



CENTRAL BANK OF NIGERIA

PRESS STATEMENT

The CBN Policy On Foreign Banks' Participation In The Nigerian Banking System

The attention of the Central Bank of Nigeria has been drawn to news report in the media insinuating that the Bank barred foreign banks from investing in the Nigerian banking industry. Nothing can be further from the truth. This allegation became rife with the comment made by the Mayor of London, Mr. Alderman Lewis who alleged that Nigeria is not opening up its banking system to foreign competition during his recent visit to the country.

The position of the CBN has been that foreign banks and/ or investors are allowed to establish banking business in Nigeria provided they meet the current minimum capital requirement of N25 billion and other applicable regulatory requirements for banking licence as prescribed by the CBN.

Indeed, the Bank specifies that such foreign individuals or institutional investors could also invest in existing Nigerian banks. There is however, a condition that no single foreign individual/institutional investor should acquire more than the share of the single largest Nigerian individual/institutional investor in any bank, provided the aggregate shareholding of the foreign investors do not exceed 10% of the total capital of the bank.

Also foreign banks could acquire or merge with a local bank existing in Nigeria. Such foreign bank, however, according to the CBN policy, must have operated in Nigeria for at least five years and established branches in at least 2/3 of states of Nigeria (excluding the state capital), provided the foreign bank/investors' shareholding arising from the merger/acquisition should not exceed 40% of the total capital of the resultant entity.

In addition, the policy also states that the existing shareholding structure of Nigerian banks in which there are foreign interests in excess of 10% might subsist but such foreign interest should not exceed the current level.

From the above, it is obvious that the Bank is acting in the interest of all stakeholders particularly in view of the critical link between ownership and control of commercial banks and economic development. Recent experience shows that foreign banks have been reluctant to expand branches across the country and operate only in few metropolitan cities. Again, the structure of their loan portfolio indicates concentration in favour of multinationals.

Obviously, such behaviour does not augur well for a country desirous of improving the banking density (reach out to the unbanked) and to improve the payment system of the country.

It should be noted that, at no time did the CBN bar foreign banks/investors from participating or investing in the Nigerian banking industry. What is clear is that the CBN just as in other jurisdictions put in place certain conditions under which prospective foreign banks/investors could invest in this strategic sector taking into considerations certain antecedents associated with the Nigerian situation.

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