



# TECHNICAL BULLETIN

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## EDITORIAL NOTE

This Technical Bulletin addresses and explains the varied dimensions and implications of the 2020/2021 Monetary, Credit, Foreign Trade and Exchange Policy Guidelines of the Central Bank of Nigeria (CBN), covering the period from January 2020 to December 2021. In this edition, we also have a retrospective analysis of the circulars issued from the 2018/2019 Guideline till the end of December 2019. We conclude by reiterating that the Guidelines are still open to comments that can be forwarded to the CBN

## FINANCIAL SERVICES: CREATING AWARENESS OF THE CENTRAL BANK OF NIGERIA (CBN) MONETARY POLICY GUIDELINES

*Monetary, Credit, Foreign Trade and Exchange Policy Guidelines  
for Fiscal Years 2020/2021 (Monetary Circular No.43)*



## INTRODUCTION

The Medium Term Expenditure Framework (MTEF) of the Federal Government is expected to guide the Central Bank of Nigeria (CBN) in achieving its price and financial stability in the economy for fiscal year 2020/2021. The CBN in consonant with MTEF can anchor expectations, deliver time-consistent policies and react to temporary shocks, including those associated with frequent changes in fiscal policy.

The 2020/2021 Monetary, Credit, Foreign Trade and Exchange Policy Guidelines covers the period from January 2020 to December 2021. It also reviews circulars issued from the 2018/2019 edition till the end of December 2019. However, the guidelines may be fine-tuned by the CBN without prior notice, when there are new developments in the domestic and global economies within these periods. Information on future amendments in supplementary circulars shall be available to all the stakeholders.

## **POLICY ENVIRONMENT/MACROECONOMIC DEVELOPMENT IN 2019 AND 2020/2021 ECONOMIC OUTLOOK**

The global output achieved 2.9% in 2019. It projects to -3.0% because of rising uncertainties and high possibilities of global recession due to the COVID 19 pandemic (World Economic Outlook, April 2020). Similarly, the advanced economies growth reduces to an estimated value of 1.7% and -6.1% in 2019 and 2020, respectively. In contrast, the developing economies growth declined from an estimated value of 3.9% in 2019 to -1.0% in 2020, respectively. Nigeria fiscal policy thrust in 2019, aimed at ensuring economic diversification, inclusive growth and sustainable development. The domestic economy witnessed inflationary pressure owing to rising food prices, high electricity or other energy costs, poor infrastructure, weak institutions and insecurity. The vulnerable state of manufacturing against the rising demand for imported goods also impacted negatively on Gross Domestic Product (GDP).

The economy in 2020 was expected to be mildly optimistic with a growth slow-down on account of tepid global demand on account of COVID 19 pandemic as well as a decline in crude oil prices. The output growth anticipates to lay between -3.1%, -1.0% and 0.24% in 2020, predicating on low oil price between \$10pb, \$20pb and \$30pb. To ameliorate the impact of slow economic activities occasioned by COVID 19

Pandemic, the following fiscal and monetary policy measures were introduced:

- N100billion credit interventions in the health sector
- N50billion micro, small and medium enterprises (MSMEs)
- N1trillion intervention in the manufacturing sector

## **MONETARY AND CREDIT POLICY MEASURES FOR 2020/2021**

The primary objective of monetary policy 2020/2021 is to focus on maintaining price and financial system stability. The CBN continues to sustain measures curtailing the level of rising inflation with effective management of liquidity. Open market operation (OMO) continues to be a powerful instrument for managing system liquidity. Other instruments available to CBN are cash reserve and liquidity ratio, discount window operation and foreign exchange interventions.

The CBN developed finance policies serve as a means to address the persistent finance gaps in the real sector of the economy. The policy measure aims at stimulating the flow of low-cost financing

to a critical sector of the economy. Also, it improves access to finance through the priority segment – micro, small and medium enterprises (MSMEs); women; and youth in 2020/2021.

The initiatives to boost the agricultural value chain are as follow:

- Anchor borrowers' programme;
- Accelerated agricultural development scheme;
- Maize aggregation scheme; and
- National food security programme.

## **FOREIGN TRADE AND EXCHANGE POLICY MEASURE**

In October 2019, CBN introduced the automated form 'NXP' (e-NXP) to enhance transparency and efficiency in the trade process. It behoves all authorized dealers and the general public to adhere and comply with the new policy. Small and medium enterprises (MSMEs) importing goods shall process e-form "M" through any authorized dealer for custom clearance, as provided in memorandum 9 of the foreign exchange manual. Where transfers are to be made to third parties from the ordinary domiciliary account, the purpose of the transfer must be provided by the account holder, as provided in the Memorandum 25 of the Foreign Exchange Manual (FEM). Most specifically, all exporters are required to register e-form NXP with an authorized dealer of their choice before shipment. Consequently, bills of lading in respect of export from Nigeria shall carry the e-form NXP number of the underlying cargo.

## **CONSUMER PROTECTION**

The CBN Customer Education programme to promote transparency and sound ethical practice of financial institutions and to create customer's awareness of its rights and obligations shall continue.

Consequent upon the introduction of customers' protection framework, four (4) principal guidelines are to be established. These are:

- a) Fair treatment of customers;
- b) Disclosure and transparency;
- c) Complaints handling and redress; and
- d) Responsible business conduct.

The CBN expects to issue the guidelines to the industry for implementation very shortly. Any dissatisfied customers can complain in writing to the CBN at the e-mail: [cpd@cbn.gov.ng](mailto:cpd@cbn.gov.ng) for adjudication.