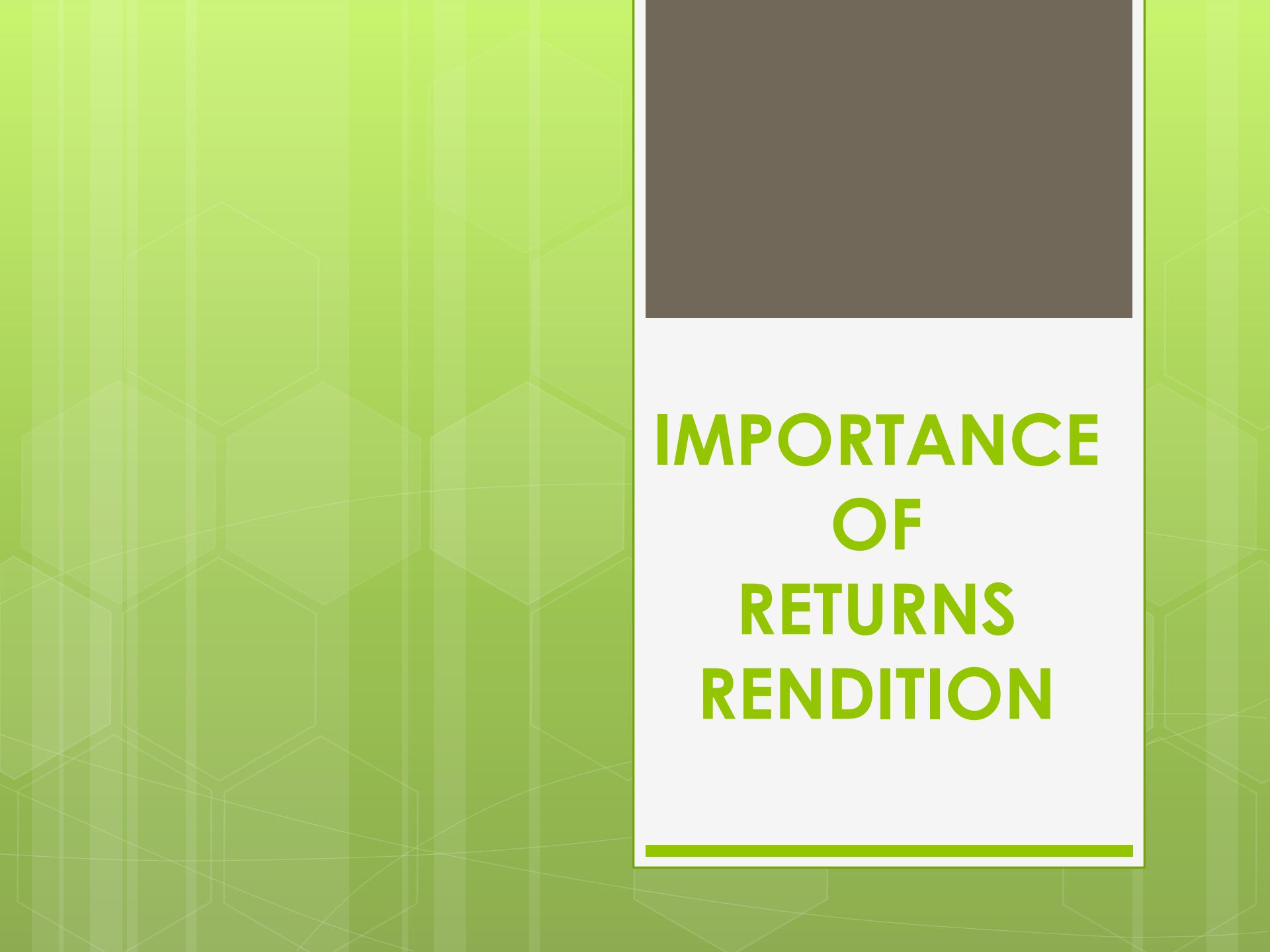


IMPORTANCE OF RETURNS RENDITION



Objectives

At the end of this presentation, participants should be able to understand:

- ✓ The need for returns rendition
- ✓ The implications of not rendering returns
- ✓ The importance of FinA

*“If you understand why
you can easily comply”*

The Need For Returns Rendition

In line with CBN's Mandate To Promote a Sound Financial System;

- ✓ The principal objective of the MF Policy is to create MFBs that are financially sound, stable, self-sustaining and integral to the communities in which they operate.

The Need For Returns Rendition

- ✓ Regulatory Requirement

Returns rendition by MFBs is a regulatory requirement (Section 5.3 of Revised Regulatory & Supervisory Guidelines for MFBs in Nigeria)

Required by section 58(2)b of BOFIA, 1991 (as amended)

S.33 of the CBN Act 2007 (as amended): Power to require or share information

S 331 (1) & (2) of CAMA as amended: keeping of proper accounting records.

The Need For Returns Rendition

- ✓ Monitoring Tool for Supervision

Supervision is both on-site supervision (visits) and off-site processes (returns).

CBN visits MFBs at least once a year with monthly returns we can monitor MFBs' financial position and performance regularly and effectively!

The Need For Returns Rendition

- ✓ Policies Formulation For Financial System Stability

Information collected through returns is used as input for the formulation of policies based on factual observed data. These policies are made to promote financial system stability.

The Need For Returns Rendition

- ✓ Planning

Returns aids planning purpose such as planning which MFBs are weak and need regulatory intervention or planning how to use MFBs to further drive financial inclusion by monitoring growth of branches and customer base.

The Need For Returns Rendition

- ✓ Aids Accounting and Book-Keeping in-house for the MFB

Preparation of returns monthly helps the MFB to ensure that its accounting records are kept up to date regularly and any unbalanced or un-reconciled matters are handled timely.

The Need For Returns Rendition

- ✓ Tool for Informed Decision Making
in-house for the MFB

Returns can be used to make informed decisions in-house for the MFB such as while filling returns you are flagged and you realize your MFB has not invested the 5% of its total deposit in Treasury Bills as required by CBN that can inform your decision to invest immediately to avoid regulatory sanctions.

The Need For Returns Rendition

- ✓ Tool for Determining Grants, Aids & On-lending Facilities Beneficiaries

Returns can be used to assess the top performing MFBs for the purpose of grants & aid by development partners and non-governmental organizations

The Need For Returns Rendition

- ✓ Macro Prudential Trends & Analysis

Returns aids monitoring of macro prudential trends and analysis by monitoring consolidated MFBs sector balance sheet to watch exposure to common challenges to aid swift regulatory intervention

The Need For Returns Rendition

- ✓ Generate data for statistical purposes

Returns provides data for various statistical purposes over the years. It is a data source for research.

The Need For Returns Rendition

- ✓ Emergence of Learning adaptive institutions

Returns aids learning from past trends to make better future decisions to adapt to regularly changing business environment.

The implications of not rendering returns

- ✓ Deadline & Responsibility

S5.2 All monthly returns must reach the Directors of Financial Policy and Regulation Department (FPRD) of the CBN and Special Insured Institutions Department (SIID) of the Nigeria Deposit Insurance Corporation (NDIC) not later than 14 days after the end of each month. The Managing Director/Chief Executive Officer and the Chief Accountant [or equivalent] of the MFB shall sign and attest to the authenticity of the contents of the returns.

The implications of not rendering returns

- ✓ Breach of regulatory requirements
(MFB guidelines, CBN Act, BOFIA, CAC)

Thus this leads to regulatory sanctions!

The implications of not rendering returns

- ✓ Penalties on Returns

S7.2a of MFB Guidelines stipulates that; For lateness in submitting its audited annual accounts, **returns** or any other information as may be required by the CBN, the penalty shall be a fine of N5,000 for each day during which such infraction occurs.

The implications of not rendering returns

- ✓ Penalties on Returns

S7.2a contd.; Subsequent failure/refusal to render returns in the prescribed format shall be a ground for the revocation of an MFB's licence. For submitting any false/inaccurate information to the CBN, the penalty shall be a fine of N250,000 and a warning letter to the Managing Director of the MFB.

The implications of not rendering returns

- ✓ Penalties on Returns

S7.2a contd.; Subsequent rendition of false or inaccurate returns/information shall lead to the removal of the Managing Director. Persistent failure to render returns for a continuous period of six (6) months in a calendar year shall be a ground for revocation of an MFB's licence.

The implications of not rendering returns

- ✓ Penalties on Returns

S19g MFB Guidelines; Conditions For Revocation Of Licence: Failure to render statutory monthly returns for a continuous period of 6 months or for a cumulative period of 6 months in a financial year.

The implications of not rendering returns

- ✓ Disclosure of Penalties

This exposes the MFB to Reputational Risk as S7.1 of MFB Guidelines stipulates that: Every approved audited account shall disclose in detail, the penalties paid as a result of the contravention of BOFIA, 1991 [as amended], Circulars or Policy Guidelines in force during the year in question and the auditor's report shall reflect such contraventions.

The importance of FinA

- **FinA – Financial Analysis**
- **FINA** is a state-of-art offsite surveillance automation system for online submission of returns by operators to CBN sponsored by USAID.
- Deployed in 2011 to
 - ✓ collect of data from FIs online
 - ✓ Store the data in the database
 - ✓ process and analyse the data and
 - ✓ generate reports
- Implemented in many other countries around the world, including four African countries.

The importance of FinA

◦ Challenges leading to FINA adoption?

- ✓ High cost of infrastructure for MFBs to connect via eFASS
- ✓ Difficulty of analyzing paper returns
- ✓ Volume & cost of paper handling
- ✓ Problem of misplaced returns
- ✓ Manual cumbersome time consuming process
- ✓ Increasing number of MFBs

The importance of FinA

- A high level summary of the benefits of FinA include;
- ✓ Open Source - Free License
- ✓ Modifiability - Easy User Modification
- ✓ Flexibility - Easy Customized Reports
- ✓ Customization - Languages
- ✓ Security - JAAS, User/Role Manager
- ✓ Support - 24/7 web or phone
- ✓ XML - Supports XML Input / Output Format
- ✓ Continuous Development & Enhancement
- ✓ Far cheaper adoption for MFBs

*“Returns Rendition Benefits
the MFB, CBN & the Financial
System at large”*

THANK YOU

