

# 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](http://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.

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 the LC.

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