



REGULATORS RESPONSE TO CORONAVIRUS PANDEMIC ('COVID-19') – PART II (FINANCIAL SERVICES SECTOR)

The COVID-19 pandemic continues to adversely affect people's health, businesses and the global economy. Since the declaration of the outbreak in Nigeria, the Federal Government has announced several economic and regulatory measures to curtail the outbreak and more importantly the effect of the outbreak on the economy. The most recent directive of the Federal Government was the extension of the lockdown on 2 states (Lagos and Ogun State) and the Federal Capital Territory (FCT) by another 14 days. Most State Governments have followed suit by announcing or extending the lockdown within their territories. The lockdown of the FCT, being the capital of the country and the host to numerous regulatory authorities has resulted in the temporary shutdown of activities within most Ministries, Departments and Agencies of Government ('MDAs'). Nevertheless, some MDAs which provide 'essential services' were exempted from the lockdown and are carrying out skeletal services to ensure business continuity and economic stability in the country.

In our previous edition, we shared insights on some MDAs' response to the COVID-19 pandemic. This edition is an update on developments within the Financial Services sector. We examined relevant regulators' business continuity plan and new regulatory requirements applicable across the Financial Services sector in view of the COVID-19 pandemic.

FINANCIAL SERVICES

A. CENTRAL BANK OF NIGERIA ('CBN')

In a newsletter dated the 16th March 2020 and the address of the CBN Governor, Mr Godwin Emefiele (CON) published on the 15th March 2020 and titled "*Turning the COVID-19 Tragedy into an Opportunity for a New Nigeria*" the CBN expressed its policy measures to the

COVID-19 pandemic, as well as policy response timelines to guide crises management, in view of the unprecedented disruptions in the global supply chains, sharp reduction in crude oil prices, turmoil in global stock and financial market and so on.

The CBN stated the following policy measures and policy timelines:

a. **IMMEDIATE- TERM POLICIES (0-3 MONTHS):**

a) **Trigger banks and other financial institutions to roll-out business continuity processes to ensure that banking services are delivered in a safe social distance regime for all customers and bankers;**

b) ***Extension of moratorium for all CBN intervention facilities.*** Effective from the 1st of March 2020, all CBN intervention facilities have been granted additional one year on all principal repayments. Consequently, participating financial institutions are required to provide new amortization schedules for all beneficiaries of such loans.

c) ***Interest rates reduction.*** Interest rates on all applicable CBN intervention facilities have been reduced from 9 percent to 5 percent per annum for a period of one year. This policy is effective from the 1st of March 2020.

d) ***Implementation of a ₦50 Billion Targeted Credit Facility.*** The CBN established a ₦50 Billion credit facility to reduce the adverse effect of COVID-19 and support households, and

small and medium-sized enterprises ('SMEs') that have been particularly hit hard by the pandemic. The credit facility will be disbursed by the NIRSAL Microfinance Bank ('NMFB').

e) ***Credit Support for the Health and Pharmaceutical Industry.***

To meet the increase in demand for healthcare services and providers, the CBN will be providing intervention facilities/loans in the sum of ₦100 Billion to pharmaceutical companies as well as hospitals and healthcare practitioners, who intend to expand their drug manufacturing plants in Nigeria or expand/build their health facilities to first class centers respectively. This is in addition to growing the size of existing interventions to the agricultural and manufacturing sectors in Nigeria.

f) ***Regulatory Forbearance.***

Deposit Money Banks ('DMBs') have been granted approval by the CBN to consider temporary and time-limited restructuring of the tenor and loan terms for businesses and households most affected by the COVID-19 pandemic, particularly in the oil & gas, agricultural and manufacturing sectors. The CBN indicated its readiness to work closely with DMBs to ensure that the use of this forbearance is targeted, transparent and temporary, whilst maintaining individual DMBs financial strength and overall financial stability of the system.

g) ***Strengthening of the CBN Loan/Deposit Ratio (LDR):*** In

order to sustain the successful implementation of the existing LDR Policy in giving credit to the economy and reducing interest rates, the CBN will further support the industry funding levels to maintain DMBs capacity to direct credits to individuals, households and businesses. The CBN is also considering additional incentives to encourage the extension of longer-tenured credit facility.

- h) **Improve Foreign Exchange (FX) supply to the CBN:** CBN would direct all oil companies (international and domestic) and all related companies (oil service) to sell FX to CBN and no longer to the NNPC.
- i) **Intervention of local Manufacturing:** Provide ₦1 trillion in loans to boost local manufacturing and production across critical sectors; and
- j) **Financial Inclusion:** The CBN would engender financial inclusion by ensuring the poor and vulnerable are able, by all means necessary, through banks, microfinance, community and non-bank financial institutions, to access financial services to meet their basic needs.

b. SHORT- TERM POLICIES (0-12 MONTHS):

The Short-term policy of the CBN is aimed at repositioning the Nigerian economy, when the Covid-19 curve is flattening. CBN policies during this term, would be focused on reinvigorating the local manufacturing and health sectors by providing financial interventions all through the sectors' value chain, as well as

encouraging banks and private equity firms to provide financing especially in the health sector.

The CBN in this term, also intends to promote the establishment of InfraCo PLC, a world class infrastructure development vehicle, wholly focused on Nigeria, with combined debt and equity take-off capital of N15 trillion. This fund will be utilized to support the Federal Government in building the transport infrastructure required to move agricultural products to processors, raw materials to factories, and finished goods to markets. In addition, the CBN will continue to prioritize the provision of FX for the importation of machinery and critical raw materials needed to drive a self-sufficient Nigerian economy.

c. MEDIUM- TERM POLICIES (0-3 YEARS):

The CBN's medium-term policies are focused on economic recovery when the Nigerian economy reopens fully for business. The main areas of focus here are light manufacturing, affordable housing, renewable energy, and cutting-edge research.

In Manufacturing, the policy here is focused at providing an initial N500 Billion specially targeted at assisting manufacturers to automated machinery that would fast track local production. For housing, the CBN is focused on bridging the housing deficit by facilitating government intervention in housing development, mortgage finance and institutional capacity.

On renewable energy, and cutting-edge research, the CBN over the next 3 years, plan to also support the financing of environmentally friendly energy production, as well as means to drive innovation and research in every sector, through Nigerian universities,

research institutions, creative industry initiatives, and all other media of novelty and inventions.

Due to the lockdown policy, the CBN has suspended clearing of cheque instruments in the Nigerian clearing system, effective from the 31st of March 2020 until further notice.

It is noteworthy that the CBN is still operational and has implemented its business continuity plan since the 25th of March 2020, wherein only staff that provide essential services have been working from its branch offices, while staff providing non-essential services are working remotely.

B. FEDERAL INLAND REVENUE SERVICE ('FIRS')

Further to its directive on the remittance of taxes and extension of tax filing period due to the pandemic, the FIRS has released a further statement in compliance with the lockdown policy providing palliative measures to support taxpayers in managing their tax obligations during the COVID-19 period. These measures are detailed as followed:

1. Taxpayers are encouraged to take advantage of FIRS simple and user-friendly e-filing process to submit necessary documentation instead of visiting tax offices. FIRS has provided dedicated email addresses for each of its' offices on its website for ease of filing.
2. Late Returns Penalty ('LRP') has been waived for taxpayers who elect to remit assessed tax liabilities early but file necessary returns later. Supporting documents for filing can also be emailed to the dedicated addresses or submitted to tax offices at a later date, should the taxpayer be unable to use the email facility.
3. Remittance of Value Added Tax ('VAT') on or before the 21st of every month has been extended to the last day of the month.
4. Taxpayers facing challenges in sourcing foreign exchange to offset their tax liabilities now have the option of paying in Naira at the prevailing Investors and Exporters ('I&E') Forex window rate on the day of payment.
5. The period to file Personal Income Tax (PIT) returns for Non-Residents, Foreign Affairs, Military and Police Officers has been extended to the 30th of June 2020.
6. Field Audit, Investigations and Monitoring visits to companies by officials of the FIRS are suspended till further notice.

C. SECURITIES AND EXCHANGE COMMISSION ('SEC')

In furtherance to the circular issued by the SEC on the 24th of March 2020, the SEC provided additional guidance to the capital market as follows:

Issuers

- a. All public companies are required to make material disclosures to investors (on their website and other relevant media) of the impact of COVID-19 pandemic on their business operations and inform investors of the updates on the implementation of their business continuity plans.
- b. Public companies who plan to conduct Annual General Meetings ('AGMs') are required to ensure that the conduct of the meetings comply with the provisions of the Companies and Allied Matters Act ('CAMA'), the Investments and Securities Act ('ISA'), the SEC Rules, relevant government and health

circulars and guidelines issued in this regard.

- c. Debt issuers are also expected to continue to engage Trustees to ensure that relevant disclosures are provided. Trustees are required to provide updates to the SEC accordingly.

Capital Market Operators ('CMOs')

All CMOs are required to continue to monitor the real and potential risks COVID-19 pandemic may have on their business operations and the discharge of services to investors and clients.

Operations

The SEC has activated its business continuity plan. Consequently, SEC staff are working remotely, and all electronic channels are open to provide necessary support to capital market stakeholders.

D. NIGERIAN STOCK EXCHANGE ('NSE')

Extension of Time to File Audited Financial Statements

In our first newsletter, we informed that in the first instance, the NSE has granted a 60-day grace period for the submission of the Audited Financial Statement for Companies with a 31 December year end. The due date for companies within this category to file their Audited Financial Statements is now 29 May 2020.

This 60-day grace period has now been granted to companies with 31 March year end. Therefore, companies within this category have this deadline for filings their Audited Financial Statements extended to 28th August 2020.

Extension of time to file Quarterly Returns

In consideration of the Rule that deems as authorised publication, the announcement

by a Company of Interim Accounts without having first filed its last Audited Financial Statements, the NSE has also granted a sixty (60) day extension to companies to file its first quarter returns as follows:

- Companies with March 31, June 30, September 30 and December 31 year ends respectively, the timelines to file returns for the 31st of March 2020 reporting period has been extended from 30th April 2020 to **29th June 2020**.
- Companies with April 30, July 31 and October 31 year ends respectively, the timelines to file returns for the 30th of April 2020 reporting period has been extended from 30th May 2020 to **29th July 2020**.

Waiver of the need to seek the annual approval of Shareholders for transactions with Related Parties or Interested Persons.

The NSE has waived the need to seek the annual approval by shareholders, **for recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations of the Company such as the purchase and sale of supplies and materials** with related parties or interested persons.

This waiver is necessary in order to ensure that the operations of Listed Companies are not inadvertently constrained in view of the restrictions on movements and mass gatherings. However listed parties are expected to comply with the following where the company elects enter into allowed related party transactions:

- a. Include every resolution proposal setting forth specific details on related party transactions in the Notice of Board Meetings; and obtain the approval of the Board before entering into any related party transactions. Provided that no transaction's term

shall exceed a term of longer than one financial year;

- b. Publish an announcement via The Exchange's Issuers' Portal within twenty-four (24) hours of the Board's approval of each transaction, and the announcement shall describe each transaction with specific relevant details as may be required by The Exchange; and
- c. Disclose all such approved related party transactions as notes in its quarterly financial statements for the period in which they occur, and in the final accounts.

Guidance to facilitate effective virtual Board, Committee and Management Meetings

The NSE has published certain recommendations for holding effective virtual Board, Committee and Management meetings. Please follow the link below to access same
http://www.nse.com.ng/mediacenter/news_and_events/Pages/NSE-Publishes-Guidance-on-Virtual-Meetings.aspx

Business Continuity at the NSE

The NSE in a statement released on the 30th March, 2020 reiterated its business continuity plan to the effect that:

- i. trade will continue during normal hours and days by providing remote trading access for Dealing Member Firms through FIX Protocol and Virtual Private Network (VPN) platforms;
- ii. NSE non-essential staff nationwide will continue working remotely;
- iii. trading floors nationwide remain closed;
- iv. NSE will maintain continuous flow of relevant market information to enable

stakeholders to make informed investment decisions; and

- v. NSE will continue to engage with the Government to address market issues raised by COVID-19.

The NSE has made necessary arrangements for its staff to provide essential and technical support services to the dealing public while access to NSE offices will be restricted to the public during the lockdown.

E. DEBT MANAGEMENT OFFICE OF NIGERIA ('DMO')

The DMO on March 30, 2020 published a Notice of suspension of the Federal Government of Nigeria (FGN) Savings Bond Offer for the month of April 2020 previously scheduled for April 6-10, 2020. The FGN Savings Bond Offer will resume when the conditions change.

The DMO stated that the suspension of the April 2020 Offer will not affect coupon payments due to investors for already issued FGN Securities.

F. NATIONAL INSURANCE COMMISSION ('NAICOM')

As part of the NAICOM's business continuity plan and to ensure availability of insurance services and protection of insurance policyholders during the lockdown, NAICOM granted the following regulatory forbearance:

1. Where Approval-In-Principle for the preceding insurance period has been granted, all renewals or extensions of the foreign reinsurance proportions that become due during Covid-19 movement restrictions are permitted for renewal on existing basis.
2. Where Approval-In-Principle for the foreign proportion of a new insurance placement is required during the COVID-19 movement restriction, it

shall be treated on the basis of 'Use and File' subject to prior exhaustion of in-country capacity. For the avoidance of doubt, after utilizing available local capacity, the lead insurer is permitted to reinsure the excess of the risk offshore and submit relevant documentations to the NAICOM thereafter.

3. All Post Placement Reports, Reinsurance Treaties and other related special risk foreign reinsurance documentations dues for submission during the pendency of the Covid-19 restrictions are to be submitted when movement restrictions are lifted.

All insurance/reinsurance placement should be done in accordance with other relevant extant insurance laws. Regulations and

guidelines, while all submissions to the NAICOM including hard copies sequel to the above forbearance should be done not later than seven (7) days from the end of the COVID-19 movement restrictions.

CONCLUSION

The Government and other regulators in the financial services sector are mindful of the impact of the pandemic in view of the importance of the sector to the economy and the populace at large. Hence, it is paramount for all companies to comply with the regulations and directives from the industry regulators. Business can also review their strategy and processes to ensure they benefit from the opportunities presented by the situation.

Jackson, Etti & Edu will continue to provide additional regulatory updates as such arises.

