

THE CENTRAL BANK OF NIGERIA ISSUES CIRCULAR REVIEWING THE MINIMUM CAPITAL REQUIREMENT FOR MICROFINANCE BANKS IN NIGERIA

On 18 March 2019, the Central Bank of Nigeria (“CBN”) published a circular dated 07 March 2019 to all microfinance banks in Nigeria (“MfBs”) titled, “Review of Minimum Capital Requirement for Microfinance Banks in Nigeria” (“**Revised Circular**”). The Revised Circular seeks to revise the minimum capital requirement for all MfBs on which it had earlier issued a circular on 22 October 2018.

As an improvement on the previous circular, the Revised Circular categorises Unit MfBs into tiers in line with their minimum capital stipulation. Tier 1 Unit MfBs shall operate in the urban and high-density banked areas of the society, while Tier 2 Unit MfBs shall operate only in the rural, unbanked or underbanked areas.

Further to the foregoing, the revised minimum capital requirement are as follows:

S/ N	CATEGORY OF MICRO-FINANCE BANKS	MINIMUM CAPITAL REQUIREMENT
1	Tier 1 Unit Microfinance Bank	₦200 Million
2	Tier 2 Unit Microfinance Bank	₦50 Million
3	State Microfinance Bank	₦1 Billion
4	National Microfinance Bank	₦5 Billion

As opposed to the previous circular which fixed 01 April 2020 as the effective date for all MfBs to ensure compliance, the Revised Circular makes an attempt at innovation by staggering the effective date into two time periods. To this end, the effective date for compliance under the Revised Circular are detailed below:

S / N	CATEGORY OF MICROFINANCE BANKS	MINIMUM CAPITAL THRESHOLD BY APRIL 2020	MINIMUM CAPITAL THRESHOLD BY APRIL 2021
1	Tier 1 Unit Microfinance Bank	₦100 Million	₦200 Million
2	Tier 2 Unit Microfinance Bank	₦35 Million	₦50 Million
3	State Microfinance Bank	₦500 Million	₦1 Billion
4	National Microfinance Bank	₦3.5 Billion	₦5 Billion

In contrast to the previous circular, the final date for compliance is therefore pushed a year forward to April 2021. This staggered and additional period for compliance will give MfBs a reasonable time to source for capital, bring in new investors or explore the possibility of viable business combinations, as may be necessary. Furthermore, the issuance of the Code of Corporate Governance for MfBs by the CBN, which took effect in December 2018, is expected to serve as an attraction for investment by willing investors.

MfBs play a key role in the financial sector of any economy, particularly in providing funds for micro, small and medium enterprises and also in engendering financial inclusion. It is believed that this new minimum capital requirement will assist in solving the problem of inadequate capital base plaguing the sector and generally aid MfBs in efficiently playing their role in the Nigerian economy.

ABOUT US

Paul Usoro & Co. ("PUC") is a leading full-service law firm, providing top-notch legal services to both local and international clients.

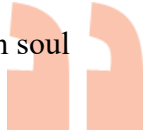
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