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CIRCULAR TO BANKS, OTHER FINANCIAL INSTITUTIONS, BUREAUX DE CHANGE, FOREIGN EXCHANGE MARKET: WITHDRAWAL OF CLASS 'A' BUREAU DE CHANGE LICENSES

In line with the Circular Reference No: **TED/FEM/FPC/GEN/01/026** of February 26, 2009 restructuring Bureau De Change into A & B Categories in order to further liberalize the foreign exchange market and enhance its allocative efficiency, the CBN has further reviewed the two-tier structure following its failure to achieve the stated objectives

The main objective was to facilitate end user access to foreign exchange supply from official sources in order to boost economic growth by promoting productive efficiency of small and medium scale enterprises.

The latest appraisal of the policy initiative however has revealed gross abuses of the enhanced official funding of the Class A Category of the BDCs and the negation of the expected benefit to the economy. Available information to CBN has also revealed that the target end-users have been sidelined while large transactions that should

have been channeled through the banking system have been carried out through Class 'A' BDCs.

Furthermore, returns from the Nigerian Customs Services on foreign currency declaration by travellers show that large amounts of up to US\$3 million cash have been taken out of the country by individuals in single trips. The Bank has also been inundated with complaints from foreign countries that some Nigerian travelers indulge in carrying large amounts of money in cash. These are worrisome developments that negate the expected benefits from further liberalization of the foreign exchange market.

In view of this unhealthy development, and in line with its avowed commitment to the eradication of money laundering, the Central Bank of Nigeria has decided to withdraw all the licenses of the existing Class 'A' BDCs' with effect from November 8, 2010.

The Class 'A' BDCs whose licenses have been so withdrawn are however, free to apply for Class 'B' license with the attendant privileges by fulfilling stipulated licensing requirements.

Following the withdrawal of the licenses and termination of the attendant privileges, the CBN shall within 30 days refund all mandatory caution deposits lodged with the Bank.

The CBN shall continue to monitor the operations of the BDCs with a view to fine-tuning the operational guidelines for enhanced efficiency.

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