

3145313-4
2345325

July 31, 2002

BSD/06/2002

CIRCULAR TO ALL BANKS

RE: MODERATION OF INTEREST RATES

1. It will be recalled that at the Bankers Committee meeting of 30th April, 2002 a sub-committee was constituted to examine the profile of interest rates in the industry and proffer recommendations for moderating lending rates in response to the general call for a downward review. Following the discussion of the report at the Bankers Committee meeting of June 25, 2002, the sub committee submitted the report to Mr. President on 11th July, 2002.
2. The report identified three main parties in the effort to moderate interest rates, viz: the Government, the CBN and the bankers. The report also, among other things agreed that the banks were to limit their lending rates to not more than 400 basis points above the CBN's Minimum Rediscount Rate (MRR). For the achievement of the desirable objective of growing the productive sector of the economy, there is no doubt that all parties will need to play their agreed roles with commitment.
3. While the Government is working hard on the enabling environment and the infrastructural issues, the CBN has responded to the changes in the economic indicators by lowering the MRR and the Cash Reserve Ratio.
4. The purpose of this circular is therefore to remind the banks to keep faith with their agreement to restrict their lending rates to a maximum of 4% above the MRR. Consequently, all banks are hereby enjoined to adjust their lending rates accordingly within three (3) months of the date of this circular.



O.I. IMALA
DIRECTOR OF BANKING SUPERVISION