

INAUGURAL ADDRESS DELIVERED BY PROF. CHARLES SOLUDO, GOVERNOR OF THE CENTRAL BANK OF NIGERIA AT THE INAUGURATION OF THE CONSULTATIVE COMMITTEE ON BANKING SECTOR CONSOLIDATION ON THURSDAY, 16TH JUNE 2005.

1. PROTOCOL

2. INTRODUCTION

It is my pleasure to address you on this occasion of the inauguration of the Consultative Committee on Banking Sector Consolidation as earlier approved by Mr. President.

As you are aware, the 13-point banking industry reform agenda announced by me on 6th July 2004 was designed to strengthen the local banks and enhance their competitiveness in the international financial markets. It has as its major plank, the banking sector consolidation by way of mergers and acquisition. Banks are required to meet a minimum capital base of ₦25 billion by 31st December, 2005. I wish to inform you that much progress has been made by banks to comply with the initiative despite the initial resistance from the industry. As the Consolidation train moves on, it has become important to set up a high-level Committee to provide the continuous evaluation and necessary support to the programme.

This high-level Committee which comprises the principal stakeholders in the financial sector and the fiscal authorities is intended to further strengthen and facilitate the consolidation process. The Committee is to periodically review the progress made on the banking sector reform and to also address critical issues that affect the member institutions/ministries, and/or make recommendations to the Board of Central Bank of Nigeria (CBN) and the Presidency in a bid to see that the consolidation benefits are delivered as promised and timely too.

Realizing the heavy responsibility being placed on us by Mr. President, coupled with the limited time we have ahead to achieve same, I have decided to put forward tentative Terms of Reference for adoption today to enable us move ahead quite rapidly.

In order to facilitate and emphasize the importance of the reform to the economy, the CBN has granted forbearance to some weak banks earlier exposed to it as well as bearing the burden of providing technical assistance to the merging institutions where necessary.

3.0 THE PROPOSED TERMS OF REFERENCE OF THE COMMITTEE

The Committee's overall responsibility is to track/periodically review the major activities in the Consolidation Programme with a view to ensuring that they are progressing according to plan, using the time-scaled activities in the revised Guidelines on Consolidation issued by the CBN as guide posts where appropriate.

The functions of the Committee will necessarily entail the following:

1. Secure the cooperation of all stakeholders in the Consolidation Programme.
2. Agree on an appropriate regime of incentives – including concessions, waivers and the terms and conditions for granting such concessions and waivers e.g.
 - a) Stamp duties and filling fees charged by CAC
 - b) Merger and Acquisition fees as well as new fees payable to SEC
 - c) Listing and processing fees charged by NSE
 - d) Capital allowances, company income tax and extension of period for carrying forward losses by FIRS
3. Agree on an appropriate framework that will facilitate speedy handling and disposal of all legal issues connected with the Consolidation Programme.
4. Agree on any additional loan write off to deserving banks and the source of funding such write off (s).
5. Propose any amendment to the Guidelines on Consolidation and or other relevant Acts as may be necessitated by the Consolidation Programme.

4.0 ENVISAGED BENEFITS OF THE COMMITTEE

The committee is deemed necessary in view of the crucial roles played by the banking industry in the economic growth and development of the country. This has in turn made the reform agenda to become an all embracing one resulting in the CBN discussing all along with other agencies such as, the Federal Inland Revenue Service, the Securities and Exchange Commission and Nigerian Stock Exchange which are expected to provide incentives in their areas of operation.

We are all stakeholders in the consolidation programme. It is hoped that through the committee, issues that are critical and require the cooperation of the different stakeholders will be quickly resolved at this high level, thus enhancing the achievement of the overall objective of the programme.

5.0 CONCLUSION

Let me end this address by reiterating that consolidation represents one of the most significant developments in banking globally and the trend will undoubtedly lead to a continuous reduction in the number of banks. The recapitalization policy would continue to encourage mergers and acquisitions that would result in the emergence of stronger banks with a pool of resources and increased network of branches. The concessions and incentives to be granted the merging banks would reduce the overall cost of the reform to the entire economy. It is envisaged that higher tax revenues will accrue to government through the relevant agencies in the medium to longer term as opposed to the perceived loss of revenue through the granting of concessions in the short run.

Once again, the achievement of the lofty objectives of the banking sector reform which will by extension promote investment, the much desired economic growth and development require your co-operation, understanding and team spirit to see the project through.

While I congratulate you for your appointment to serve on this high-level Committee, I wish all of us God's grace.

Thank you and God bless.