

PRESS BRIEFING ON THE DEVELOPMENTS IN THE BANKING SECTOR BY THE GOVERNOR OF THE CENTRAL BANK OF NIGERIA, PROF. CHUKWUMA C. SOLUDO.

The Bankers Committee held an emergency meeting on Saturday, 21st March, 2009, and reviewed developments in both the international and the domestic economy with special focus on the banking sector.

As part of the response to the global economic crisis, the Bankers Committee reached the following decisions:

Interest Rates

- It was observed that interest rates have recently risen to levels considered to be intolerable and not supportive of the desired economic recovery. Accordingly, the bankers decided that they would not source deposits at rates above 15 per cent.
- They would also observe a lending rate which will be at most 7 per cent above the deposit rate. All other charges would be at most 2 per cent. This implies that lending rates will not exceed 24 per cent at the maximum. This regime will be in place up to end December 2009 when a review will be undertaken.
- On the discount window, the Central Bank of Nigeria would lend to the banks at rates not more than 500 basis points above the monetary policy rate (MPR)

Exchange Rates

The Bankers committee noted the salutary effects of the recent reforms in the foreign exchange market with the appreciation of the Naira in the parallel market. In order to sustain the momentum, the CBN intends to sell US\$100 million to the Bureau De Change

(BDCs) on a weekly basis to further dampen the rates in that segment of the foreign exchange market.

It should also be noted that the CBN will fund fully the demand in the RDAS representing all eligible transactions.

Consolidated Supervision

The consolidated supervision scheme, that is, the joint examination of banks by the following regulators would begin this year: CBN, SEC, NAICOM and NDIC

CONCLUSION:

These decisions have been taken in order to stimulate lending and get the economy back on track. When the situation normalizes the market will be allowed to play its role. The CBN will continue to monitor developments in the money market and stands ready to take appropriate actions to ensure liquidity and stability of the financial system.

Thank you for your kind attention.

Prof. Chukwuma C. Soludo, CFR
Governor,
Central Bank of Nigeria,
Abuja.

March 23, 2009