RE- ALLEGED LIMIT TO LOAN APPROVAL AND FIVE PER CENT
EQUITY HOLDING IN BANKS

The attention of the Central Bank of Nigeria has been
drawn to two publications, the first in the Vanguard
Newspaper of January 28, 2010 titled: CBN to ensure 5%
Equity Holding in Banks-Sanusi and the second on the front
page of the Vanguard Newspaper of February 1, 2010,
titled: CBN limits bank MDs, boards’ loan approval.

In the first article of January 28, 2010, the Deputy Governor,
Financial System Stability, Dr. Kingsley Moghalu, was
alleged to have said that “as part of the on going reforms
in the banking sector, and in our drive to ensure sanity in
the nation’s financial system, we will soon be undertaking a
review of the structure of the banks, and it is very likely that
we are going to ensure that no one holds more than five
per cent stake in any bank in Nigeria”.

The above report is a misrepresentation of the Deputy
Governor’s comments at a recent breakfast meeting of the
Nigeria-South African Chamber of Commerce. For the
avoidance of doubt, the Deputy Governor only said that
any shareholder who wishes to own more than five per
cent equity shares in any Nigerian bank has to obtain the
prior written approval of the Central Bank.

The CBN does not intend to limit the percentage of
shareholding of investors in Nigerian banks as this will not
only negate the provisions of the Banks and Other Financial
Institutions Act, 1991 as amended but also the Nigerian
Enterprises Promotion Act which encourages unfettered
participation of both local and foreign investors in all Nigerian enterprises, including the banking sector.

In the same vein, the February 1, 2010 Vanguard publication, quoting from page 64 of a Circular issued by the CBN dated January 18, 2010, titled “Minimum Information to be disclosed in Financial Statements for the Year Ended December 31, 2009”, claimed that the CBN had set credit approval limits for banks.

The CBN also wishes to inform the general public that this position is untrue as the Circular only provides guidance on the minimum disclosures by banks and discount houses in their annual accounts to enhance transparency and ensure standardization in financial reporting in annual financial statements. The figures in the circular are therefore merely hypothetical figures that do not in anyway represent credit approval limits set by the CBN.

The general public should note that the primary responsibility for managing banks and discount houses rests with the Boards and Managements of those institutions, a position that the CBN recognizes and respects. The CBN has not and will not impose approval limits for banks and discount houses as those are matters of discretion for the Boards and Management of those institutions.

The general public is hereby advised to be guided accordingly.

Signed
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