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CIRCULAR TO ALL BANKS

RE: MODERATION OF INTEREST RATES

It will be recalled that the CBN on July 31, 2002 issued a circular with the above title. This was based on the developments in the economy as at that time as it sought to moderate interest rates in the system. The circular, in reference to a tripartite agreement between the Federal Government, the CBN, and the banks reminded banks to keep faith with their agreement to restrict their lending rates to a maximum of 400 basis points above the Minimum Rediscount Rate (MRR).

Subsequent developments in the economy led to the adoption of a market based framework for monetary policy management with the Monetary Policy Rate (MPR) replacing the MRR.

Although the new regime of monetary policy management had since become operational, this circular is intended to formally confirm to banks that the policy of restriction in banks lending rates to a maximum of 400 basis points above the Minimum Rediscount Rate (MRR) had long ceased to be operational.

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