

## REDISCOUNTING AND REFINANCING FACILITY

### **1.0. INTRODUCTION**

To ensure continuous flow of credit to the export sector at competitive rates, NEXIM provides the Export Credit Rediscounting and Refinancing Facilities (RRF) to support the Deposit Money Banks (DMBs) in the provision of pre- and post-shipment finance to exporters to undertake export transactions.

Accordingly, this guideline describes and outlines the revised operational modalities of the RRF towards the provision of a discount window to liquefy the export credit transactions of Deposit Money Banks, thereby improving exporters' access to export credit at any given time.

### **2.0. ELIGIBILITY CRITERIA**

#### **2.1. PARTICIPATING BANK:**

All the DMBs who have sanctioned /extended export credits are eligible as Participating Banks (PB) under the RRF Window in order to improve their liquidity and expand their export credit portfolios.

#### **2.2. ELIGIBLE EXPORTERS**

All existing / potential export-oriented companies duly incorporated / registered in Nigeria and undertaking non-oil exports transactions of goods and services that are not under a subsisting Exports Prohibition List shall be eligible to benefit under the scheme. However, facilities availed under any of the existing CBN funding schemes are not eligible under the RRF Window.

#### **2.3. INELIGIBLE EXPORTS**

The following items are not eligible for financing:

- Armaments, ammunitions, and other military equipment
- Psychotropic drugs and narcotic
- All items prohibited by international conventions or environmental constraints
- Phonographic and obscene materials; and
- Items prohibited for importation/exportation by prevailing government policies/guidelines

### **3.0. OBJECTIVES OF THE RRF**

The RRF objectives are:

- i. To encourage and support DMBs to provide short-term pre- and post-shipment finance in support of exports by providing a discount window to exports financing banks and therefore improving their liquidity and exporters' access to export credit.
- ii. Moderation and indirect influence on the cost of export credits to the non-oil sector to enhance competitiveness of Nigeria's exports and thereby assist in export production and marketing.
- iii. To enhance the continuous flow of export credits for non-oil exports toward facilitating the diversification of the productive base of the economy and ensuring sustainable external sector development.

#### **3.1. FACILITIES UNDER THE RRF**

##### **a. PRE-SHIPMENT REDISCOUNTING FACILITY**

The objective is to encourage banks to finance incidental expenses necessary to undertake and perform export contracts as well as procurement of inputs / exportable goods, e.g., raw materials / commodities, semi-processed and finished goods for either processing and/or direct exports.

##### **b. POST-SHIPMENT REDISCOUNTING FACILITY**

The objective is to encourage banks to provide finance to exporters awaiting receipts of export proceeds of their shipments and/or encourage the provision of deferred payment arrangements by exporters to their counterparties to enhance competitiveness.

**c. REFINANCING FACILITY**

The objective of the Refinancing Facility is to encourage banks to provide longer term export credit in support of export activity than is available under the Rediscounting Facility, which is transaction specific. The Refinancing Facility provides a mechanism that relieves export financing banks and export credit guarantors on their longer than expected export lending commitments. It also provides financial accommodation to the export financing banks in the event of commercial lending difficulties.

**4.0. FEATURES OF THE REDISCOUNTING AND REFINANCING FACILITY**

**4.1. TENOR**

The tenor in respect of the RRF shall be a maximum of 360 days as follows.

- a. Pre-shipment Shipment Rediscounting shall be transaction specific/period specific but subject to a maximum of 180 days.
- b. Post-shipment Rediscounting tenor shall be in accordance with extant policies on repatriation of export proceeds from time to time. It currently shall not exceed 180 days in line with the existing CBN Circular dated July 17, 2009 - "Guidelines on Repatriation of Export Proceeds for Non-Oil Commercial Exports - Ref: TED/FEM/FPC/GEN/01/116
- c. For combined Pre- and Post-Shipment finance, a tenor not exceeding 270 days shall apply but on the basis of specificity of underlying transaction
- d. The Refinancing Facility availed shall not exceed 360 days and shall cover installments of short-term financing of long-term transactions such as export debentures, export finance guarantees, export term loans, etc. falling due within a year of the date of application.

**4.2. INTEREST RATES**

The Facility shall be availed at a maximum all-in interest rate of 9% per annum. However, legal and administrative charges are to the account of beneficiary Projects.

**4.3. EXPOSURE LIMIT**

Each Participating Bank will have a transaction exposure limit under the RRF Window of a maximum of N2billion to N5billion as may be determined from time to time based on Participating Banks' credit ratings and volume of non-oil exports transactions/beneficiary clients being supported.

**4.4. COLLATERAL REQUIREMENTS**

For the Rediscounting and Refinancing Facility (RRF), NEXIM shall have full recourse to the Participating Banks. Participating Banks are therefore expected to fully secure their lending.

**5.0. APPLICATION PROCEDURES**

At the end of the first quarter of each financial year (31st March), the Participating Banks seeking to benefit from the Rediscounting and/or Refinancing Facility shall forward an application to this effect to NEXIM accompanied by its most recent audited accounts. To avail the Rediscounting and/or Refinancing facilities, the Participating Bank shall apply in the prescribed RRF format for the benefit of its export-oriented transaction(s).

**5.1. APPLICATION FOR REDISCOUNTING FACILITY**

A Participating Bank may at any time during the year apply for bills rediscounting under the Rediscounting Facility and would be granted approval on the basis of individual export transaction.

**5.2. DOCUMENTATION**

An application for rediscounting covering either pre-shipment, post shipment or combined pre- and post-shipment periods shall be made to NEXIM by means of a request letter signed by at least two authorised signatories of the Participating Bank as per executed signature mandates with CBN / NEXIM and be supported by the following documents:

- a. Evidence of an underlying export order, e.g., letter of credit, sales contract, confirmed order by a reputable local buying agent of an established buyer on Incoterm basis - “DAT Delivered at Terminal / DAP Delivered at Place - Warehouse”
- b. Evidence of export credit: This should be an accepted Letter of Offer of an existing export credit facility, or a bill of exchange drawn by the bank on and accepted by the exporter covering export credit facility provided by the Participating Bank. The bill shall be for an appropriate tenor with the discount rate clearly stated on the bill.
- c. Completed Return on Export Finance Portfolio, specimen of which is in Appendix I

For a Rediscounting Facility specifically covering the post-shipment period, the following documentations shall apply:

- a. Evidence of an export order, e.g., Letter of Credit; sales contract, confirmed order by a reputable local agent of an established buyer.
- b. Evidence of export credit - This should be an existing accepted export credit facility, executed guarantee receivable finance instrument or a bill of exchange drawn by the bank on and accepted by the exporter covering export credit facility provided by the Participating Bank. The bill shall be for an appropriate tenor with the discount rate clearly stated on the bill.
- c. Evidence of shipment, e.g., clean on-board Bill of Lading.
- d. Copy of NXP Forms / Clean Certificate of Inspection
- e. Copy of Bank’s Remittance Letter and Exporter’s Final Invoice

### **5.3. APPLICATION FOR THE REFINANCING FACILITY**

A Participating Bank may at any time apply for financing under the Refinancing Facility and would be granted approval on the basis of individual export finance transaction.

### **5.4. DOCUMENTATION**

An application for the Refinancing facility shall be made to NEXIM by means of a letter signed by at least two authorised signatories of the applicant Participating Bank. The application shall be supported with the following documents:

- a. Evidence of export order for appropriate products such as letter of credit, export contract and/or medium-term export off-take arrangements
- b. Evidence of export credit - This should be an accepted letter of offer, executed guarantee receivable finance instrument, other debt instruments - e.g., export debentures or long-term export loan installments falling due for repayment within one year of application date are qualified for refinancing.
- c. Returns on Export Finance Portfolio
- d. Evidence of capacity to perform in the form of the following:
  - i. Evidence of existence and capacity of installed plant or toll processing
  - ii. agreement.
  - iii. Evidence of security taken by the Participating Bank.
  - iv. Summary of exports undertaken in the current request period and preceding year

### **6.0. APPROVAL PROCESS**

- 1) NEXIM shall process all applications received from Participating Banks to confirm the completeness of documentation and eligibility.
- 2) NEXIM shall appraise the applications and provide its status report to the Participating Bank within 5 working days of receipt.
- 3) Applications that meet the eligibility criteria and documentation requirements under the Rediscounting and Refinancing Facility (RRF) shall be approved and communicated to the Participating Bank in writing, stating amongst others, the face value of the facility, discounted value, tenor, rediscount rate and beneficiary exporter involved.
- 4) Upon acceptance of the approved RRF, the Participating Bank shall request for disbursement vide a letter duly signed by two authorised signatories forwarding the following:
  - a. Accepted duplicate copy of letter of offer (see Appendix)
  - b. Promissory Note with face value equal to principal plus interest (see Appendix).

c. An Irrevocable Transfer Order (ITO) addressed to Central Bank of Nigeria (see Appendix)

## **7.0. DISBURSEMENT**

Applications that fulfilled all conditions precedent to drawdown under the RRF Window shall be forwarded to the Central Bank of Nigeria for disbursement of the proceeds of the bill i.e., the discount value (see Appendix for the formula for computing the proceeds to be credited to the Participating Bank).

## **8.0. RENDITION OF RETURNS / MONITORING**

All benefitting Participating Banks are expected to provide monthly / periodic returns on exports and foreign exchange earnings of their RRF beneficiary exporters on the prescribed format whose specimen is in Appendix VIII.

Being essentially an interbank facility, it is the Participating Bank's responsibility to monitor their beneficiary exporters. However, CBN / NEXIM reserve the right to conduct a monitoring visit to beneficiary exporter in company of Participating Bank officials.

## **9.0. REPAYMENT**

At maturity of the facility, the Participating Bank shall repay the face value of the availed RRF, or NEXIM shall cause the Irrevocable Transfer Order given by the PB to be invoked by CBN. The Promissory Note shall then be marked "Cancelled" and returned to the beneficiary Participating Bank.

## **10.0. OTHER ASPECTS**

- a. If an exporter benefits from either the Rediscounting or Refinancing Facility but fails to perform the export order both the company and its directors shall be blacklisted for one year.
- b. If a bank commits an abuse under any of the facilities, it shall be blacklisted for one year and the facility shall be recalled immediately.
- c. In addition to the above, an additional charge equivalent to the PB's spread shall be charged to the account of the defaulting bank.
- d. In the context of the above, an abuse is defined to include, but not limited to
  - False declaration
  - Falsification of documents
  - Deliberate breach of the provisions of this guideline
  - Unauthorized product switch etc.
  - And the issuance of bills that are irregular and therefore delay repayments to NEXIM.
- e. Notwithstanding the penalties prescribed above, NEXIM reserves the right to recall any of these facilities if it finds out that:
  - the bank did not disburse the funds to the exporter
  - the fund has been diverted
  - Repatriation status has been falsified
- f. All banks benefitting from the RRF shall submit monthly declarations of performance of export contracts and repatriation of proceeds by their clients on a prescribed form whose specimen is in Appendix VIII

## **11.0. AMENDMENTS**

These Guidelines shall be subject to review from time to time as may be deemed necessary by NEXIM. The Amendment does not have retroactive effect and therefore is applicable only to new approvals.

**For further information please contact:**

Trade Finance Department or Project Finance Department  
Nigerian Export - Import Bank,  
Plot 975 Cadastral Zone AO,  
Central Business District,  
P.M.B. 276, Garki, Abuja, Nigeria.  
Telephone (+234) 9 4603630 - 9  
Email: [neximabj@neximbank.com.ng](mailto:neximabj@neximbank.com.ng)

RETURN ON EXPORT FINANCE PORTFOLIO FOR THE MONTH OF .....20 .....

NAME OF BANK .....

FINANCIAL DOCUMENT							
Name & Address of Exporter / Email	Name & Address of Consignee	Type(s) of Export	Quantity of Export Goods	Value of Exports	Mode of payment by	Rate of Interest / Discount	Loan Amount Sanctioned / Disbursed to

.....  
 AUTHORISED SIGNATORY

.....  
 AUTHORISED SIGNATORY

**SUMMARY OF EXPORTS**

**CERTIFICATE**  
(Required for Refinancing Facility)

Date:  
.....

The Managing Director,  
Nigerian Export-Import  
Bank, NEXIM House,  
Central Business District,  
Abuja.

Dear Sir,

\_\_\_\_\_  
(Name of exporter)

We certify that the above exporter undertook the export transactions listed below and that the relative proceeds have been repatriated to Nigeria and/or awaiting repatriation in line with extant policy regulation of the Central Bank of Nigeria.

Yours faithfully,

**Authorised Signatory**

**Authorised Signatory**

**EXPORT BUSINESS UNDERTAKEN DURING THE IMMEDIATE PAST EIGHTEEN (18) MONTHS FOR THE PERIOD .....**

NXP Form(s) No. & Date	Name & Address of Buyer	Product(s)		Invoice Value (US \$)	Amount Repatriated / Awaiting Repatriation (US
		Descriptio	Quantity		

**NIGERIAN EXPORT-IMPORT BANK**

REDISCOUNTING AND REFINANCING FACILITIES (RRF)

CALCULATION OF PROCEEDS OF SUBSTITUTION BILL

$$\text{PROCEEDS} = (\text{FACE VALUE}) - \frac{\text{FACE VALUE} \times \text{RATE OF INTEREST} \times \text{NO. OF DAYS}}{36500}$$

$$\text{PROCEEDS} = \text{FACE VALUE} \left(1 - \frac{\text{RATE OF INTEREST} \times \text{NO. OF DAYS}}{36500}\right)$$



**APPENDIX IV**

**ON LETTER HEADED PAPER OF NEXIM**

Date:.....

The Managing Director,  
 .....  
 .....

Dear Sir,

APPROVAL FOR RRF OF N.....

I write with reference to your application dated ..... for Rediscounting and Refinancing Facility of N..... and wish to convey to you our approval of your request under the following terms and conditions.

- (a) Proceeds: .....
- (b) Tenor:.....
- (c) Rate: .....
- (d) Face Value: .....
- (e) Name of Exporter: .....

You are hereby requested to forward to us the relevant Promissory Note, Irrevocable Transfer Order and a duplicate copy of this approval letter to enable us fund your account under the RRF..

Please, note that the NEXIM reserves the right to alter/amend the aforementioned terms and conditions as and when warranted.

We are, by way of information, forwarding a copy of this approval letter to the exporter and you are therefore expected to extend the benefits of the RRF / show evidence of disbursement within two (2) days of funds transfer to your account, failing which we shall be constrained to recall the facility immediately and charge default rate for the default period.

Yours faithfully,

.....  
**Authorised Signatory**

.....  
**Authorised Signatory**

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**ACCEPTED FOR AND ON BEHALF OF**  
 .....

.....  
**Authorised Signatory**

.....  
**Authorised Signatory**

NO.....

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'ORIGINAL'

XY Bank Limited  
 Address

**PROMISSORY NOTE**

Amount N..... Date of Issue.....

The XY Bank Limited hereby promises to pay Nigerian Export-Import Bank, Lagos, the sum of

N.....

(Amount in words)

.....on the

.....  
 day of .....20 ..... Being the due date fixed by this promissory note the value of which includes the sum received by the XY Bank Limited and the interest thereon which is determined in accordance with the revised Guidelines for operating the Export Credit Rediscounting and Refinancing Facility (RRF) of 1st June, 1998 subject to and in accordance with the set conditions.

In WITNESS whereof the XY Bank limited has caused this note to be signed on its behalf by:

1. Authorised Signature

2. Authorised Signature

-----  
 Name

-----  
 Name

-----  
 Position/Status

-----  
 Position/Status

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**NAME ON LETTER HEADING OF BANK**

The Director,  
 XXXXXXXXXXXXXXXXXXXX  
 Central Bank of  
 Nigeria, Abuja.

Dear Sir,

**IRREVOCABLE TRANSFER ORDER - (NAME OF COMPANY)**

Please debit our account No..... with you, on  
 .....with

(A/c No)

(Date)

the sum of

N.....(.....  
 ....

.....) And credit

NEXIM RRF Current Account No.0000000000000000 with the sum of

N.....

(.....)

(in words)

The amount represents the RRF Advance of

N.....

granted on ..... with interest of

N.....

(date)

at .....% per annum for ..... days.

Copies of the advice confirming transfer should be sent to us and NEXIM.

Yours faithfully,

.....  
 Authorised Signatory

.....  
 Authorised Signatory

**SPECIAL INSTRUCTION**

In the event of our failure to disburse our funds to the client, the bank has our mandate to invoke the ITO prematurely and recall her funds at the prevailing default interest rate.

.....  
 Authorised Signatory

.....  
 Authorised Signatory

**NIGERIA EXPORT-IMPORT BANK**  
**EXPORT CREDIT REDISCOUNTING AND REFINANCING FACILITY (RRF)**  
**OPERATIONAL STAGES**

**Stage 1**

- (a) Participating Bank applies to NEXIM for participation under the RRF (Usually once an export year)
- (b) NEXIM reviews request / latest audited accounts assigns Exposure Limit.

**Stage 2**

- (a) Participating Bank applies to discount bills / refinance export credit (100% of eligible export credit is re-financeable)
- (b) NEXIM advises approval of application to bank.

**Stage 3**

- (a) Participating Bank submits accepted offer letter and supporting documents to NEXIM
- (b) NEXIM advises CBN to credit Participating Bank's Account
- (c) Participating Bank advised on Credit

**Stage 4**

- (a) Participating Bank informs beneficiary client of RRF availment / funds exporter
- (b) Participating Bank renders periodic returns
- (c) Participating Bank repays
- (d) NEXIM cancels debt instruments and returns to Participating Bank

**RETURN ON EXPORTS AND FOREIGN EXCHANGE EARNINGS  
FROM THE REFINANCING AND REDISCOUNTING FACILITY  
(RRF) FOR EXPORTS**

**FOR THE MONTH**

.....  
20.....

**NAME OF BANK:**.....

**ADDRESS:**.....

.....

1	2	3	4	5	6	7	8	9	10	11
No.	Name/ Address of Exporter	Name/ Address of Consignee	Type of Export	Term/s of payment	Contract No/Date & Other Terms (i) Qty. (ii) Value	Amounts Rediscounted/ Refinanced by NEXIM & Dates	Qty. of Export Shipped	Facility Granted & Dates	Amounts Earned/ Repatriated & Dates (Attach Evidence)	Remarks

