



CENTRAL BANK OF NIGERIA

Press Release

False Rumours on Currency Restructuring

The Central bank has noted with great surprise, several malicious misrepresentations regarding the recently announced programme on currency review and restructuring, tagged "PROJECT CURE". In order to correct these dangerous misrepresentations, the CBN wishes to state as follows:

- Allegations and insinuations that the CBN would spend N40 billion on the proposed currency restructuring exercise are patently false. No decision has been taken on any contract pertaining to the proposed currency restructuring exercise. It is therefore also false that firms have been contracted to produce the currency notes.
- Before any contract for the printing or minting of currency notes and coins is awarded, several steps must first be taken. These include, the determination of the indent – the number of currency notes to be produced, the structure, volume and their special features.
- Currency review is done by all countries and the recommended interval is every 5 to 8 years. In Nigeria's case, this will be the first comprehensive review in 13 years and it will be used to take advantage of latest technology. It will improve the currency's security features and keep it ahead of counterfeiters. The new currency notes will have

tactile marks to aid the visually-impaired. It will also eliminate the existing dependence on patents held by non-Nigerian entities. For the first time, the Nigerian currency will feature female personalities.

- On top of all these, the total cost of currency management will drop and there will be significant savings in cost. Of course, cost reduction had been a major accomplishment in the Bank's currency management in the last couple of years as indicated in the table below:

Year	Cost of Printing & Minting Currency Notes & Coins
2009	N47.141 Billion
2010	N45.507 Billion
2011	N32.627 Billion

For the avoidance of doubt, the above table, which shows a downward trend, represents the total cost of printing all denominations of currency during the respective year. Under the new currency structure in which the N5,000 denomination will be introduced, our projection is that the total volume of currency to be produced will drop and the total cost of production will drop consequently. Given that the total cost of printing in 2011, for example, amounted to N32.627 billion, it is evidently false that a single high value denomination (N5,000), which will be printed in a relatively small quantity, will cost N40 billion!

- The proposed currency notes will not all be introduced at the same time but phased, and both the old and new currency

notes will circulate side by side for an orderly withdrawal. The proposed N5, N10, and N20 coins will also circulate side by side with notes of the same denominations until such a time when we are assured that the coins have gained wide acceptability.

- One major consideration in the volume of the new currency to be introduced is the rate at which existing currency notes are rendered unfit through usage. CBN is required to withdraw and destroy unfit currency notes. One of the reasons for the ongoing campaign for greater respect for the naira is to reduce the frequency of replacement and therefore the overall cost of currency management.
- Currency restructuring does not cause inflation in any form whatsoever as it will **NOT** increase money supply. Instead, currency restructuring will make payments easier and indeed check unnecessary rise in prices that comes through the practice of rounding up. The experience in Nigeria and other jurisdictions suggests that currency restructuring may actually help in tackling inflation. For instance, when CBN introduced the N500 banknote in 2002, inflation dropped from 16.5% to 12.1% in 2003. Similarly, when the N1,000 banknote was introduced in 2005, the inflation rate actually dropped from 11.6% to 8.6% (single digit) in 2006 and dropped further to 6.6% in 2007.
- The CBN stands ready to handle and clarify all questions, issues and seeming confusion regarding the proposed currency restructuring exercise.

We therefore appeal to all well-meaning Nigerians, in the media, to endeavor to crosscheck their information with the Corporate Communications Department of the Central Bank of Nigeria, as

false and misleading news stories on issues as sensitive as the national currency can put our economy in great jeopardy.

(Signed)

Ugo A. Okoroafor
Director, Corporate Communications