

CENTRAL BANK OF NIGERIA



CBN website: www.cenbank.org

Ref: OFI/DIR/GEN/ CIR/02/002

20th July, 2009

CIRCULAR

TO ALL CHAIRMEN, NON-EXECUTIVE DIRECTORS, MANAGING DIRECTORS, TOP MANAGEMENT STAFF, ALL OPERATORS AND EXTERNAL AUDITORS OF ALL MICROFINANCE BANKS

CLARIFICATION ON BRANCHES, CASH CENTRES AND MEETING POINTS AND LIMITS OF INVESTMENT IN FIXED ASSETS

The Central Bank of Nigeria (CBN) has observed that there is a growing misconception among the operators of Microfinance Banks (MFBs) on the difference between a branch, cash centre and meeting point and has therefore found it necessary to provide the following clarifications and to remind operators of the limit of investment in fixed assets:

Branch

A business location outside the Head Office where full banking operations takes place and where the full range of banking products and services may be offered. It is managed by a Branch Manager and other officers/support staff. Infrastructure put in place shall include a banking hall, a strong-room and other operating equipment, furniture and IT infrastructure. All transactions can be processed in the location and customers' ledgers (manual or electronic) and accounting books and records are maintained.

Cash Centre

A location used only for receiving and collecting cash deposits from customers by a receiving cashier. A cash centre is manned

by a Supervisor and the total number of staff shall not exceed 5 including support staff. Cash is usually evacuated to the Head Office or correspondent bank intermittently or at the end of daily transactions. Infrastructure required is a cashier's cubicle, strong fire-proof safe and sparse furniture. All customers' accounts records are maintained and kept at the Head Office or affiliated branch and withdrawals can only be done at the Head Office or the affiliated branch.

Meeting Point or Customer Interaction Centre

A meeting point is typically a location where customer mobilization through group formation and mentoring takes place. It is also a place for interaction with prospective or existing customers. It could be a small stall/shop in a market, under a tree in a village, e.t.c. It should be sparsely furnished. Only a desk and few chairs are required. No office equipment required. Customers' accounts records and cash should not be kept or maintained in a meeting point.

Approval

Prior approval of the CBN is required for the opening, closing or relocation of branches or cash centres of MFBs, subject to meeting the prescribed prudential requirements and minimum free funds of ₦20 million. CBN approval is not required for the opening/closing of meeting points, provided they are within the definition and scope described above.

Limit of Investment in Fixed Assets

All operators are also reminded that section 9.1(k) of the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria prescribes that "the maximum amount which an MFB can invest in fixed assets is twenty per cent (20%) of its shareholders' funds, unimpaired by losses".

The objective of this is to prevent a high level of investment in non-earning fixed assets, as well as the use of depositors' funds for the acquisition of fixed assets or branch expansion, in the overriding interest of the sustainability of the MFBs.

Mismatch of Assets and Liabilities

All MFBs are strongly advised, not only to ensure that they create good quality assets, but also to ensure that the assets (mainly loans/advances and investments) are properly matched with their liabilities (mainly savings and deposits) in terms of tenor and cost. This is to ensure that short-term funds are not tied down in long-term assets, thereby jeopardizing the liquidity position as well as the safety and soundness of their institutions.

All operators are strongly advised to be properly guided.

O.A. Fabamwo

Ag. Director,
Other Financial Institutions Department.