



An Overview of the Draft Revised Regulatory and Supervisory Guidelines for Bureau De Change Operations in Nigeria 2024

The Central Bank of Nigeria (CBN) recently issued a draft of the Revised Regulatory and Supervisory Guidelines for Bureau De Change Operations in Nigeria (the “**Draft Guidelines**”). The Draft Guidelines outline specific parameters for the operations of Bureau De Change (BDC) operators in Nigeria and once finalised, will replace the Revised Operational Guidelines for Bureaux De Change in Nigeria, 2015 (the “**2015 Guidelines**”).

We have highlighted some notable provisions of the Draft Guidelines below:

- **Eligible Promoters:** Commercial, merchant, non-interest and payment service banks, Other Financial Institutions, and shareholders in other BDCs are now precluded from participating in the ownership of a BDC. This restriction also extends to foreigners (including corporate bodies) who are non-residents, Federal, Local, and State governments, as well as public officers.
- **Permissible/Non- Permissible Activities:** The scope of permissible and non-permissible activities has been expanded. For example, while the 2015 Guidelines expressly precludes BDCs from opening foreign currency (FX) accounts, it is now contemplated that this will be permissible where the FX accounts are held locally. Amongst others, the Draft Guidelines preclude BDCs from engaging in derivative transactions and borrowing in excess of 30% of their shareholder funds (unimpaired by losses). The restrictions on street trading, capital market activities and foreign businesses/correspondent relationships have been retained.
- **Sources and Payment of Foreign Currency:** The Draft Guidelines allow BDCs to source FX from tourists, Nigerian residents and expatriates with specific income flows, embassies, hotels, and the official foreign exchange market. This, in our view, simply clarifies the intention of the CBN as it is in line with the current provisions of the FX Manual, 2018. In addition to personal and business travel allowances, BDCs may now sell FX for the settlement of medical bills and school fees.

It is important to note that the sale/purchase of FX above US\$500.00 (Five Hundred United States Dollars) or its equivalent in any currency cannot be made in cash. For non-residents, prepaid cards (with the appropriate value) will be issued for this purpose. Where FX is sold for business or personal travel allowances, at least 75% of the sum must be transferred electronically.

- **BDC Licence:** The Draft Guidelines have introduced a tiered system for the issuance of the BDC licence as licences are categorised into Tier 1 and Tier 2 licences. While the Tier 1 licence allows its holders to operate nationwide, have branches and appoint franchisees, Tier 2 licence holders may only operate within one State with no more than a combination of three offices in that State.

In addition, the Draft Guidelines contemplate a “*provisional approval*” stage after the grant of the approval-in-principle but before the issuance of the final licence. During this period, BDCs are required to update their physical infrastructure and information technology to aid their proposed operations. Upon the grant of this provisional approval, BDCs will then be integrated with the Financial Institutions Foreign Exchange Reporting System, the Tax Identification Number Verification Portal of the Federal Inland Revenue Service and the Nigeria Inter-Bank Settlement System.

- **Operation of BDCs:** Similar to the limits placed on licensed Authorised Dealers, the Draft Guidelines varies the amount of FX to be sold based on the purpose of the purchase. For instance, not more than US \$4,000.00 (Four Thousand United States Dollars) and US\$ 5,000.00 (Five Thousand United States Dollars) may be sold as personal and business travel allowances respectively.
- **Revocation of the Licence:** In addition to the existing grounds under the 2015 Guidelines, the purchase/sale of FX above specified limits, failure to obtain the required documents for FX transactions, and the use of unauthorised accounts for FX transactions are new grounds for the revocation of a BDC licence.

The proposed amendments to the 2015 Guidelines is an effort by the CBN to regularise the foreign exchange market with a view to strengthening the value of the Naira, curbing inflation, and economic instability.

A key issue for consideration is the effect of the new terms of the ownership structure for existing BDCs. In finalising the Draft Guidelines, the CBN will need to include adequate timelines to allow existing BDCs comply with these requirements. In addition, the new prudential requirement relating to the threshold for borrowing is likely to impact the books of BDCs and their obligations to existing lenders.

The introduction of prepaid cards to non-residents may likely necessitate the establishment of a proper implementation framework by the CBN to facilitate the issuance of these cards by BDCs.

Comments and recommendations on the Draft Guidelines are to be submitted to the CBN not later than 4th March 2024.

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