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CIRCULAR TO ALL BANKS AND DISCOUNT HOUSES

SUSPENSION OF BA's AND CP's AS OFF BALANCE-SHEET ITEMS

The Central Bank of Nigeria has observed with concern the abuse of the use of Bankers Acceptances (BA's) and Commercial Papers (CP's), by Deposit Money banks and Discount Houses.

The abuse ranges from repackaging of troubled assets into CP's/BAs for purported sale to other institutions, non-existence of underlying transactions for the CPs/BAs, and frequent rollovers beyond the allowable tenor. In addition, CPs and BAs are often used as the instrument of choice for raising liquidity in an attempt to conceal the extent of dependence on the Inter-bank market for banks funding needs.

Consequently, the sell-down of BAs and CPs as off balance-sheet instruments is hereby suspended with effect from the date of this circular.

All maturing CPs and BA's are to be either fully liquidated or treated as on balance-sheet items.

If a bank is likely to exceed its single obligor limit as a result of this circular, it is advised to seek the CBN's approval for exemption in line with BOFIA, Section 20(1)A as amended, subject to the loans being performing and a plan for regularization by 31st March 2010.

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