



GUIDELINES FOR ACCESSING REAL SECTOR SUPPORT FACILITY (RSSF) THROUGH CRR AND CORPORATE BONDS

1.0 Introduction

At its 119th Meeting held on 23rd and 24th July, 2018, the Monetary Policy Committee (MPC) of Central Bank of Nigeria emphasized the need to increase the flow of credit to the real sector of the economy in order to consolidate and sustain economic recovery. To achieve this objective Deposit Money Banks (DMBs) would henceforth be incentivized to direct affordable, long-term bank credit to the manufacturing, agriculture, as well other sectors considered by the CBN as employment and growth stimulating, while Corporates/Triple-A-rated companies will be encouraged to issue Long-term Corporate Bonds (CBs). The CBN will therefore lay more emphasis on projects targeted not only at backward integration but also at those that will enhance Nigeria's Import Substitution Strategy.

1.1 Differentiated Cash Reserves Requirement (DCRR) Regime

Under this programme, DMBs interested in providing Credit Financing to greenfield (new) and brownfield (new/expansion) projects in the real sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects subject to DMBs providing verifiable evidence that the funds shall be directed at the projects approved by the CBN.

1.2 Corporate Bonds (CB) Funding Programme

This programme involves investment by the CBN and the general public in CBs issued by corporates subject to the intensified transparency requirements for Triple A-rated entities. Such requirements would include publishing through printing of an Information Memorandum spelling out the details of the projects for which the funds are required together with terms and conditions showing that these are long term projects that are employment and growth stimulating.

2.0 Objectives of the Facility

The objectives of the Facility are to:

- 2.1 Improve access to affordable finance to the manufacturing, agricultural, and other related sectors that are employment and growth stimulating to the economy.
- 2.2 Stimulate growth in employment-elastic sectors.

3.0 Activities to be covered

- 3.1 The activities to be covered under this program shall be greenfield (new) and expansion (brownfield) projects in manufacturing, agriculture, and other related sectors approved by the CBN. Emphasis will however be placed on greenfield (new) projects.
- 3.2 Priority shall be accorded projects with high local content, import substitution, foreign exchange earnings and potential for job creation.
- 3.3 Trading activities are PROHIBITED under the Facility and any attempt by a Deposit Money Bank (DMB) to falsify through presentation of projects that do not meet the eligibility criteria/specified terms and conditions shall attract severe penalties from the CBN.

4.0 Types of Facilities

4.1 Differentiated CRR (DCRR)

This shall comprise loans to greenfield or expansion projects using CRR. Emphasis shall however be on new projects.

4.1.1 **Tenor:** Minimum of seven years.

4.1.2 **Moratorium:** Two years moratorium.

4.1.3 The participating financial institution (PFI) shall bear the credit risk.

4.1.4 Refinancing of existing loans is PROHIBITED for funding under this program and any attempt to falsify information shall attract severe sanctions from the CBN.

4.2. Corporate Bonds (CBs) Program

These are financing instruments issued by corporates and that meet eligibility criteria as specified by the CBN.

4.2.1 **Tenor:** As specified in the prospectus by the issuing corporate but not below seven (7) years.

4.2.2 **Moratorium:** As specified in the prospectus by the issuing corporate.

5.0 Modalities of the Facility

5.1 Maximum Amount

The maximum facility shall be ₦10 billion per project.

5.2 Interest rate

Facilities are to be administered at an all-in interest rate/ charge of 9 per cent per annum. Bank Customers are encouraged to report any bank to the CBN's Director of Banking Supervision, where such DMB may have charged interest rates above the prescribed maximum of 9 percent per annum.

5.3 Repayments

Repayments shall be amortized and remitted on quarterly basis to the CBN.

6.0 Eligibility Criteria for Participation in the Facility/CP Programme

6.1 Participating Financial Institutions (PFIs)

- (a) Only CRR contributing DMBs shall be eligible to participate under the DCRR.
- (b) For CBs, all Financial Institutions and general public are eligible to participate in investing in Corporate Bonds.

6.2 Borrower under the CB programme

A borrower shall be an entity incorporated in Nigeria under the Companies and Allied Matters Act of 1990. Such borrower must not have a non-performing facility with any financial institution.

7.0 Responsibilities of Stakeholders

For effective implementation of the Facility, the responsibilities of the stakeholders shall include:

7.1 Central Bank of Nigeria (CBN)

- i. Articulate and review guidelines for the implementation of the Facility.
- ii. Review the CB for investment.
- iii. Invest in CBs issued by corporates.
- iv. Determine the limits of DCRR and CB investments.
- v. Appraise, monitor and evaluate projects and the Facility.
- vi. Render periodic reports on performance.
- vii. The CBN shall disburse funds to projects through DMBs in agreed TRANCHES.

7.2 Participating Financial Institution (PFI)

- i. Undertake due diligence based on normal business consideration.
- ii. Forward an initial Credit request on the proposed project to the CBN for pre-funding assessment/ approval in-principle to proceed.
- iii. Forward final approved requests to CBN for funding after meeting all Conditions precedent to disbursement of the facility.
- iv. Disburse funds to obligors through their DMBs in agreed TRANCHES based on disbursement schedules submitted by DMBs to the CBN within five working days of release from the CBN.
- v. Render periodic returns as specified by the CBN from time to time.
- vi. Monitor the projects.
- vii. Comply with the guidelines of the Facility.

7.3 Borrower

- i. Adhere strictly to the terms and conditions of the Facility.
- ii. Utilize the funds for the purpose for which it was granted.
- iii. Make the project and records available for inspection/ verification by the CBN.
- iv. Comply with the guidelines.

8.0 Discontinuation of a Credit Facility

Where a facility is repaid or otherwise discontinued, the PFI shall advise the CBN immediately, giving particulars of the facility. Any outstanding amount under the facility is to be refunded to the CBN.

9.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

10.0 Enquiries and Returns

All enquiries and returns should be addressed to:
The Director,
Development Finance Department,
Central Bank of Nigeria, Corporate Headquarters
Central Business District,
Abuja.
Telephone No: 234-09-46238600.

**Development Finance Department
Central Bank of Nigeria,
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