  - Cr Bank PL - Commission
  - Cr VAT
  - Cr: SWIFT

Commission is subject to customer's approved concessions

At maturity of the refinancing period, FX is purchased for the settlement of the principal loan amount and facility fee. An MT 202 and MT799 is prepared to move funds to the correspondent bank and notify them of loan settlement and the following entries passed:

- Dr Customer's account with NGN equiv. of loan amount and facility fee + Margin
- Credit Trade Suspense account

- Dr Trade Suspense A/C with NGN equiv. of principal facility amount + Correspondent interest
- Cr: Customer Fem Suspense A/c

- Dr Trade Suspense a/c
- Cr: Income A/c with margin due to bank

- Dr: Customer Fem Suspense A/C
- Cr: Offshore Nostro with FCY Principal + Interest

- Dr: Bank's Refinanced Bills
- CR: Customer's Refinanced Bills

❖ Updates relevant registers.

CUSTOMER AND TRANSACTION DUE DILIGENCE FOR FORMS M/LC/BILLS/GUARANTEES.

KEY RISKS:

- Change in value of goods leading to settlement/price risk.
- Processing form M with details different from what is stated on the proforma invoice.
- Form M is processed for country/beneficiary on sanction list.
- Fictitious value leading to over/under invoicing.
- Processing of transactions for goods prohibited from importation /restricted from sourcing FX from the official window.

- LC/Bills/Guarantee transactions are processed without complete documentation as stated in the import guideline and FX manual.

Key Controls

- Trade officer ensures proforma invoice date is not older than 3 months before the form M is processed.
- The lead ensures form M reflects the same details of buyer and seller as stated on the proforma invoice before the form M is validated.
- Check list is for sanctioned entity.
- Trade officer performs independent price verification,
- Supervisor checks Prohibited Import List as well as list of 43 items restricted from accessing FX from the official window.
- Trade officer ensures all documents required are in place before transaction is processed.
- Team leads or officer's reviews all required documents for a transaction in line with regulatory guideline

CHAPTER 6: SMALL AND MEDIUM ENTERPRISES REMITTANCES (FORM Q)

6.1 INTRODUCTION

Small and Medium Enterprises (SMEs) are critical to the development of any economy as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries.

In a bid to accommodate all stakeholders in the foreign exchange market the CBN via a circular ref. **TED/FEM/FPC/GEN/01/002** advised all authorized dealers and the public of its decision to intervene in the foreign exchange market to ensure payments for eligible imports by small and medium scale enterprises. Under this arrangement eligible SMEs can access FX from the official window up to a maximum of USD20,000.00 per quarter with minimum documentation.

A revised circular ref **TED/FEM/FPC/GEN/01/005** specified the following conditions that must be met by SMEs who intend to access official foreign exchange through the special window:

- Duly completed form Q.
- Application Letter from the customer.
- Applicant must be an account holder with Premium Trust Bank and must have operated the account for at least 6 months.
- Foreign Bank Transfer Details.
- Proforma Invoice from the offshore supplier/ beneficiary.

6.2 FORM Q REMITTANCE PROCEDURAL FLOW

The Branch submits customer's request for remittance under the SME to International Trade Services after confirming the following:

I. That customer qualifies as SME (i.e.: Asset Base is below NGN500M; Employee Base is below 300).
II. That customer has operated account with the bank for a minimum of 6 months.
III. That customer's account is funded to cover the transaction.

IV. That customer's request is supported with appropriate documentation.

V. That cumulative customer's request does not exceed $20,000.00 per quarter or any other limit as may be approved by the CBN and advised by Trade Services from time to time.

The Trade Services Officer conducts a second level confirmation of submitted transaction and upon satisfactory review the transaction is processed and approved by the Trade Authorizer. This is to ensure compliance with extant regulation.

On transaction consummation, the below entries are generated alongside a SWIFT MT103.

- DR Customer (NGN equiv. of transfer amount)
- CR SME (FCY Suspense) with transfer amount

- DR: SME (FCY Suspense) with transfer amount
- CR Nostro with transfer amount

- Dr: Customer with SWIFT Recovery
- Cr: SWIFT Recovery Account commission a/c

Under the CBN special arrangement for SME payments, Banks are only entitled to FX spread on the amount sold and telex recovery charge. There is no commission charged on the amount remitted.

CHAPTER 7: EXPORT TRANSACTIONS

7.1 INTRODUCTION

The importance of export documentation cannot be over emphasised as such the foreign exchange manual in **Memorandum 10** of the Revised Foreign Exchange Manual stipulates the requirement for NXP registration for all commercial exports irrespective of the mode of payment.

The memorandum provides guidelines for processing export transactions while also highlighting the responsibilities of various parties in the export value chain.

Exports from Nigeria are allowed under the payment modes of Letters of Credit, Bills for Collection, Advance Payment, or any other payment mode that may be approved by the Central Bank of Nigeria from time to time. The following are basic requirements for commercial exports from Nigeria:

a) The prospective exporter is required to in the first instance register with the Nigerian Export Promotion Council (NEPC), get a valid NEPC certificate and Corporate Affairs Commission (CAC)
b) The Exporter must open an export domiciliary account with the bank for the receipt of proceeds on the proposed export.
c) The Exporter is required to complete an electronic NXP Form on the CBN TRMS platform: www.tradesystem.gov.ng. Completed NXP form with copies of the contract sale or proforma invoice is submitted to the exporter's bank for approval.
d) Where the export is of a non-commercial type and payments are not expected for the goods being shipped, Non-commercial Export (e-NCX) Form is completed on the CBN TRMS platform and submitted to exporter's bank along with other prescribed documentation for further processing.

7.2 DOCUMENTATION REQUIREMENTS FOR EXPORT

International Trade is a business of documentations. This is because the goods can be in transit for more than 2 months, but the documents give evidence of the shipment and details of the goods. This in turn gives comfort to the buyer, bank and other party involved in the transaction. Documentations are so key in international trade and therefore could jeopardise the success of export project if not properly executed.

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There are pertinent questions that needs to be answered by an exporter at the beginning of an export transaction to reduce the problems associated with export documentation.

1. What are the documents required in the export process?
2. Where can the documents be obtained?
3. When are the documents supposed to be processed?
4. How does the exporter prepare the documents to be issued by his company?

7.3 E- FORM NXP PROCESSING

The e-NXP Form is an Exchange Control Document provided by the CBN to monitor processing of exports, irrespective of the mode of payment under which the transaction is being conducted.. A duly completed e NXP form has the following features:

- Form NXP Application Number
- Exporter's name and address
- Exporter's RC No. and NEPC Registration No.
- Consignee's Name and address
- Description of Goods and the Quantity
- Value of goods and currency
- Method of Payment
- Details of the Collecting and Negotiating Bank in Nigeria
- Expected Shipment Date
- Ports of Loading and discharge

The following procedures are involved in NXP Processing:

- ❖ A prospective exporter declares his intention to export goods, by submitting an e-Form NXP application on the CBN TRMS platform to Premium Trust.
- ❖ Upon receipt of the submitted application on the TRMS platform, the desk officer reviews the exporter's declaration on the platform against the uploaded source documents and recommends for approval by the supervisor or rejection back to the exporter.

- The Supervisor approves the recommended NXP application to the Pre-Inspection Agent (PIA) for assessment
- The desk officer registers the approved NXP on the manual E-Form NXP register on SharePoint.
- The PIA assesses the exporter's declaration on the approved NXP and notifies both the exporter and the bank of the expected NESS levy payable.
- The exporter makes NESS payment through any of the Premium Trust branches or other Banks and uploads the NESS receipt on the TRMS platform.
- The desk officer reviews and confirms the NESS payment to the PIA on the TRMS platform to enable them to proceed with pre-shipment inspection
- Upon satisfactory inspection, the PIA shall issue a clean certificate of inspection (CCI) and upload the same on the TRMS platform for all stakeholders
- The following entries are passed to recognize fees on NXP registration.

Dr: The customer's current account: NXP processing fees
Cr: NXP suspense account: NXP processing fees

Dr: The customer's current account: Commission + VAT
Cr: Branch Income Account: Commission
CR: VAT (7.5% of commission)

Fees are subject to customer's approved concessions.

The NXP Form shall be utilized within six months from the date of registration, subject to renewal for 3 months by the Bank. Subsequent requests for renewal are to be approved by the Director, Trade and Exchange Department, Central Bank of Nigeria, Abuja otherwise it must be returned to the exporter's bankers for cancellation.

7.4 CANCELLATION OF NXP ON TRMS PLATFORM

The following are involved in NXP cancellation:

- Customer initiate NXP cancellation on the TRMS and if NXP have not been approved by ADB, it will be rejected by ADB.

- For approved NXP that has gone to PIA, after customer's initiate cancellation, it will go to the PIA who will now reject and return to the customer.

- For an NXP that has passed the stage of PIA and CCI issued, cancellation request from the customer on the TRMS will go straight to the queue of the CBN that will approve the cancellation.

The customer can view every stage of NXP processing on the TRMS Platform

7.5 PRE-SHIPMENT INSPECTION FOR EXPORTS

All goods (including oil/its derivatives and non-oil goods) exported from Nigeria shall be subject to inspection-by-Inspection Agent(s) appointed for that purpose by the Federal Government of Nigeria except the following items that are excepted and listed as **Schedule A**.

- personal effects
- Return of empty containers
- Live animals
- supplies to diplomatic consular/ missions and supplies to United Nations (UN) for their own needs.
- used motor vehicles
- perishables like day old chicks, human eyes, human remains
- Vaccines, yeast
- Objects of art
- Explosives
- Pyrotechnic products and Arms
- Ammunitions
- Weapons
- Implements of War
- Household and other non-commercial products
- Gifts and personal effects, trade samples/printed business matter
- Machineries, and equipment for repairs abroad, machinery for the execution of specific contract, re-exports
- Transhipments

7.6 PROHIBITED EXPORTS

The following items on appendix V Schedule B of the Revised Foreign Exchange Manual and other items as may be advised from time to time are under export prohibition list:

- Raw hides and skin
- Timber (Rough and sawn)
- Scrap Metals
- Unprocessed rubber latex and rubber lumps.

For the avoidance of doubt, goods prohibited for exportation from Nigeria as contained in the annual Fiscal Policy guidelines shall not be processed by the PIAs.

7.7 THE CLEAN CERTIFICATE OF INSPECTION (CCI)

I. The inspection shall take place at the points of production and/or storage, farm gates, seaports, airports, terminals, or other points of exit.

II. The Inspection Agent(s) shall inspect the quality and quantity of all exports as well as the true value of goods to the consignee and shall issue a Clean Certificate of Inspection (CCI) in respect of such goods within 72 hours after the inspection of the goods.

III. In case of discrepancy in the item, quantity, quality, or value of import the Pre-Shipment Inspection Agents shall issue a non-negotiable Certificate of Inspection and upload on the TRMS platform.

IV. Where a written compliant or protest has been lodged by the consignee of his agent on oil and gas export, the relevant CCI shall be issued within a maximum period of 30 days.

7.8 EXPORT BILLS FOR COLLECTION OR DOCUMENTARY COLLECTION

I. Documentary collection arises when commercial and financial documents (covering an export) along with payment instructions are forwarded by an exporter to a bank mandating it to intermediate in the payment process.

II. It is one of the means of international trade settlement and is based on a high degree of trust between the parties to the transaction

III. In simple terms, export bill collection means sending of export bills to overseas buyer through his bank to collect payment under export bills.

IV. Once after completion of necessary export procedures and formalities the exporter prepares necessary documents to send to his overseas buyer to take delivery of cargo. This document includes Commercial invoice, packing list, certificate of origin, Bill of lading or Airway bill, bill of exchange, quality certificate, and other documents specifically mentioned by the buyer at the time of placing purchase order.

V. Once after preparing such export documents, the exporter submits them with his authorized bank to send to his overseas buyer.

VI. All collection transactions are subject to the latest version of Uniform Rules for Collection. The current version is ICC publication No. 522, 1995 Revision, in force as of January 01, 1996.

VII. The customer who must have previously registered e- NXP with the bank on Bills for Collection basis will upon shipment of the consignment forward the shipping documents to the bank to handle on collection basis.

7.8.1 RECEIPT OF EXPORT DOCUMENTS

A customer who wishes to export on Bills for Collection Basis shall be required to submit the relevant shipping documents and collection instruction to the bank for onward transmission to the supplier's bank who can also be called the collecting Bank. A standard export collection documents will usually contain the following:

- Remittance Instruction from the exporter.
- Original and Non-Negotiable copies of Bill of Lading or Airway bill
- Final Invoice with a Financial Seal affixed by the Pre-Shipment Inspection agents.
- Original and copies of Customs Invoice certified by Inspection Agent
- Bill of Exchange (Draft)
- Other relevant documents

At the point of receipt of documents from the exporter for collection purpose, an acknowledgment of the receipt of the documents will be issued to the exporter with a below sampled disclaimer:

> **"We except for transmission only, and at your risk, items not payable at this Institution and will not be responsible for any act, neglect, default, failure, or insolvency of any correspondent, agent, or sub-agent or for losses or delays occurring in the course of transmission."**

The Trade Officer shall examine the documents for completeness and thereafter schedule for collection through the nominated bank while also ensuring that copies of the collection documents are retained in the file.

The collection order should contain a listing of the collection documents, the disposal instruction as well as the bank account details for the remittance of proceeds.

Where the offshore bank (collecting bank) is unable to adhere to any of the instructions contained in the Collection Order, the bank shall promptly notify the Remitting Bank who will in turn liaise with exporter for modification of the collection terms where required and thereafter revert to the offshore bank.

7.9 EXPORT LETTERS OF CREDIT TRANSACTIONS

7.9.1 **INTRODUCTION**

Exporters face the greatest risk in international trade unless they can secure payment in advance of shipping their goods.

However, the competitive nature of the world economy often demands that Exporters ship their goods before receiving payment. LCs provide exporters with the confidence to allow them to ship their goods in advance of the receipt of payment.

I. An LC is a conditional payment guarantee provided by the Importer's bank to the Exporter.
II. The exporter normally receives the payment guarantee prior to the shipment of goods. The payment guarantee is conditional upon the exporter providing

documentary evidence of the shipment of goods in accordance with the terms of theLC.

LCs may be confirmed (i.e., the credit risk of the Importer's bank can be underwritten by the Exporter's own bank), thus eliminating an Exporter's risk of non-payment resulting from default by the Buyer, their bank, or a country risk event. This would require credit approval for the Exporter's bank.

III. An Export Letter of Credit is an Inward documentary Letter of Credit issued at the instance of an offshore buyer in favor of a local exporter for the exportation of goods from Nigeria.

IV. Premium Trust Bank will upon receipt of an authenticated Inward Letter of Credit advise the LC directly or through a nominated bank specified on the LC.

V. Premium Trust Bank will not be under obligation to advise a letter of credit. However, where the bank does not want to advise an inward LC, it shall notify the issuing bank accordingly.

VI. A documentary Letter of Credit is a written undertaking by a bank (the issuing bank) given to a seller (exporter) at the request of and the instructions of the buyer (the importer or account party) to pay at sight or at a determinable future date up to a stated sum of money, within the prescribed limit and against stipulated documents (usually shipping documents).

The following issues are covered under this section:

- Advising / Confirmation of L/Cs.
- Examination/Dispatch of shipping documents.
- Negotiation of shipping documents.

7.9.2 **ADVISING OF EXPORT LETTERS OF CREDIT**

The Letter of Credit is received through authenticated SWIFT in favour of a Premium Trust customer or another bank's customer.

The LC may also be received from another local bank in favour of a Premium Trust Bank customer.

Where this is the case, the authenticity of the instrument must be confirmed with the local advising bank by ensuring that the forwarding letter is signed in line with the bank's mandate.

Where the authenticity of an LC instrument cannot be ascertained, the issuing bank must be contacted for necessary verification. After authentication of the LC instrument, the Desk Officer reviews LC terms to ascertain the following:

i. That the issuing bank is a recognized financial institution as required by the Anti-Money laundering Policy. It may be necessary to contact our correspondent bank in the country of the issuing bank.
ii. There are no boycott clauses or any other clause that may jeopardize the bank's interest.
iii. Whether LC requires our confirmation, or we are to advise without confirmation.
iv. In case of boycott clauses or any other clause that may jeopardize the bank's interest, the matter must be referred to Compliance officer for determination.

Where LC is to be advised without confirmation, it is allocated a reference number and advised to the beneficiary accordingly. The advice will usually contain the clause: ***We advise LC without our confirmation, and it constitutes no engagement on our part.***

Where LC beneficiary is a Premium Trust Bank customer, the following entries are passed to recognise the advising commission:

- DR Customer Advising commission
- CR LC Commission

Commission is subject to 7.5% VAT and approved customer concession.

Where LC beneficiary is not a Premium Trust Bank customer, a claim for the relevant charges will be presented through the beneficiary bank at the point of LC advise.

7.9.3 CONFIRMATION OF EXPORT LETTERS OF CREDIT

I. The issuing bank or the LC beneficiary may require Premium trust Bank to add confirmation to the LC.

II. Where Premium Trust Bank's confirmation on the LC is required at the instance of the correspondent bank, this will be done subject to adequacy of LC cash cover in the correspondent bank's account with Premium trust Bank or upon receipt of relevant credit approval.

III. The Correspondent Banking Team will be required to obtain such approval before confirmation can be added.

IV. Where requirement for LC confirmation is at the instance of the beneficiary, the account relationship manager will be required to process necessary approval to enable the bank add confirmation.

Relevant confirmation fees based on agreed / negotiated pricing will apply.

7.9.4 EXAMINATION/DISPATCH OF EXPORT SHIPPING DOCUMENTS

After shipment of goods, the beneficiary will be required to forward compliant documents to the bank to enable them receive payment for the goods shipped under the letter of credit.

The Desk Officer will examine documents for conformity with the terms and conditions of the LC and notify customer / relationship team of any observed discrepancy for regularization otherwise, documents will be forwarded to the issuing bank/ negotiating bank on approval basis with a request for Premium Trust Bank's nostro account to be credited with proceeds subject to acceptance of documents by the account party.

7.9.5 CHARGES ON EXPORT LETTER OF CREDIT

I. Where charges are for the account of the beneficiary, these may be taken in Naira or FCY depending on customer's preference.

II. Where Premium Trust Bank charges are for the account of the applicant, these will be remitted by the issuing bank separately or with the LC proceeds to enable the bank to deduct same and credit beneficiary for document value.

III. Where charges are for beneficiary and the client does not operate an account with Premium Trust Bank, the charges will be converted to foreign currency and deducted from the export proceeds before same is transferred to the beneficiary's bank.

The entries on charges will be passed along with the entries recognizing the receipt of the export proceeds as follows.

Entries On Receipt of Export Proceeds

- DR: Export Nostro Account {Amount of proceeds received}
- CR**:** Customer's Export Dom account {Amount of proceeds received}

Entries On Export Proceeds Charges

- DR Customer {LC Negotiation Charges} (Amount is negotiable)
- CR Export commission
- CR Postage
- CR SWIFT

Commission is subject to VAT and approved customer concession.

After receipt of the proceeds, e-NXP is certified to the Central Bank. The file and documents are stamped '**PAID**'; initialled and filed off.

If a credit expires without any drawings, a SWIFT message is sent to the issuing bank advising the expiry and all outstanding under the credit is liquidated accordingly.

7.10 REPATRIATION OF EXPORT PROCEEDS

The Central Bank of Nigeria (the "CBN") on 19 February 2015 (the "2015 Circular") restated the time limit for the repatriation of export proceeds into the exporter's domiciliary accounts in Nigeria.

I. The proceeds of oil exports are to be repatriated within ninety (90) days from the date of shipment while non-oil exports proceeds must be repatriated within one hundred and eighty (180) days from the date of shipment.
II. This directive of the CBN has its origins in the Pre-Shipment Inspection of Exports Act Chapter 25 Laws of the Federation of Nigeria, 2004 (the "Act") which requires an exporter of goods, including petroleum products, to open, maintain and operate a foreign currency domiciliary account in Nigeria into which shall be paid all export proceeds corresponding to the entire proceeds of the exports concerned.
III. The Act designates to the CBN, the responsibility for the administration of the Act and empowers the CBN to make regulations in furtherance of the Act.

The Circular by the CBN also prescribes a penalty for the collecting bank for non-compliance with the directive. The penalty being payment of 25% of the Free on Board ("FOB") value of the goods exported and other sanctions provided in extant banking laws. In its determination to further enforce the repatriation regime and ensure more compliance by exporters, the CBN has now imposed penalties on not just the banks but also on exporters that are in default.

The 2015 Circular while reducing the penalty payable by the banks for non-compliance from 25% to 10% of the FOB value of the goods exported, stipulates that an exporter who defaults in repatriating its exports proceeds or fails to repatriate the proceeds within the stipulated time would be barred from participating in all the segments of the foreign exchange market in Nigeria.

In a related development, the CBN in a bid to further regulate the foreign exchange market issued another circular on the uses to which export proceeds in domiciliary accounts in Nigeria can be put. Hitherto, holders of export domiciliary accounts were allowed to have "unfettered" access to funds in their account with minimum documentation. In other words, the instructions of the account holder were sufficient to access funds in such account irrespective of the payment mode.

However, in the circular dated 20 February, 2015 and titled "Clarification on the Provisions of Memorandum 26, Paragraph (5) Section (D) of The Foreign Exchange Manual re: Unfettered Access to Funds in Export Proceeds Domiciliary Accounts", the CBN narrowed the meaning of the term "unfettered access" and directed that the proceeds in an export domiciliary account can only be (a) used by exporters to finance eligible and other trade related transactions supported with appropriate documentation; and (b) sold to authorized dealers for eligible transactions only.
Non-compliance with the directive above could bar an exporter from participating in the foreign exchange market. This raises serious concern for persons whose transactions do not ordinarily qualify as "eligible transactions" and who before now depended on the export proceeds of exporters to finance their so-called "ineligible transactions".

The extant regulation provides for export proceeds repatriation within 90 days for oil shipment and 180days for non-oil exports respectively. Repatriated export proceeds are credited to customer's export domiciliary accounts may only be used for the following:

- To finance eligible and other trade related transactions supported with appropriate documentation
- Sold to authorized dealers (banks) for eligible transaction only.
- Any other purpose as may be approved or advised by the CBN from time to time.

In case of pre-payments, the exporter will be required to provide details / evidence of the advance proceeds received to enable the bank to do the necessary certification to the CBN

The following entries are passed to recognize receipt of export proceeds:

DR: Export Nostro Account {Amount of proceeds received}

CR: Customer's Export Dom account {Amount of proceeds received}

I. Certification of proceeds to the CBN must be accompanied by evidence of funds inflow (usually SWIFT advice) and a copy of the e-NXP form indicating the amount repatriated in case of partial certification.

II. Upon full repatriation and final certification, the e-NXP is endorsed with the repatriated amount and the CBN notified accordingly. The TRMS platform is updated at the same time.

III. Customers who fail to repatriate export proceeds within the regulatory period are reported to the CBN in line with the extant regulations. The report will usually take the form of a schedule of defaulters in CBN prescribed format forwarded to CBN with a covering letter monthly.

IV. To forestall delayed or non-repatriation of export proceeds, the bank shall ensure a tracking mechanism to ensure customers receive two reminders at 30 days and 15 days before repatriation due dates where proceeds have not been received before those days.

As part of efforts to encourage repatriation of export proceeds and also achieve the objective of the RT200FX Programme the CBN via circular ref TED/FEM/FPC/GEN/01/002 dated February 25, 2022, introduced the Non-Oil Export Proceeds Repatriation Rebate Scheme which entitles the exporters of finished or semi-finished goods wholly or partly processed or manufactured in Nigeria to rebates on amounts of non-oil export proceeds repatriated and sold at the I and E window or used for eligible trade subject to appropriate documentation and compliance with prescribed eligibility criteria.

CHAPTER 8: INVISIBLE TRANSACTIONS

8.1 INTRODUCTION

I. The Revised CBN Foreign Exchange Manual provides Bank's desk officers with documentation requirements for Invisible transactions otherwise referred to as form 'A' transactions.

II. Invisible transactions are essentially payments for intangible goods or services. They include educational expenses, Contract Service Fees, Membership Subscription and Examination Fees, Profits and Dividend Remittances, Travel Allowances and other eligible transactions as may be approved by the Central Bank of Nigeria from time to time.

III. Listing of eligible transactions and required documentation for processing are as detailed in the 2018 edition of the Central Bank of Nigeria Foreign Exchange Manual and amendments to date.

IV. The Central Bank of Nigeria (CBN) duly informed the public and all authorised dealers that legitimate requests for foreign currency for eligible transactions, normally referred to as "invisibles", such as remittances for school fees, student maintenance allowances, Business Travel Allowance (BTA), Personal Travel Allowance (PTA), medical and other eligible transactions, shall be fully met at the official/interbank exchange rate.

V. *PTA/BTA transactions are invisible transactions that are consummated at the branch level via the TRMS Portal*.

VI. For other invisible transactions that cannot be handled from the TRMS portal, requests should be submitted by branches to International Trade Services for further processing, documents will be reviewed against applicable checklist and CBN Foreign Exchange Manual to confirm completeness and adequacy before processing.

8.2 APPLICATION AND COMPLETION OF INVISIBLE TRANSACTIONS ON TRMS

CBN set up the Form 'A' to cater for the sale of foreign exchange to Nigerians who are trading or travelling abroad have access to affordable foreign exchange currencies especially the Great Britain Pounds (GBP), US Dollar (USD), and Euro (EUR).

- With the e-Form An online portal, one can submit his/her request and upload supporting documents from the comfort of his/her home or office.
- A valid Bank Verification Number (BVN) is required to access the Trade Monitoring System for e-Form A applications.

REGISTRATION ON THE TRADE MONITORING SYSTEM (TRMS) PORTAL

It is vitally important for customers to note the below during registration via the Trade monitoring system portal.

- First, as an organization, one must have a TIN (Tax Identification Number). Email must be linked to the BVN if registering as an individual.
- Visit the Trade Monitoring System Website.
- Scroll down and click '**Go to Portal'**.
- For a new account, click '**Register Now'**.
- Choose appropriate category (Organization or Individual).
- Enter y TIN (if organization) or your BVN (if individual).
- Choose password.
- Reconfirm password.
- Click Continue.
- An OTP will be sent to the email registered on ones BVN.
- Retrieve the code and submit.

I. The Bank has the role of a maker –checker in ensuring that correctness of details exist alongside with account number, and confirmation of uploaded documents.

II. The Supervisor works on the uploaded documents and all things being equal, forwards to the disbursement team to approve the disbursement of the cash/transfer.

III. The disbursement reviewer takes a last look at the application and approves the disbursement of the funds in cash or transfer.

IV. An email notification will also be sent to the applicant immediately.

The following entries are passed for processed transactions:

FX Sales Entries:

DR: Customer with NGN equiv. of Remittance Amount

CR: Fem Suspense

Payment Entries for MT103

DR: Fem Suspense FCY (for amount to be remitted)

CR: Offshore Correspondent account ledger

8.3 FOREIGN DRAFT ISSUANCE

All drafts shall be issued from the department, signed by the Bank's Authorised representatives.

Where customer has opted for payment via Bank Draft, this will be issued (in form of a draft confirmation -MT110) passed on for verification and Authorisation and finally sent to the offshore correspondent. Issued draft will be delivered to the originating branch's authorized representative for onward delivery to the customer and acknowledgement obtained.

The following entries are passed for processed transactions:

FX Sales Entries:

DR: Customer with NGN equiv. of Remittance Amount

CR: Fem Suspense

Payment Entries for MT103

DR: Fem Suspense FCY (for amount to be remitted)

CR: Offshore Correspondent account ledger

Entries for Payment via Draft

@ Draft issue

DR: Fem Suspense FCY (for payment amount)

CR: Draft Suspense Account

@ Draft presentation

DR: Draft Suspense Account FCY

CR: Offshore Correspondent Account Ledger

Commission Entries

DR: Customer Account (for commission and other charges).

CR: Commission - Service Charges A/C for Commission.

CR: SWIFT Recovery

CR: VAT Account

8.4 NOT VALID FOR FX INVISIBLE TRANSACTIONS

I. The processing is like the one described above except that official fund will not be used for payment.

II. Remittance to the offshore party will be made by debiting customer's export domiciliary account or ordinary domiciliary account in line with their instruction.

III. A SWIFT MT103 is generated for the payment and relevant entries passed.

IV. Relevant records are also updated.

CHAPTER 9: DOMICILLIARY FUNDS TRANSFER (PAYMENTS)

9.1 INTRODUCTION

These are remittances from customer's foreign currency ordinary domiciliary accounts to beneficiaries outside Premium Trust Bank via Swift.

The following are the requirements:

- Customer must have an operational domiciliary account.
- Account must be adequately funded to accommodate both the principal and charges.
- There will be monitoring of transactions to ensure that proper confirmation is in place before processing.
- Ensure that Transaction below $5,000.00 or equivalent in other currencies has at least a single confirmation by the Relationship manager or Service Manager or Team Lead.
- Transaction above $5,000.00 should have dual confirmation of the service manager/Relationship or Branch Manager. In case transaction is above $10,000.00 or its equivalent in 3rd currency, confirmation from Contact premium in addition to dual confirmation from the originating branch will suffice.
- Customers written request for Domiciliary transfer stating details of beneficiary.
- Transfer that involves bringing in of goods or items into the country will require execution of a Form M as stipulated in Memorandum 9 of the CBN's FX manual.

I. A physical review of the customer's account is paramount to determine source of fund if it is cash or inflow. This is in line with the CBN's regulatory requirement that limits maximum transfer amount to USD10,000.00 (or its equivalent in other currencies) for cash-based transfers.

II. There are however no limits to transfer amount where customer's account is funded through SWIFT inflow.

III. All customers foreign transfer requests will be processed through the relationship team in the branches to the Funds Transfer desk of the department ensuring that no transaction is executed mistakenly transferred twice.

IV. Proper maker checker checks should be in place starting from the branches to the Head office.

In case of defective requests, the customer or business group will be notified for remediation.

I. In the event of defective documentation, inadequacy of funds or regulatory concerns on transactions received by the department, such will be notified to the originating branch, business group or customer for remediation.

II. Where a defect is observed on an outgoing domiciliary SWIFT message the responsible officer shall repair the SWIFT message before final release. Modification by responsible officer shall be subjected to Maker Checker function. Where the observed defect requires that the transaction be aborted, the payment shall be rejected and the originating branch, business group or customer notified accordingly.

III. Relevant records are updated and required regulatory returns rendered for processed transactions.

IV. Swift advise to customer for successful transactions will be generated and sent to customers on request.

V. The desk officers shall ensure an up-to-date reconciliation of the relevant nostro accounts

The following entries are passed for processed transactions:

(a) DR: Customer Transfer Amount (FCY)
CR: Offshore Correspondent account ledger (Transfer amount or equivalent in third currency)

(b) DR: Customer Account (for commission and other charges).
CR: Commission - Service Charges A/C for Commission.
CR: SWIFT Recovery

CR: Offshore bank charges recovery (where applicable)

CR: VAT Account

9.2 AMENDMENTS / ENQUIRIES/RECALLS AND PAYMENT CANCELLATION

In cases where there are amendments to funds transferred

(1) Requests for the amendment shall be submitted by the customer through the branch or business group or directly to the department's Funds Transfer desk.

(2) The receiving branch or business group will verify the instruction for genuineness before forwarding to International Trade Services for further processing. An amending instruction shall be sent via SWIFT to the correspondent bank.

(3) In case of need, customers' requests to trace payments or recall processed payments shall be submitted in the same manner.

(4) Where response to correspondent's enquiries is not received timely and funds are returned because the offshore bank is unable to apply payment, the returned funds shall be credited within 48 hours to the customer's account and the customer / business group / branch notified.

(5) Responses to tracers sent to the offshore bank in respect of processed payments shall likewise be communicated.

(6) In few cases, a correspondent bank may cancel a payment instruction because it does not comply with their internal policies. Under such circumstances, the customer will be notified, and their account credited.

The following SWIFT recovery entries are passed where amendment is at the instance of the customer:

- DR Customer with SWIFT Recovery
- CR SWIFT Recovery Account

CHAPTER 10: INWARD FUNDS TRANSFER (CUSTOMER INFLOWS)

10.1 INTRODUCTION

These are inward payments from offshore parties in favour of Premium Trust Bank customers. The payments for ultimate credit to Premium Trust Bank beneficiaries may be for credit to one of the following accounts:

- **Customer's ordinary domiciliary account**
- **Customer's export domiciliary account (Repatriation of Export Proceeds)**
- **Customer's Naira account (Capital Importation or other purposes)**

International Trade Services shall ensure that customers FCY inflows are processed in an efficient manner and subject to completeness of information and AML /regulatory compliance.

These are foreign currency transfers received from other banks through our correspondent banks for further credit into Premium Trust Bank customer domiciliary accounts.

Requirements:

- An active domiciliary account in the currency being received.
- A proper remittance instruction through the correspondent bank.

Any amount in a foreign currency can be transferred to the Bank's customer from remitters in other banks for credit into the customer's domiciliary account. The following information is required for successful application of transferred funds:

- Beneficiaries account number and name well captured.
- Our bank name (Premium Trust Bank)/ SWIFT code (PTRUNGLA)
- Our Bank's account number with correspondent bank.
- Our correspondent banks name or SWIFT code.

Noteworthy

- Customers receive value for foreign currency Inflows when funds reflect in Premium Trust account(s) offshore.
- It is imperative that the remitting bank includes the Beneficiary's name and account number in the Swift message to enable us to apply the transferred funds.
- Inflows received into individual accounts from individual remitters offshore must include details on the purpose of remittance as mandated by CBN.

10.2 Categories of Inflows

- **Capital Importation:** Where inflow is for capital importation, enablement for prompt issuance of Certificate of Capital Importation must be done within 24 hours of receipt of funds as per prevailing regulations.
- **Export Proceeds**: This should be credited to the relevant export proceeds account. The export desk officer generates reports of inflows into customers' export proceeds account for purpose of subsequent certification to the CBN.
- **Ordinary Dom account Inflow**: This will be credited to customer's domiciliary account except there is a reason genuine reason not to do so.
    - **Returned Funds**: Where inflow relates to returned funds for transfers generated by the Funds Transfer Unit, this will be highlighted for proper investigation by the responsible officer to know the actual reason for returns and treat accordingly. This should be reflected in the inflow register as updated.

I. In all cases where inflows are to be applied to customer's account (the ordinary or export domiciliary account), the officer will pass the following entries:

Dr: Bank's offshore account with inflow amount

CR: Customer with inflow amount or equivalent in the agreed currency

II. The inflow officer updates the inflow on-line register and ensures that inflow documents and related correspondence (if any) are properly filed.

III. The desk officer submits posting tickets to the supervisor for call over purpose.

Importantly, where inflows stray into a non-designated inflow accounts with offshore correspondents, a SWIFT message (MT200/202) will be done without fail to move funds to the required account for ease of reconciliation.

10.3 HANDLING INFLOWS WITH INCOMPLETE DETAILS

In the event of receipt of inflows with incomplete details, Swift message to be generated to the correspondent bank to provide the missing details:

- ❖ Where the required details are provided, funds will be applied while ensuring that there is no duplication.
- ❖ Where the correspondent bank fails to provide the required details after five working days of sending out request for more information, the desk officer shall escalate to the Unit Head for determination and decision on return of funds to the correspondent.

Application of funds without complete details may be considered on exceptional basis where beneficiary is able to provide convincing evidence of ownership and subject to executive Management's approval.

10.4 RECALL OF FOREIGN CURRENCY INFLOW

Foreign currency inflows received from offshore correspondent for further credit to Premium Trust Bank Customers may be recalled for any of the following reasons:

I. Where the funds have been transferred in error
II. Where payment is duplicated
III. Where transfer is fraudulent
IV. Where funds have been recalled by the Remitter

The following procedure shall apply for treatment of funds recall request by offshore correspondent:

Desk Officer shall:

I. Receive Recall Request via SWIFT or Electronic Email
II. Verify receipt of funds in our nostro account
III. Review customer's account to confirm receipt of original inflow and ascertain status of funds.

IV. Intimate the compliance team of the development, especially as it relates to fraud, money laundering or financing of terrorism activities.

V. Notify the Relationship Officer in charge for further action.

WHERE FUNDS IS AVAILABLE IN CUSTOMER'S ACCOUNT, TRADE OFFICER

I. Block funds Immediately.

II. Provides an interim standardized response to the correspondent bank and requests for more information / reason(s) for the recall where necessary

III. Updates the Recall Funds Register

IV. Notifies Branch / Relationship Team of the development

V. Reviews feedback from correspondent / Relationship Team / Customer

VI. Requests Relationship Team to obtain customer's consent to return funds

WHERE FUNDS IS NOT AVAILABLE IN CUSTOMER'S ACCOUNT, TRADE OFFICER:

- Provides an interim response to the correspondent bank and requests for more information / reason(s) for the recall where necessary
- Updates the Recall Funds Register
- Notifies Branch / Relationship Team of the development
- Request Relationship Team to inform customer to fund account and provide debit authority to enable bank honour recall request.

WHERE CUSTOMER CONSENTS TO RECALL REQUEST AND PROVIDES FUNDS WHERE ACCOUNT IS NOT SUFFICIENTLY FUNDED:

- Funds Transfer Officer to issue debit authority to the correspondent bank to return funds
- Update recall funds register
- Funds Transfer Officer issues debit authority and passes relevant entries

IN CASE OF BENEFICIARY'S UNWILLINGNESS TO ISSUE DEBIT AUTHORITY, TRADE OFFICER SHOULD:

- Escalate to the Branch for further investigation and advise.
- Communicate outcome to correspondent bank.

- Update recall register.

IF RECALL MESSAGE IS RECEIVED PRIOR TO APPLICATION OF FUNDS TO BENEFICIARY ACCOUNT, THE DESK OFFICER SHALL:

- Pend application of funds to beneficiary account.
- Request correspondent bank to provide reason for recall.
- Provide debit authority to correspondent bank upon receipt of satisfactory response and update relevant registers.

10.5 FCY CHEQUE CLEARING

Cheque clearing services by correspondent Banks are not common these days. However, if it is allowed on a case-by-case basis, cheques accepted and endorsed to the Bank for clearing will always come from the branches and forwarded to our correspondent Bank.

The correspondent Bank credits our advised nostro account with value of cleared cheques less charges. Upon receipt of credit, the desk officer credits customer's account with proceeds. Customer 's account is also debited with applicable fees (commission, VAT, and postage).

CHAPTER 11: CAPITAL IMPORTATION

Memoranda 19 - 21 of the CBN Revised Foreign Exchange Manual (2018 Publication) stipulates that investor are allowed to bring in capital either in form of foreign currency or through importation of Plant, Machinery and Equipment.
The certificate proves that cash, equipment, or a combination of both from foreign investors has been received by an entity incorporated in Nigeria.

Authorized dealers shall issue electronic Certificate of Capital Importation (e-CCI) to an investor within 24 hours of receipt of the capital (where capital is in form of cash inflow), and within 24 hours of submission of final shipping and other relevant documents (where capital is in form of Plant, Machinery, and equipment. Where capital is in form of cash inflow, the foreign currency must be sold to the authorized dealer bank at an agreed rate and customer's account is credited with the Naira equivalent.

11.1 THE ELECTRONIC CERTIFICATE OF CAPITAL IMPORTATION (E-CCI)

The electronic certificate of capital importation (e-CCI) is a certificate issued by a Nigerian bank confirming an inflow of foreign capital either in the form of cash (loan or equity) or capital goods. Electronic CCI is usually issued in the name of the investor within 24 hours of the inflow of the capital into Nigeria.

Where the issuance of e-CCI exceeds 24 hours in respect of cash inflow and where documents exceed six months in respect of Plant, Machinery and Equipment, the Bank shall seek and obtain CBN approval before e-CCI issue. A register is maintained with specified format, capturing important information for reporting purposes.

The primary purpose of e-CCI is to guarantee access to the official foreign exchange market for repatriations of capital and returns on investment – dividend, interest, and capital on divestments. A copy of the e-CCI must be presented to the Nigerian bank to process a remittance by the requesting company.

11.1.1 **WHY IS A CCI RELEVANT TO FOREIGN INVESTORS?**

The possession of a CCI confers certain benefits on the foreign investor which includes the following:

1. The right to repatriate capital, dividends, and profits at the official foreign exchange market rates in a freely convertible currency subject to payment and deductions of all applicable taxes. This is particularly important to investors in a country like Nigeria where currency devaluation is a frequent occurrence.
2. The right to operate a domiciliary account with any authorised dealer for investment purposes; and
3. The right to invest in the securities of Nigerian companies.

11.1.2 **HOW IS A CCI OBTAINED?**

An application should be made to the authorised dealer, prior to the arrival of funds/equipment, requesting a CCI. The letter will be accompanied by supporting documents which the bank will request, depending on the nature of the capital being imported.

Historically, CCIs were issued in hard copy and, for repatriation purposes, the hard copy of the CCI had to be marked down by the bank. This has led to a situation where investors are unable to make repatriations if an original CCI had been lost or destroyed.

Detailed Documentation requirements for e-CCI issuance, transfer and subsequent capital repatriation are as detailed in Memoranda 19 – 23 of the Revised CBN Foreign Exchange Manual (2018 Publication) and amendments to date.

The Bank shall ensure that returns on all e-CCI transactions in the prescribed format are rendered promptly to concerned regulatory authorities.

CHAPTER 12: FOREIGN EXCHANGE SALES TO CUSTOMERS

12.1 INTRODUCTION

The Treasury department has the sole responsibility of sourcing for FX from the CBN SMIS (Wholesale and Retail), Interbank, I and E and any eligible window to meet the Bank's customer's FX demands under the invisible and visible transaction category. This is in addition to the regular interbank FX trading between counterparties.

Customer FX sales is the disbursement of foreign exchange to finance customers eligible trade transactions. As such, Payments made in international trade are usually carried out in foreign currency.

The customer's local currency account is debited with the Naira equivalent of the FX sold while the FEM suspense account is credited with the foreign currency for subsequent utilization for eligible trade.

12.2 FX SALES TO CUSTOMERS VIA CENTRAL BANK OF NIGERIA INTERVENTION

On June 15, 2016, the Central Bank of Nigeria (CBN), released the "Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market". The objective of the Guidelines is to enhance efficiency and facilitate a liquid and transparent foreign exchange market, through a single market (the autonomous/inter-bank FX market), with the CBN participating through interventions directly or through "dynamic Secondary Market Intervention Mechanisms". To further improve the dynamics of the market, the CBN introduced the FX Primary Dealership (FXPDs), where registered Authorized Dealers are designated to deal with the CBN on large trade sizes on a two-way quote basis, among other obligations as stated in the FXPD Guidelines. Procurement of FX for eligible trade transactions is undertaken by Treasury Dealing while the Back Office (Treasury Operations) are responsible for posting the deal on the core banking application.

It is important that originating departments/Branches ensure completeness of documentation and allocation of FX for eligible transactions only.

The treasury group shall ensure that FX trading activities whether sales or Purchases are within the daily approved foreign currency Trading position Limit Long or short each business day or any other limit as may be approved by Central Bank of Nigeria from time to time. Anything short of this provision shall be subject to approval by the CBN. Treasury also ensure that all FX related transactions are updated on the blotter.

12.3 Interbank Window

The Treasury Department carries out daily FX Trading at the Interbank Window. The following procedure shall apply for processing Customers' FX bids through the Interbank Window:

a) All bid requests by customers must include the mandatory information as specified by the CBN as follows:

Form 'M' Number

- Applicant's Name
- RC Number
- Applicants Address
- Bid Rate
- Amount (To be specified in US Dollars)
- Purpose
- Mode of Payment (LC, Bills etc.)
- Source of Funds
- Sector
- H. S. Code (where bid is in respect of Importation)

Customers submit FX bids requests directly to the bank or through their relationship managers which are then forwarded to International Trade Services for further processing.

All Customers bid requests must be signed according to mandate.

The Trade Officer verifies the bid request for completeness of information and compliance with mandate. Discrepancy (if any) is immediately communicated to the customer / relationship team for necessary correction.

Trade Services Officer forwards FX bids from Customers and Business Groups to the Centralised Operations and finally Treasury Dealer.

Based on FX availability and customers' requests the Treasury Dealer allocates FX to customers and advises allocated amount to Trade Services via electronic mail.

12.3.1 **THE INVESTORS and EXPORTERS WINDOW**

The CBN, established the window to deepen the foreign exchange market and increase FX supply for eligible trade. The supply of FX to the window shall be through portfolio investors, exporters, Authorised Dealers, and other parties who may wish to exchange their FX to Naira. Exchange rate is influenced by the laws of demand and supply.

CHAPTER 13: REPORTS AND RETURNS

13.1 INTRODUCTION

Reports and Returns are data that provide information for monitoring compliance with both internal and external regulations, policies, and procedures.

Regulatory returns serve as a monitoring tool for offsite supervision by the regulators as well as valuable data inputs for policy formulation for financial systems.

All banks are required to submit Daily, Weekly, Monthly, Quarterly and Semi-Annual returns concurrently via the FIFX Applications while there are regulatory penalties for late rendition, submission of false or inaccurate information or failure to render returns. Failure/Refusal to render returns in the prescribed format could be a ground for revocation of license.

Some regulatory returns are generated and submitted by International Trade Services directly to the Regulatory bodies while some others are submitted as Inputs to other departments for generation of the global report to be submitted by the bank to the Regulators.

Internal Reports are used by management for position assessment and evaluations, trend monitoring and planning and forecast.

13.2 REGULATORY REPORTING

Formats for the various regulatory returns to be submitted via the Financial Institution Forex Reporting System (FIFX) are captured from page 119 of the Revised Edition of the CBN Foreign Exchange Manual.

The reports are extracted from the various processing platform or are manually captured in excel formats converted to CSV formats and checked for syntax errors before eventual upload to the FIFX platform/portal. Upon successful upload, an XML version is generated which will then be validated and sent as a jar file to the CBN within stipulated timelines (not later than 5th of the following month for the monthly returns – ***TED/DMO/FPC/GEN/01/028***).

Other regulatory returns to be submitted to the CBN outside the FIFX platform will include:

- **Daily Weekly and Monthly Source and Application**. The report summarises the funds flow and utilization on a daily, weekly, and monthly basis.
- **Monthly Unconfirmed LC Reports** detailing outstanding unconfirmed Letters of Credit at the end of the month. Unconfirmed LCs that have changed status to a confirmed LC during the review period are excluded from the report of outstanding unconfirmed letters of credit at month end.
- **Monthly Report of Customers who have defaulted in the repatriation of Export Proceeds (oil and non-oil exports).**
- **Quarterly Interest Distribution Report** detailing the distribution of repatriated interest on LC collateral with various offshore correspondents to qualifying LC customers / transactions.
- **Quarterly report on tracking of Foreign Direct Investment (FDI) records**.
- **One-Off Returns**: These are reports that CBN may request from time to time in which case, formats are usually specified.

The Returns Officer should ensure timely and accurate generation and submission of all relevant reports. Acknowledged copies of hard copy returns are filed up for future reference.

13.2.1 <u>Regulatory FIFX Returns</u>

A schedule of the daily returns to be submitted via the Financial Institution Forex Reporting System (FIFX) is provided below:

Report Code	Description
DTR001	Daily Inward Money Transfer
DTR002	Daily Outward Money Transfer
DTR004	Analysis of Sales of Travellers Cheques for PTA/BTA
DTR202	Foreign Exchange Flow Statement

DTR203	Summary of Foreign Exchange Position Report
DTR204	Capture Import Registration
DTR205	Capture Import Duty Collected with Form M
DTR206	Capture Sources of Funds
DTR207	Capture Utilization of Form M (LC Valid for FX) Sourced from CBN Sales
DTR208	Analysis of Foreign Exchange Utilization on Form M (Bills for Collection Valid for FX) From CBN Sales
DTR209	Consolidated Foreign Exchange Utilization
DTR210	Analysis of Foreign Exchange Utilization Classification Breakdown (Form M others under finished goods)
DTR211	Capture Breakdown of Utilization of Funds (Form for Foods Under Finished Goods
DTR212	Analysis of Foreign Exchange Utilization Classification Breakdown (Others under Invisible)
DTR213	Operation of Domiciliary and External Account
DTR214	Capture Detail Operation of Domiciliary and External Account
DTR215	Details for Transfer of Form

DTR216	Monthly Analysis of Customers who have defaulted in the submission of complete shipping documents within 90 days of payment to the overseas correspondent bank
DTR217	Customer Information
DTR301	Export Registration
DTR302	Export Proceeds
MTR303	Monthly Return of Capital Importation
DTR305	Details of Total FOREX Sales to End-Users
DTR306	Monthly Analysis of Private Sector Debt (Loan)
MTR307	Monthly Analysis of Private Sector External Investments
MTR308	Monthly Return on Transfer of Profit, Dividend and Capital
DTR316	Return of Foreign Exchange Purchased by Banks from Oil and Oil Servicing Company
DTR319	Issuance of Letters of Credit

The prefix **DTR** or **MTR** is used before the numeric code to differentiate between the daily and the monthly returns respectively.

13.3 REGULATORY EXAMINATION

Regulatory examinations are conducted on routine and ad-hoc (target / spot basis) to review the operations of the bank for compliance with regulatory framework.

The Regulatory Returns Reporting, Review and Officers shall work with relevant Units and Departments to ensure accurate rendition of returns and storage of relevant data in a manner that will facilitate ease of retrieval during routine and ad-hoc regulatory examinations.

CHAPTER 14: MISCELLANEOUS PROVISIONS

14.1 RECONCILIATIONS AND PROOFS

Nostro Accounts Reconciliation will be at the departmental level per unit until the need for an enterprise-wide reconciliation unit saddled with the responsibility as may be approved by the Bank's Management from time to time. Respective units must ensure that open items on the various nostro accounts are attended to promptly.

The responsible officer will also be up and doing in notifying the Central Bank of Nigeria whenever a new nostro account is opened or an existing account is closed.

Proofs of account will also be done monthly in verification of transaction records against ledger balances. Officer shall also as a matter of compliance follow up with respective processing units for proofs of all internal accounts for the department.

14.2 CALL OVER PROCEDURE

Transaction call-over is done to verify the accuracy and completeness of processed transactions and to ensure early detection and correction of any processing error. The Trade Services Supervisor shall ensure a daily call-over of processed transactions. Exceptions (if any) shall be appropriately documented and corrected. The above is without prejudice to a second level call-over that may be undertaken by other assurance functions.

14.3 REVIEW OF SWIFT MESSAGES

Incoming and Outgoing SWIFT messages are subjected to SWIFT Sanction Screening. The Sanction Screening list which comprises watch listed names, entities and countries is updated by the Compliance Function with the support of the SWIFT Administrator.

Designated Trade Services Officer sign on to the SWIFT Sanction Screening Platform to review trapped incoming / outgoing SWIFT messages with a view to release or refer for further investigation where there are genuine reasons for concern.

While outgoing SWIFT messages are printed at transaction initiation and initialled by the processing officers to signify review before final release, incoming SWIFT messages are printed directly from the SWIFT Printer. The Regulatory Review and Reporting Unit is responsible for daily distribution of all incoming SWIFT messages to the relevant Units for proper action.

Above distribution is without prejudice to the daily online review undertaken by the various processing units to ensure that incoming SWIFT messages relevant to their operations are promptly actioned.

14.5 GENERAL RECEIPT AND HANDLING OF DOCUMENTS

Documentation is central to International Trade Services Operations and the need to ensure accountability in the handling of incoming and outgoing documents in the Group cannot be overemphasized.

Desk officers shall ensure that all outgoing documents from the Group are duly acknowledged by the receiving department / group / organization. Documents sent through the mailing room or corporate services shall be duly registered and acknowledged by the receiving mail room officer.

Acknowledgements for correspondences that are transaction specific will be filed in the transaction file except where there is a superior reason to file such is a general correspondence file.

Handling of incoming documents is of utmost importance as inability to account for documents received is a forerunner of service failure and possible financial loss / litigation. The customer services desk shall serve as a central point of receipt of all incoming documents. The customer service officer shall ensure that all requests / documents submitted to the unit are properly captured in the relevant registers before distribution to the appropriate processing units.

Direct submissions to the processing units may be allowed on exceptional basis however, the receiving unit must acknowledge the document so received.
To ensure accountability for the handling of documents received by the processing units from the customer services desk the incoming documents registers shall have columns for the signature of the receiving Unit Head/Designate and the Desk Officer.

However, receipt of all shipping documents from mailing room / courier company/Corporate Services will continue to be received by the document officer on the LC / Bills Desk who will ensure that the documents are captured in the online shipping documents register created for that purpose (LC shipping documents and Bills for Collection Shipping documents are captured on separate sheets in the same online register).

The trade officer shall print a schedule of the documents so received and registered and hand over the documents to the respective desk officers for further processing. The desk officer shall acknowledge receipt of the documents by signing off on the printed schedule and the document clerk shall file off the acknowledgement in a file created for that purpose. Desk officers shall always ensure prompt and proper filing of documents to facilitate ease of retrieval when required.

14.6 TRAINING FACULTY

The In-house training faculty is responsible for managing the Groups Training Sessions. They will be responsible for bringing the department's training slides up to date as may be required from time to time. The team shall also advise and arrange for in-house training sessions to address observed knowledge gaps and bring staff to speed on various trade processes.

GLOSSARY

The Electronic Form 'M'

The electronic form M is used for import of physical goods into Nigeria. Approved form M have two unique numbers namely:

- The Application Number which starts with the prefix MF
- The Approved Number which starts with the prefix BA or CB depending on whether or the item of import is subject to inspection or not.

Any person intending to import physical goods into Nigeria shall in the first instance process e-Form 'M' through any Authorized Dealer irrespective of the value and whether payment is involved. The E form M can be assessed through the Single Window for Trade https://trade.gov.ng/en/

The NXP Form

The electronic NXP form replaced the hard copy form with effect from November 2019. The e-NXP is used for commercial exports and can be accessed on the CBN TRMS platform via the link http://www.tradesystem.gov.ng/. The platform enables intending exporters to select their preferred Authorized Dealer Bank for further processing of the NXP form.

The NCX Form

The electronic NCX form replaced the hard copy form with effect from November 30, 2021. The e-NCX is used for non-commercial exports and can be accessed on the CBN TRMS platform via the link http://www.tradesystem.gov.ng/

The platform enables intending exporters to select their preferred Authorized Dealer Bank for further processing of the NCX form.

Form 'A'

Completion of Form A is a requirement for payment under invisible trade. The electronic form A replaced the manual form with effect from November 30, 2021. The e-form A is used for PTA/BTA Sales, payment for services and intangible goods. The electronic form A can be processed on valid or non-valid for foreign exchange basis. The form can be assessed on the CBN TRMS platform via the link http://www.tradesystem.gov.ng/. Every form approved on the TRMS attracts a fee of N5,000 as instructed by CBN.

Form 'Q'

The form Q was introduced by the CBN in April 2017. The form is to be completed by SME customers who wish to access the CBN special FX window for payment of small-scale imports through telegraphic transfers. Maximum accessible amount is USD20,000.00 per customer per quarter.

Deal Slip

Deal slip is used to evidence contract of FX Sale and Purchase between the bank and its customer or between the bank and counterparty. It may be issued manually by the FX Dealers or electronically by the processing platform.

The Checklist

The checklist is an internal document used to monitor proper documentation and input requirements prior to transaction consummation.

Items (i) – (v) above are externally regulated while (vi) is an internal control to ensure adherence to (i) –(v)

BA: Prefix before approved form M number where item of import is subject to inspection

CB: Prefix before approved form M number where item of import is exempted from inspection.

FOB: Free on Board
CFR: Cost and Freight

PAAR: Pre-Arrival Assessment Report

FX: Foreign Exchange

FCY: Foreign Currency

LCY: Local Currency

I and E: Investors and Exporters Window

ECCI: Electronic Certificate of Capital Importation

SMIS: Secondary Market Intervention Sales

FIFX: Financial Institution Forex Reporting System

FCTP: Foreign Currency Trading Position

SWIFT: The Society for Worldwide Interbank Financial Telecommunication

PIA: Pre-shipment Inspection Agent

NMDPRA: Nigerian Mainstream and Downstream Petroleum Regulatory Agency

TRMS: Trade Monitoring System

AFCFTA: African Continental Free Trade Agreement

RT200FX Programmes: An initiative of the Central Bank of Nigeria which aims to raise USD200 billion in foreign exchange earnings from non-oil proceeds over a period of 3-5 years through various incentives