

'IJGB': WHAT YOU NEED TO  
KNOW ABOUT CBN'S CIRCULAR  
ON THE IMPLEMENTATION OF  
THE FOREIGN CURRENCY  
DISCLOSURE, DEPOSIT,  
REPATRIATION, AND INVESTMENT  
SCHEME 2024



HAMU  
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# INTRODUCTION

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It's almost that time of the year... If you are familiar with Nigerian street speak, 'IJGB', (I just got back) is a term used to describe diaspora Nigerians who come back home for end-of-the-year festivities/parties. Most of the time, IJGBs spend their foreign-currencies-converted-to-Naira (i.e. a lot of money) during their stay.

And just like we have the regular IJGBs, a recent regulatory development suggests there may be a slightly varied form of IJGB funding that will complement Nigeria's 2025 fiscal and budget plans.

To provide some historical context, sometime in late 2023, the Presidency issued the Disclosure, Depositing, Repatriation and Investment of Foreign Eligible Foreign Exchange Assets and Related Matters ("Order No. 15"). Order No 15 established the Foreign Currency Voluntary Disclosure, Depositing, Repatriation and Investment Scheme (the "**Scheme**"). The objective of the Scheme is to facilitate the disclosure and repatriation of FX currencies<sup>1</sup> held onshore or offshore, back into Nigeria's formal banking system.

As part of the broad framework for bringing the Scheme to life, the Central Bank of Nigeria (CBN) on 5 November 2024 issued the ***Circular to all Commercial, Merchant, and Non-Interest Banks on Implementation of the Foreign Currency Disclosure, Deposit, Repatriation and Investment Scheme, 2024*** (the "**Circular**"). The Circular which took effect on 6 November 2024 provides important guidance on how eligible deposit-taking institutions (i.e., CBN-regulated banks) can assist intending participants engage in the Scheme.

In this article, we highlight the key aspects of the Circular and how they impact intending participants, while briefly assessing how intending participants can navigate identified grey areas in the Scheme.

1. FX means foreign exchange currencies.

# HIGHLIGHTS OF THE CBN CIRCULAR

## 1. Key Stakeholders and their Responsibilities in the Scheme

Eligible Banks <sup>2</sup>	Participants
To open domiciliary accounts designated for Scheme-related transactions for intending participants.	To open domiciliary accounts for Scheme-related transactions with eligible banks.
To process applications of intending participants in accordance with the legal framework for the Scheme.	To invest funds in Permissible Investment Instruments and/or Permissible Investment Sectors only.
To accept deposit of foreign currencies either directly or from a legal person nominated by the intending participant.	To provide relevant Know-Your-Customer information and source-of-fund information to their banks, while participating in the Scheme.
To issue receipts for transactions, track investments in permissible investments instruments/sectors, and render returns to the CBN.	

## 2. Modalities for Participating in the Scheme

- Participants in the Scheme are limited to investing funds in their Scheme-related domiciliary accounts, into either Permissible Investment Instruments (PIIs) and/or Permissible Investment Sectors (PIS).
- PIIs mean the foreign-currency denominated financial instrument (i.e. FG's bonds) issued under the Federal Government's local bond issuance programme<sup>3</sup> or such other programmes as the President may determine.
- PIS means such sectors that have capacity to accelerate economic growth, drive infrastructure development, and create jobs, as determined by the President.

2. Only banks with commercial, merchant and non-interest banking licenses are eligible to participate in the scheme.

3. Nigeria has a subsisting US\$2 billion Domestic FGN US Dollar Bond Issuance Programme, out of which a Series 1 US\$500 million bond was issued in August 2024. Quite notably, the Series 1 bond issuance was oversubscribed: <https://www.bloomberg.com/news/articles/2024-11-14/nigeria-plans-1-7-billion-eurobond-to-help-finance-2025-budget>

We note that there is less clarity on the designation of the PIS as the Federal Ministry of Finance is yet to designate these sectors. Stakeholders may engage further the Ministry of Finance to gain a clear policy directive in this regard, to enable participants invest in them.

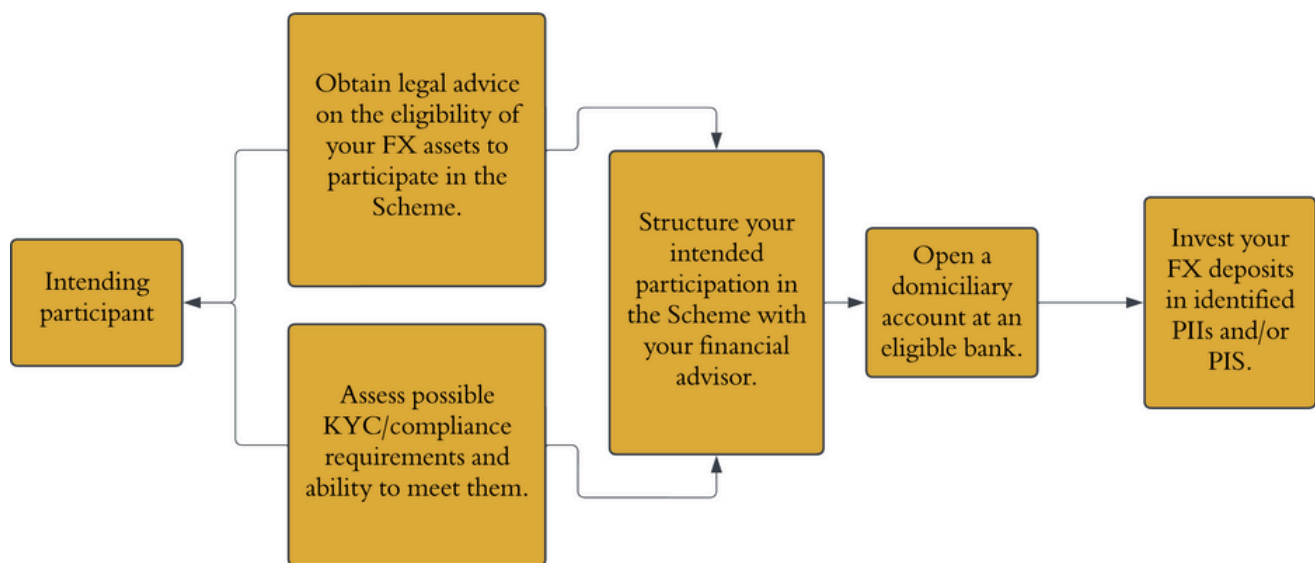
- Additionally, Section 2.1 (c) of the Circular implies that participants may be permitted to participate through a special purpose entity while the participants are the beneficiary of such deposits in the Scheme.

- There is a retention period for Scheme-related investments, which is a minimum of five (5) years.<sup>4</sup> What this implies is that participants in the Scheme are restricted to utilizing their funds strictly for either PIs or PIS for a period of 5 years, after which they would be permitted to repatriate or utilize in other investment destination(s) of their preference.

- Banks are required to render monthly returns to the CBN, which at a minimum should highlight, among others, (a) the number of participants enrolled in the Scheme; (b) total value of Scheme-related deposits received in the period; (c) status of applications received and processed; (d) summary of transactions such as investments made by participants into PIs or PISs, and total value of uninvested Scheme-related deposits; (e) a schedule of trades, investments, loans made by banks, using uninvested Scheme-related deposits.

# PRACTICAL PLAYBOOK FOR PARTICIPATING IN THE SCHEME

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## COMMENTARY

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We envisage that a key impact of the Circular and Scheme for banks is it creates an opportunity for developing a new product line targeted at customers who intend to participate in the Scheme, as well as promoting FX liquidity, which banks may utilise if customers choose not to invest their deposits in PII's or PIS.

On the other hand, we envisage that there are significant incentives attached to the Scheme, for participants. For instance, tax reliefs (on personal income, company income, capital gains, and value added tax) - which may not be typically available for transactions consummated outside of the Scheme - will be available where funds are invested in PII's.

In addition, the wording CBN Circular suggests intending participants will be allowed to designate a separate entity (individual or corporate) to hold their funds, implying that the Scheme may be utilized for wealth transfers, subject to meeting compliance requirements.

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