



UDO UDOMA &  
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**REGULATORY UPDATE:**  
**RECENT CHANGES IN THE  
PAYOUT OPTIONS FOR  
DIASPORA REMITTANCES**



The Central Bank of Nigeria (the “CBN”) regulates the operation of International Money Transfer Operators (“IMTOs”) in Nigeria. This is pursuant to the Bank and Other Financial Institutions Act 2020, the Central Bank of Nigeria Act 2007, the Guidelines for the Operation of International Money Transfer Services in Nigeria 2017 (as amended), and various other circulars issued by the CBN from time to time. All IMTOs providing remittance services to Nigeria are required to obtain the approval of the CBN. As at July 2023, the CBN has a list of 62 approved IMTOs permitted to remit funds to Nigeria. On this basis, the CBN determines the rules and regulations applicable to approved IMTOs operating in Nigeria. In this update, we will discuss the payout options available to beneficiaries of diaspora remittances in Nigeria.

### Existing Payout Options

In payouts to beneficiaries of remittances, the CBN, through previous circulars, mandates IMTOs to disburse diaspora remittances to the beneficiaries in foreign currency, either in cash or by payment into a beneficiary’s designated ordinary domiciliary account in a Nigerian bank. On 15<sup>th</sup> June, 2023, the CBN added a payout option in e-Naira. This means that IMTOs were permitted, after obtaining a no-objection from the CBN, to make payouts to beneficiaries by paying into their e-Naira wallets at an exchange rate to be advised by the CBN.

### Additional Payout Option

The CBN has now added Naira as one of the payout options for receipts of proceeds of international money transfers. This is by virtue of the circular titled “Payout Option in Naira for Receipt of Proceeds of Diaspora Remittances” dated 10<sup>th</sup> July, 2023 (the “Circular”). The Circular, which was issued to all Nigerian deposit money banks, IMTOs and the general public, has now provided another option for beneficiaries to select Naira as their preferred payout option for receipts of proceeds of international money transfers.

The above means that Nigerian resident beneficiaries now have a choice to receive diaspora remittances in foreign currency paid into their ordinary domiciliary account, eNaira in their eNaira wallets or Naira after conversion of the funds into Naira by the IMTO.

### Applicable Exchange Rate

On the exchange rate, the CBN requires IMTOs to payout the proceeds in Naira using the Investors and Exporters Window’s (“I&E Window”) rate as the anchor rate on the day of the transaction. The I&E Window is a special window for investors that bring foreign capital into Nigeria, exporters and end-users to deal in foreign exchange. The I&E Window is currently the official market for all approved dealings in FX in Nigeria. One of the operational requirements of the I&E Window is that the exchange rates for foreign exchange transactions in the I&E Window are to be as agreed between buyers and sellers on a “willing buyer” and “willing seller” basis.



FMDQ publishes the exchange rate at which trading on the I&E Window closed on each trading day on its website (<https://fmdqgroup.com/exchange/>). That rate will guide IMTOs on the applicable rate to offer to parties that are willing to receive remittances in Naira.

### **Importance of the Changes**

The changes represent a shift in the foreign exchange strategy by the CBN in its efforts to boost liquidity in the Nigerian official foreign exchange market. The issuance of the Circular reflects the commitment of the CBN to liberalise and simplify the operational structure of diaspora remittances into Nigeria with the aim of ensuring that diaspora remittances are brought into Nigeria through approved channels.

With the directive by the CBN to IMTOs to use the I&E Window rate as the anchor rate on the day of the transaction for the payout of proceeds from diaspora remittances, the CBN has effectively began the implementation of its policy statement of 2020 to promote the financing of the future stream of investment opportunities for Nigerians in Diaspora, and promoting that recipients of remittances would receive a market-reflective exchange rate for their inflows.

### **Conclusion**

The implementation of these policies would, hopefully, encourage persons wishing to remit funds to Nigeria to do so through approved IMTOS. It would also enable IMTOs to offer a market reflective exchange rates to beneficiaries who desire to receive their proceeds in Naira. The policy would also make receipt of remittances seamless and less cumbersome for recipients, particularly those living in semi-urban or rural areas of the country.

*This update is for general information purposes only and does not constitute legal advice and does not purport to be fully comprehensive. If you have any questions or require any assistance or clarification on how the subject of this guidance note applies to your business, please contact us at [B&F email]. This update has been provided by the Banking & Finance team at Udo Udoma & Belo-Osagie.*