

CENTRAL BANK OF NIGERIA



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CIRCULAR LETTER

TO ALL DIRECTORS AND SHAREHOLDERS OF MICROFINANCE BANKS

AMENDMENT OF THE REVISED REGULATORY AND SUPERVISORY GUIDELINES FOR MICROFINANCE BANKS (MFBs) IN NIGERIA TO ALLOW UNIT MFBs TO HAVE ONE BRANCH IN THE SAME LOCAL GOVERNMENT AREA

The Management of the Central Bank of Nigeria (CBN) has approved an amendment to the *Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria* to allow *Unit MFBs* open/have one (1) branch or cash centre within the same local government area (LGA).

Specifically, the Management of the CBN approved as follows:

- i) That *Unit MFBs* be allowed to open/have one (1) branch outside the Head Office, within the same LGA, subject to availability of Free Funds of at least N20 million and maintenance of the prescribed minimum prudential requirements. Free Funds is calculated as the Shareholders' Funds unimpaired by losses minus the value of all fixed assets and investments (including cost of establishing the new outlet);
- ii) That all unauthorized branches/cash centres or outlets, opened without prior approval of the CBN, should be closed down and all depositors settled before 31st December, 2013;
- iii) That where there are existing CBN-approved branches/cash centres, under the former policy framework, the following should apply, depending on the number and location of the branches/cash centres:
 - Where there is only one (1) approved branch/cash centre outside the Head Office in the same LGA, the MFB should have Free Funds of at least

N20 million and maintain the prescribed prudential requirements, in order to retain the branch/cash centre.

- Where there is more than one branch/cash centre outside the Head Office in the same LGA, the remaining branches/cash centres should be rationalized and closed down before 31st December 2013, subject to CBN approval, adequate notice and settlement of existing customers. Alternatively, such MFBs can raise additional capital to meet the minimum requirement of N100 million for upgrade to a *State MFB*.
 - Where the *Unit MFB* has approved branches outside the same LGA as the Head Office, or in more than one LGA, the MFB should shore up its capital base or Shareholders' Funds unimpaired by losses to N100 million and upgrade to a *State MFB*; or establish new *Unit MFB(s)* for the branch(es) outside the LGA; or rationalize the branch(es) in other LGAs and close them down before 31st December, 2013, subject to CBN approval, adequate notice and settlement of existing customers.
- iv) That MFBs which emerged as a result of the consolidation of two or more erstwhile Community Banks (CBs), prior to 31st December, 2007 in order to meet the capital requirement for conversion to an MFB be allowed to de-consolidate, subject to each separate *Unit MFB* meeting the prescribed minimum Shareholders' Funds unimpaired by losses of N20 million and the required Free Funds, if it would subsequently open a branch within the same LGA.
- v) That any of these options should be exercised, subject to CBN approval, on or before the extended deadline of 31st December, 2013.

The relevant sections of the *Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria* have been amended to reflect the changes.



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