



# REPATRIATION OF FUNDS AND CAPITAL IMPORTATION IN NIGERIA - FAQs

Every investor wants a return on their investment; a return easily accessible to them. Foreigners looking to invest in Nigeria want assurances that their investment can be repatriated seamlessly at any given time. This article provides answers to the frequently asked questions on fund repatriation by foreign investors in Nigeria.

## Q What is Nigeria's attitude and approach to the repatriation of funds by foreign investors?

Nigeria has always had a liberal “free entry, free exit” approach to the movement of foreign investment in and out of its economy. Subject to payment of all relevant taxes, foreign investors are guaranteed unrestricted repatriation of their investment capital and proceeds, in any convertible currency, if that capital was brought into Nigeria under a Certificate of Capital Importation (“CCI”).

## Q What is a Certificate of Capital Importation?

A Certificate of Capital Importation (CCI) is a Certificate issued to a foreign investor as evidence of an inflow of foreign direct capital investment, either as equity or debt; cash or goods. A CCI is issued by an authorised dealer<sup>1</sup> on the behalf of the Central Bank of Nigeria (CBN).

Prior to 2016, the Certificate was issued as a hard copy document; however, in 2016, the CBN automated the process and migrated to the use of the electronic CCI (e-CCI), which is hosted on a server maintained by the CBN.

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<sup>1</sup> Authorised dealers are Nigerian commercial banks authorized by the Federal government to deal in CCI.

## Q Is there an advantage to obtaining a CCI?

Yes, a predominant advantage is that the holder of a CCI is guaranteed repatriation of its capital as well as profits upon the maturity of its investment, at the official market rate.

Though it is not mandatory to obtain a CCI, it is however recommended, to guard against the risk of fluctuation of rates in the Foreign Exchange (FX) market. The CCI enables the investor repatriate its funds through the official market with typically more stable and favourable rates.

The point could be made that in a stable market where the exchange rates in the official and unofficial markets have somewhat converged, the absence of CCI may not be such a significant risk given that even without the CCIs, the investor could still source and repatriate FX from the unofficial market. However, as there is always the possibility of a future disparity between the rates in both markets, it would then make the official market, for which a CCI is required for accessibility, the more favourable option. In that sense therefore, there is always an advantage to obtaining a CCI.

## Q Does an Investor pay to obtain a CCI?

A CCI is a Certificate issued at no cost to the investor. Upon application and submission of the required documents, the CBN, through the authorised dealer, issues the Certificate.

## Q What is required to apply for a CCI?

An application for a CCI is type-specific. That is, it depends on the nature of the foreign investment. The foreign investment could be as cash to be invested as a loan or equity; it could be machine and equipment, given as loan or equity; or it could be raw materials.

While the authorised dealers will provide the specific requirement per time, the general documents that usually cut across all types of investment are:

1. A letter from the beneficiary<sup>2</sup> of the investment requesting a CCI

2. A board resolution of the beneficiary approving the investment.
3. A copy of the beneficiary's Certificate of incorporation
4. Name and address of the foreign investor (as provided by the beneficiary)
5. Nature of business of the investor
6. Sector of operation of the beneficiary.

## Q How long does it ordinarily take to repatriate funds using a CCI?

Ordinarily, repatriation is completed within 24 hours of submitting requests to the authorised dealers or the next auction window as the case may be.

## Q How easy is it to repatriate funds in a normal market,<sup>3</sup> using a CCI?

In a normal market where FX is readily available, it is very easy to convert Naira to USD for purposes of repatriation, and this conversion will be done using exchange rate prevailing in the official market at the time.

## Q How easy is it to repatriate funds in a normal market, without the use of a CCI?

Without the use of a CCI, repatriation of funds in a normal market is straightforward. However, it could become a complicated process if the repatriation involves large sums of money. In such instance, because the investor does not have a CCI with which to access the official foreign exchange market, it would have to resort to alternative FX options such as businesses that have FX to trade and other independent sources. If the volume of trade involved is significant, the investor might be unable to easily source the required FX from a single source; it might require pooling sources, or more time to source the entire amount required.

Also, where FX is to be purchased without a CCI, the rate of exchange will usually be higher.

<sup>2</sup> Typically, the beneficiary is a Nigerian Company being invested in by the foreign investor.

<sup>3</sup> Reference to a 'normal market' in this paper refers to a period with good availability of Foreign Exchange (FX) in Nigeria.

## Q How easy is it to repatriate funds in a stressed market<sup>4</sup> using a CCI?

Even with a CCI, it would not be very easy to purchase FX through the official market in a stressed market where there is shortage of FX.

In a stressed market, as we have seen in the past, the CBN would, and may direct authorized dealers to, ration the disbursement of FX for purposes of repatriation and give preference to certain industries which it considers priority at the time. For instance, businesses that are importing raw materials for production in Nigeria or that add value to the real sector.

## Q How easy is it to repatriate funds in a stressed market without the use of a CCI?

In a stressed market where there is shortage of FX and in which the investor also has no CCI, there would usually be a convertibility and sometimes transferability risk.

The convertibility risk arises from the fact that the independent or unofficial sources from which the investor would have to source FX may not be liquid, and where liquid, the exchange rates may be prohibitive due to the general FX shortfall.

The transferability risk could arise from the fact that in a stressed market with shortage of FX, the CBN could impose restrictions on transfer of FX out of Nigeria (except where the amount does not exceed a prescribed limit or approval has been obtained). This is usually done in order to conserve the amount of FX in circulation within the system and to reduce the liquidity strain.

## Q Is the Nigerian government usually proactive in seeking out remedies for fund repatriation in a stressed market?

Following past trends, we have seen that in a stressed market, the CBN usually directs the authorised dealers to, apportion the disbursement of FX required for repatriation. Normally,

preference is given to certain industries considered at the time to be priority.

In recent times, the Governor of the CBN, released a statement<sup>5</sup> in which he stated that the CBN has activated several immediate-term responses, including the improvement of its FX supply by directing all oil and oil related Companies, both national and international, to sell FX directly to the CBN.

## Q Are there any options open to foreign investors who want to repatriate funds in a stressed market where FX is not readily available in the official market?

An investor who has urgent need for funds and does not mind repatriating at a higher exchange rate has the option of sourcing alternative funding from any of the following sources: (i) interbank market – an FX market where authorised dealers trade FX with each other; and (ii) the unofficial market.<sup>6</sup> These three markets repatriate at rates higher than the official market rate, however, more often than not, have FX readily available for purchase and repatriation.

This option also works for the investor without a CCI.

## Q Are there possible risks with repatriating funds without a CCI in a stressed market?

Yes, and as previously explained, there may be a convertibility risk. This risk arises where the unofficial market is itself not liquid (in severe cases of shortage) and where liquid, the exchange rates may be prohibitive due to the general FX shortfall.

## Q Can repatriation on a CCI be made to a person or entity other than the transferor of the investment?

Yes, this is possible.

Where the transferor of the investment funds is not the beneficiary of the funds to be repatriated, the circumstance leading up to this has to be

<sup>4</sup> A 'stressed market' in this regard refers to a situation where there is no readily available FX in circulation in the Nigerian market. This speaks to a period of partial or severe shortage of FX in Nigeria, which can be caused by a recession in the economy or an imbalance between inflow and outflow of the FX.

<sup>5</sup> This statement is titled "Turning the Covid-19 tragedy into an Opportunity for a new Nigeria" and was released 15 April 2020.

See <https://www.cbn.gov.ng/Out/2020/CCD/EDITED--Turning%20Covid%20Tragedy%20into%20Opportunity%20for%20New%20Nigeria--OpEd%20by%20Gov%20Godwin%20Emefiele--Tue14April2020%201.pdf>

<sup>6</sup> This is also called the parallel market. It is the unofficial or informal market where currency can be purchased, apart from the market in which the government sells the FX. This market is usually found in a Country with a controlled economy.

presented before the authorised dealer. This could be by virtue of a merger or acquisition, assignment or conversion of loans.

Effecting the changes to the CCI would require that the beneficiaries' bankers liaise with the CBN towards obtaining its approval for the repatriation of the funds to the new beneficiary. The documentation (typically in the form of executed agreement and certified regulatory filings) that brought about the change would have to be submitted for assessment and confirmation.

## Do Nigerian Companies have access to the official rate when purchasing FX? And where they do, would they require a CCI?

Yes, where Nigerian Companies are purchasing imports, they have access to the official rate, through the commercial banks and a CCI is not relevant. A CCI is necessary where an investor, having brought in capital, would need to repatriate the funds, and in this instance, a Nigerian company would not require repatriation, hence, no need for a CCI.

## Conclusion

The need for certainty in fund repatriation for an investor is major; and understandably so. Repatriation of funds in Nigeria may be fettered and then unfettered as the economy transverses various availability curves. It is important for current and potential investors in the Nigerian economy to be well informed of the current state of the market and the availability of FX per time, in order to be well guided in decision making.

The Templars team is available to offer advisory services and guidance in all stages of investment. Our services range from pre-capital importation; CCI advisory, application, documentation, conversion and transfer; liaison with authorised dealers to the confirmation of CCI status and also the compliance with regulators, post investment.

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