



CENTRAL BANK OF NIGERIA

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FPR/DIR/GEN/CIR/06/003

September 1, 2016

CIRCULAR TO ALL DEPOSIT MONEY BANKS

SANCTIONS GRID TO DEPOSIT MONEY BANKS THAT PARTICIPATE UNDER THE CENTRAL BANK OF NIGERIA- NIGERIA ELECTRICITY MARKET STABILIZATION FACILITY ("CBN-NEMSF")

In furtherance of our Circular referenced FPR/DIR/GEN/CIR/01/004 dated March 4, 2015, forwarding the terms and conditions for participating deposit money banks in the implementation of the CBN-Nigeria Electricity Market Stabilization Facility, the CBN has approved a Sanctions Grid to ensure compliance with the terms and conditions of the facility.

A copy of the Sanctions Grid is attached herewith and may also be accessed from the CBN website: www.cbn.gov.ng.

For further enquiries on the Grid, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

A handwritten signature in blue ink, appearing to read "KEVIN N. AMUGO".

KEVIN. N. AMUGO
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT

**CENTRAL BANK OF NIGERIA – NIGERIA ELECTRICITY MARKET STABILIZATION FACILITY (CBN-NEMSF):
SANCTIONS GRID FOR PARTICIPATING DEPOSIT MONEY BANKS**

| S/N | Infractions | Sanctions¹ |
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| 1. | Collection Bank and the Principal Collection Bank fail to provide the Refinancer/Administrator with statements of accounts for the Transaction Accounts within 5 Business Days after the end of each month. | <p>First Infractions: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction</p> <p>Further infractions: a financial penalty of a minimum of NGN 500,000 daily until the infraction is remedied on each account that such infraction is committed.</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p> |
| 2. | A DMB does not comply with a request by the Refinancer/Administrator to provide copies of bank statements for any of the Discos Accounts maintained by it and such other information relating to the transactions effected or to be effected on the Transaction Accounts within 5 Business Days from date of such request. | <p>First Infractions: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. CBN will be notified of the infraction.</p> <p>Failure to comply within 2 working will attract a financial penalty of a minimum of NGN 500,000 daily until the infraction is remedied</p> <p>Further Infractions: a financial penalty of a minimum of NGN 500,000 daily on each account that such infraction is committed, until the act is remedied</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be</p> |

¹Note that (i) Sanctions that may be imposed are not limited to those listed, and the Central Bank of Nigeria may impose additional sanctions, and in such form as it may deem fit including regulatory action against officers of defaulting Deposit Money Banks; and (ii) Any penalties imposed as a result of sanctions may be directly offset against any fees payable to a Deposit Money Bank under the CBN-NEMSF.

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| | | terminated. |
| 3. | A DMB does not comply with the Operational Process Document (Circular) issued by the CBN pursuant to the Accounts Administration Agreement | <p>First Infractions: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction.</p> <p>Further Infractions: a financial penalty of a minimum of NGN 500,000 daily on each account that such infraction is committed, until the act is remedied</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p> |
| 4. | Closure of a Transaction Account by DMB without the prior written consent of the Refinancer. | <p>First Infraction: Financial Penalty of NGN 2,000,000</p> <p>Further Infractions: Termination of the DMB's participation as a Mandate Bank.</p> |
| 5. | Collection Banks and Principal Collection Banks do not provide the right to view the Transaction Accounts or any such other information relating to the transactions effected or to be effected on the Transaction Accounts in real time | <p>First Infraction: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction</p> <p>Further Infractions: a minimum financial penalty of NGN 500,000 daily on each account that such infraction is committed, until the act is remedied.</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p> |
| 6. | Where Collection Banks allow revenues (including cash collections and revenues received from all electronic or other platforms) generated by any DISCO to be paid directly in any account other than the Feeder Collection Accounts as stipulated in the Account Administration Agreement | <p>First Infraction: Warning letter to the DMB instructing that the infraction must be remedied within 2 working days. Notify CBN of the infraction</p> <p>Further Infractions: a minimum financial penalty of NGN 500,000 daily on each account that such infraction is noticed, until the act is remedied.</p> <p>If there is a further infraction by the DMB after payment of the above financial penalty, the DMB's participation as a Mandate Bank under the CBN-NEMSF shall be terminated.</p> |

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| 7. | Where Collection Banks allow a debit/ withdrawal from a Feeder Collection Account (FCA) to the Principal Collection Account contrary to terms of the Accounts Administration Agreement. | <p>First Infraction: Refund of amount debited/withdrawn from Feeder's Collection Account (FCA) with interest² at the Bank's maximum lending rate for the number of days the debit is outstanding.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> |
| 8. | Where there is a revocation of the banking license of a Mandate Bank or on the appointment of a liquidator or other similar processes evidencing a winding up or liquidation of the Mandate Bank, | Termination of the DMB's participation as a Mandate Bank under the CBN-NEMSF. |
| 9. | The DMBs open additional bank account(s) for a Beneficiary DISCO, whether or not , for the purpose of receiving payments, fines and fees for electricity consumed by its customers without the prior written consent of the Refinancer. | <p>First Infraction: The DMB shall pay a penalty of N 2,000,000 on each account opened and shall be instructed by the Refinancer to close the account and transfer all funds in the account into the Principal Collection Account (PCA) within 24hours.</p> <p>If the infraction is not remedied after the expiration of the 24 hours, the bank will be liable to a penalty of N2,000,000 per day for the number of days the account remains open.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank under the CBN-NEMSF.</p> |
| 10. | Where the DMBs permit debit/ withdrawals from the Feeder Collection Accounts to a non-Principal Collection Account. | <p>First Infraction: The DMB shall pay a penalty of N 2,000,000 on each account so debited in addition to refund of the debited amount with interest at the bank's maximum lending rate for the number of days the infraction continues.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> |

² Please note that at the meeting held with CBN–NEMSF Advisers and Banking Supervision department on 8th September 2015, the Banking Supervision Department had suggested that a fixed rate such as the MPR (MPR + X) should apply to avoid interpretation challenges. Please see minutes of the meeting.

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| 11. | Where the balance standing to the credit of the Principal Collection Account is insufficient to pay the scheduled CBN-NEMSF Repayment Installment amount for any month and the bank permits withdrawals from the Principal Collection Account by the Disco.. | <p>First Infraction: The DMB shall pay a penalty of N 1, 000,000 and shall be instructed by the Refinancer to refund the amount withdrawn with interest at the bank's maximum lending rate for the number of days the infraction continues.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank</p> |
| 12. | Where upon being notified by the Refinancer of the occurrence of an Event of Default, the DMBs permit debit/ withdrawals from the DISCO accounts (save for repayment of CBN-NEMSF) without the prior written consent of the Refinancer. | <p>First Infraction: The DMB shall pay a penalty of N 2,000,000 on each account so debited. In addition, the bank shall immediately refund any amount debited/withdrawn from the Discos Account with interest at the Banks maximum lending rate for the number of days of the infraction.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> |
| 13. | Where a Bank maintains more than one PCA for one DISCO | <p>The DMB shall pay a penalty of N 2,000,000. In addition, the bank shall immediately transfer the balance in the duplicate PCA into the PCA recognised by the Refinancer with interest at the banks maximum lending rate for the number of days of the infraction.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> |
| 14. | Failure of Collection Banks to sweep all monies standing to the balance of the Feeder Collections Account to the Principal Collection Account in accordance with the terms of the Account Administration Agreement | <p>First Infraction: The DMB shall pay a penalty of N2 000,000 and shall be instructed by the Refinancer to immediately transfer the funds into the PCA. In addition, the DMB shall pay interest on the amount so utilized at the bank's maximum lending rate for the number of days the infraction continues.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> |
| 15. | Late or non-remittance of repayment sums due under the CBN-NEMSF and held by the Collections Banks and the Principal Collection Bank in breach of the provisions of the NEMSF Transaction Documents | <p>First Infraction: The DMB shall pay a penalty of N2,000,000 and shall be instructed by the Refinancer to immediately transfer the funds into the PCA with interest at the bank's maximum lending rate for the number of days the infraction persist.</p> |

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| | | Further Infraction: Termination of the DMB's participation as a Mandate Bank. |
| 16. | Where DMB's utilize any monies received under the CBN-NEMSF to repay or set off any existing or future secured or unsecured obligations or liabilities of any of the Market Participants | <p>First Infraction: The DMB shall pay a penalty of N2,000,000 and instructed by the Refinancer to refund the funds with interest at the banks maximum lending rate into the PCA within 2 days.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> <p>.</p> |
| 17. | Collection Banks fails to provide the Refinancer with a register of all accounts operated by a DISCO and domiciled with it or fails to disclose all existing Feeder Collection Account in respect of each DISCO in accordance with the terms of the Accounts Administration Agreement. | <p>First Infraction: The DMB shall pay a penalty of N10, 000,000 and shall provide the information within 2 working days.</p> <p>Further Infraction: Termination of the DMB's participation as a Mandate Bank.</p> |
| 18. | Where a DMB is found to have provided false information to the Refinancer. | Sanction will be applied as applicable under CBN Act and/or BOFIA |