



## CENTRAL BANK OF NIGERIA

### PRESS STATEMENT

#### **RE-NIGERIAN BANKS ARE GAMBLING HOUSES**

The Central Bank of Nigeria has noted the above captured headline in a syndicated report in some national newspapers of Saturday, 10<sup>th</sup> July, 2010 in which the Governor, Mallam Sanusi Lamido Sanusi was alleged to have referred to Nigerian banks as gambling houses. The CBN wishes to state emphatically that the Governor at no time during the lecture made such assertion. To all intent and purposes, the news report was deliberately misrepresented for sensationalism.

The CBN Governor at the First Distinguished Lecture of the Professor Sylvester Monye Foundation in Asaba, on Friday July 9, 2010 had in his paper, titled, **The Economy in Perspective: Consolidating the Gains of the Banking Sector Reforms**, provided further clarifications on why the CBN had to intervene in 2009 in the banking sector. In throwing more light on how the rescued banks eroded their capital base and jeopardized depositors' funds, he likened what transpired at that period to gambling by those, who as professionals, ought to know that their actions would impact negatively on the financial system.

For emphasis, the Governor explained that the management of some of the rescued banks during the period did not entirely raise fresh capital, but deployed depositors' fund through collusion with some stock brokers in buying their respective shares in the stock market and manipulating the prices, thereby creating a bubble which would eventually burst with dire consequences - a situation he alluded to as similar to what operates at the Casinos.

The Governor disclosed that it was in order to save depositors and investors that the CBN took those far reaching measures of August 14, 2009 and subsequent others to save the financial system from total collapse.

Mallam Sanusi reiterated that with the reforms, Nigerian banks have stabilized with many of them back to profitability. According to him, "our banks today are in better shape than many of the European banks although there are still challenges that are being addressed".

Speaking further on the immediate impact of the reforms, the Governor said there is increased confidence in the financial system as shown by the increased exposure of Ex-im Bank, IFC and European Investment Banks to Nigerian banks, the significant moderation of inter-bank rate and other key money market rates, capital market development, stability of exchange rate, and steady decline in various measures of inflation among others.

He then stressed the need for a robust and liquid capital market and strong pension and insurance institutions to attract long term finance for economic development and financial system stability.

We wish to appeal to the media to de-emphasize sensationalism in their reportage of such sensitive issues that might send wrong signals to the market with negative repercussions on the economy.

Signed:

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**10<sup>th</sup> July, 2010**