

**IMPORTANT NOTICE ON THE DEADLINE FOR CONVERSION OF
EXISTING COMMUNITY BANKS (CBs) TO MICROFINANCE
BANKS (MFBs)**

**TO THE CHAIRMEN, DIRECTORS, MANAGERS AND STAFF OF ALL
COMMUNITY BANKS**

1. Submission of Applications for Conversion

The Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, which was launched by The President, Chief Olusegun Obasanjo, GCFR on 15th December, 2005 stipulated a two-year period ending 31st December, 2007 for all existing community banks (CBs) to convert to microfinance banks (MFBs).

As the deadline for the conversion of existing CBs to MFBs gradually approaches, it has become necessary to advise all CBs that have already met the minimum capital requirement of ₦20 million shareholders' funds, unimpaired by losses, for a unit MFB, or ₦1.0 billion, for a state MFB, to submit their applications for conversion immediately. This is to avoid bunching of applications towards the deadline.

By the same token, all CBs that are yet to meet the minimum capital requirement are also urged to expedite action and explore all available options towards meeting the capital and documentation requirements for their conversion to MFBs, as stipulated in the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria and the Guidelines for Microfinance Banks in Nigeria.

2. Deadline for Conversion to Microfinance Bank

For the avoidance of doubt, it is necessary to categorically state that the 31st December, 2007 deadline for the conversion of CBs to MFBs is sacrosanct and will not be shifted for any reason.

3. The Merger Option for Conversion to Microfinance Banks

One of the options available to CBs for attaining the minimum capital requirement for conversion to MFBs, as stated in the CBN Circular No. OFID/DO/CIR/Vol.1/450 of 3^d February, 2006, is merger. A merger between two or more CBs is allowed, provided the merging acquisition institutions have jointly attained minimum shareholders' funds of ₦20

million, unimpaired by losses, for a unit MFB. One of the offices of the merging CBs, where it has its dominant activities shall be the Head Office, while the other office(s) of the merging CBs shall be retained as approved Branches. However, new branches shall not be allowed for the emerging MFB, outside its state of dominant operations, until it has opened branches to cover two-thirds of the Local Government Areas (LGAs) in the state of dominant operation, where the Head Office is located.

Please feel free to contact the Central Bank of Nigeria for further clarification and assistance should the need arise.

Signed

Director, Other Financial Institution Department,
Central Bank of Nigeria, Lagos.