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LETTER TO ALL BANKS

CURRENCY SUBSTITUTION AND DOLLARISATION OF THE NIGERIAN ECONOMY

The Central Bank of Nigeria (CBN) is aware of the rising trend of currency substitution and dollarization of the economy in recent time. The CBN condemns this development and hereby reiterates that the Naira currency remain the only legal tender in Nigeria.

Please be reminded that Section 15 of the CBN Act 2007 provides that the unit of currency in Nigeria shall be the Naira. Section 20 (1) of the same Act provides that the currency notes issued by the Bank shall be legal tender in Nigeria at their face value for the payment of any amount and Section 20 (5) further provides that a person who refuses to accept the Naira as a means of payment is guilty of an offence and liable on conviction to a fine or 6 months imprisonment.

Based on the above provision the general public is hereby warned that it is illegal to price or denominate the cost of any product or service (Visible or Invisible) in any foreign currency in Nigeria and no business offer or acceptance should be consummated in Nigeria in any currency other than the Naira.

Consequently, deposit money banks operating in Nigeria are advised to desist from the collection of foreign currencies for payment of domestic transactions on behalf of their customers and the use of their customers' domiciliary accounts for making payments for visible and invisible transactions (fees, charges, licenses e.t.c) originating and consummated in Nigeria.

This however is without prejudice to foreigners, visitors and tourists who are encouraged to use their cards for payments or exchange their foreign currency for local currency at any of the authorized dealers' outpost including hotels.

Appropriate sanctions shall be meted on any bank that breaches this regulation.

Please note that this circular supersedes the provisions of Memorandum 16 of the Central Bank of Nigeria Foreign Exchange Manual and Paragraph (XI) Section 4.2.1 of the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2014/2015.

Yours faithfully,

K. O. BALOGUN
FOR: DIRECTOR OF BANKING SUPERVISION