



## **GUIDELINES ON NON-INTEREST WINDOW AND BRANCH OPERATIONS OF CONVENTIONAL BANKS AND OTHER FINANCIAL INSTITUTIONS**

### **1.0 Introduction**

A non-interest window operation is defined as part of a conventional financial institution (which may be a branch or a dedicated unit) that provides fund management (investment accounts), financing, investment and other banking services that are Shariah compliant.

The following specific guidelines shall apply to the non-interest window operations or branches of conventional banks and other financial institutions:

### **2.0 Establishment of Non-interest Windows/Branches**

- 2.1** A conventional bank or financial institution may establish a non-interest window/branch upon written application and prior approval in writing by the CBN.
- 2.2** A non-interest branch shall be established in line with the extant CBN regulation on branch expansion.
- 2.3** The application to establish a non-interest window/branch shall be submitted to the Director, Financial Policy and Regulation Department, Central Bank of Nigeria and accompanied by a report of feasibility study justifying the establishment of the window/branch.

- 2.4** The feasibility report shall among others, contain the following details:
- a. The proposed location of the non-interest window/branch
  - b. The Shariah compliant products and services to be offered
  - c. A 3-year financial and profitability projection
  - d. Staffing and manpower requirement
  - e. The market potential and prospects to support the establishment of the window/branch.

### **3.0 Cross-Selling of Products/Services**

- 3.1** Conventional banks and other financial institutions operating in Nigeria may offer Shariah-compliant products and services through their non-interest branches or windows. Such branches or windows however, shall not offer interest-based or non-Shariah compliant products and services.

### **4.0 Establishment of a Non-Interest Unit/Division/Department**

- 4.1** A conventional financial institution with non-interest window or branch(es) shall establish a dedicated unit/division/department to oversee the non-interest operations of the institution.

The division shall have the following duties and responsibilities, among others:

- i. Develop and ensure compliance with the rules, policies and procedures for the institution's non-interest windows or branches,
- ii. Set up the institution's Shariah Advisory Committee and the internal Shariah compliance mechanism as well as maintaining co-ordination with them and the other divisions/offices of the institution.

- iii. Ensure that funds received on behalf of clients are invested in compliance with the Shariah.
  - iv. Facilitate sustainable capacity development for the management and staff of the non-interest window or branch.
  - v. Ensure the submission of timely and reliable returns to the CBN.
  - vi. Ensure compliance with the guidelines/regulations on non-interest banking and finance issued by the CBN.
- 4.2** The organizational structure together with the qualifications and experience of staff of the unit/division shall be submitted to the CBN for review and approval.

## **5.0 Shariah Review and Compliance Mechanism**

- 5.1** There shall be a Shariah Advisory Committee (SAC) to review and provide Shariah guidance and opinions in respect of products and services offered as well as transactions and contracts involving the non-interest window or branch of a conventional bank.

The detailed guidelines for the appointment, operations, qualification, duties and responsibilities of the SAC are contained in the Guidelines on Shariah Governance for Non-interest Financial Institutions in Nigeria, issued by the CBN.

- 5.2** There shall be an internal Shariah audit on a periodic basis to examine and evaluate the extent of compliance with Shariah rules.

## **6.0 Execution of Service Level Agreements in Respect of Shared Services**

**6.1** Conventional banks and other financial institutions with non-interest windows or branches shall execute a Service Level Agreement (SLA) in respect of shared services between the window/branch and other departments or units of the institution.

## **7.0 Separation of Records**

**7.1** A conventional financial institution shall not co-mingle its funds with those from its non-interest window or branch operations. Consequently, separate accounting books and records shall be maintained. It shall also maintain a separate account with the CBN for its non-interest window or branch operations. In addition, all documents such as forms, letter-heads, books, deposit receipts, cheque books, etc are to be designed with the CBN approved symbol to make them distinct from those used in the conventional operations.

## **8.0 Publication of Financial Statements**

**8.1** A conventional financial institution with non-interest window/branch(es) shall as part of its annual published accounts separately include as a note to the account, the detailed results of operations of its non-interest window(s) or branch(es). The account statement for the non-interest window or branch operations shall comply with the accounting standards specified by the CBN for Non-Interest Financial Institutions.

## **9.0 Prudential and Disclosure Requirements**

**9.1** Non-interest windows and branches of conventional institutions shall comply with the prudential and disclosure requirements as outlined in the

Framework for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria.

**10. Conversion of Conventional Financial Institutions' Non-Interest Windows/Branches**

**10.1** A conventional financial institution may convert its non-interest window/ branch into a full-fledged NIFI in line with the following:

**10.1.1** Upon written application and subject to the prior approval of the CBN, a conventional financial institution may convert its non-interest window operations to a full branch. An application for conversion to a branch shall be treated in line with extant CBN regulations on bank branch expansion.

**10.1.2** Similarly, a conventional branch of a financial institution may convert to a non-interest branch of the same institution in line with guidelines issued by the CBN.

**10.1.3** A conventional financial institution wishing to convert its non-interest window or branch to a full-fledged subsidiary shall comply with the extant CBN policy on establishment of subsidiaries.

**10.2** A full-fledged non-interest financial institution, window and branch cannot however, convert to their conventional equivalents.

**11. Closure/Discontinuation of Non-Interest Window or Branch**

**11.1** A conventional bank or financial institution may close or discontinue its non-interest window or branch, subject to satisfactory justification and the prior approval in writing of the CBN.

## **12. General**

- 12.1** The above guidelines shall be read in conjunction with the Framework for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria and the Guidelines for Shariah Governance for Non-Interest Financial Institutions in Nigeria.
- 12.2** In addition, the CBN may prescribe additional guidelines as may be necessary from time to time.
- 12.3** All enquiries should be forwarded to the Financial Policy & Regulation Department, Central Bank of Nigeria, Abuja.

**FINANCIAL POLICY & REGULATION DEPARTMENT**

**CENTRAL BANK OF NIGERIA, ABUJA.**

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