

## **Soludo to Receive Global, African Banker of the Year Award**

The Governor of the Central Bank of Nigeria (CBN) Professor Charles Soludo, will on Thursday, 19<sup>th</sup> January, 2006, at the Dorchester Hotel in London, be formally presented with the double award as the most outstanding Governor of the Central Bank in the world and in the African region in 2006. The ceremony, which coincides with CBN's planned interactive session with foreign investors and the media on banking sector consolidation in Nigeria, also in London, is billed to be attended by investment bankers, government officials, the crème of the global banking profession, members of the London diplomatic corps, and the international press.

The award which was instituted by *The Banker* magazine, published by the *Financial Times of London*, is in recognition of the efforts of chief executive officers of central banks across the world who have successfully conceived and implemented the most innovative banking policies in the year. Soludo's successful implementation of the first phase of the banking sector reforms has earned him recognition as the man with the strongest success story in banking in the African region, which forms a separate category of award, as well as the global award. *The Banker* is the world's leading banking sector magazine.

A key part of Soludo's economic vision for Nigeria is to be Africa's financial hub. A Herculean task by every measure but Soludo, who inspired and led the drafting of Nigeria's medium term economic blueprint, the National Economic Empowerment and Development Strategy (NEEDS), is undaunted. He has hit the road with what he believes are the first pegs of Nigeria's new financial system's architecture.

On July 6, 2004, he had gathered Nigeria's banking chiefs at his Abuja office and rolled out a 13-point agenda for banking sector reforms. Top on this tough list include the setting of a floor equivalent to \$185 million as required capital-base for deposit money banking business in Nigeria. Before then Nigerian banks were required to have about \$16 million minimum capitalisation.

The new agenda, among others, also required mergers and acquisitions for banks unable to make the new capitalisation by December 31, 2005; it also includes strict enforcement of corporate governance rules; close collaboration with Nigeria's Economic and Financial Crimes Commission (EFCC) with the establishment of the Financial Intelligence Unit (FIU); rehabilitation of Nigeria's moribund minting and security printing company; and high activity in proactively preventing imminent systemic crisis; the creation of a sound banking system and a more robust monetary policy formulation and implementation. Soludo believes that from all these will spring up healthy, big and strong banks that depositors can trust, banks that are investor-friendly and that can finance capital intensive projects; enhanced transparency, professionalism, good corporate governance and accountability; and a downward realignment of the cost structure of banks.

All these were designed to strengthen Nigerian banks, make them strong enough to play in the international banking arena, and to position Nigeria as Africa's financial hub. This big bang consolidation and the reform in core monetary policy regime have produced outstanding results:

- There has been such an unprecedented deepening of the Nigerian capital market to the extent that the share of the banking sector in the total capitalisation of the Nigerian Stock Exchange (NSE) has doubled from about 24% as at June, 2004, to about 50% by November, 2005. Observers say this is unprecedented anywhere in the world that a single policy could so improve the fortunes of a single sector within one year. Banking sector stocks have today become the hot cakes in the Nigerian capital market.
- Soludo's reform of the Nigerian banking sector has also set the world record as the least-cost industry-wide restructuring of the banking sector anywhere in the world, with the programme gulping a paltry 0.7 % of GDP. The Malaysian reform which hitherto was held the world record cost about 4% of GDP.
- Nearly \$3 billion in new investments has been injected into the sector in one year. About \$500 million of this came in from abroad. No single policy has attracted so much investment into any non-oil sector in the history of Nigeria within such a period.
- The new capital base has improved liquidity in the system and triggered a steady crashing of interest rates in 2005.
- Lending to the private sector has grown by 40% in 2005 and has in turn lifted growth in the non-oil sector to 8.2% in 2005.
- International credit rating for Nigerian banks has improved tremendously as growth in credit lines for some Nigerian banks from abroad has been enhanced by as much as a factor of 10 in 2005.
- There has been a renewed gush of depositor confidence in Nigerian banks today with the emergence of stronger and more reliable banks
- Data collection for monetary policy management, especially the CBN's analytical balance sheet data has been transformed from a 2-month lag to a daily production, thereby providing a better handle on the growth rate of reserve money
- For the second year running exchange rate management has successfully maintained stability and indeed secured appreciation of the Naira against all currencies in all markets.

- Soludo has just launched what many Nigerians have referred to as the Second Revolution – The National Microfinance Policy, Regulatory and Supervisory Framework for Nigeria. A programme of capacity building for microfinance management by training of trainers on microfinance has commenced.
- Another feat is in the making as Prof. Soludo has embarked on the restructuring of the moribund Nigerian Security Printing and Minting Company (NSPMC) to make it a world class institution to meet not only Nigeria's security printing needs but also those of West and Central Africa. Already, the company is set to meeting the ambitious deadline of stopping the over US\$120 million annual importation of finished banknotes into Nigeria by end of 2006. By every standard, this will be a revolution to be accomplished in less than two years. NSPM Plc's banknote printing capacity has improved from less than 1.0 billion pieces in the previous years to 1.3 billion pieces in 2005 (more than 30% output growth).
- The CBN under Soludo's leadership has embarked on a comprehensive review of the currency structure with the design and issuance of the N1000 banknote in October, 2005, and a plan to redesign the other denominations of the Naira in 2006; all in an effort to give Nigerians currency designs that will check counterfeiting and fit into modern business practices. The clean notes policy of the CBN was sustained in 2005. The CBN under Soludo has also issued 3.6 billion pieces of banknotes, including 120 million pieces of the new N1000 note. The volume of issuable notes as a proportion of total store currency, improved from an average of 10% in 2004 to over 30% in 2005.
- Prof. Soludo and his new team at the Central Bank are aggressively restructuring the Central Bank to make it the premier economic policy and regulatory institution, and to be among the best managed and effective central banks in the world. The team is aggressively pursuing several agenda in reforming the payments system, currency restructuring; deepening the money market, and institutionalizing greater transparency and good corporate governance system in the banking industry