LETTER TO ALL BANKS AND DISCOUNT HOUSES

Dear Sir/Madam,

RE-PROHIBITION FROM BORROWING TO CAPITALIZE BANKS

It has become imperative to remind financial institutions of the currency of the provisions of our circular titled “Prohibition from Borrowing to Capitalize Banks” dated November 9, 2000.

For the avoidance of doubt, the requirement that funds for the (re) capitalization of financial institutions should NOT be sourced from borrowings within the banking system still subsists. In this regard, funds raised for the recapitalization of financial institutions must not be borrowed from the banking system and where such funds are borrowed outside the banking system, they must be of the type and nature that qualify as part of capital in accordance with our Guidance Notes on the Calculation of Regulatory Capital.

All capital raising exercises will continue to be subjected to verification by the CBN and failure to meet any of our requirements will constitute a ground for the rejection of the funds.

Financial institutions are advised to strictly adhere to the above, as breaches will be met with severe regulatory sanctions.

Yours faithfully,

'TOKUNBO MARTINS (MRS.)
DIRECTOR OF BANKING SUPERVISION