



09-616-36403
09-616-36418

www.cenbank.org

July 16, 2004

BSD/9/2004

CIRCULAR TO ALL BANKS

LARGE EXPOSURES AND CONNECTED LENDING

1.0 Further to our recent memo to the Bankers' Committee and the subsequent discussions at the committee's meetings, banks are hereby reminded that in order to ensure improved prudential controls on bank lending and encourage the adoption of best practices amongst banks, it has become imperative for Nigeria to adhere to the standards being used internationally as they relate to Large Exposure Limits and Connected Lending.

Consequently, the Central Bank of Nigeria has, by this circular, introduced the following limits:

- 1.1 A large Exposure is any credit to a customer or a group of related borrowers that is at least 10% of the bank's shareholders funds unimpaired by losses;
 - 1.2 Aggregate Large Exposures in any bank should not exceed eight times the shareholders funds unimpaired by losses.
 - 1.3 A significant shareholding is defined as a holding of at least 5% of the bank's equity;
 - 1.4 A director or a significant shareholder should not borrow more than 10% of the bank's paid up capital except with the prior approval of the CBN.
 - 1.5 The maximum credit to all insiders should not exceed 60% of a bank's paid up capital.
- 2.0 Any infraction of the above is sanctionable to the tune of

N5,000.00 (five thousand naira only) per day, up to a maximum of 90 days, until the situation is regularised; thereafter, further lending will be suspended until the situation is regularised.

3.0 The above limits and definitions are for immediate implementation while existing facilities that are in excess of the above, should be regularised within one (1) year, that is, not later than July 31, 2005.

O.I. IMALA
DIRECTOR OF BANKING SUPERVISION