

**STATEMENT BY PROFESSOR CHARLES C. SOLUDO
GOVERNOR, CENTRAL BANK OF NIGERIA, ABUJA**

**AT THE AFRICAN BANKERS' FORUM [ABF] WORKSHOP ON
"CREATING A CONTINENT-WIDE CORRESPONDENT
BANKING
NETWORK IN AFRICA"**

**ORGANIZED BY AFRICAN EXPORT-IMPORT BANK AND
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AT

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I am very delighted to be among this distinguished audience and to be given the opportunity to make these few opening remarks. First of all, may I welcome you to Abuja and hope that the harmattan haze did not make your flights very uncomfortable and does not obscure your appreciation of the beauty of our capital city.

2. The theme of the seminar, "Creating a Continent-wide Correspondent Banking Network in Africa" is quite timely and relevant to the efforts being made to revive economic growth in the continent, to ensure that Africa is not left out of the emerging global village. Correspondent banking is an essential service provided by banks in the facilitation of funds transfer around the globe for trade and commerce, which in the process, enhances economic activities, generates employment and promotes development. Hence, to be able to perform this function satisfactorily, banks must have the enabling capacity and requisite infrastructure.

3. However, most banks in the African sub-region lack this ability because of their small size relative to global banks and deficient banking, economic and telecommunication infrastructure. Thus, strengthening the

banking sector to adequately perform this essential function and support the growth of the economy led to the ongoing banking sector reform in Nigeria, which we started on July 6th, 2004. The objectives of the reform include the following:

- Taking proactive steps to prevent imminent systemic crisis;
- Creation of a sound banking system that depositors can trust;
- Creation of banks that are investor-friendly and that can finance capital intensive projects;
- Enhancement of transparency, professionalism, good corporate governance and accountability; and
- Driving down the cost structure of banks

The main thrust of the reform is to consolidate and recapitalize banks by increasing their shareholders' funds from ₦2 billion (about US\$15 million) to a minimum of ₦25 billion (about US\$190 million) with effect from 31 December 2005. The reform is part of the general agenda of the Government's economic reform programme, the National Economic Empowerment and Development Strategy (NEEDS), in which the Central Bank of Nigeria (CBN) is playing an active role in its implementation.

4. Distinguished bankers, I am pleased to report that an appreciable progress has been recorded in the implementation of the consolidation and recapitalization programme. The response of the operators to the reform agenda has been overwhelmingly encouraging. Seven banks have reported to have met the new minimum capital requirement, subject to verification by the Central bank. Several banks have either concluded raising funds from the capital market or are in the process of doing so in a bid to recapitalise. Overall, the momentum for consolidation has taken hold, and there is hardly any bank that is not involved in one merger or acquisition negotiation or the other.

5. Ladies and Gentlemen, correspondent banking in Africa has evolved along colonial trading lines and financial systems. Most countries established their correspondent banks with their former colonial masters mainly because of the linkage of their economies as trading partners. Recent developments have only been to diversify to the Americas, while correspondent banking among African banks remains limited. In the context of globalization, companies and consumers worldwide are demanding faster, easier and more efficient means of concluding their

transactions both domestically and internationally. To enhance payments, settlements and clearing operations in Africa, deposit money banks in the region have to establish credible relationships with reputable correspondent banks within the continent. This would aid the opening of letters of credit, confirmation of guarantees, and receiving payments. The current trend where most African countries have correspondent banks in Europe, Asia and America and none within the continent needs to be urgently reversed to promote the flow of financial resources within the continent for Africa's economic growth and development.

6. A major factor limiting intra-continental correspondent banking among African banks is the poor information communications technology. Since the 1850s when Paul Julius Reuter introduced technology into the financial market till this internet age, banking has been ICT driven. And for African banks to compete in the global financial markets they have to operate with appropriate modern technology. At the Central Bank of Nigeria, we have been making steady progress in the use of information technology (IT) to improve the efficiency of the Bank's operations and enhance the quality of our service delivery. We are currently implementing

the automation of most of the core business processes in the Bank, which necessitated the introduction of Enterprise-wide Applications such as Oracle Enterprise Resource Planning (ERP), and the Enterprise Management & Security (EMS) project. The ERP would handle all business processes relating to financial, currency and asset management as well as human resources, inventory and procurement, among other functions. The other major applications we are installing include the Globus Banking System for handling banking related activities performed by the CBN, Real Time Gross Settlement (RTGS) system to handle the processing and settlement of large value payments on a real-time basis, and the electronic Financial Analysis and Surveillance System (eFASS) to strengthen the supervisory processes of financial institutions. Both the Globus and RTGS are expected to go live in the second quarter of 2005.

7. Before I conclude my remarks, let me mention a few underlying conditions for effective continent-wide correspondent banking network in Africa, namely:

- Establishment of a VSAT secure satellite-based transfer system operating and linked at domestic and continental levels;
- Harmonization of monetary and financial policies and framework;

- Establishment of a real-time gross settlement system linked to all African countries;
- Establishment of a daily audit and data processing system that can report all financial flows and closing positions for most key economic players in Africa;
- Increased volume of trade among African countries;
- Creation of a single network linking all central banks in the continent;
- Improved information technology and telecommunication infrastructure;
- Establishment of a robust legal and regulatory framework for banks; and
- Existence of well capitalized and professionally managed banks.

8. I believe that these and other related issues will task your minds during this workshop. I wish you successful deliberations and thank you for your attention.

Professor Charles C. Soludo
Governor, Central Bank of Nigeria
Abuja.

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