

GUIDELINE FOR NON-INTEREST BANKING OPERATION

Permissible Activities

Non-interest banks are permitted to:

- i. Accept current, savings and term deposits.
- ii. Provide retail banking services.
- iii. Provide financing facilities.
- iv. Deal in inventory trading activities.
- v. Act as agent (wakeel) to its clients for a fee;
- vi. Assume the role of a principal and appoint the customer as investment agent.
- vii. Partner with clients for non-interest transactions
- viii. Deal in foreign exchange and provide foreign exchange services;
- ix. Act as a settlement bank (subject to CBN approval).
- x. Provide Shariah-compliant treasury management services
- xi. Provide financial advisory services
- xii. Invest in non-convertible sukuk instruments, subject to CBN approval.
- xiii. Deal in fixed income, where duly licensed to act as Primary Dealer/Market Maker to trade in securities as may be permitted by the CBN from time to time

Non-permissible activities

Non-interest banks shall not engage in the following activities:

- (i) Insurance underwriting;
- (ii) Loss adjusting services;
- (iii) Re-insurance services;
- (iv) Asset management services;
- (v) Issuing house and capital market underwriting services;
- (vi) Investment in equity or hybrid-equity instruments,
- (vii) Provision of financial advisory services
- (viii) Registrar business;
- (ix) Activities that involve:
 - a) Riba (interest)
 - b) Gambling;
 - c) speculation such as short selling, and other derivatives not compliant with the principles underpinning the operations of NIBs;
 - d) Unjust enrichment;
 - e) Exploitation/unfair trade practices;

- f) Dealings in pork, alcohol, arms & ammunition, pornography, and;

CATEGORIES

Regional Authorization

The following conditions shall apply to non-interest banks with regional authorization:

- i. A non-interest bank with regional authorization shall be entitled to carry on banking business within a minimum of six (6) and a maximum of twelve (12) states of the Federation, lying within not more than three (3) Geo-Political Zones of the Federation, as well as within the Federal Capital Territory.
- ii. Commercial banks with regional authorization are not allowed to operate in Lagos State. This condition shall not apply to non-interest banks with regional authorization that have existing operations in Lagos State
- iii. The promoters of the bank shall ensure branch presence in a minimum of six (6) states covering all three (3) geopolitical zones of its operation not later than two (2) years from the date of license. Existing non-interest banks with regional authorization shall ensure compliance with this requirement within two (2) years from the date of this Guidelines.

National Authorization

The following conditions shall apply to non-interest banks with national authorization:

- i. A non-interest bank with national authorization is entitled to carry on banking business within every state of the Federation and the Federal Capital Territory (FCT).
- ii. Non-interest banks that are less than two years old from the effective date of this Guidelines and the promoters of new NIBs shall ensure branch establishment in all geo-political zones of the federation within two (2) years, and all states of the federation and the FCT within a period of five (5) years, from the date of license. Existing banks that have been in operation for over two years and are yet to comply with this condition shall have a period of one year to ensure they have branch presence in all geo-political zones of the country and three years to ensure they have branches in all states of the federation and the FCT.

LICENSING REQUIREMENTS

Pre-Application Presentation

- i. The business case or model for the bank;
- ii. Profile of the promoters - prospective shareholders and directors;

- iii. The proposed shareholding structure;
- iv. Profile of the proposed ACE members;
- v. Shariah Compliance Governance Program;
- vi. Sources of funds for meeting the minimum capital requirement;
- vii. Proposed organizational structure; and
- viii. AML/CFT/CPF compliance program.

Approval-in-Principle

- (i) Evidence of reservation of proposed name of the bank with the CAC.
- (ii) List of proposed shareholders in tabular form,
- (iii) Satisfactory, verifiable, and acceptable evidence of capital contributed by each of the prospective shareholders of the proposed bank:
- (iv) Evidence of payment of non-refundable application fee of N10,000,000 (Ten Million Naira only),
- (v) List of proposed directors in tabular form,
- (vi) List of proposed members of the ACE in tabular form,
- (vii) List of companies/businesses related to the proposed shareholders, directors, and ACE members,
- (viii) Draft copy of the proposed bank's Memorandum and Articles of Association (MEMART)
- (ix) Detailed business plan or feasibility study,
- (x) For institutional investors and regulated foreign institutional investors a list of requirements will be provided.
- (xi) Organizational structure.
- (xii) Draft Shareholders agreement.
- (xiii) Draft manuals and policies.

Grant of Final License

Not later than six (6) months after obtaining the AIP, the NIB (in-formation) shall submit. an application to the Governor of the CBN for the grant of Final License.

- (i) Certified True Copies of the Certificate of Incorporation, MEMART, and Status Report of the proposed non-interest bank:
- (ii) Evidence of payment of stamp duty on the share capital of the proposed NIB;

- (iii) A copy of the Shareholders Register in which the equity interest of each shareholder is properly reflected;
- (iv) A copy of the share certificate issued to each shareholder;
- (v) Evidence of location of Head Office and branch(es),
- (vi) Duly executed Shareholders' Agreement;
- (vii) List of principal officers
- (viii) List of other management staff
- (ix) A letter of undertaking to comply with all the rules and regulations issued by the CBN guiding the operations of NIBs;
- (x) A written and duly executed undertaking by the shareholders that the proposed NIB will be adequately capitalized for the nature and volume of its business at all times;
- (xi) security gadgets or evidence of equivalent arrangements;
- (xii) Evidence of provision of office, telecommunication equipment, information technology and automated teller machines;
- (xiii) Evidence of Memorandum of Understanding (MOU)/Agreement with Cash-in-Transit (CIT) and other service providers;
- (xiv) Service level agreement (SLA) with relevant vendors);
- (xv) Evidence of implementation of core banking application suitable for NIB operations;
- (xvi) Demonstration of capacity to connect with the Central Bank of Nigeria's returns rendition systems, including FINA and Credit Risk Management System (CRMS);
- (xvii) Non-interest Banking Operations Commencement Plan
- (xviii) A copy of the proposed logo/brand identity.

Financial Requirements

Financial requirements	Authorization	
	Regional	National
	₦'million	₦'million
Minimum(paid-in) capital requirement	10,000	20,000
Application fee	10	10
Licensing fee	15	30
Change of name fee (where applicable)	10	10