

FOREIGN EXCHANGE FINANCING IN AN IMPORT
ORIENTED ECONOMY

A CASE STUDY OF UNIVERSAL TRUST BANK, (UTB)
OF NIGERIA LIMITED (1994-1997)

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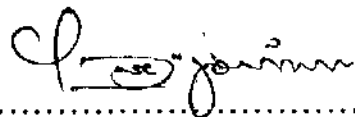
BY

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AUGUST 1998

DECLARATION

I hereby declare that this thesis has been composed by myself, and that it is in partial fulfillment for a higher degree. The various sources of information are clearly indicated in the references. Any errors in the script are entirely mine.



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IDOWU, OLADIPUPO OLUSOLA.

CERTIFICATION


This thesis entitled "Foreign Exchange Financing in an Import Oriented Economy - A case Study of Universal Trust Bank (UTB) of Nigeria Limited (1994 - 1997)" by Idowu Oladipupo Olusola meet the regulations governing the award of the degree of Master in Business Administration (MBA) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This research work is dedicated to: God Almighty for giving me the enablement to complete the exercise, my loving wife Funmi for her support and care and my three children Funmilola, Busola and Olusola (Jnr) for their understanding throughout the duration of the course.

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I give God Almighty the glory for His divine guidance that enable me to go through the course successfully.

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A debt of gratitude is also owed to the staff of Universal Trust Bank of Nigeria Limited, Headquarters Lagos, for supplying me with the data I used in carrying out this research work. Of noteworthy are the contributions of my nephew Mr. Dejo T. Bada -Senior Manager, Foreign operations and Mr. Tayo T. Oguntunde, Manager Corporate Branch.

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In conclusion, I acknowledge responsibility for all errors of omission and commission.

ABSTRACT

Foreign Exchange is the international money widely acceptable for settlement of goods and services between various countries of the world. It thus functions as a medium of exchange and a unit of account at international level.

Finance is the backbone of international trade. Financing of such goods may be in form of payments of Cash, Overdrafts, Tenor, Reimbursement Bill, or Documentary Acceptance Credit to suppliers of the goods, through banks and financial institutions.

Foreign Exchange financing is thus very essential to an import oriented economy like Nigeria.

This research work sought to :

- (i) Determine the roles of Bank in granting foreign exchange to importers of goods and services through the official transaction,
- (ii) Determine other sources of foreign exchange available to importers.
- (iii) Make recommendations aimed at minimising the problems facing the banks and the importers within the Nigerian economy .

The Researcher has established the following facts based on the exercises carried out.

- (i) Official transactions account for less than 50% of payments in foreign exchange for goods and services imported into the Nigerian economy.

- (ii) Importers sought other avenues viz:parallel market, bureau de change, Domicilliary external or off-shore accounts to pay for goods and services imported into the Nigerian economy .

Some limitations to the research exercise were noted, for example, the poor response of some companies to the questionnaire administered was not very encouraging.

The researcher profered some recommendations aimed at solving the acute shortage of foreign exchange in financing imports into the economy, viz:-

- (i) Development of industrial base through completion of steel projects and petrochemicals would reduce the volume of imports into the country and thus make foreign exchange available through official transactions to pay the bills for the essential goods and services imported into the Nigerian economy.
- (ii) Reduction of bottlenecks in the operation of Foreign Currency Domicilliary Accounts (FCDA) would make foreign exchange more readily available through official means and thus, make payments of imports to Nigeria less cumbersome and disturbing to manufacturers and other business organizations in future.

TABLE OF CONTENTS

Title Page	-i-
Declaration	-ii-
Certification	-iii-
Dedication	-iv-
Acknowledgement	-v-
Abstract	-vii-

CHAPTER ONE - INTRODUCTION

1.1 Background to the Study	-1-
1.2 Statement of the Problem	-2-
1.3 Purpose of the Study	-2-
1.4 Hypothesis	-3-
1.5 Scope of the Study	-3-
1.6 Methodology, Research Design and the sample	-4-
1.7 Limitations of the Study	-5-
1.8 Scheme of the Study	-5-

CHAPTER TWO - LITERATURE REVIEW

2.1 Government Policies on Imports to Nigeria and Payment Procedures	-7-
2.2 Bank Finance to Importers	-11-
2.3 Non-Bank Financing of Imports	-13-
2.4 Non-Financial services by Banks to Importers	-17-

CHAPTER THREE - IMPORTS FINANCING WITH FOREIGN EXCHANGE

3.1 Definition of Foreign Exchange	-19-
3.2 Definition, Objectives, Merits & Demerits of Exchange Control	-20-
3.3 Foreign Exchange Market FEM	-23-
3.4 Bureau De Change and guidelines for its operations	-25-
3.5 Roles of International Banks/Agencies e.g. ECOBANK, ADB, IMF & EEC on Imports	-29-

CHAPTER FOUR - PRESENTATION OF ANALYSIS OF DATA

4.1 Mission Statement, Shared values and Discriminating Competencies of UTB	-34-
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4.2	Pattern of ownership at UTB	-35-
4.3	Analysis of Data on Hypothesis	-36-
4.4	Maintenance of Proper Books of Account at UTB	-41-
4.5	New Business Direction/Future outlook at UTB	-44-
CHAPTER FIVE - SUMMARY, CONCLUSION AND RECOMMENDATIONS		
5.1	General Economic conditions of Nigeria	-47-
5.2	Problems Associated with Imports	-49-
5.3	Validity of Hypothesis to Research work	-51-
5.4	Summary	-51-
5.5	Conclusion	-52-
5.6	Recommendations	-53-
REFERENCES		-57-
APPENDICES (I, A & D)		-59-
SCHEDULES 1, 11 & 111)		-90-

CHAPTER ONE - INTRODUCTION

1.1 BACKGROUND OF THE STUDY:

Nigeria is a nation of about one hundred million people. It is the 6th largest exporter of crude oil. The country is a developing nation that needs to import virtually all her industrial machineries from developed nations. The taste of her citizenry is mostly satisfied with imported goods, especially food items like wheat, rice, sugar etc. The country's iron and steel complexes is just developing, therefore she depends solely on imported steel for her major construction projects. She also relies on imported cars and luxurious buses to move her people around the country. The movement of goods and agricultural produce from one part of the country to another is also made possible with imported trucks and lowbed vehicles since rail transportation has become less efficient lately.

All these necessitate the consumption of FOREIGN EXCHANGE, which comes mainly from the sale of the country's crude oil. Therefore, a study of modalities for dispensing the scarce foreign exchange to all these areas of national need becomes a "sine-qua-non" to an import oriented economy like Nigeria.

Banks and Financial Institution in the country actually make much of their annual profits from transactions involving FOREIGN EXCHANGE dealings. It is therefore not surprising that foreign exchange department constitute a major area of interest in all banks in Nigeria and also at the Universal Trust Bank (UTB) of Nigeria Limited.

1.2 STATEMENT OF THE PROBLEM

The supply of foreign exchange requirements of importers by established banks in Nigeria through official means falls short of the total demand needed by importers to settle bills for goods and services that comes into the country.

1.3 PURPOSE OF THE STUDY

The main objective of this research exercise is to investigate the various sources of foreign exchange available to an import oriented economy like Nigeria and the problems associated with these sources of foreign exchange.

The specific objectives are:

- (i) To determine the roles played by banks in granting foreign exchange to importers within the nation's economy.

- (ii) To analyse the short-comings of this institutional framework granting the foreign exchange.
- (iii) To determine other sources of foreign exchange available to importers for financing goods and services.
- (iv) To make feasible recommendations aimed at minimising the problems facing both the institution and the importers within the Nigerian economy.

1.4 HYPOTHESES

The hypotheses guarding this research work are:

- (i) There is an acute shortage of foreign exchange supply through official transactions in the banks for payment of imports into the Nigerian economy that is import oriented.
- (ii) The acute shortage constitutes a major impediment to the country's rapid march into industrial growth and development.

1.5 SCOPE OF THE STUDY

The research covers Banks granting foreign exchange facilities to importers as well as other sources of foreign exchange available to importers in

Nigeria in general and the roles of Universal Trust Bank (UTB) of Nigeria Ltd. in granting foreign exchange for goods and services brought into the country by importers in particular.

1.6 METHODOLOGY, RESEARCH DESIGN AND THE SAMPLE

To facilitate the collection of data for this research, a questionnaire was developed. In addition to the questionnaire administered, personal interview with the key personnel involved in the research (staff of UTB, Importers, Bureau de change staff etc) was conducted to determine their roles and problems in sourcing and financing foreign exchange requirements for imports into the Nigerian economy.

Finally, published data from UTB archives, research journal and library documents were used and analysed. These served as secondary data.

The Sample

Eighty (80) questionnaires were distributed randomly among the industries that require foreign exchange to purchase raw materials, maintain machineries or import goods and services into the country. However, fifty-seven (57) responses were received. The sample is therefore a fair

representative of the whole.

1.7 LIMITATIONS OF THE STUDY

The result of the research has the following limitations, namely:

- (i) Poor co-operation from some of the industries that require foreign exchange for their business transactions.
- (ii) Lack of adequate data from non-legalised outlets (black marketers) for foreign exchange procurement.

1.8 SCHEME OF THE STUDY

In order to achieve the stated objective of this research, the work was divided into five chapters:

Chapter one discusses the general introduction of the research. It includes the purpose of the study, hypotheses, methodology, limitations, etc.

Chapter two analysed the literature review pertaining to the study e.g. Government Policies on Imports, Bank Finance to Importers etc.

Chapter three gave a general overview of financing of imports into the economy. Topics like Foreign Exchange Market (FEM), Bureau De

change, Roles of International Banks/Agencies were discussed.

Chapter four analysed the data received from the questionnaire administered, records from UTB archives and interview conducted.

Chapter five discusses the general economic conditions in the Nation, problems associated with imports and recommendations aimed at solving some of the problems of shortage of foreign exchange injection into the economy.

CHAPTER TWO - LITERATURE REVIEW

2.1 GOVERNMENT POLICIES ON IMPORTS TO NIGERIA AND PAYMENT PROCEDURES

Government makes it mandatory for all importers to complete and register form "M" (see Appendix A3) with Authorized Dealers at the time of placing their orders whether or not such imports are valid for foreign exchange.

Six copies of form "M" are required to be completed by an importer. Each form "M" application is to be supported by the following documents:

- (i) Pro-forma invoice (1 original plus 3 copies)
- (ii) In the case of importation of pharmaceuticals, a current licence issued in the name of the Importer by the Pharmaceutical Board of Nigeria and certificate of registration of business premises.
- (iii) Local insurance certificate
- (iv) Letters of credit instrument (where applicable)

In order to ensure that imports into Nigeria are of the correct quality and quantity according to contracts and that only the normal price of that

commodity in the country of supply is paid, an Appointed Agent will carry out pre-shipment inspection of goods being consigned to Nigeria and issue a "Clean Report of findings" before payment is effected.

A processed form "M" shall be initially valid for 180 days and Authorized Dealers may grant extension of another 180 days. Consequently, an approved form "M" has a maximum life span of 360 days. However, in the case of machinery, plant and equipment made to specifications, the initial validity period is 360 days subject to an extension of another 180 days.

An approved form "M" serves as authority for opening a letter of credit for an importer. Letters of credit are usually opened within 10 days from the date of allocation of the required foreign exchange from the Central Bank of Nigeria (CBN).

Letters of credit also have an initial validity of not more than 180 days and the relative goods must be shipped within this period. The maximum validity of letters of credit is usually 360 days from the date of first establishment.

Documentation for payments in respect of imports to Nigeria involve the following:

- (i) Confirmed letters of credit with original copies of:
 - (a) Bill of landing/airway bill
 - (b) Attested invoice
 - (c) Clean Report of Findings
 - (d) Letters of credit instrument (tested)

- (ii) Bills for collection also with the following documents:
 - (a) Approved form "M"
 - (b) Import duty payment receipt
 - (c) Attested or final invoice
 - (d) Import Duty Report (IDR)
 - (e) Clean Report of Findings (CRF)
 - (f) Customs bill of entry
 - (g) Bill history/bill of exchange
 - (h) Bill of Landing/airways bill
 - (i) Certificate of Insurance
 - (j) Tally sheet/Gate Pass.

Deferred/Instalmental Payments

Applications for the importation of capital goods including plant and machinery requiring deferred, instalment or down payment is usually made to the Authorized Dealers as follows:

- (i) Down Payments shall not exceed 20% of the total value of the transaction and the following documents shall be required:
 - (a) Approved form "M" covering 100% of cost
 - (b) Form "M" for the down payment (for the approved percentage)
 - (c) Certified contract agreement between importer and exporter.
 - (d) A guarantee or a performance bond issued by a recognised bank in the exporters country.
 - (e) Proforma invoice
- (ii) Subsequent Payments are also to be accompanied with the following documents:
 - (a) Form "M" for total cost (photocopy)
 - (b) Form "M" for the instalmental payment
 - (c) Certified copy of contract agreement
- (iii) Subsequent Instalments

All subsequent instalmental payments will require photocopies

of the documents in (i) a-e above. Where the goods have been received, the following are documents required additionally:

- (a) Schedule of payment
- (b) Form "M" for the instalmental due
- (c) Clean Report of Findings
- (d) Import Duty Report
- (e) Customs bill of entry
- (f) Import Duty Payment receipt
- (g) All relevant shipping documents.

2.2 BANK FINANCE TO IMPORTERS

Finance is the backbone of international trade.

Importers, through their banks, must make actual payments of cash to their suppliers. Sometimes, they may not have sufficient resources to meet this obligation to their suppliers.

This bank finance can be in form of:

- (i) The normal overdraft: Banks grant overdraft facilities to importers whereby their accounts are allowed to be overdrawn subject to a maximum limit and during a given period of time, usually a year.

This is a short term finance.

- (ii) **Tenor Reimbursement Bill:** An importer who is due to take up document from an exporter e.g. in a documentary collection, but has no liquid resources to meet such payment will, under this arrangement, draw his own bill on the bank. The reimbursement bill drawn on the bank is accepted by it and discounted to obtain funds for the importer with which he meets the payment for the imported goods. The maturity of the reimbursement bill depends on the period within which the goods are expected to be disposed off. Although the bank does not give the importer the cash, it lends its name to the importer.
- (iii) **Merchandise/Produce Loan:** This is a special loan to the importer which is secured by a charge over the goods for which the loan is granted. The bank will perfect its title by a deposit of the documents of title by the importer plus a letter of pledge/hypothecation. When the goods arrive, the bank can either release the documents of title and hence the goods or collect, warehouses and insures the goods using the services of a clearing agent all at the expense of the importer.

- (iv) **Documentary Acceptance Credit:** With the existence and involvement of a bank, an exporter may agree to a documentary letter of credit providing for acceptance thereby giving the importer a credit period. In this way, the bank enables him to obtain credit and thus the importer is able to finance his trade.

2.3 NON-BANK FINANCING OF IMPORTS

Financial needs of importers are such that banks alone cannot adequately and satisfactorily meet them. Some other ways an importer finances his goods and services are:

- (i) **Leasing:** Leasing can be described as a means of acquiring fixed assets that a corporate body is unable to buy outright because of the capital intensive nature of such assets. As relates to international trade, the importer arranges to lease the asset from a leasing company which pays the exporter immediately after the assets delivery and installation. Equipment leasing is virtually carried out only by merchant banks and very few leasing/finance companies such as NAL securities Ltd and Holt leasing.

There are two ways by which leasing can be arranged by an importer:

the local leasing and the cross-boarder leasing. While cross-boarder leasing is more suitable for major transactions of higher value, local/finance leasing is more suited for lower-value items.

- (a) **Local Leasing:** This is an arrangement whereby the overseas user/importer is in contact with a local leasing company in the supplier's country through an international credit club or union. The leasing company pays the exporter in full and obtains repayment from the importer by regular payments.
- (b) **Cross-boarder leasing:** This is a direct leasing between the leasing company and the overseas buyer (importer). The leasing company makes repayment arrangement with the importer on the transaction and pays the exporter cash for the asset involved.

(ii) **Hire Purchase:**

Hire purchase is acquisition of assets on credit and settlement that is made through regular instalment payments. Hire purchase may be arranged in two ways, namely:

They receive orders from foreign importers who require particular types of goods. The confirming house finds a manufacturer who can supply the goods and passes the order over to them, adding their confirmation changes to the order. In confirming an order, the confirming house undertakes to pay for the goods on evidence of shipment.

There may be occasion where the confirming house is prepared to open or (confirm) a documentary credit on behalf of the importer or offer the importer an extended period of credit.

(iv) Counter Trade:

This is another non-bank financing method of paying for imports.

With the country's dependence on oil for foreign exchange earnings, the declining global oil demand and the instability in oil prices, countertrade will continue to be a major source of paying for imports such as spare parts and finished products needed for the expansion of industrial capacities.

Countertrade, in conjunction with other foreign policy tools has reposed a reasonable international confidence in Nigeria as evidenced

in various steps by trading partners such as debt refinancing and rescheduling.

2.4 NON-FINANCIAL SERVICES BY BANKS TO IMPORTERS

Importers require other services from banks without which the smooth running of their businesses would be very difficult. These services are:

- (i) Banks give economic, political and trade advice to importer. In doing so, the importer is being assisted in finding a good, reliable and reputable supplier. Banks also give status report on prospective suppliers.
- (ii) Banks are well versed in exchange control regulations and processes both on the importers country as well as the potential supplier's country.
- (iii) Banks provide travel facilities such as travellers cheque, travellers letter of credit or open credit facility to importers. Moreover, banks give importers letters of introduction through overseas correspondent banks, branches or centres while on overseas business trips.

- (iv) Banks provide means of remittance such as mail transfer. Draft, Telegraphic transfer etc for imports into the economy.
- (vi) Banks sell foreign currencies to importers or provide a means of payment if the customer maintains and operates a Foreign Currency Domiciliary Account denominated in the required foreign currency.

CHAPTER THREE - IMPORTS FINANCING WITH FOREIGN EXCHANGE

3.1 DEFINITION OF FOREIGN EXCHANGE

Foreign Exchange is defined as the international money which is widely acceptable in settlement for goods and services between various countries of the world.

It functions as a medium of exchange and a unit of account at international level.

It also possesses same qualities with domestic money e.g. divisibility, portability, etc.

The commonest currencies used as foreign exchange are the American Dollar and the United Kingdom Pound Sterling.

The following forms are in use for Foreign Exchange transactions involving importation of goods and services into the economy.

- (i) **FORM A:** It is a form for application to pay for service transactions. This is referred to as invisible trade. The form covers business travels as well (see appendix A2).
- (ii) **FORM M:** This is used for importation of physical goods.

(iii) **FORM TM:** This is the form used for declaration of import of foreign currency above US\$ 5,000.00 or its equivalent. It is also used to declare precious stones, jewellery, and works of art including antiquities to Nigeria.

Forms A and M are obtainable from Trade & Exchange Department of the Central Bank of Nigeria while Form TM is available with the Nigeria Customs Service/Immigration Service.

3.2 DEFINITION, OBJECTIVES, MERITS & DEMERITS OF EXCHANGE CONTROL.

DEFINITION:

Exchange control can be defined as a mechanism by which a country seeks to mobilize its foreign exchange resources and ration same for the settlement of international transactions in accordance with the nations priority.

Exchange control has been in existence in Nigeria since December 1950 when the Exchange Control Ordinance was enacted. However, the main authority for exchange control today is the Exchange Control Act of 1962. The Federal Ministry of Finance and the Central Bank of Nigeria act

as the main authority and the principal agent respectively. Commercial Banks act as authorized dealers.

Exchange Control is possible with the aid of some exchange control forms such as Form M, Form X and Form A.

Exchange Control becomes relaxed when there is rise in foreign reserves and stiffer when there is a fall in foreign reserves.

Objectives of Exchange Control:

The following are the objectives for establishing the Exchange Control mechanisms:

- (i) To improve the balance of payment position
- (ii) To maintain a steady level of foreign reserves consistent with the external stability.
- (iii) To maximise the foreign exchange receipts from exports and some other transactions.
- (iv) To enhance optional utilization of foreign exchange resources by ensuring that value are received for all foreign exchange outflows.
- (v) To enhance confidence in the country's external payments system by honouring international obligations as and when due.

Merits of Exchange Control:

- (i) Exchange control allows flexibility i.e. It can be applied to cater for any loopholes in a country's foreign exchange payment system, even if such was not anticipated from the on-set.
- (ii) The effect of exchange control is quickly felt within the economy.
- (iii) Exchange control has proved to be ideal as short-term measures towards finding solution to imbalance in balance of payment.
- (iv) Exchange control suppresses excess demand for foreign exchange.

Demerits of Exchange Control

- (i) Exchange control had failed to eliminate excess demand for foreign exchange.
- (ii) Exchange control policy and implementation is cumbersome.
- (iii) Exchange control has brought corruption into administrative machinery. This has been experienced in the era of import licence, foreign exchange approval and allocation as well as import duty implementation.
- (iv) Exchange control has resulted in unhealthy practices by the public to circumvent the introduced measures. Experience has shown

smuggling of goods and currencies across the borders, forgery of foreign exchange payment documents, over-invoicing of imports and collusion of importers with some bad eggs in the banking industry and other government agents.

- (v) Exchange control delays payment for imports and thus become an unnecessary cog in the supply mechanism of essential commodities such as raw materials thus forcing industries to produce well below their capacity.

3.3 FOREIGN EXCHANGE MARKET (FEM)

The foreign exchange market (see appendix A4, A5, A6a-d and A7) is that which exists to assist buyers to buy and sellers to sell foreign exchange. An importer buys while an exporter sells. Unlike other markets where money exchanges for goods/services, in the foreign exchange market, money exchanges for money; one currency being exchanged for another. The motives for such exchanges is borne out of the need for traders, investors and other participants to make international settlements.

Documentation and Deregulation Under FEM

Under Foreign Exchange Market (FEM), the import licensing system is no longer applicable. Operations in the market is on cash and carry basis. Notwithstanding this fact, any purchase of foreign exchange must be for genuine transactions. For this reason, there is the need for appropriate documentation for both visible and invisible imports. This is duly covered by the FEM Manual issued by the Central Bank of Nigeria.

Averagely, the naira exchange rate has been stable in the period under consideration. One question that comes to mind is: What has been *responsibility for this stability at least during this short period?* The first reason is the CBN's surveillance on the market which does not allow the exchange rate determination purely by forces of demand and supply. The CBN has continued to intervene directly in the naira exchange rate determination in the FEM. The high level of discipline that now obtains in the market as a result of various actions by the CBN including suspension of erring banks and companies is another reason. The subsequent tight liquidity situation in the economy also accounts for the stability. Furthermore the caution now being exercised by bank customers has resulted in more realistic exchange rate for the naira.

Invisible Transactions that require foreign exchange financing include the following:

- (i) Educational Expenses.
- (ii) Expatriate Home Remittances.
- (iii) Re-Insurance.
- (iv) Aircraft Lease Fees.
- (v) Charter Fees for Fishing Vessels.
- (vi) Repair and maintenance of Shipping Vessels and Aircraft overseas.
- (vii) Basic Travel Allowance.
- (viii) Business Travel Allowance.
- (ix) Pilgrimage.
- (x) Contract Service Fees.

3.4 BUREAU DE CHANGE AND GUIDELINES FOR ITS OPERATIONS

Bureau de change are privately owned enterprises whose principal objective is to enlarge the size and scope of officially recognised foreign exchange market and transactions and also provide easier access to small buyers and sellers of foreign exchange in a convenient manner.

Other objectives of establishing Bureau De change are:

- (i) To enhance efficiency in macro-economic management through more adequate statistical coverage of foreign exchange flows.
- (ii) To improve fiscal efficiency.

Licensing Requirements

Any organization wishing to transact the business of Bureau de change must be duly licensed by the Federal Ministry of Finance.

The following are the minimum requirements to be met by organizations wishing to be appointed as dealers:

- (i) Any organization or company seeking to obtain a licence to operate as a Bureau de Change shall be a duly incorporated Nigerian limited liability company.
- (ii) Application for a licence to transact the business of Bureau de change shall be made in writing, through the Government of the Central Bank to the Federal Minister of Finance with a non-refundable fee of N1,000.00 together with such other documents as may be prescribed by the Central Bank.
- (iii) An initial licensing fee of N25,000.00 is payable and subsequently an annual renewal fee of N5,000.00

- (iv) Every licensed Bureau de change shall maintain a mandatory deposit of N250,000.00 with the Central Bank as caution money.

Operations of Bureau de change:

- (i) Every Bureau de change shall deal only in banknotes and coins and the encashment of travellers cheques.
- (ii) Any person wishing to sell foreign currency at a Bureau de change shall not be required to disclose the source. The Bureau de change should, however, ascertain the genuineness of the foreign currency.
- (iii) Transactions shall be on a "cash and carry" basis.
Consequently, payment shall be made in equivalent naira on delivery of the foreign currency.
- (iv) The maximum commission chargeable for banknotes and travellers cheques shall be $\frac{1}{4}$ of 1% of transactions.
- (v) Every Bureau de change shall keep proper registers and other records of all its transactions for the purpose of enhancing business efficiency.
- (vi) Every Bureau de change shall fix its hours of business which must be clearly displayed.
- (vii) Net global holdings of each Bureau de change organization

at the end of each trading week shall not exceed the equivalent of \$250,000.00

- (viii) Foreign exchange employed by Bureau de change cannot be sourced from banks operating in Nigeria, including Central Bank of Nigeria.

Supervision and Monitoring of Bureau de Change:

- (i) The Central Bank of Nigeria is the organ that is empowered to supervise and monitor the operations of Bureau de Change so as to ensure the orderly conduct and development of this segment of the Foreign Exchange Market.
- (ii) Every Bureau de Change is mandated to render monthly returns to the Central Bank of Nigeria not later than 15 days after the end of the month to which the returns relate on the prescribed formats on schedules I, II and III on the appendices. The returns, which shall give information on amounts of purchases, sales and holdings of foreign exchange only in aggregate terms are to enable the Central Bank of Nigeria have accurate data of the aggregate inflow and outflow of foreign exchange through this segment of the Foreign Exchange Market.

- (i) To meet the need to provide innovative and sound approaches to the development of the sub-region's economics.
- (ii) To play a vital role of modern banking and financial services needed to facilitate the development of industry, commerce and imports in the sub-regions.

The Ecobank Transnational Incorporated (ETI) was incorporated on 3rd October, 1985. The first Ecobank was opened in Togo in March 1988, while Ecobank - Nigeria opened for business on the 24th of April, 1989.

The business of an Ecobank is best described as an hybrid of both commercial and merchant banking, having scope as an offshore financial institutions capable of taking placements, trading in foreign exchange, making loan and advance facilities available to importers within the sub-regions and being involved in equipment leasing among other functions. Ecobank appeared to have achieved part of the objectives for its establishment by the founding fathers of ECOWAS.

(II) AFRICAN DEVELOPMENT BANK (ADB) GROUP

This institution is best described as the "African World Bank Group"

- (iv) To provide short-term credit to member nations facing balance of payment difficulties in settling imports of essential goods.
- (v) To facilitate growth in world trade by increasing international liquidity through the creation of Special Drawings Rights (SDRs).

The relevance and importance of IMF's role to international trade cannot be over-emphasised most especially in the area of international liquidity, international settlement, exchange rate stability, trade restrictions among many others especially in developing economics like Nigeria.

(IV) EUROPEAN ECONOMIC COMMUNITY (EEC)

This is a regional community for European countries which was formed in 1957 under the Treaty of Rome. It consisted of nine countries as membership by 1981.

The role of EEC in international trade has been very encouraging. Its programmes have not been limited to member nations only. Hands of fellowship have also been extended to less developed nations from time to time as its contributions to the social and economic development of these nations. Very recently a grant of N500 million was given to Nigeria by EEC for the improvement of rural health facilities in six states namely

- (ii) The use of appropriate technology to drive product and service delivery.
- (iii) Availability of the best professionals in the industry.

4.2 PATTERN OF OWNERSHIP AT UTB

The ownership pattern at UTB as at 31st of December 1997 consists of three categories of stake holders, namely:

- (i) The Board of Directors: This group comprised of nine entrepreneurs and professionals of integrity, under the able chairmanship of Lt. Gen. T. Y. Danjuma (Rtd). They combined to have a total of 120,666,250 ordinary shares of N1.00 each. Their contributions represent 34.62% of the total paid up capital of the bank.
- (ii) The staff Equity Trust group has a total number of 40,854,596 shares representing 11.72%.
- (iii) The third group consists of the Nigerian Citizens and Associations. The group has 187,004,639 ordinary shares, thus representing 53.66% of the banks paid up capital.

The total share capital of the Bank therefore stood at N348,525,485.00 as at 31st December, 1997.

The Bank however intends raising additional N151,474,515.00 from the Nigerian Public through sale of shares in 1999 to make up the N500,000,000.00 (Five hundred million naira) new capital base for commercial banks as demanded by the Central Bank of Nigeria financial regulations on operation of commercial banks.

4.3 ANALYSIS OF DATA ON HYPOTHESES

Hypotheses

- (i) There is an acute shortage of foreign exchange supply through official transactions in the Banks for payments of imports into the Nigerian economy that is import oriented.
- (ii) The acute shortage constitutes a major impediment to the country's rapid march into industrial growth and development.

Table 1.

NO OF COYS/INDUSTRIES INVOLVED IN THE SURVEY	NO OF RESPONSES FROM THE COYS/INDUSTRIES	PERCENTAGE OF RESPONSES RECEIVED FROM COYS/INDUSTRIES	NO/PERCENTAGE OF COYS/INDUSTRIES THAT THEIR TOTAL FOREIGN EXCHANGE REQUIREMENTS ARE FULLY MET BY THE BANK
80	57	71%	18/(32%)

SOURCE: QUESTIONNAIRE RESULT

The findings above confirm the truthfulness of hypothesis (i) as table - 1 shows that only 32% of the sample surveyed obtained their total foreign exchange requirements for imports into the economy through the official transactions in the bank. The remaining 68% foreign exchange requirements would necessarily have to be sought for, through other avenues, namely: parallel market, bureau de change, black market, domiciliary external or off-shore accounts and other sources.

Table 2:

NO OF COYS/INDUSTRIES WHOSE TOTAL FOREIGN EXCHANGE REQUIREMENTS ARE MET BY THE BANK	NO/PERCENTAGE OF TRADING ORGANISATIONS WHOSE TOTAL FOREIGN EXCHANGE REQUIREMENTS ARE MET BY THE BANK	NO/PERCENTAGE OF MANUFACTURING CONCERNS WHOSE TOTAL FOREIGN EXCHANGE REQUIREMENTS ARE MET BY THE BANK
18	11/(61%)	5/(28%)

SOURCE: QUESTIONNAIRE RESULT

Table 3

NO OF COYS/INDUSTRIES WHOSE 75%-50% FOREIGN EXCHANGE REQUIREMENTS ARE MET BY THE BANK	NO/PERCENTAGE OF TRADING ORGANISATIONS WHOSE 75%-50% FOREIGN EXCHANGE REQUIREMENTS ARE MET BY THE BANK	NO/% of manufacturing concerns whose 75%-50% FOREIGN EXCHANGE REQUIREMENTS ARE MET BY THE BANK
34	22/(65%)	10(29%)

SOURCE: QUESTIONNAIRE RESULT

The industrial growth and development of a nation is partly dependent on the ability of such country to produce the needs and requirements of her

citizenry within its border and possibly be able to export the excess industrial products to less developed economies.

Table - 2 shows that only 28% of total foreign exchange requirements of manufacturing concerns who are supposed to produce these needs and requirements were being met by the bank investigated.

Table - 3 showed further that just 29% of between 75% - 50% of foreign exchange requirements of such manufacturing organizations were equally met by the universal Trust Bank, under studied.

These two tables highlight the validity of hypothesis (ii), i.e. the acute shortage of foreign exchange supply through official transactions in the Bank, constitutes a major impediment to the country's rapid march into industrial growth and development.

TABLE 4: FOREIGN EXCHANGE (FX) TRANSACTIONS INVOLVING IMPORTS INTO THE ECONOMY

FOR THE 4-YEAR PERIOD, 1994-1997

YEARS UNDER REVIEW	VOLUME OF TRANSACTIONS	TOTAL AMOUNT OF TRANSACTION DEMANDED BY IMPORTERS IN (\$)	AMOUNT SUPPLIED TO TRADING ORGANISATIONS IN (\$)	AMOUNT SUPPLIED TO MANUFACTURING CONCERNS IN (\$)	PERCENTAGE OF FOREIGN EXCHANGE (F/X) SUPPLIED TO IMPORTERS	PERCENTAGE OF FOREIGN EXCHANGE (F/X) SUPPLIED TO TRADING ORGANISATIONS	PERCENTAGE OF FOREIGN EXCHANGE (F/X) SUPPLIED TO MANUFACTURING CONCERNS
1994	875	84,164,030.80	20,108,652.07	6,700,434.50	30.9%	22.9%	8.0%
1995	627	50,397,623.23	15,119,287.27	3,583,120.07	37.1%	30.0%	7.1%
1996	1340	313,774,919.00	78,443,729.76	21,149,362.66	31.74%	25.0%	6.7%
1997	894	341,210,881.60	85,302,720.39	25,800,102.00	32.6%	25.0%	7.6%

SOURCE: UTB FOREIGN EXCHANGE (FX) OFFICIAL TRANSACTION SCHEDULES RECORD (1994-1997)

From Table 4, above it became evident that Universal Trust Bank (UTB) was able to meet just 33% of the foreign exchange requirements of its customers through official transactions during the periods under review i.e. 1994-1997. This is also very much in agreement with hypothesis (i).

The percentage of Foreign Exchange supplied to manufacturers of goods, through official transactions varies between 6.7% to 8.0%, with an average of 9.4% of their required demand during the period of investigation. This is also poor relative to supplies to trading organizations, which oscillates between 22.9% to 30% during the period under review. This result also agrees with hypothesis (ii) as the very poor supply of foreign exchange through official transactions constitutes a major impediment to the country's rapid march into industrial growth and development.

4.4 MAINTENANCE OF PROPER BOOKS OF ACCOUNT AT UTB

The Central Bank of Nigeria (CBN) provides guidelines, which are modified from time to time, on how proper books of Account on imports are to be opened and maintained by such Banks that are authorized to deal in foreign exchange.

The process involves the opening of an account with a correspondent Bank, for purposes of receiving foreign exchange allocation on all processed import documents approved by the Apex Bank (CBN).

The correspondent Banks to UTB are (i) The CitiBank N.A., New York and (ii) The ANZ Banking Group, London.

In the Pre-SFEM era, foreign exchange allocated for all the customers import applications by the Central Bank would normally be released and transferred to UTB account with its correspondent Banks, either in the U.S. or London. The current account of UTB with the CBN would then be debited with the naira equivalent of such import application transactions.

When UTB receives CBN advice on the foreign exchange allocated and already transferred to its correspondent Bank, the following accounting entries would be passed.

In Foreign Currency:

473758

Debit: Foreign Exchange Allocation with XYZ a/c, New York with say \$500,000.00

Credit: Open Position a/c

Meanwhile, the correspondent Bank i.e. The CitiBank N.A., New York would have credited the offshore a/c of UTB with the same amount of

these foreign a/cs are monitored daily by checking what went in and out the previous date. Reconciliation statements are also prepared fortnightly by the financial control Department, and any outstanding balances must be investigated and corrected on/or before the next reconciliation takes place.

Additionally, CBN officials are always around to check the books and ascertain that proper accounting procedures in relation to their guidelines are adhered to strictly.

4.5 NEW BUSINESS DIRECTION/FUTURE OUTLOOK AT UTB

In the second half of 1995, the bank created a new ten-year vision for itself. The bank's mission was also redefined.

In 1996, definite steps were taken to implement the new customer-focused direction. The bank has thus been restructured into three major operating sectors to wit, strategic Business Sector, strategic support sector and strategic control selector.

STRATEGIC BUSINESS SECTOR

The strategic Business sector comprises the bank's strategic Business Units (SBU's), which are operating units that interface with third party

customers and have profit-generating responsibility.

The following SBU's make up the strategic Business Sector:

- (i) Corporate Banking Group
- (ii) Retail Banking/Banking credit & Marketing Group
- (iii) Treasury Services Group

The Corporate Banking Group caters for the diverse needs of multinationals and major corporates. The Retail Banking/Branch Credit & Marketing Group is responsible for directing marketing efforts and developing businesses at the branches.

The Treasury services Group has global responsibility for liability generation and management of foreign exchange and local currency.

STRATEGIC SUPPORT SECTOR

This sector gives excellent back-office support to the strategic Business Sector to ensure that the sector delivers qualitative service to the bank's customers in the spirit of the new vision. The strategic support sector is made up of two groups, namely: The operations Group and the Corporate services Group.

STRATEGIC CONTROL SECTOR

The role of this sector is to ensure that the operating units operate according to plan, with laid down policies and procedures, in accordance with standard banking practices towards realization of the bank's corporate vision, goals and objectives.

With the new flexible and customer-focused structure, UTB is well positioned to be the leading innovative Nigerian bank in terms of product design and service delivery.

CHAPTER FIVE - SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 GENERAL ECONOMIC CONDITIONS OF NIGERIA.

For sometime after independence in 1960, agriculture remained the main stay of the country's economy. Agricultural commodities like cocoa, cotton, groundnut, palm oil, hides and skin were exported to overseas countries, especially the United Kingdom. Imports were also made from United Kingdom of various items ranging from cars to highly sophisticated industrial plants and machineries, as industrialization was just taking shape in Nigeria.

However, between 1967 and 1970, Nigeria experienced a civil war, which resulted in the destruction of the country's infrastructural facilities especially in the war prone areas of Eastern Region.

The era of oil boom commenced almost immediately after the civil war in 1970. Nigeria became a member of organization of Petroleum Exporting Countries (OPEC). With the exportation of crude oil, unprecedented high revenue accrued to the Nation and the economy was

boosted. Nigeria was tagged the greatest black nation. The number of Nigeria's trading partner increased and high incidence of importation of goods and services was observed. Agriculture became neglected. There was political instability which affected economic stability. The taste for imported goods and unpatriotic attitude towards home made product, vis-a-vis lack of export drive led to the economic doom which the country experienced in the early 1980's. This was actually aggravated by the dramatic fall in oil prices which was the aftermath of the venerable position of the international economy coupled with the structural imbalance of the economy coupled with the structural imbalance of the economy and the financial profligacy of our leaders. The economic downturn of the country was actually assented to by the Nigerian Government with economic stabilization measure named "Austerity Measure" in 1982.

Other measures which have been introduced to revamp the economy, but had yielded little or no effort include:

- (i) Issuance of Import licence not valid for foreign exchange.
- (ii) Advance Payment of Import Duties
- (iii) Structural Adjustment Programme introduced in 1986.

In critically assessing the country's present economic position, the

total reliance on exportation of crude oil was the bane of the whole episode oil exports accounts for about 96% of export earnings, until recently when export drive in areas of enhanced agricultural produce, solid minerals came into being. It is hoped that these measures will reduce the country's total dependence on a single commodity - OIL in the foreseeable future.

5.2 PROBLEMS ASSOCIATED WITH IMPORTS

In as much as international trade exists, which allows importation of goods and services from one economy into another some problems must be associated, viz:

- (i) Delay in payment by the importer against the agreed period which is stated at the onset of the contract.
- (ii) The possibility of losing the imported goods in transit in the course of shipment from the exporter to the importer.
- (iii) The likelihood of imported goods getting damaged or destroyed most especially fragile items and products.
- (iv) Exchange control Regulations which may affect the amount of foreign exchange available for an importer.
- (v) Exchange rate fluctuation might affect an importer precariously

reducing the volume of his imports.

- (vi) Government enactments or regulations may forbid importation of certain products, which an importer may not be aware of or the law might not be in place when he is placing orders for such goods/products.
- (vii) Unnecessary intervention of some governments to protect the home market constitutes a spite on imports e.g. some countries may be said to be having trade liberalisation policy and suddenly the government of such country intervenes to defeat the purported trade liberalisation policy. Another common example is the sudden introduction of import licence in countries where import licence has not been a pre-requisite for importation.
- (viii) Civil strikes, riots/protests, revolutions, wars, and other disturbances when in existence invariably creates problems for goods and services being imported into an economy.

5.3 **VALIDITY OF HYPOTHESES TO RESEARCH WORK**

Results from the questionnaire administered, interview of the key personnel involved in the research work and facts emanating from the published data from UTBN archives confirm the validity of the two hypotheses of this exercise and thus established that:

- (i) There is an acute shortage of foreign exchange supply through official means/transactions in the Banks for payment of imports into the Nigerian economy that is import oriented and
- (ii) This acute shortage constitutes a major impediment to the country's rapid march into industrial growth and development.

5.4 **SUMMARY**

Foreign exchange Financing is very important to an economy like Nigeria that is essentially dominated by imported goods and services.

Government regulates the wastage of the scarce foreign exchange through importation of unnecessary items of luxury by issuance of permits such as Forms A, M and TM, obtainable from trade and exchange Department of the Central Bank of Nigeria.

Foreign exchange needed to pay for goods and services is obtainable

from Banks and designated financial concerns. One of such banks is the Universal Trust Bank (UTB) of Nigeria, Ltd.

Official transactions account for just about 32% of the total foreign exchange requirements for imports into the Nigerian economy. Importers obtained much of their requirements through parallel market, domiciliary external or off - share accounts, at higher rates relative to what obtains at official markets. Less time is however spent at parallel market.

Trading concerns also got higher percentage of foreign exchange allocation through official transactions than manufacturing industries. This situation may account for the country's low industrialization.

5.5 CONCLUSION

From the study, the problems of Foreign Exchange Financing of Imports to Nigeria have been x-rayed, and solutions proffered.

It is hoped that when some of the recommendations are implemented, financing of imports into Nigerian Economy through official means/transactions will be less cumbersome and the acute shortage considerable minimized and thus make the Government, the Citizenry and the Importers happier and partners in progress in the overall growth and

development of our country, Nigeria.

5.6 RECOMMENDATIONS

As the supply of foreign exchange through official means for purposes of settling bills from imports into the Nigeria economy has been found to be inadequate and drastically less than the total amount demanded, the following measures are hereby recommended to address the problem.

1. Development of industrial base, e.g. steel project, petro-chemicals and the Liquefied Natural Gas (LNG).

It is a known fact that a country's industrial development begins with the ability of such nation to develop its steel industries, which produces items like steel bars, rods etc that are used to construct giant structures; flat sheets for production of vehicle/car bodies, refrigerators, wheelbarrows, fabricated tanks etc. that are necessary tools for development. To this end, Government should speed up the completion of the gigantic Ajaokuta Steel Project and other Inland Rolling Mills in Oshogbo, Jos and Katsina.

The use of reinforced plastics and fibres in industries and societies is increasing at an alarming rate. This is a product of petrochemical factory. Its development will make plastic and fibre products available in the country and thus reduce importation of these essential industrial and home uses and consequently save the country's limited foreign exchange.

Efforts should also be geared towards completing the country's LNG project. Nigeria has one of the largest gas reserves in the world. It is in excess of 3,120 billion cubic meters. The timely completion of this project would increase the country's foreign exchange reserves.

2. Government should revive Agriculture, to make raw materials available to the industries and food products to the citizenry. This will reduce the amount of foreign exchange presently being expended on the importation of food items and industrial raw materials.
3. The development of Export Processing Zone (EPZ) in Calabar is a welcome development and that in Kano under consideration, should

small dealers in foreign exchange and thereby enlarge the size of the officially recognised foreign exchange market.

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KASHIM IB
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18. CBN: Monthly Returns of Assets & Liabilities (Various Issues).

Department of Business Administration,
Ahmadu Bello University,
Zaria.

13th October, 1999.

Dear Respondent,

I am a post graduate student of the above named institution, undergoing a master's degree in Business Administration.

I am writing a thesis on "Foreign Exchange Financing in an import oriented economy" being a partial fulfillment of the requirement for the award of a masters degree in Business Administration (MBA).

The importance of availability of foreign exchange to finance imports in an economy like Nigeria cannot be over-emphasized, thus, your co-operation is highly essential in filling the questionnaire attached, correctly, honestly and truthfully such that the outcome of this research exercise will make financing of imports through foreign exchange less cumbersome in future.

All information received are for scholarly application and will be treated with strict confidentiality.

Thanks.

Yours faithfully,

Idowu, O. Olusola.

**QUESTIONNAIRE ON FOREIGN EXCHANGE FINANCING IN AN
IMPORT ORIENTED ECONOMY.**

1. Name of the Company

2. Type of ownership: Kindly, tick as appropriate.

- a) Sole proprietorship/Partnership
- b) Private limited company
- c) Public liability company
- d) Others, specify

3. What industry does your company represent?

- a) Manufacturing
- b) General merchandising
- c) Transport
- d) Contracting/Consultancy
- e) Others, specify

4. Does your company participate in Foreign exchange market?

Yes or No

5. In what capacity do you participate?

a) Seller

b) Purchaser

c) Observer

d) Speculative

6. In what segment of the market are you actively involved?

a) Official

b) Export proceeds

c) Parallel market

7. Are your Foreign Exchange requirements fully met in the market?

Yes or No

8. If your reply to Question 7 is No, then, what could be the reason?

- a) Lack of local currency
- b) Lack of credit facility by Banks
- c) Inadequate foreign exchange

9. What percentage of your foreign exchange requirement is met by the official market?

50%

50% - 75%

All (100%)

10. Did you at any time source foreign exchange from parallel market?

Yes or No

11. If yes, why was it so?

- a) Ease of sourcing funds
- b) Less formality/documentation
- c) Cash and carry basis.

12. Are you happy with the activities of Bureau de Change in the foreign exchange market?

Yes/No

13. If yes, why?

- a) Reduces time of transaction with less documentation.
- b) Easy access to foreign exchange currency
- c) Ideal for small buyers of foreign exchange.

14. Why are you less enthusiastic to participate at the official market?

- a) Stringent regulations
- b) Inconsistent government policy
- c) Market holds every week
- d) Inflexibility in the market
- e) Tie down of capital until allocation is made.

15. What payment term do you transact business with your supplier?

- A) Letter of credit
- b) Bills for collection
- c) Open Account
- d) Advance payment

16. Are you happy with government insistence on letter of credit as official payment term?

Yes/No

17. If No, what other payment terms will you prefer to be recognised as official payment terms.

- a) Advance payment
- b) Open Account
- c) Bills for collection

18. Is Comprehensive Import Supervision Scheme (CISS) helpful to your business?

Yes/No

19. What is your position to CISS in the area of importation?

- a) It should be scrapped
- b) To be replaced with Destination Inspection

20. What other sources of foreign exchange earner would you recommend to the government?

- a) Increased crude oil export
- b) Establishment of more export processing zone (EPZ)
- c) Solid mineral exportation.

**NAMES OF SOME ORGANISATIONS THAT FILLED AND RETURNED
QUESTIONNAIRE ON FOREIGN EXCHANGE FINANCING.**

1. Seafood Product and Fish
2. HFP Engineering
3. Forest Merchantile Coy.
4. Shepherd Ventures
5. Northern Nig. Flour Mills - Kano
6. Boulous Ent. Ltd.
7. BUA International
8. Pvot Engineering Co.
9. VAL Ltd.
10. Ingenieur - Und Tiefbau Nig.
11. Banex Ind. Ltd.
12. Chellarams Plc
13. Goody Decorator
14. ELF Nig. Ltd.
15. Nulec Plastic Ltd.

16. Ibeta Petrochemicals - Lagos
17. Akkad Tanning Co. - Kano
18. Dunlop Nig. Plc
19. Honeywell Flour Mills Ltd - Lagos
20. Henley Ind. Ltd.
21. Anzzy Ind. Ltd.
22. F & B Ventures Ltd.
23. CHEC Nig. Ltd.
24. Timaco Nig. Ltd.
25. Muka Foods Nig. Ltd.

THIS FORM IS ISSUED
FREE OF CHARGE

FORM A
(NOT FOR IMPORTS)

APPLICATION NUMBER

YEAR	9377	AD		
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APPLICATION TO PURCHASE FOREIGN CURRENCY
(TO BE COMPLETED IN TRIPLICATE)

*Please read carefully the notes overleaf and fill in appropriate information in all the blank spaces provided
*Shaded areas are for official use only
*Use capital letters through out this form
*Permanent addresses only (P.O. BOX NOT ACCEPTABLE)

Financial Institution Code	
----------------------------	--

Name and Address of Applicant's Banker (Authorized Dealer)

2. I/We the undersigned hereby apply for permission to purchase the undermentioned Foreign Currency:-

3	PARTICULARS OF APPLICANT	C.B.N. FILE No	
SURNAME			
OTHER NAMES			
ADDRESS			
TOWN			
STATE			
PASSPORT/CERTIFICATE OF INCORPORATION NUMBER			

Changed Name/Address Since Last Application?
If Yes, State Particulars below

4	PARTICULARS OF BENEFICIARY	C.B.N. FILE No	
SURNAME			
OTHER NAMES			
ADDRESS			
CITY			
STATE			
COUNTRY			
PASSPORT/CERTIFICATE OF INCORPORATION NUMBER			

Changed Name/Address Since Last Application?
If Yes, State Particulars below

5	PURPOSE OF PAYMENT	

6.	AMOUNT APPLIED FOR	(Name and Amount Applied for in Local/Foreign Currency in words)	Amount	Currency Code
----	--------------------	--	--------	---------------

DETAILS OF EXCHANGE CONTRACT (DRAFT, T. T. TRAVELLERS CHEQUE etc)

7.	APPLICANT'S DECLARATION	AUTHORISED DEALER'S SIGNATURE
I/We declare that the above statements are true and that the foreign currency will be used solely for the purpose stated in accordance with the provisions of the Exchange Control Act, 1962. *Any false declaration will make me/us liable for prosecution		
Signature	Date	(Stamp and Signature)
Full Name	Date	Full Name

A	FOR OFFICIAL USE ONLY			
DOCUMENT SUPPORT CODES				
ORIGINAL APPLICATION No. IN RESPECT OF DEFERRED PAYMENT				
PRECHECKING				
CUSTOMER SERVICE UNIT STAMP				
PROCESSING UNIT STAMP	Approval Slip No	Amount Approved	Currency Code	APPROVAL EXP. DATE
Action Code	Reject Code			

AUTHORISING SIGNATURE AND DATE	FULL NAME	STATUS
B CHECKING		
PROCESSING UNIT STAMP	Amount Allocated	Currency Code
Action Code	Reject Code	
AUTHORISING SIGNATURE AND DATE	FULL NAME	STATUS

NOTES ON COMPLETION OF FORM 'A'

The C.B.N. File Number if known, should be supplied by the Applicant in section 3 (or Beneficiary in the case of Education Applications in section 4). If not known, the Central Bank will inform you of your File Number through your Authorised Dealer after your application is processed. Your Central Bank of Nigeria File Number should be quoted on all subsequent applications to expedite processing of your applications.

PRODUCTION OF EVIDENCE:

Applications should normally be supported by documentary evidence the nature of which will vary according to purpose of payment to be made. For specific types of payments mentioned below, the following documents must be attached.

1. PERSONAL HOME REMITTANCES:

- (a) For current transfer:
 - (i) Tax Deduction Card or Tax Assessment Notice for the current year.
 - (ii) Remittances made outside Nigeria since 1st January up to date confirmed by the bank.
- (b) For final departure from Nigeria:
 - (i) Remittances made since the last four years, confirmed by the bank.
 - (ii) Bankers' certificate of balance of account.
 - (iii) Employers' confirmation that the applicant would not be returning to Nigeria.
 - (iv) A statement of assets in Nigeria.
 - (v) Tax Deduction Card for the current year.
 - (vi) Tax Clearance Certificate for the past four years. Where personal effects have been sold, certificate from buyers showing their names, addresses, amount paid and name of personal effect bought.

2. STUDENT'S ALLOWANCE:

- (a) For students still in Nigeria:
 - (i) Student Advisory Committee Recommendation in respect of students.
 - (ii) Letter from Registrar/Principal of the College/Institution confirming admission and stating School fees per annum, estimated maintenance per year course of study and year the course will end.
 - (iii) Tax Clearance Certificate for the last three years.
- (b) For Students already in Institution Overseas:
 - (i) Confirmation of studentship from the Nigerian Mission in the Country the Student is studying.
 - (ii) Authenticated current year's school bill stating fees, maintenance, course of study and probable duration of course.
- (c) Students Allowance should be sent in three equal instalments for the school year.

3. INSURANCE PREMIUM:

- (i) A photocopy of the Insurance Policy or Certificate.
- (ii) If to be paid by a Nigerian National, a certificate issued by a bank in Nigeria to the effect that the ORIGINAL policy has been deposited with it and that the policy will not be released except with the prior approval of the Central Bank.
- (iii) Debit Note from the Insurance Company.
- (iv) Tax Clearance Certificate for the last 3 years.

4. MEDICAL TRAVEL:

- (i) A letter from a Doctor (a specialist) in Nigeria recommending the applicant for overseas medical treatment and nominating the country/hospital to be visited.
- (ii) Where possible, letter or certificate from the Doctor in foreign country confirming that the patient has been accepted for treatment and also giving an estimate of maintenance expenses for period of treatment.
- (iii) Travel documents (passport and ticket) to be sighted by applicant's bankers.
- (iv) Tax Clearance Certificate for the last 3 years.

5. BUSINESS TRAVEL, SEMINARS OR CONFERENCES

- (i) Certified photocopy of Certificate of Registration or Incorporation.
- (ii) Evidence of Business contact with the foreign party to be visited.
- (iii) Tax Clearance Certificate for three preceding fiscal years of either business or beneficiary.
- (iv) Travel documents (Passport and Ticket) to be sighted by the applicant's banker only.

6. EXAMINATION FEES:

- (i) Applicants must provide relevant documents relating to the Examination showing the fees etc.
- (ii) Tax Clearance Certificate for the last 3 years.

APPLICANTS SHOULD APPROACH THEIR BANKERS OR THE CENTRAL BANK FOR DOCUMENTS REQUIRED IN RESPECT OF PAYMENTS ABROAD FOR ANY PURPOSE NOT LISTED ABOVE

If the documents are not to remain permanently attached to the form, they should be described briefly in section 5 overleaf or in the space below by the bankers to whom they are exhibited. Where copies only are submitted they must be certified by the applicant's bankers. All supporting documents should be stamped by the applicant's banker.

FEDERAL REPUBLIC OF NIGERIA
EXCHANGE CONTROL ACT, 1962

APPLICATION NUMBER

MB 294494

FORM M
(FOR IMPORTS ONLY)

APPLICATION TO PURCHASE FOREIGN CURRENCY
(To be completed in triplicate)

APPOINTED AGENT'S No

- *Please read carefully the notes overleaf and fill in appropriate information in all the blank spaces provided
- *Shaded Areas are for official use only
- *New Capital Act - Y through out this form
- *Permanent Addresses only (P. O. Box NOT ACCEPTABLE)

FINANCIAL INSTITUTION CODE

Name and full address of Applicant's Banker (Authorized Dealer)

I/We, the undersigned, hereby apply for Foreign Exchange allocation for payment of importation of the goods described below

3 PARTICULARS OF APPLICANT

C.B.N. File No. 000-000-000

Applicant's Name

Address

Town

Changed Name/Address since last application? If yes, state particulars below

State

Registration/Certificate of Incorporation No.

4 PARTICULARS OF BENEFICIARY

Beneficiary's Name

Address

City

State

Changed Name/Address since last application? If yes, state particulars below

Country

COUNTRY CODE

5 DESCRIPTION AND QUANTITY OF GOODS (GIVE FULL PARTICULARS)

TURNPIRE CODE

MTC CODE

Country of Origin

Country of Supply

Ultimate Destination

6 AMOUNT APPLIED FOR (C & F)

(Name and Amount applied for in Local/Foreign Currency in words)

CURRENCY CODE

UNIT PRICE

QUANTITY

FOB VALUE

FREIGHT CHARGES

ANCILLARY CHARGES

AMOUNT

On Behalf of

For Account of

In Favour of

Payment Mode

(i.e. Revocable/Irrevocable Letter of Credit or Bill for Collection)

Transfer Mode

(i.e. Telegraphic Transfer, Bank Draft, Mail Transfer, etc)

Means of Despatch

(e.g. Air, Sea, Post, etc)

PAY MODE

TERMS

L.C. EXP. DATE

D D M M Y Y

SHIPMENT DATE

D D M M Y Y

7 IMPORT LICENCE PARTICULARS

IMPORT LICENCE NUMBER

VALUE APPLIED FOR

VALID FROM TO

8 APPLICANT'S DECLARATION

I/We, declare that the above statements are true, that the prescribed supporting evidence is attached or will be surrendered as soon as possible and that the foreign currency will be used solely for the purpose stated in accordance with the provisions of the Exchange Control Act, 1962.

*Any false declaration will make me/us liable for prosecution.

Full Name

Signature

Date

AUTHORISED DEALER'S STAMP

Full Name

Signature

Date

INSPECTION

9. The goods described overleaf are subject to pre-shipment inspection and price comparison by the Appointed Agent of the Federal Republic of Nigeria to be contacted:

Exchange Control Stamp, etc. Signature

Agent's Address

Importers are warned that a "CLEAN REPORT OF FINDINGS" issued by the appointed agent of the federal Republic of Nigeria or its counter agent must be presented by seller(s) as part of the shipping documents and that "CLEAN REPORT OF FINDINGS" is required to support settlement of any L/C or Exchange or other collection relevant to the application* (See notes below).

AUTHORISED DEALERS STAMP (after shipment only)

10.

Full Name..... Signature..... Date.....

CROSS PRE-CHECKING

P.D.A. C.B.N. USE ONLY

A. Document Support Code

Original Application No. in respect of Deferred Payment

Customers' Service Unit Stamp

Processing Unit Stamp

Action Code Reject Code

Authorising Signature..... Name..... Status..... Date.....

APPROVED AMOUNT

CURRENCY CODE

3. CHECKING

Processing Unit Stamp

Action Code Reject Code

Authorising Signature..... Name..... Status..... Date.....

Disbursed Amount

DISBURSED AMOUNT

CURRENCY CODE

Approved By.....

Name..... Signature..... Stamp.....

INSTRUCTIONS TO IMPORTERS INTO NIGERIA

- The C.B.N. file number, if known should be supplied by the applicant in section 2. If not known the Central Bank of Nigeria will inform you of your file number through your Authorised Dealer after your Application has been processed. Your C.B.N. file number should be quoted on all subsequent applications to expedite processing of your applications.
- This form must be completed by importers for all imports and before any order is confirmed and shipment takes place. Importers are therefore advised to warn their overseas sellers of the pre-shipment inspection requirement, and that they should not ship any goods requiring pre-shipment inspection without such inspection having taken place.
- The Application for Foreign Exchange must be completed in septuplicate (seven copies) and handed to the importer's bank for onward transmission to the Central Bank of Nigeria (C.I.S.S. Office) for processing. When importers submit the completed form it must be accompanied by four copies (one of which must be original) of the seller's Proforma Invoice clearly showing the price split into F.O.B. and freight with all ancillary charges such as commissions and interest charges shown separately.
- Importers should ensure that applications are combined on one form in cases where similar goods are being purchased from the same seller, regardless of different countries of supply, suppliers, or the number of part shipment. Where imports form part of a project or contract, one Form "M" application may be submitted provided it is accompanied by a copy of the contract (photocopy acceptable), and the full address of the contractual seller.
- The Central Bank of Nigeria will put the Appointed Agent's number on the Form and will indicate whether pre-shipment inspection is required by stamping the form with the address of the Agent's contact office. Three copies will be returned to the importer's bank, and upon receipt of these, the importer may confirm his order to the seller and arrange payment procedures. No letter of credit may be opened without a processed Form "M" being in the hands of the Importer's bank.
- After processing and numbering by the Central Bank of Nigeria, importers are advised to send a photocopy of the processed form to their sellers so that they will be aware of the appointed Agent's contact address, and can arrange for inspection to be undertaken.
- After shipment, payment may be made by presentation by the importer's bank to the Central Bank of Nigeria of original copy of the form supported by a "clean report of findings", where pre-shipment inspection has been prescribed, together with shipping documents, i.e. Bill of Lading, Customs Bill of Entry, Certificate of Insurance, Settlement Invoice, Tally Sheet, Airways Cargo Delivery Gate Pass (also required for goods on consignment), relevant import licence parcel post wrappers, and evidence of compulsory advanced deposit where applicable.
- Importers and Authorised Dealers should note that settlement invoice must henceforth be all inclusive of any additional charges including price variations and applicable contractual escalation clauses, allocated on pro-rata basis. The total value of the final settlement invoice must be supported in all respects by a clean report of findings, where pre-shipment inspection has been prescribed, and importers are warned that separate applications to remit funds in respect of ancillary charges relating to an importation will no longer be entertained unless such charges are supported by a "clean report of findings" issued by the Appointed Agent.
- A processed Form "M" will be valid for importation within six (6) months of date of processing, and importers are advised that changes in specification, seller, country of supply, quantity within normal trade tolerances, will not require amendment to the form, provided that these details are supported by a "Clean Report of Findings" with regard to the Form "M" provided.
 - The price is supported in every respect by a clean report of findings issued by Appointed Agent, in cases of pre-shipment inspection, and
 - Any increase over the declared Form "M" price, does not exceed 10% of the declared total amount of C, and E, increases in price in excess of 10% require a new Form "M".
- For goods exempted from pre-shipment inspection approval will not be granted for more than the value of the original application.
- Where prior registration of orders with the Federal Ministry of Commerce is required for the goods and/or these have been placed under specific import licence, details that these requirements have been complied with must be provided.

THIS FORM TO BE COMPLETED IN QUADRANT ORIGINAL
NO ALTERATION ALLOWED PLEASE
PLEASE COMPLETE ALL BOXES.

TELEPHONE No.

APPLICANT'S NAME

TELEX No.

APPLICANT'S ADDRESS (NOT
P. O. BOX or P.M.B.)

APPLICANT'S ADDRESS

APPLICANT'S ADDRESS

D	D	M	M	Y			

THE MANAGER
XYZ BANK OF NIGERIA LTD.

.....BRANCH

INTERBANK FOREIGN EXCHANGE MARKET (IFEM)
BID REQUEST

I/We request the bank to bid on my/our behalf as per the following transaction details:—

CURRENCY REQUIRED

DATED

D	D	M	M	Y	Y		

AMOUNT OF BID REQUIRED
CURRENCY

AMOUNT IN WORDS

MAXIMUM BID RAT

--	--	--	--	--	--	--	--

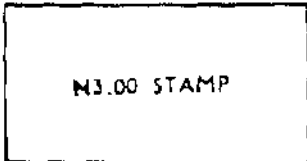
THE FOREIGN CURRENCY WILL BE USED TO FINANCE.

.....
(Name of eligible transaction)
.....

Appendix A5

TRADERS' TRUST RECEIPT

No.



To 10

XYZ BANK NIG. LTD.

Dear Sirs,

We have to acknowledge the receipt of

.....
respecting goods as detailed in the schedule below.

We receive the above in trust on your account, and we undertake to hold the goods when received, and their proceeds when sold, as your trustees. We further undertake to keep this transaction separate from any other and to remit you direct the entire net proceeds as realised but not less than

say

.....
within from this date. We undertake upon demand forthwith to return the goods to you, or if not in our hands, the value thereof.

We undertake fully to cover the goods by insurance against

.....
and to hold the Policy or Policies on your behalf.

SCHEDULE

PARTICULARS OF GOODS REFERRED TO:-

Yours faithfully,

Appendix A6(a)

XYZBANK NIG. LTD.

..... BRANCH

APPLICATION FORM FOR OPENING FOREIGN CURRENCY ACCOUNT

FCA 1

(For Nigerians, Resident Foreign Nationals, Nigerian Registered Companies and Diplomatic Missions)

1. Full Names of Account Holder : _____

2. Nigerian Addresses:

(i) Home Address : _____

(ii) Postal Address (if different from above) : _____

(iii) Office Address : _____

3. Overseas Address

(i) Home : _____

(ii) Postal (if different from above) : _____

4. Class of owner of Account :

Nigerian

Non Nigerian

Nigerians Registered
Corporate Organisations

Diplomatic
Missions

5. Nationality : _____

6. Passport Number Country of Issue Date of Issue

(where applicable)

7. Certificate of Registration/Incorporation (No) where applicable

8. Occupation : _____

9. Business Interests (in case of corporate organisations) _____

10. Have you any other foreign currency account?

If yes, give Name and Address of Bankers: _____

11. Category of Account being requested for :

Current

Savings

Fixed Deposit

12. CURRENCY you would want your account to be maintained:

(U. S. Dollar, Deutschemark, Swiss Franc, Pound Sterling, French Franc)

13. Name and Address of Applicant's bankers (for reference purposes).

Stamp and Signature

Name

Date

Appendix A6 (b)
XYZ BANK NIG. LTD.

_____ BRANCH

FOREIGN CURRENCY ACCOUNT

FORM FCA 2B.

DEPOSIT FORM (drafts, mail/telegraphic transfer)
(To be completed in duplicate)

1. Account Numbers: _____ Date: _____

2. Category of Account (tick () appropriate box)

Current

Savings

Fixed Deposit

3. In what currency is your account maintained?

£ Sterling

US Dollar

Deutschmark

French Franc

Swiss Franc

Others (specify below)

4. Analysis of Deposit

FOR OFFICIAL USE (ONLY)

Issuing Bank	Country of Issue	Drawer	Draft No.	Amount	Exchange Rate	Equivalent in designated Foreign Currency
Total						

5. Total Amount credited in words: _____

Paid in by: _____

For the account of: _____

FOREIGN CURRENCY ACCOUNT

FCA25

DEPOSIT FORM (to be completed in duplicates)

(For Bank Notes and Travellers' Cheques only)

Date: 19

1. Account No.: _____

2. In what currency is your account maintained? _____

3. Category of Account:

Current

Savings

Fixed Deposit

4. Analysis of Deposit

Foreign Currency	Bank Notes and Coins	Travellers Cheques	Official Use Only	
			Exchange Rate	Dollar/ Sterling Equivalent
£ Sterling				
US Dollar				
Deutschmark				
French Franc				
Swiss Franc				
Other Convertible Currencies (Specify)				
Total:				

Total amount credited in words: _____

5. Form TM No.: _____

Date of last arrival in Nigeria: _____

Paid in by: _____

For the account of: _____

Account No.: _____

XYZ BANK NIGERIA LIMITED
BRANCH

FOREIGN CURRENCY ACCOUNT FCA 3
PASSBOOK FOR SAVINGS ACCOUNT

Name of Account Holder:..... account No.....

Date	Particulars	Deposit Interest	Withdrawal	Amount deposited/ withdrawn in words	Balance	Cashier's initials
	Balance B/F					
	Balance C/F					

State whether deposit is in one or more of the following modes — bank notes travellers cheque, drafts, mail/telegraphic transfer.

_____ BRANCH

FOREIGN CURRENCY ACCOUNT WITHDRAWAL FORM

FORM FCA 4.

1. Name of Account Holder: _____

2. Account Number: _____

3. Name of Beneficiary: _____

If different from

(1) above

4. Category of Account (tick (✓) appropriate box)

Current

Savings

Fixed Deposit

5. In what Currency is your account maintained ?

£ Sterling

US Dollar

Deutschmark

French Franc

Swiss Franc

Others (Specify below)

6. In what Currency is withdrawal being made ? _____

£ Sterling

US Dollar

Deutschmark

French Franc

Swiss Franc

Others (Specify below)

7. Mode of Withdrawal

Bank Notes

Travellers' Cheques

Drafts

Mail/Telegraphic Transfer

8. Amount to withdraw (in figures)

In words: _____

Stamp and Signature of
Account Holder

Name

Date

FROM: (Name of Authorised Dealers)

Appendix A6 (f)

PART G.

Section 5 (2)

FOREIGN CURRENCY ACCOUNT
 RETURNS FOR THE MONTH ENDED..... 19....

FCA 5

To: Assistant Director,
 Budget and Statistics Office,
 Exchange Control Department,
 Central Bank of Nigeria,
 Lagos.

- Nigerian Account Holders
- Non-Nigerian Account Holders
- Corporate Account Holders
- Diplomatic Mission Account Holders

Type of Account	Total Number of Foreign Currency Account Holders	Opening Balance		Total amount of Currencies Lodged within the month Converted to		Total Amount With-drawn during the month in		Closing Balance		Remarks
		Foreign Currency	# Equiv.	Foreign Currency	# Equiv.	Foreign Currency	# Equiv.	Foreign Currency	# Equiv.	

RETURNS FOR EACH CLASS OF ACCOUNT HOLDERS SHOULD BE SEPARATED. PLEASE TICK WHICHEVER IS APPLICABLE

W.A.O.



Federal Republic of Nigeria Official Gazette

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Government Notice No. 650

The following is published as Supplement to this *Gazette* :—

	<i>Short Title</i>	<i>Page</i>
Decree No. 23	Second-Tier Foreign Exchange Market Decree 1986	A 131

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(1147)

SECOND-TIER FOREIGN EXCHANGE MARKET DECREE 1986



ARRANGEMENT OF SECTIONS

Section

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Establishment of the Second-Tier Foreign Exchange Market. 2. Instruments of transactions in the Market. 3. Non-disclosure of sources of imported foreign currency. 4. Sources of foreign currency in the Market. 5. Appointment of Authorised Dealers. 6. Revocation of appointment of Authorised Dealers. 7. Structure of the Market. 8. Supervision and monitoring of the Market. 9. Dealings and pricing in the Market. 10. Transactions permitted in the Market. 11. Transactions not permitted. 12. Repatriation of funds. | <ol style="list-style-type: none"> 13. Restriction in the importation and exportation of the Naira. 14. Investment of foreign currency. 15. Transitional provisions : Official First-Tier Market transactions. 16. Outstanding obligations. 17. Termination of the First-Tier Foreign Exchange Market. 18. Requirement to submit returns. 19. Offences and penalties. 20. Abolition of mandatory requirement to surrender foreign currency. 21. Modification of existing legislation. 22. Regulations. 23. Interpretation. 24. Citation and commencement. |
|---|---|

[See section 24]

Commence-
ment.

Decree No. 23

THE FEDERAL MILITARY GOVERNMENT hereby decrees as follows :—

1.—(1) There is hereby established a Second-Tier Foreign Exchange Market (hereafter in this Decree referred to as "the Market") where transactions in foreign exchange shall be conducted in accordance with the provisions of this Decree.

Establish-
ment of the
Second-Tier
Foreign
Exchange
Market.

(2) Subject to this Decree, the Central Bank of Nigeria may, with the approval of the Minister, issue from time to time guidelines to regulate the procedures for transactions in the Market and such other matters as may be deemed appropriate for the effective operation of the Market.

(3) If the provisions of any other enactment are inconsistent with the provisions of this Decree, the provisions of this Decree shall prevail and that other law shall, to the extent of the inconsistency, be void.

- 1984 No. 7. (4) For the avoidance of doubt, the provisions of the Exchange Control (Anti-Sabotage) Decree 1984 shall not apply to transactions lawfully conducted in the Market.
- Instruments of transactions in the Market. 2.—(1) Transactions in the Market shall be conducted in any convertible foreign currency.
- (2) Without prejudice to the generality of the provisions of subsection (1) of this section, transactions in the Market shall, in addition, be conducted through the usual money market instruments, that is to say—
- (a) foreign bank notes ;
 - (b) foreign coins ;
 - (c) travellers' cheques ;
 - (d) bank drafts ;
 - (e) mail or telegraphic transfers ; and
 - (f) such other money market instruments as the Central Bank may, from time to time, with the approval of the Minister, determine.
- Non-disclosure of sources of imported foreign currency. 3.—(1) Any person executing any transaction in the Market shall not be required, and if required, shall not be obliged, to disclose the source of foreign currency to be sold in the Market.
- (2) No foreign currency imported pursuant to this Decree shall be liable to seizure or forfeiture or to suffer any form of expropriation by the Government of the Federation or of a State except as provided in section 19 (5) of this Decree.
- Sources of foreign currency in the Market. 4. For the avoidance of doubt, foreign currency from the following sources may be sold in the Market, that is to say—
- (a) foreign currency domiciliary accounts maintained in authorised banks in Nigeria in accordance with the Foreign Currency (Domiciliary Accounts) Decree 1985 ;
 - (b) foreign currency held or imported by—
 - (i) Nigerian citizens returning home from abroad ;
 - (ii) foreign nationals resident in Nigeria ;
 - (iii) foreign tourists visiting Nigeria ;
 - (c) agency commissions, professional fees and other forms of invisible earnings ;
 - (d) non-oil export proceeds earned by exporters of Nigerian commodities ;
 - (e) unspent balance of foreign currency held by Nigerians resident in Nigeria ;
 - (f) foreign currency imported by foreigners to purchase goods in Nigeria ;
 - (g) foreign currency imported or held by foreign embassies and international organisations from external sources ;
 - (h) funds held in approved external accounts by oil producing companies ;
- 1985 No. 18.

(i) funds held in external accounts by individuals, bodies corporate and unincorporate, commission agents, professional bodies, insurance companies and such similar bodies ;

(j) foreign currency imported by tourists to Nigeria ;

(k) foreign currency provided by the Central Bank ;

(l) foreign exchange imported for direct investment in Nigeria ;

(m) foreign currency from such other sources as the Minister may, from time to time by order published in the *Gazette*, specify.

5.—(1) Notwithstanding anything to the contrary contained in any other enactment whatsoever, including—

(a) the Exchange Control Act 1962 ;

(b) the Banking Act 1969 ;

(c) the Exchange Control (Anti-Sabotage) Decree 1984 ;

(d) Foreign Currency (Domiciliary Accounts) Decree 1985 ;

Appointment
of
Authorised
Dealers.
1962 No. 16.
1969 No. 1.
1984 No. 7.
1985 No. 17.

the Minister may, for the purpose of this Decree, appoint any bank or non-banking corporate organisation as an Authorised Dealer of foreign currency ; which authorisation shall be liberally granted to organisations that show evidence of adequate resources and capacity to operate in accordance with the provisions of this Decree.

(2) An Authorised Dealer appointed under subsection (1) of this section shall operate in the Market subject to such terms and conditions as the Minister may specify in the letter of appointment.

6.—(1) The Minister may revoke the appointment of any Authorised Dealer, if he has reason to believe that it is not in the national interest that such person shall continue to operate as an Authorised Dealer under this Decree.

Revocation
of appoint-
ment of
Authorised
Dealers.

(2) Any person aggrieved by the decision of the Minister in subsection (1) of this section to revoke his appointment as an Authorised Dealer may, within 28 days of the receipt by him of the Minister's letter of revocation, appeal in writing to the President, Commander-in-Chief of the Armed Forces.

(3) The President, Commander-in-Chief of the Armed Forces may, after giving consideration to the circumstances of the case, revoke the decision of the Minister.

(4) The decision of the President, Commander-in-Chief of the Armed Forces shall be final and no suit or proceeding shall be entertained in any court of law.

7. The Market shall be structured along the inter-bank system, that is to say—

Structure of
the Market.

(a) dealings between the public and Authorised Dealers appointed under this Decree ;

(b) dealings between the Authorised Dealers appointed under this Decree *inter se* ; and

(c) weekly biddings and price fixing sessions between Authorised Dealers appointed under this Decree on the one hand and the Central Bank on the other hand.

Supervision and monitoring of the Market.

8.—(1) The Central Bank shall supervise and monitor the operation of the Market established by this Decree to ensure an efficient performance of the Market.

(2) The Minister shall have overall control of the system and shall issue such direction not inconsistent with this Decree as to him may seem appropriate for the efficient operation of the Market established by this Decree.

Dealings and pricing in the Market.

9.—(1) Dealings in the Market shall be by way of spot and forward transactions as defined in subsection (2) of this section.

(2) For the purposes of subsection (1) of this section—

(a) "spot transaction" means the purchase or sale of foreign exchange for immediate delivery or within a period of 3 working days from the date of the transaction ;

(b) "forward transaction" means the purchase or sale of foreign exchange at a fixed exchange rate for delivery at a fixed date not earlier than 4 working days from the date of the forward contract.

(3) The rate at which each transaction is to be executed shall be the rate mutually agreed between the applicant purchaser and the Authorised Dealer concerned.

Transactions permitted in the Market.

10.—(1) Subject to subsection (2) of this section, any public or private sector transaction adequately supported by appropriate documents shall for the purposes of this Decree be an eligible transaction for the purchase of foreign exchange in the Market.

(2) For the avoidance of doubt, no application for the purchase of foreign exchange in the Market shall be processed or in any way attended to unless such application is accompanied by satisfactory documentary evidence of a valid, due or outstanding obligation in respect of a commercial or service transaction or of a capital transaction of the nature referred to in section 14 (4) or 15 of this Decree.

(3) The guidelines issued from time to time under subsection (2) of section 1 of this Decree shall, in addition to any other provisions, make provision concerning the specifications of the documents that may be tendered in support of an application under this Decree.

Transactions conducted.

11.—(1) Nothing in this Decree shall be construed—

(a) as permitting any unrestrained or general dealing in foreign currency on terms not consistent with the provisions of this Decree ;

(b) to imply that transactions relating to goods, services or items absolutely prohibited by any Decree or law may be conducted in the Market.

(2) Any convertible currency or money market instrument stipulated in subsection (2) of section 2 of this Decree purchased or obtained from the Market shall not be lodged in any domiciliary account opened under the Foreign Currency (Domiciliary Accounts) Decree 1985.

25 No. 18.

12. Any foreign exchange purchased from the Market may be repatriated from Nigeria and shall not be subject to any further approval by the Minister or the Central Bank or any other exchange control requirement.

Repatriation of funds.

13. Nothing in this Decree shall affect the operation of any law restricting the importation or exportation of the Naira.

Restriction in the importation and exportation of the Naira.

14.—(1) Subject to the provisions of the Nigerian Enterprises Promotion Act 1977, any person may invest in an appropriate enterprise any foreign currency imported into Nigeria and converted into naira in the Market in accordance with the provisions of this Decree.

Investment of foreign-currency. 1977 No. 3.

(2) The Central Bank shall, within 14 days of the submission of the relevant document in support of importation of capital by an Authorised Dealer, issue a Certificate of Importation in such form as the Minister may prescribe.

(3) Where any fund is imported into Nigeria and invested in any enterprise pursuant to the provisions of subsection (1) of this section, such fund as well as any profits or dividends derived therefrom may be repatriated at the option of the importer through the Market as provided in subsection (4) of this section.

(4) An application for the repatriation of profits, dividends and capital affected by subsection (1) of this section shall be submitted to the Minister who may approve that such fund be repatriated through the Market.

(5) The Minister may approve an application under subsection (4) of this section if he is satisfied that—

(a) the application relates to a *bona fide* current transaction ;

(b) where the application relates to a transfer of capital abroad, that it is not such as to destabilize or prejudice the orderly operation of the Market.

(6) The Minister may delegate his functions under subsections (4) and (5) of this section to any employee of his Ministry and of such ranks as he may designate from time to time.

15.—(1) All transactions to which the provisions of subsection (2) of this section relate are hereby declared to be Official First-Tier foreign exchange transactions and shall be settled at the rate of exchange prevailing at the date when—

Transitional provisions : Official First-Tier Market transactions.

(a) all documentation prescribed by the Central Bank to be relevant to the transaction concerned were submitted to the Central Bank ;

(b) the obligation to which the documentation relates has, having regard to the nature of such transaction, become due and payable ; and

(c) the corresponding naira component of the transaction has been deposited with the Central Bank ;

whichever last occurs ; so however that no such transaction shall be regarded as due and payable unless the provisions of paragraphs (a) to (c) of this subsection have all been complied with.

473758

(2) The Official First-Tier Market transactions referred to in subsection (1) of this section are as follows—

(a) any transaction covered by a specific import licence issued in 1985 or 1986 for which a confirmed and irrevocable letter of credit was established on or before the last day immediately preceding the commencement of this Decree ;

(b) capital transfers, profits, dividends and other invisible payments for which approval has been granted by the Federal Ministry of Finance or the Central Bank on or before the last day immediately preceding the commencement of this Decree ;

(c) public or private sector transactions relating to debt service obligations that are due and payable, official contributions and grants to international organisations and remittances to Nigerian Missions abroad ;

(d) net proceeds of air tickets sold by foreign airlines up to and including the last day immediately preceding the commencement of this Decree ; provided that the first leg of the journey out of Nigeria had begun before the date of commencement of this Decree ;

(e) any transaction valid for foreign exchange in respect of which advance import duty on Form C 188A had been paid, a Clean Report of Findings issued by the Inspection Agent, and documents submitted to the Central Bank of Nigeria for the issue of cover not later than the last day immediately preceding the commencement of this Decree.

Outstanding obligations.

16.—(1) All transactions in respect of which documents were lodged with the Central Bank for the issue of the necessary foreign exchange cover not later than December 31, 1983, shall be subject to refinancing in accordance with the relevant refinancing scheme established for such transactions.

(2) All outstanding obligations to surrender foreign exchange or to submit documents in support of receipt of goods for which the Central Bank has already made available foreign exchange on the basis of confirmed letters of credit shall not be extinguished by the establishment of the Market under this Decree.

Termination of the First-Tier Foreign Exchange Market.

17.—(1) The Minister shall, with the approval of the President, Commander-in-Chief of the Armed Forces, appoint a date when the First-Tier Foreign Exchange Market shall cease to operate.

(2) Accordingly, as from the date of the termination of the First-Tier Foreign Exchange Market as may be specified under subsection (1) of this section, all foreign exchange transactions shall be conducted in the Second-Tier Foreign Exchange Market set up under section 1 (1) of this Decree.

Requirement to submit returns.

18.—(1) All Authorised Dealers appointed under this Decree shall submit to the Minister, at such intervals as the Minister may prescribe, returns of their activities in the Market; and such returns shall be in such form as the Minister may, from time to time by regulations published in the *Gazette*, prescribe.

(2) Any Authorised Dealer who fails, neglects or refuses to submit the returns referred to in subsection (1) of this section, shall be guilty of an offence and liable to be dealt with as provided in subsection (5) of section 16 of the Banking Act 1969.

1969 No. 1.

19.—(1) Any person, body corporate or unincorporate who—

Offences
and penalties.

(a) with intent to defraud, forges, mutilates, utters or defaces any foreign currency, travellers' cheques or other instrument of exchange in the Market ; or

(b) converts any foreign exchange to a use for which it is not intended under this Decree ; or

(c) negotiates any draft, foreign bank note, other foreign exchange or any other trading instrument otherwise than as permitted by this Decree ; or

(d) forges or produces as genuine any false document to the Central Bank or the Market with a view to utilising such document in any transaction in the Market established under this Decree ;

shall be guilty of an offence under this Decree and liable as provided in subsection (2) of this section.

(2) Any person convicted of an offence under subsection (1) of this section shall be liable—

(a) in the case of an individual, to imprisonment for a term of 15 years without any option of a fine ; and

(b) in the case of a body corporate, to a fine ten times the amount of the foreign currency involved.

(3) All the assets, movable or immovable including motor vehicles, of any person convicted of an offence under this section shall be forfeited to the Federal Military Government.

(4) Where the person convicted in subsection (2) of this section is an Authorised Dealer, the Tribunal by whom he is convicted may recommend to the Minister that his appointment as an Authorised Dealer be revoked.

(5) Where an offence under this Decree has been committed by a body corporate, every person who, at the time of the commission of the offence, was a proprietor, director, manager, secretary or other similar officer of the body corporate, or was purporting to act in such capacity, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he had exercised all such diligence as he ought to have exercised having regard to the nature of his functions in that capacity.

(6) The Tribunal may, in addition to any other penalty imposed, order that the foreign currency involved be forfeited to the Government of the Federation.

(7) An offence under this Decree shall be triable by the Special Tribunal established under the Exchange Control (Anti-Sabotage) Decree 1984 as amended.

(8) The provisions relating to appeals and confirmation contained in the Recovery of Public Property (Special Military Tribunals) Decree 1984 (as amended) shall apply *mutatis mutandis* as if they are one with the provisions of this Decree.

Abolition
of mandatory
requirement
to surrender
foreign
currency.

20.—(1) The requirement heretofore to surrender all foreign currency on importation thereof into Nigeria is hereby abolished.

(2) Accordingly, no person shall be required to declare such foreign currency, unless its value is in excess of the equivalent of US \$5,000 (five thousand United States dollars); so however that no person shall have the power to export foreign exchange which had earlier been imported, unless at the port of entry the importer had declared such foreign currency.

(3) Foreign exchange in excess of US \$5,000 (five thousand United States dollars) or its equivalent shall be declared for reason of statistics only.

(4) Subject to the foregoing provisions of this section the Central Bank shall design a new form to replace form K popularly known as the Yellow Form for use in the declaration of foreign exchange imported under this Decree.

(5) An exporter of Nigerian commodities shall open a foreign currency domiciliary account with an authorised bank of its choice in Nigeria into which all the proceeds of such export shall be fully credited.

(6) All foreign exchange transactions at the weekly fixing sessions under this Decree shall be subject to such levy payable to the Central Bank as the Minister may, from time to time, specify.

(7) The proceeds of non-oil exports deposited in the foreign currency domiciliary account shall be utilized only for eligible transactions.

Modification
of existing
legislation.

21. Notwithstanding the provisions of subsection (4) of section 1 of this Decree, the relevant provisions of all existing enactments including the following, that is to say—

Cap. 21.

(a) the Bill of Exchange Act ;

Cap. 30.

(b) the Central Bank of Nigeria Act ;

1962 No. 16.

(c) the Exchange Control Act 1962 ;

1969 No. 1.

(d) the Banking Act 1969 ;

1984 No. 7.

(e) the Exchange Control (Anti-Sabotage) Decree 1984 ;

1985 No. 18.

(f) the Foreign Currency (Domiciliary Accounts) Decree 1985 ;

shall be read with such modifications as to bring them into conformity with the provisions of this Decree.

Regulations.

22.—(1) The Minister may, after consultation with the Central Bank, make such regulations, not inconsistent with the provisions of this Decree, as may be required for carrying into effect the intendment of this Decree.

(2) In particular, the Minister may, after consultation with the Central Bank, make regulations relating to the following—

(a) concerning the various forms required under this Decree ;

(b) designating additional sources of foreign exchange under section 4 of this Decree ;

(c) the form of permit to be issued to an Authorised Dealer appointed under this Decree ; and

(d) the rate of levy on certain transactions under this Decree.

23. In this Decree, unless the context otherwise requires—
- “Authorised Dealer” means any bank or other corporate body appointed as such by the Minister under the provisions of this Decree ;
- “Central Bank” means the Central Bank of Nigeria ;
- “First-Tier Foreign Exchange Market” means the foreign exchange market operated by the Central Bank up to the date specified by virtue of section 17 of this Decree ;
- “foreign currency” means convertible foreign currency ;
- “Market” means the Second-Tier Foreign Exchange Market established pursuant to section 1 (1) of this Decree ;
- “Minister” means the Minister charged with responsibility for matters relating to finance ; and “Ministry” shall be construed accordingly.
- 24.—(1) This Decree may be cited as the Second-Tier Foreign Exchange Market Decree 1986.
- (2) This Decree shall come into force on such date as the Minister may, by order published in the *Gazette*, appoint.

Interpre-
tation.Citation
and
commence-
ment.

MADE at Lagos this 15th day of August 1986.

MAJOR-GENERAL I. B. BABÁNGIDA,
*President, Commander-in-Chief
of the Armed Forces,
Federal Republic of Nigeria*

EXPLANATORY NOTE

*(This note does not form part of this Decree but is
intended to explain its purport)*

The Decree establishes the Second-Tier Foreign Exchange Market for trading in foreign currencies and other foreign exchange instruments. Accordingly, it provides that only approved transactions supported by documents and complying with specified conditions may be conducted in the Market. The Decree, in addition, abolishes the mandatory requirement that residents of Nigeria must surrender foreign currencies imported into the country and permits the Minister to liberally grant authorisation to organisations as Authorised Dealers in the Market.

SCHEDULE I

RETURNS ON THE OPERATIONS OF BUREAU DE CHANGE

From:

To: DIRECTOR, TRADE & EXCHANGE DEPT.
CENTRAL BANK OF NIGERIA
LAGOS

(NAME & ADDRESS OF COMPANY)

SUMMARY OF SALES FOR THE MONTH ENDED.....

CURRENCY	AMOUNT	NAIRA EQUIVALENT
U.S. DOLLAR		
POUND STERLING		
DEUTSCHE MARK		
SWISS FRANC		
FRENCH FRANC		
DUTCH GUILDER		
JAPANESE YEN		
CFA FRANC		
ITALIAN LIRA		
OTHERS - (SPECIFY)		

STAMP OF COMPANY AND SIGNATURE

SCHEDULE II

RETURNS ON THE OPERATIONS OF BUREAU DE CHANGE

From:

To: DIRECTOR, TRADE & EXCHANGE DEPT.
CENTRAL BANK OF NIGERIA
LAGOS

(NAME & ADDRESS OF COMPANY)

SUMMARY OF PURCHASES FOR THE MONTH ENDED.....

CURRENCY	AMOUNT	NAIRA EQUIVALENT
U.S. DOLLAR		
POUND STERLING		
DEUTSCHE MARK		
SWISS FRANC		
FRENCH FRANC		
DUTCH GUILDER		
JAPANESE YEN		
CFA FRANC		
ITALIAN LIRA		
OTHERS - (SPECIFY)		

STAMP OF COMPANY AND SIGNATURE

SCHEDULE III

RETURNS ON THE OPERATIONS OF BUREAU DE CHANGE

From:

To: DIRECTOR, TRADE & EXCHANGE
 DEPT.

CENTRAL BANK OF NIGERIA
 LAGOS

(NAME & ADDRESS OF COMPANY)

SUMMARY OF HOLDINGS OF FOREIGN CURRENCIES HELD AS AT

THE END OF THE MONTH OF.....

CURRENCY	AMOUNT	NAIRA EQUIVALENT
U.S. DOLLAR		
POUND STERLING		
DEUTSCHE MARK		
SWISS FRANC		
FRENCH FRANC		
DUTCH GUILDER		
JAPANESE YEN		
CFA FRANC		
ITALIAN LIRA		
OTHERS:- (SPECIFY)		

STAMP OF COMPANY AND SIGNATURE