



CENTRAL BANK OF NIGERIA

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CIRCULAR TO ALL MICROFINANCE BANKS

CESSATION OF NON-PERMISSIBLE ACTIVITIES BY MICROFINANCE BANKS

The Central Bank of Nigeria (CBN) has observed the activities of some Microfinance Banks (MFBs) that have gone beyond the remit of their operating licenses by engaging in non-permissible activities especially wholesale banking, foreign exchange transactions and others.

Given the comparatively low capitalization of MFBs, dealing in wholesale and/or foreign exchange transactions are a significant risk with dire consequences for financial system stability. It has therefore become imperative to remind all MFBs to strictly comply with the extant Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria 2012 (the Guidelines).

For the avoidance of doubt and consistent with the permissible activities of specialized micro-institutions:

1. MFBs are strictly prohibited from foreign exchange transactions.
2. MFBs are to primarily focus on providing financial services to retail and/or micro-clients.
3. Micro credit and retail transactions carried out by MFBs are limited to ₦500,000 per transaction for Tier 2 Unit MFBs and ₦ 1,000,000 for other categories.
4. Micro credit facilities shall constitute a minimum of 80 per cent of total loans portfolio for MFBs.

The CBN will continue to monitor developments in the MFB sector and apply severe regulatory sanctions for breaches of extant regulations, including revoking the license of non-compliant MFBs (in line with Section 19 of the Guidelines).

A handwritten signature in blue ink, appearing to read "IBRAHIM S. TUKUR".

IBRAHIM S. TUKUR

For: FINANCIAL POLICY AND REGULATION DEPARTMENT