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**TO: ALL BANKS**

**GUIDELINES FOR CBN REDISCOUNTING AND REFINANCING  
FACILITY (RRF) FOR MEDIUM TO LONG-TERM CREDIT**

**Introduction**

1. These Guidelines are issued pursuant to the provisions of the current CBN Monetary Policy Circular No. 36, Section 3.2.11 (b) regarding the use of rediscounting and refinancing facility. In addition, the conditions relating to the eligibility for issuance of promissory notes under the facility are derived significantly from the CBN Circular of 22<sup>nd</sup> December, 1997 on Operational Guidelines on the Central Bank of Nigeria Discount Window.

2. Given the weak growth performance of the economy over the past decade, the CBN seeks to encourage medium to long-term bank lending to the productive sectors of the economy in order to expand and diversify the production base. Available statistics on the maturity structure of deposit money banks' credit to the domestic economy had revealed that the bulk of aggregate bank credit to the private sector was short-term, and such loans were channelled mainly to general commerce and trade. The objective of the new initiative is, therefore, to reverse this undesirable trend through the provision of temporary financing to those banks which have committed their resources by way of long-term credits to the productive sectors of the economy.

**Eligible Sub-Sectors Covered under the Scheme**

3. The RRF would be available to any deposit money bank that has provided medium to long-term credit to any of the following activities:

- (i) Agricultural Production
- (ii) Semi-Manufacturing and Manufacturing
- (iii) Exploration and Exploitation of Solid Mineral
- (iv) Information Technology

### **Criteria for Banks' Eligibility**

4. A bank applying for the CBN RRF shall be required to have met the underlisted specified performance criteria on a consistent basis for a period not less than six (6) months immediately preceding the submission of its application for refinancing:

- (i) Prescribed Minimum Paid-up Capital
- (ii) Capital Adequacy Ratio
- (iii) Minimum Liquidity Ratio
- (iv) Cash Reserve Ratio
- (v) Prudential Guidelines

### **Method of Application for the Refinancing Facility**

5. The following procedure shall be followed by a participating bank seeking to benefit from the refinancing facility:

- a) The applicant bank shall forward to the Director, Development Finance Department, CBN a letter stating the amount required under the facility and the desired duration of the refinance both of which should be within the allowable limits. The letter should be duly signed by two authorised signatories.
- b) The application should be submitted with a return on eligible project finance portfolio, containing details of the items to be refinanced.
- c) After due consideration of the request, the Director, Development Finance Department will convey, through a letter, to the applicant participating bank the amount approved.
- d) The participating bank will thereafter issue a promissory note in favour of the CBN for the approved amount and tenor. The note(s) should be accompanied by a copy of the letter which conveyed CBN's approval of the facility to the participating bank.
- e) Upon presentation, the CBN will purchase the bill and the proceeds of the promissory note shall be credited to the current account of the participating bank at the CBN, under advice.

- f) In case of doubt as to whether a loan to be refinanced meets the eligible sub-sector criterion, the participating bank should seek clarification from the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

#### **The Promissory Note (the Refinancing Instrument)**

6. The refinancing instrument shall be a promissory note issued by the participating bank applying for the facility in favour of the CBN. The Promissory Note is an eligible instrument at the CBN Discount Window. However, it is only those banks that meet the eligibility criteria specified in paragraph (4) above that can issue the Note, for discounting at the Window. The Note shall meet the following requirements:

- (i) be issued by an eligible bank;
- (ii) have a maximum maturity period of 180 days;
- (iii) be a two-name paper, that of the issuer bank and that of the acceptor;
- (iv) be signed by two authorised signatories of the bank; and
- (v) bear on the face of the note the acceptance of a discount house or a bank, with the authorised signatories.

#### **Applicable Interest Rate**

7. The Notes shall be rediscountable at the CBN Discount Window at a rate that is two percentage points below the prevailing Minimum Rediscount Rate (MRR).

#### **Accessing the Facility**

8. The conditions guiding the limit of access to the facility are as follows:

- (i) The banks can access up to sixty (60) per cent of qualifying loans.
- (ii) The loan portfolio must have been held for not less than one year, and having original tenor of not less than five (5) years.
- (iii) Access to the facility shall be limited to once in twelve (12) calendar months.

- (iv) Provided the foregoing prescribed conditions for the issuance of the promissory note are met, the note shall be issued and presented to the Discount Office, Central Bank of Nigeria, Tinubu Square, Lagos. Upon discounting, the proceeds of the promissory notes shall be credited to the current account of the bank at the CBN, under advice.

**Maturity of the Promissory Note**

9. Where a promissory note has been discounted by the Bank, at maturity of the note, the face value shall be debited to the current account of the issuer bank at the CBN. Banks are, therefore, required to ensure that their accounts are adequately funded. However, in the event that the funds in the current account of the issuer bank are insufficient to cover the face value of the promissory note at maturity, the treasury bills of the bank held under mandate shall be rediscounted to fund the account. If this latter option fails, the CBN shall have recourse to the current account of the acceptor discount house or bank, under advice, but without formal notice. It should be noted, in this regard, that any resulting debit balance on the current account of the bank or discount house shall attract the usual penal interest charge at a rate which exceeds the prevailing MRR.

10. These guidelines become operational with immediate effect.



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