

ARTICLE SERIES

DIASPORA REMITTANCES IN NIGERIA: EXAMINING THE NEW CBN POLICY (2)



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INTRODUCTION

In December 2020, the Central Bank of Nigeria (“CBN”) issued series of circulars in furtherance of its new policy on diaspora remittances.[1] The older circulars and the CBN policy have been discussed in our earlier article on this subject and can be read [here](#). [2]

Subsequently, on 22nd January 2021, the CBN issued another circular (“the new circular”), setting out the modalities for the payout of diaspora remittances[3].

The new circular was issued owing to the disregard of the CBN directives by International Money Transfer Operators (“IMTOs”) and other unlicensed companies operating within the system.

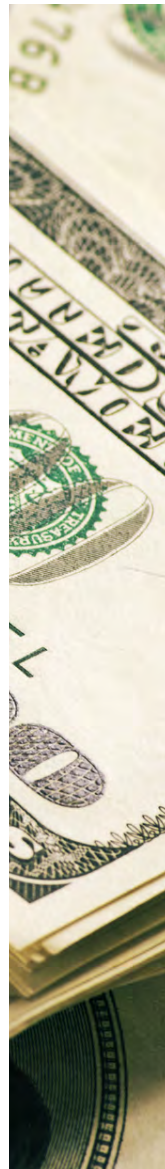
In this article, we discuss the potential effect of the new circular in respect of the CBN policy on diaspora remittances.

THE CIRCULAR ON MODALITIES FOR PAYOUT OF DIASPORA REMITTANCES

According to the CBN, some IMTOs and unlicensed companies continue to facilitate diaspora remittances into the country in Naira, in clear contravention of the CBN directive

that all remittances be paid to beneficiaries in dollars.[4]

The CBN stated categorically in the new circular that:

1. Only licensed IMTOs are permitted to carry on the business of facilitating diaspora remittances into Nigeria;
 2. All diaspora remittances must be received by beneficiaries in foreign currency (by cash and/or transfers to domiciliary accounts or recipients);
 3. IMTOs are not permitted, under any circumstances, to disburse diaspora remittances in Naira (either in cash or by electronic transfers), be it through remittance settlement accounts (which had been earlier directed to be closed), third party accounts or via any other payment platforms within and/or around the Nigerian financial system.
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[1] Amendment to Procedures for Receipt of Diaspora Remittances with Ref No: TED/FEM/FPC/GEN/01/011 available at <file:///C:/Users/USER/Downloads/Amendment%20o%20Procedures%20for%20Receipt%20of%20Diaspora%20Remittances.pdf>;

Re: Amendment to Procedures For Receipt of Diaspora Remittances, available at <file:///C:/Users/USER/Downloads/Diaspora%20Remittances%20Amendment.pdf>; Remarks by the Governor, Central Bank of Nigeria (CBN), Mr Godwin Emeffele, CON on Improving Remittance Inflows into Nigeria. Thursday, December 3, 2020, available at <https://www.cbn.gov.ng/Out/2020/CCD/Governor's%20Remarks%20Diaspora%20Remittances.pdf>; Receipt of Diaspora Remittances: Additional Operational Guidelines, available at <file:///C:/Users/USER/Downloads/RECEIPT%20OF%20DIASPORA%20REMITTANCES%20ADDITIONAL%20OPERATIONAL%20GUIDELINES.pdf>

[2] Ifeoluwa Ebiseni, “Diaspora Remittances In Nigeria: Examining the new CBN Policy” ALEX article series, available at <https://www.aelix.com/diaspora-remittances-in-nigeria/>

[3] ‘Modalities for Payout of Diaspora Remittances’, available at <https://www.cbn.gov.ng/Out/2021/TED/IMTO.Jan21.pdf>

[4] Supra note 2



The CBN stated in the circular that the measures were intended to promote transparency, grow diaspora remittances, and significantly improve foreign exchange inflows into Nigeria. The CBN also warned that strict sanctions, including withdrawal of operating licences, shall be imposed on any individuals and/or institutions found to be aiding, abetting or directly contravening these guidelines. For unauthorised operators, the proposed sanction is to mandate the closure of their accounts in Nigerian banks, and bar them from accessing banking services in Nigeria.

COMMENTS

This circular rehashes the earlier stance of the apex bank on diaspora remittances in Nigeria. We have examined the impact of the CBN policy in our previous article.[5] The exchange rate has been badly hit by several factors, including the declining economy, (which in itself has the Covid-19 pandemic as one of its responsible factors), the international decline in the price of oil, etc. The CBN, being the apex bank has thus risen to the responsibility of increasing the amount of foreign currency in circulation.

However, despite the efforts by the CBN to increase liquidity in the foreign exchange market through its new policy on diaspora remittances, reports continue to show that there has been a lot of pressure on the foreign exchange market, thereby leading to a decline in the availability of foreign currency.[6] One factor that could be responsible for this, is that many IMTOs and unlicensed operators are still remitting money sent from the diaspora to Nigerians in Naira. Also, many of the operators are hoarding Dollars, thereby leading to scarcity of foreign currency in circulation.

It is therefore hoped that the strict punitive measures imposed by the CBN will increase compliance by all stakeholders and ultimately lead to an increase in the availability of foreign currency within the country.

CONCLUSION

The CBN has promised continued monitoring of developments concerning compliance with its policy on diaspora remittances.[7] The apex bank also added that it is committed to issuing further guidance as appropriate. It is hoped that these different developments will achieve the set objectives by the CBN, including the stability of the foreign exchange market and valuation of the Naira.

[5] Supra note 3

[6] <https://nairametrics.com/2021/01/26/naira-falls-at-nafex-window-as-dollar-supply-continues-to-decline/>

[7] Supra note 2



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