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**LETTER TO ALL DEPOSIT MONEY BANKS (DMBs)**

**GUIDELINES FOR PROCESSING REQUESTS FROM DMBs TO EXTEND NEW/ADDITIONAL CREDIT FACILITIES TO LOAN DEFULTERS AND AMCON OBLIGORS**

Following the issuance of our circular of June 30, 2014 titled “Prohibition of Loan Defaulters from Further Access to Credit Facilities in the Nigerian Banking System”, the CBN has received several requests from DMBs seeking approval to extend further credit facilities to the above concerned obligors.

Having consideration of the various points raised by the DMBs, the CBN in this regard is issuing the following guidelines for the process of considering such requests.

**1) AMCON OBLIGORS**

An institution, having done a credit appraisal on the delinquent obligor and is desirous of extending a new facility to the obligor; should approach AMCON and obtain the following:

- a. The value of the obligor's EBA purchased by AMCON;
- b. The terms of settlement reached between the obligor and AMCON, including a copy of the offer letter issued by AMCON upon restructuring of the facility;

- c. The current performance status of the obligors' facility(ies) with AMCON and details of repayments so far made with dates;
- d. Obligor's good faith payment made (if any) and collaterals held; and
- e. A letter from AMCON expressing no objection (not guarantee) for the grant of the new/additional facility by the DMB.

After obtaining AMCON's expression of no objection, the Financial Institution should write to the CBN seeking an exception for the obligor. The letter should be forwarded along with the following:

- a. The above information received from AMCON and AMCON's letter of no objection (not guarantee) for the grant of the new/additional facility;
- b. Details on the proposed additional facility and the purpose of the facility. The institution's request should include reasons advanced by the obligor for non-repayment of initial facility(ies) availed;
- c. Details on how the new facility would positively impact on the obligor's outstanding indebtedness to AMCON or on any other delinquent facility (ies);
- d. Details of the collateral/credit risk mitigants proposed for the new facility and the level of perfection of title. This should also include valuation reports, from two independent valuers, indicating the open market value and forced sale value of the proposed collateral. The security/collateral should be distinct from whatever collateral is being held by AMCON for the EBA (Eligible Bank Asset) or where not different, details of agreements reached in this regard; and
- e. The sign-off of the bank's Chief Risk Officer (CRO).

## **2) OTHER CATEGORIES OF DELINQUENT OBLIGORS**

The Institutions' request to the CBN should contain the following information:

- a. Details on the proposed additional facility and the purpose of the facility. The institution's request should include reasons advanced by the obligor for non-repayment of initial facility(ies) availed;

- b. Details on how the new facility would positively impact on the obligor's outstanding indebtedness to any other financial institution;
  - c. Details of the collateral/credit risk mitigants proposed for the new facility and the level of perfection of title. This should also include valuation reports, from two independent valuers, indicating the open market value and forced sale value of the proposed collateral;
  - d. Evidence of the institution's board approval for the new facility which shows that the board is aware that the borrower had defaulted on its previous loans and the institution is desirous of extending an additional facility to the obligor; and
  - e. The sign-off of the bank's CRO.
- 3) In addition to the requirements for AMCON obligors and other delinquent obligors above, the lending Institutions must meet the following prudential requirements:
- a. The Institutions must have met the minimum regulatory and internal economic capital adequacy ratio and liquidity ratio requirements for 6 months prior to the request;
  - b. The non-performing loans ratio of the institution should not have exceeded 5% in the last 6 months prior to the request; and
  - c. The bank would be required to make a provision of 50% on the loan from the onset of the loan irrespective of performance status and 150% if for any reason the loan later turns out to be non-performing.

After a review of the bank's request, the CBN would either note the bank's submission or decline. Institutions should be aware that the CBN's position does not compel the bank to avail any facility to the obligor.

Please be guided accordingly.

**TOKUNBO MARTINS (MRS.)  
DIRECTOR OF BANKING SUPERVISION**