

# CENTRAL BANK OF NIGERIA, ABUJA



## PRESS RELEASE

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### **CBN REDUCES CASH RESERVE RATIO**

The Governor of the Central Bank, Professor Charles Soludo, has announced the reduction of Cash Reserve Ratio (CRR) to 5% from 11%. The difference between 11% and the new ratio of 5% would, however, be invested in special CBN instruments with a tenor of 91 days at 3%. Prof Soludo made this announcement at the end of a meeting held with banks Thursday, December 01, 2005 to review developments in the Money Market.

Professor Soludo explained that 'this low CRR is in line with international best practice and that this will afford bank managers the opportunity to manage their portfolio efficiently'. According to the CBN Governor, a low CRR will lower the cost of funds and impact positively on interest rates.

The Governor also assured the banks that new instruments will be introduced before the end of the year to address the shortage of instruments in the market and to address the problem of excess liquidity.

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