

Investors holding CCIs will shortly be required to return same to be updated

The process of converting existing certificates of capital importation (“CCI”) held by investors into electronic format (“e-CCI”) will start shortly. All investors that hold physical and active CCIs will be required to submit such CCIs to the banks that issued them so that they can have the CCIs dematerialisation and converted into e-CCIs.

Background

All foreign Investors in Nigeria require a document known as a CCI in order to freely repatriate the proceeds of the investment in respect of which the CCI was issued. This applies whether the investment takes the form of debt, equity or an investment in other securities such as bonds and treasury bills. The issuance of a CCI is straight forward, it is issued by an Authorised Dealer (which is a Nigerian bank licensed by the Central Bank of Nigeria (“CBN”) to deal in foreign exchange) at the time that the investment is made. Its issuance is subject to documentation but is entirely routine and issued following conversion of the foreign currency investment into Naira.

A CCI serves as documentary evidence that an investor actually brought foreign currency into Nigeria for the purpose of making investments in Nigeria and permits an investor to repatriate proceeds from its investment or its capital in the event of the partial or complete sale of its investment. The law requires a CCI to be issued within 24 hours of the funds being brought into Nigeria. In practice, however, it takes about 48 hours of the capital coming into Nigeria for Authorised Dealers to issue CCIs.

Until recently, CCIs were issued in physical form and the Authorised Dealer that issued it was given the responsibility to track the payments to ensure that they were linked to the initial investment. Of course, such investments, especially if they relate to investments in equity, do not remain static. It requires the banks to seek to track dividend payments and bonus issues etc. that are received after the initial investment. The fact that investors are not required to repatriate the proceeds when they exit one investment and enter another has made it almost impossible for these payments to be properly tracked. It is thought that it is to address the leakage cause by this that the CBN recently announced its intention to phase out the issuance of physical CCIs. As a result, the CBN has directed all Nigerian banks to migrate to the issuance of e-CCIs. The CBN said that this change was to improve efficiency in the issuance and utilisation of CCIs in the banking industry. Investors with physical and active CCIs - (i.e. CCIs that have not been fully utilised or cancelled - with outstanding/un-repatriated proceeds) - will be required to submit them to the banks that issued same for dematerialisation and conversion into e-CCIs.

As to how this new arrangement would work, that is not very clear yet as the CBN is yet to issue any circular or regulation in that regard. We understand, however, that the records of the e-CCIs will be entered on a server that will be maintained by the

CBN. This is to enable the CBN have an oversight function over the platform and users across all Nigerian banks will be connected to it. Investors that have been issued e-CCIs will be provided with login details to give them access to the platform to monitor activities relating to their e-CCI.

The CBN has explained that the e-CCI system will cater for all activities within the lifecycle of an investment/CCI. This includes the issuance, mark-up, markdown, divestment, reinvestment, cancellation, amendment, transfer, global depository receipt creation and securities lending.

The benefits of the movement to the use of e-CCIs are expected to be:

- easier tracking of investments across the banks as users will be able to view the status of their e-CCIs using their log-in details;
- eradication of the problems associated with the safe-keeping of physical CCIs (risk of losing physical CCIs and wear and tear);
- eradication of fraud associated with the forgery of physical CCIs leading to the loss of investment; and
- improved administration of requests to the CBN in respect of CCIs as f issues in relation to e-CCIs will be raised online and the status of these requests can be easily tracked.

Once the CBN confirms the date on which the e-CCI platform will come into effect, the banks will communicate the timeframe and procedure by which CCIs should be submitted for dematerialisation. In the meantime, we would suggest that investors ensure that they locate their CCIs ahead of this process. The change from a physical CCI to an e-CCI does not affect the rights of a holder and foreign investors will continue to have access to the foreign exchange market to repatriate proceeds from their investment or capital in the event of the partial or complete sale of an investment.

This does not constitute legal advice and should you have any questions regarding these developments, please send an email to uubo@uubo.org, joseph.eimunjeze@uubo.org or to your usual UUBO contact.

