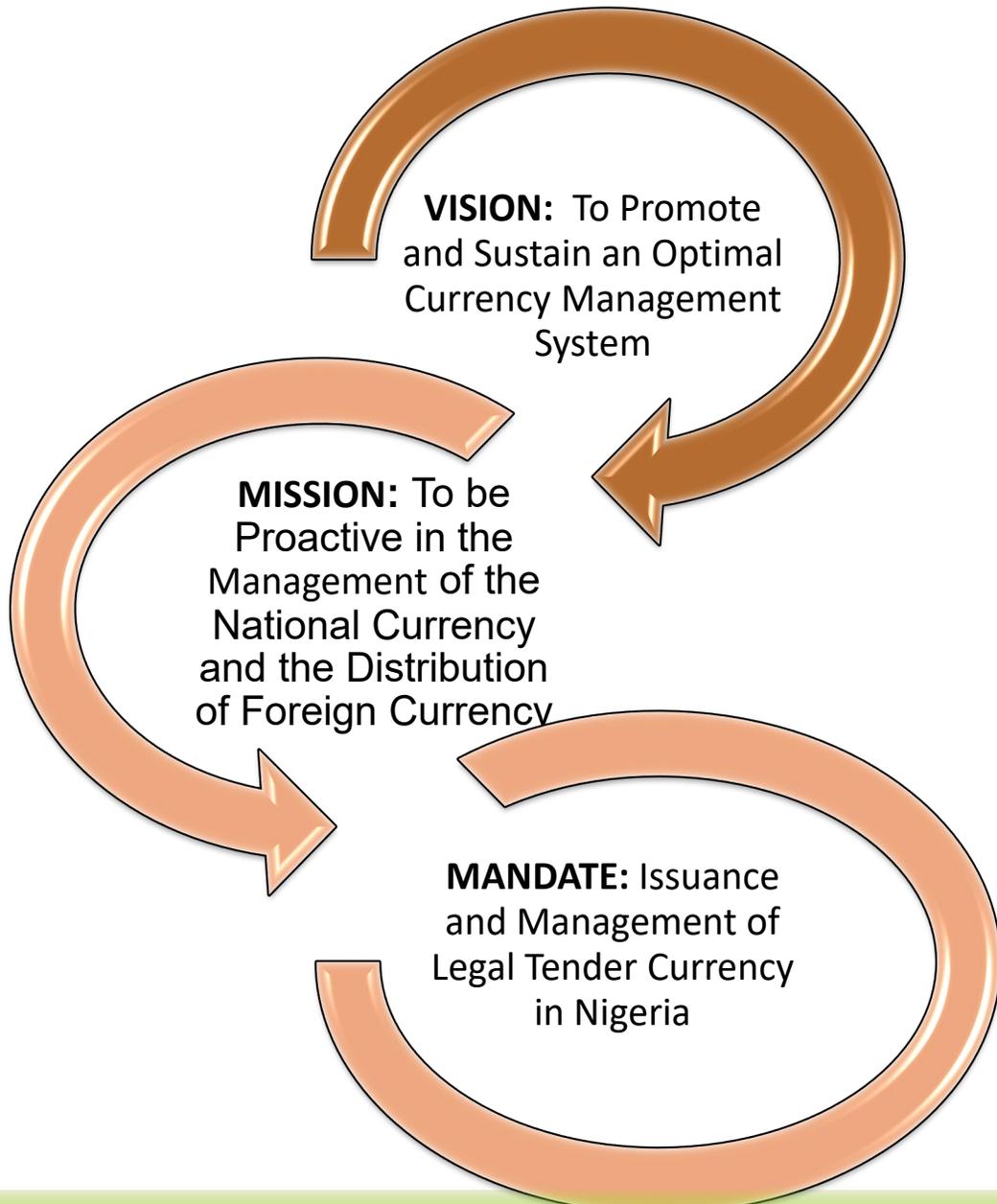




Central Bank of Nigeria

CURRENCY OPERATIONS  
DEPARTMENT

# ANNUAL REPORT 2020



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## I. FOREWORD

The Currency Operations Department is saddled with the responsibility of carrying out the Bank's mandate of Legal Tender Currency Issuance in Nigeria, which is one of the core mandates of the Central Bank of Nigeria (CBN). The Department is also responsible for managing the procurement and distribution of foreign currency activities of the Bank.

In 2020, the Nigerian economy, like others around the world, faced a number of macro-economic challenges, on account of disruptions to economic activities, caused by the global COVID-19 pandemic. To address the negative impact of the disruptions, the Bank introduced various initiatives within its currency management processes to identify, mitigate, report and manage the attendant risks.

The Bank also sustained the implementation of key currency management initiatives and continued its oversight function to ensure efficiency in currency processing, distribution and disposal activities. The process for establishment of the Bank's digital forensic currency laboratory to facilitate adjudication, banknote evaluation and other tests for quality assessment also commenced in the year.

I commend the staff of Currency Operations Department for their dedication and contribution to the execution of the mandate of the Bank. I urge them to continue to embrace cutting edge technology in the currency management space, including process automation, digital currency and data analytics, to achieve optimal efficiency in carrying out the Bank's currency management functions.

It is my belief that this report would provide useful information on critical currency management issues and be of tremendous benefit to our stakeholders.

**Shonubi, Folashodun A.**

## II. PREFACE

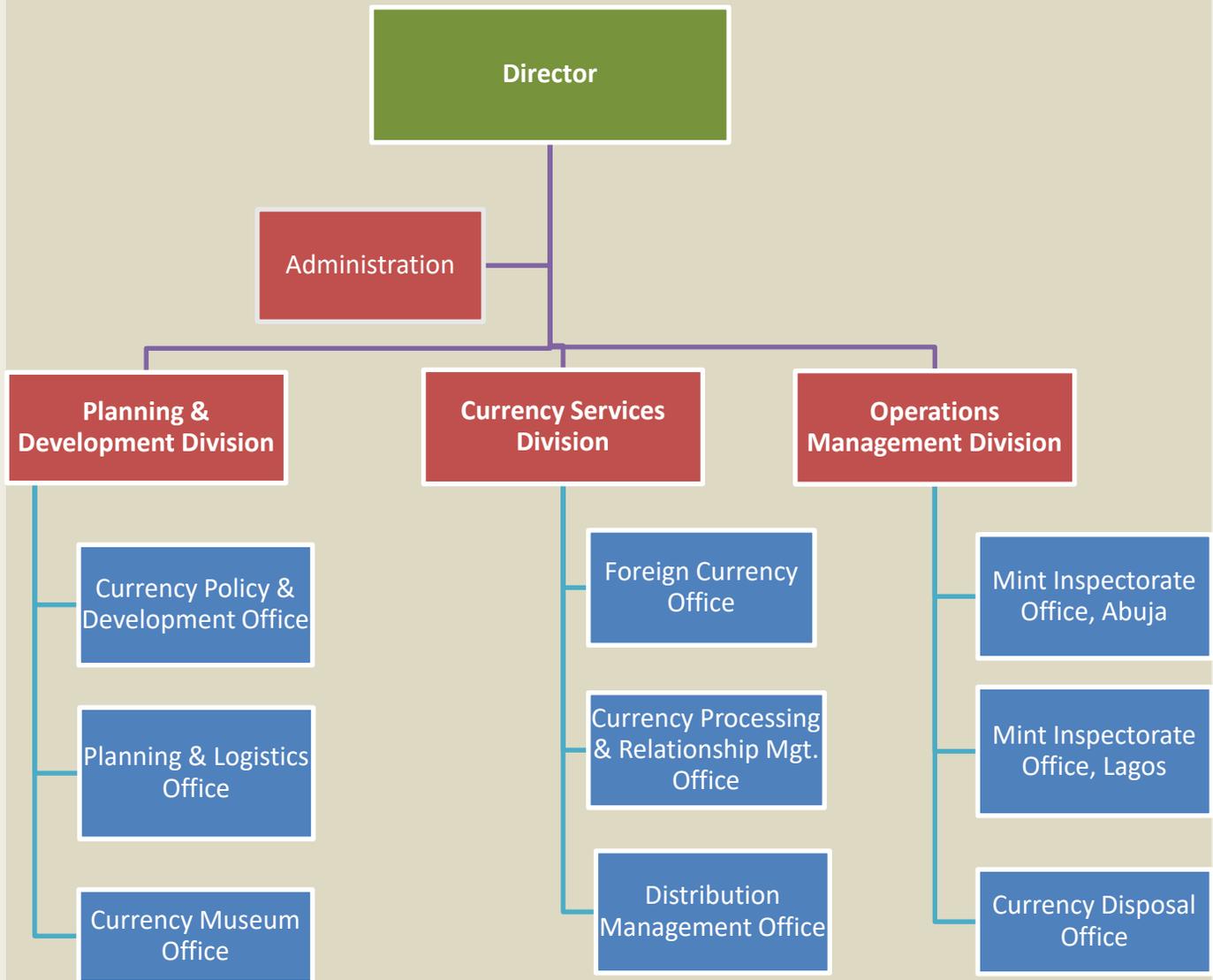
The 2020 Annual Report of the Currency Operations Department is a compendium of the initiatives implemented and activities carried out by the Department to ensure amongst others, the availability of clean banknotes in circulation. Despite the disruptions occasioned by the COVID-19 pandemic, the Bank was able to sustain key activities of the Department in the review period. These include receipt and authentication of foreign currency deposits by Deposit Money Banks (DMBs), distribution and processing of banknotes to meet cash needs, and recycling waste to reduce the Bank's carbon footprint. It also sustained collaboration with industry stakeholders to upgrade the Cash Activity Reporting Portal (CARP) and actualize the launch of the Bank's Mint Tracking System (MTS). Furthermore, the Bank's digital currency laboratory was on course to commence operations in 2021, as the Bank anticipated delivery of the forensic lab equipment and remodeling of the space designated to host the Lab. Once operational, the cost savings and reputational benefits accruable to the Bank in respect of counterfeit adjudication and banknote evaluation activities will be substantial.

There are eight (8) chapters in this report. Chapter one (1) presents the currency indent, supply, cost etc., while Chapter two (2) provides update on the CBN's currency outsourcing policy. Chapter three (3) discusses the Bank's Clean Note policy and Banknote Fitness Guidelines. Update on the Nigerian Cash Management Scheme are discussed in Chapter four (4), while the income and expenditure of Currency Management are covered in Chapter five (5). Chapter six (6) highlights the activities of the Currency Museum. Chapter seven (7) covers some of the operational challenges encountered in the year under review, while Chapter eight (8) concludes the report with prospects and the way forward.

Ahmed B. Umar

Director, Currency Operations Department

### III. CURRENCY OPERATIONS DEPARTMENT ORGANOGRAM



## IV. EXECUTIVE SUMMARY

The Central Bank of Nigeria is responsible for issuance of the legal tender currency, in line with its mandate as enshrined in section 2(b) of the CBN Act 2007. The Currency Operations Department (COD) executes this mandate through coordination of the printing and distribution of banknotes and coins, as well as the procurement and distribution of foreign currency.

The 2020 Annual Report highlights the activities of the Bank in line with its overall strategic objectives of ensuring availability and circulation of fit banknotes and coins; improvement of cash management operations; provision of quality banknotes; excel at CBN currency operations' efficiency; effective monitoring of registered cash-in-transit and cash processing companies; and achievement of high level of public awareness on currency issues. The report also captures achievements and challenges faced in the year under review.

It is pertinent to note that the year under review was characterized by the novel COVID-19 pandemic and its attendant effects on global trade, supply chain and other facets of the global economy. The Central Bank of Nigeria and indeed the Nigerian economy were not exempted from these effects. Though the aforementioned generally slowed down operations of the Bank, the following are notable achievements and activities of the Bank in the discharge of the issuance of legal tender and currency management mandate.

### ACHIEVEMENTS

Despite the limitations occasioned by the outbreak of the COVID-19 pandemic and its impact in 2020, the Bank:

1. Concluded upgrade of the Cash Activity Reporting Portal (CARP) for transmission of currency management data from the financial industry to the Nigeria Inter-Bank Settlement System (NIBSS);

2. Completed the development of the Mint tracking system application, needs assessment on the infrastructure, user sensitization, test run at 5 Branches and end-to-end system tests with a view to instituting the pilot launch in 2021;
3. Commenced establishment of the Currency Lab for Banknote quality assessment, authentication and independent investigations as well as to adjudicate cases of suspected counterfeit banknotes.
4. Registered an additional Cash-in-Transit (CIT) company which brought the total to nine (9) CIT Companies, to further deepen the private sector participation in CIT services. The Bank was also able to sustained:
5. Conduct of public awareness campaign to enlighten the public on the basic security features, proper handling of the banknotes and usage of coins in the economy;
6. Routine monitoring of DMBs to ensure compliance with the provisions of the Clean Note Policy and Banknote Fitness Guidelines; and
7. Implementation of the framework for CBN direct intervention for the disbursements of lower denomination banknotes to approved beneficiaries through their bankers to enhance availability and accessibility.

## **CURRENCY INDENT, SUPPLY AND COST**

In line with the objective of ensuring that the banknotes needs of the economy are met promptly, the Bank sustained the practice of early engagement with the Nigerian Security Printing and Minting Plc (NSPM Plc). The Bank approved an indent of 2,518.68 million pieces of banknotes of various denominations in 2020 to satisfy the currency needs of the economy, compared with 3,830.94 million in the preceding year. The NSPM Plc was awarded the contract for the production of the entire indent. At end-December 2020, NSPM Plc had delivered 100 per cent of the approved indent.

## **STOCK OF CURRENCY NOTES**

The total stock of currency (issuable & non-issuable) in the vaults of the Bank at end-December, 2020 was 2,747.09 million pieces, compared with 2,641.36 million pieces in 2019, indicating an increase of 105.73 million pieces or 4.00 per cent. At end-December, 2020, the total issuable notes (newly printed notes and Counted Audited Clean notes) was 592.94 million pieces, compared with 726.43 million pieces in 2019, representing a decrease of 133.49 million pieces or 18.38 per cent.

## CURRENCY DISTRIBUTION

The Bank evacuated a total of 246,236 boxes of banknotes valued at ₦1,030,689.35 million from the Lagos and Abuja factories of the NSPM Plc to various Branches in 2020.

The quantum of currency evacuated showed a decrease of 53,046 boxes (17.72 per cent) in volume or N62,543.45 million (5.72 per cent) in value, compared with 299,282 boxes valued at N1,093,232.90 million in 2019. Furthermore, a total of 711,331 boxes valued at ₦3,191,239.81 million was moved across the Branches in 2020. This indicated a decrease of 23.42 per cent and 22.01 per cent in volume and value respectively, compared with 928,852 boxes valued at ₦4,091,726.98 million in 2019.

## FOREIGN CURRENCY

The receipt and authentication of foreign currency deposits by Deposit Money Banks (DMBs) reduced significantly due to the downturn in global trade in 2020. Also, the Bank recorded a significant reduction in the volume and cost of foreign exchange procurement. A total of USD1,830.00 million was procured over the course of 2020. This value represents a decrease of USD2,120.00 million or 53.67 per cent relative to the USD3,950.00 million procured in 2019. This was used to fund Bureaux De Change (BDC) operations, payment of estacode and Personal Travel Allowances (PTA) to Ministries, Departments and Agencies (MDAs).

## CURRENCY-IN-CIRCULATION (CIC)

Currency-in-Circulation (CIC) increased by 19.06 per cent from ₦2,441.67 billion at end-December, 2019 to ₦2,907.13 billion at end-December 2020. The growth in CIC reflected the continued dominance of cash in the economy. Analysis of the CIC shows that a greater proportion was in higher denomination banknotes (₦100, ₦200, ₦500 and ₦1000). The higher denomination banknotes together accounted for 63.47 per cent and 98.08 per cent of the total CIC, in terms of volume and value, respectively. The volume of lower denomination banknotes (₦5, ₦10, ₦20, ₦50), accounted for 28.43 per cent of the total CIC and 1.92 per cent, in terms of value as at end-December 2020.

## CURRENCY PROCESSED

In 2020, a total of 173,585 boxes of banknotes valued at ₦980,758.00 million was processed, compared with 260,651 boxes of banknotes valued at ₦1,533,729.00 million in 2019. This represents a decrease of 33.40 per cent in the number of boxes or ₦552,971.00 million in value of processed banknotes.

## COUNTERFEIT NOTES DISCOVERED

To maintain the integrity of the banknotes in circulation, the Bank, in collaboration with security agencies intensified efforts at curbing incidences of counterfeiting in the period under review. A total of 67,265 pieces of counterfeit notes with a nominal value of ₦56.83 million was confiscated in 2020, indicating a 20.80 per cent decrease in volume and 12.18 per cent decrease in value, compared with 84,934 pieces valued at ₦64.71 million in 2019. The Global standard for number of counterfeit per million is 100. The ratio of counterfeit notes to volume of banknotes in circulation was 13 pieces per million in 2020, compared to 20 pieces per million banknotes in 2019. The ₦1000 and ₦500 denominations constituted the most counterfeited, accounting for 69.06 percent and 30.79 per cent, of the total counterfeit notes in 2020, respectively.

## CURRENCY DISPOSAL

At end-December 2020, a total of 151,427 boxes valued at ₦698,480.00 million was disposed. The boxes and value of disposed notes in 2020 decreased by 5,790 boxes and ₦6,185.175 million respectively, compared with 157,217 boxes valued at ₦814,437.60 million disposed in 2019.

## INCOME AND EXPENDITURE PROFILE

The Bank generated the sum of ₦6,499.91 million as total income from currency management activities in 2020, compared with ₦13,242.91 million in 2019, representing a decrease of ₦6,743.01 million or 50.92%. The income generated was largely, from penal charges on unsorted banknotes deposited by DMBs and charges for authentication of foreign currency deposits with the Bank.

The Bank incurred a total of ₦67,212.20 million, as expenses, on currency operations in 2020, representing a decrease of ₦17,963.18 million or 21.08 per cent, below ₦85,175.36 million in 2019.

## OTHER ACTIVITIES

Other notable developments within the currency operations activities in 2020 were: development of the Mint Tracking System to curb the sale of banknotes issued by CBN; continued efforts at automation and modernization of currency handling infrastructure at the CBN Branches; and training of staff to enhance capacity for efficient service delivery.

## 1.1. CURRENCY INDENT

The currency indent approved for 2020 was 2,518.68 million pieces, consisting of various banknote denominations with a value of ₦1,063.04 billion, compared with 3,830.94 million pieces valued at ₦1,340.70 billion in 2019. This indicates a decrease of 34.25 per cent and 20.71 per cent in terms of volume and value respectively. NSPM PLC was awarded the production of the entire indent, and at end-December, 2020, 100 per cent of the indent had been delivered (Tables 1.1.1 - 1.1.2 & Figures 1.1.1 – 1.1.3)

**TABLE 1.1.1. CURRENCY INDENT VOLUME & VALUE BY DENOMINATION: (2019-2020)**

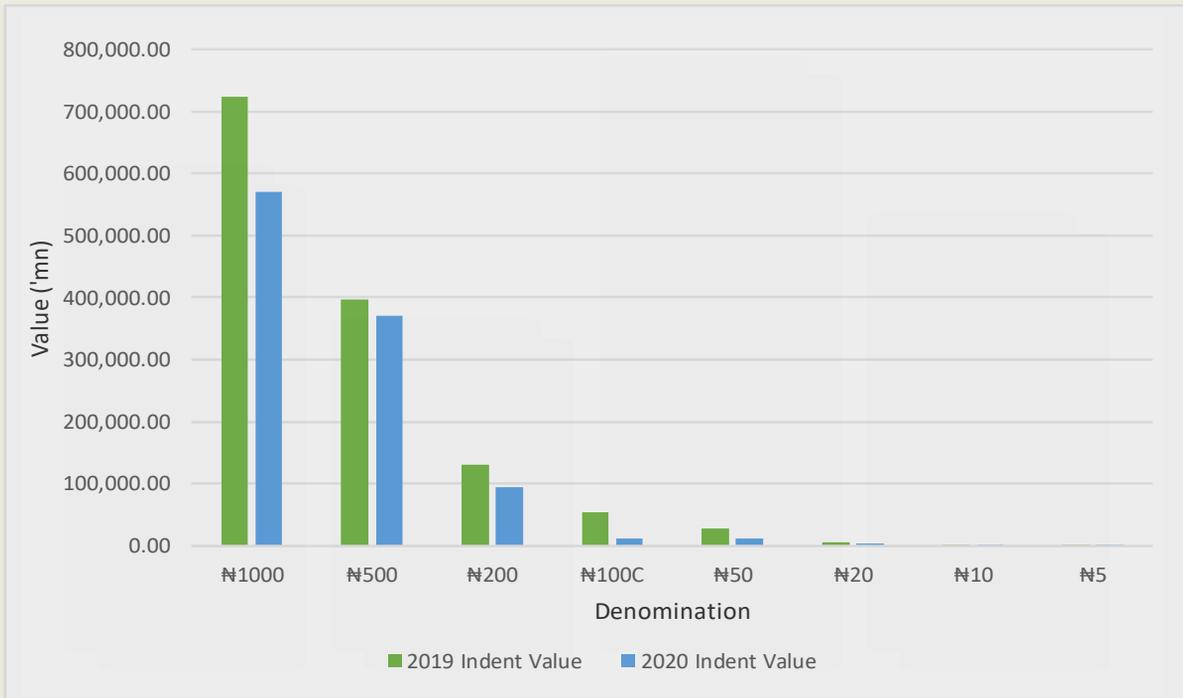
DEN.	2019 INDENT		2020 INDENT		% CHANGE	
	VOLUME (MILLION PIECES)	VALUE (₦' MILLION)	VOLUME (MILLION PIECES)	VALUE (₦' MILLION)	VOLUME	VALUE
1,000	724.25	724,250.00	569.78	569,780.00	-0.21	-0.21
500	793.70	396,850.00	739.78	369,890.00	-0.07	-0.07
200	656.95	131,390.00	470.09	94,018.00	-0.28	-0.28
100	536.28	53,628.00	123.34	12,334.00	-0.77	-0.77
50	536.29	26,814.50	246.98	12,348.75	-0.54	-0.54
20	268.15	5,363.00	151.42	3,028.40	-0.44	-0.44
10	164.90	1,649.00	111.58	1,115.80	-0.32	-0.32
5	150.42	752.10	105.71	528.55	-0.30	-0.30
<b>TOTAL</b>	<b>3,830.94</b>	<b>1,340,696.60</b>	<b>2,518.68</b>	<b>1,063,043.50</b>	<b>-0.34</b>	<b>-0.21</b>

Source: Planning & Logistics Office

**FIGURE 1.1.1. CURRENCY INDENT IN VALUE (2019 & 2020)****TABLE 1.1.2. CURRENCY INDENT ORDERED FROM NSPM PLC. VOLUME & VALUE (2016-2020)**

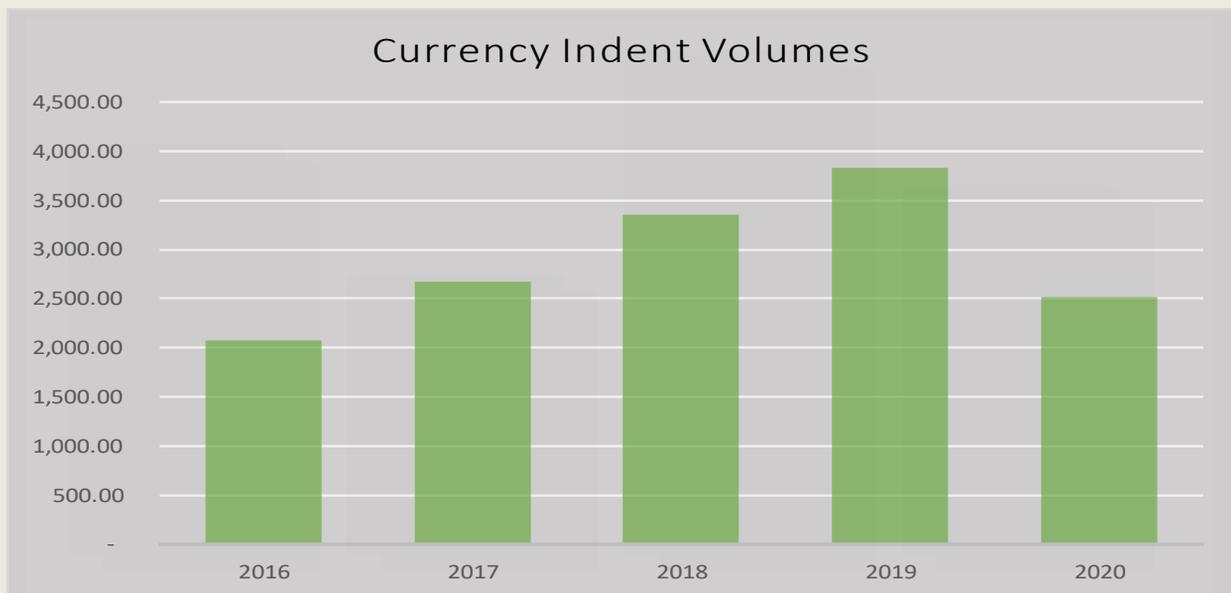
Year	Indent in Vol. (Million Pieces)	Indent in Value ( ₦ Million)
2016	2,079.02	840,596.80
2017	2,674.49	1,281,498.55
2018	3,351.34	1,451,180.60
2019	3,830.94	1,340,696.60
2020	2,518.68	1,063,043.50

**FIGURE 1.1.2. CURRENCY INDENT IN VALUE (2019 & 2020)**



Source: Planning & Logistics Office

**FIGURE 1.1.3. CURRENCY ORDERED FROM NSPM PLC (2016 - 2020)**



## 1.2. CURRENCY SUPPLY

The NSPM PLC. delivered 2,518.68 million pieces, which represents 100 per cent of the 2020 currency indent.

**TABLE 1.2.1 BANKNOTES DELIVERY IN MILLION PIECES (2020)**

DENOMINATION	NSPM PLC APPROVED ORDER 2020	NSPM PLC DELIVERY POSITION 2020
₦1000	569,780,000	569,780,000
₦500	739,780,000	739,780,000
₦200	470,090,000	470,090,000
₦100	123,340,000	123,340,000
₦50	246,980,000	246,980,000
₦20	151,420,000	151,420,000
₦10	111,580,000	111,580,000
₦5	105,710,000	105,710,000
<b>TOTAL</b>	<b>2,518,680,000</b>	<b>2,518,680,000</b>

Source: Planning & Logistics Office

*The NSPM PLC. delivered a total of 2,518.68 million pieces of banknotes or 100 per cent as at the end of December, 2020*

**TABLE: 1.2.2: BANKNOTES ORDER AND DELIVERY FROM NSPM PLC IN MILLION PIECES (2019 - 2020)**

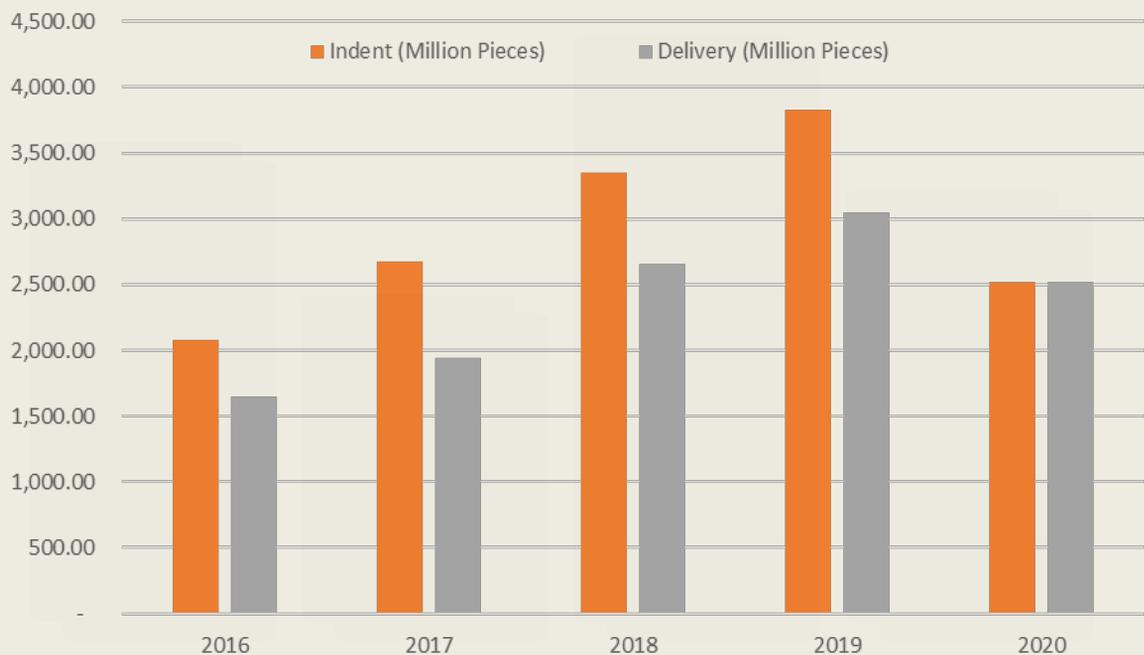
DENOMINATION	2019 INDENT		2020 INDENT		DELIVERY	
	ORDER (MILLION PIECES)	DELIVERY (MILLION PIECES)	ORDER (MILLION PIECES)	DELIVERY (MILLION PIECES)	2019	2020
₱1000	724.25	681.05	569.78	569.78	94%	100%
₱500	793.70	541.40	739.78	739.78	68%	100%
₱200	656.95	470.00	470.09	470.09	72%	100%
₱100C	536.28	259.82	123.34	123.34	48%	100%
₱50	536.29	536.29	246.98	246.98	100%	100%
₱20	268.15	243.72	151.42	151.42	91%	100%
₱10	164.90	164.90	111.58	111.58	100%	100%
₱5	150.42	150.42	105.71	105.71	100%	100%
TOTAL	<b>3,830.94</b>	<b>3,047.60</b>	<b>2,518.68</b>	<b>2,518.68</b>	80%	100%

Source: Planning & Logistics Office

**TABLE 1.2.3 BANKNOTES ORDER AND DELIVERY IN MILLION PIECES (2016 - 2020)**

YEAR	ORDER	CUMULATIVE DELIVERY	OUTSTANDING BALANCE	CUMM. DELIVERY %
2016	2,079.02	1,648.26	430.76	79.28
2017	2,674.49	1,944.19	730.30	72.69
2018	3,351.34	2,653.31	698.03	79.17
2019	3,830.94	3,047.98	782.96	79.56
2020	2,518.68	2,518.68	0.00	100

Source: Planning & Logistics Office

**Figure 1.2.1. NSPM PLC DELIVERIES IN MILLION PIECES (2016-2020)**

### 1.3. COST OF PRINTING BANKNOTES

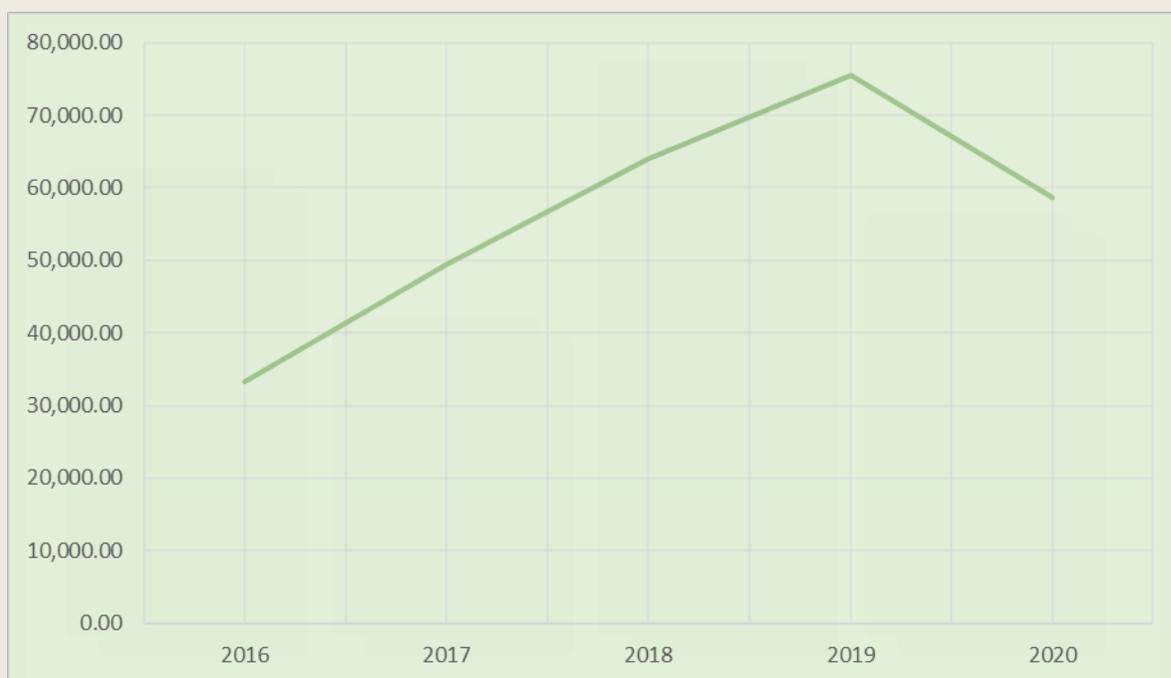
The total cost incurred on printing of banknotes in 2020 amounted to ₱58,618.50 million, compared with ₱75,523.50 million in 2019, indicating a decrease of ₱16,905.00 million or 28.84 per cent.

*Total expenditure on banknote production decreased by 28.84 per cent in 2020*

**Table 1.3.1 COST OF PRINTING BANKNOTES (2016-2020)**

YEAR	PRINTING OF BANKNOTES (₹' MILLION)
2016	33,374.03
2017	49,524.96
2018	64,040.78
2019	75,523.50
2020	58,618.50

Source: Admin. Office

**FIGURE 1.3.1 COST OF PRINTING BANKNOTES IN ₹' MILLION (2016-2020)**

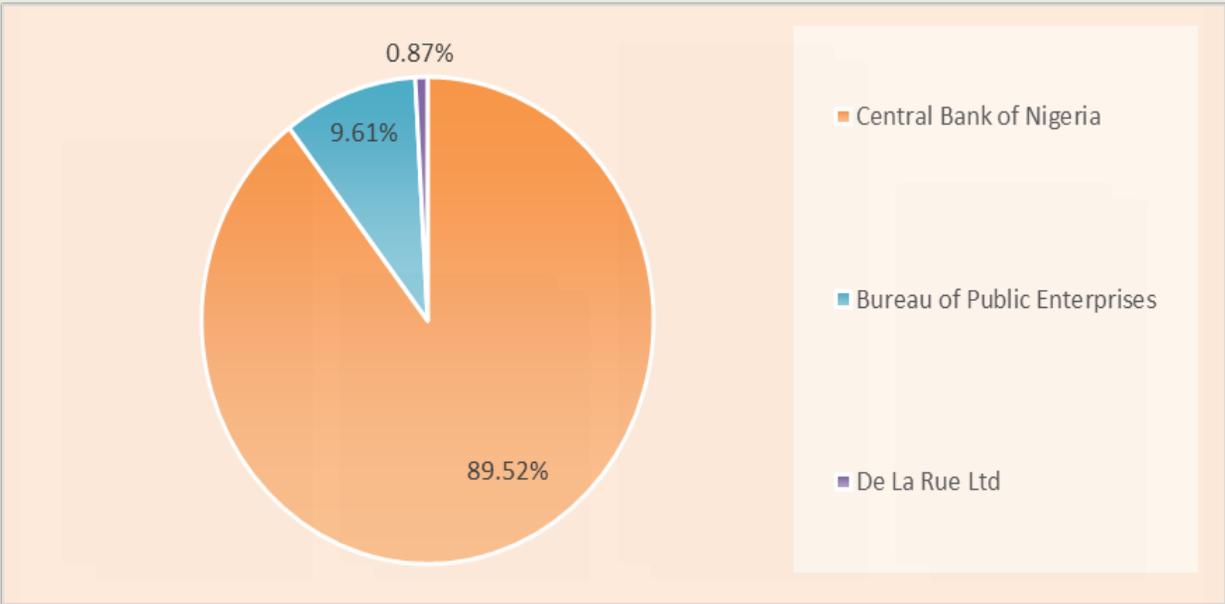
## 1.4. INSTITUTIONAL DEVELOPMENTS

### 1.4.1. THE NIGERIAN SECURITY PRINTING & MINTING (NSPM) PLC

The NSPM PLC remained the sole printer of the Nigerian legal tender currency. The Central Bank of Nigeria as a major investor holds 89.52 per cent of the shares in the company as shown in figure 1.4.1.

The company has an installed capacity to produce four (4) billion pieces of banknotes per annum. In 2020, a total of 2.52 billion pieces of banknotes was produced, compared with 3.05 billion pieces of banknotes in 2019. This represented a decrease of 529.31 million pieces or 17.37 per cent, on account of lower Bank’s currency order volume for the year.

**FIGURE 1.4.1 REPRESENTATION OF NSPM SHAREHOLDERS**



### **1.4.2. TAWADA LIMITED**

Tawada Limited is a subsidiary of NSPM PLC which specializes in the production of Intaglio, offset and varnish inks for the printing of banknotes. The company produced a total of 389,025kg, 11,115kg and 24,000kg of intaglio, offset and varnish inks respectively in 2020. The company's report indicated a modest performance in the production and sales volumes in the year under review.

## 1.5. STOCK OF CURRENCY NOTES

The total stock of currency (issuable & non-issuable) in the vaults of the Bank at end-December 2020, was 2,747.09 million pieces, compared with 2,641.36 million pieces in 2019, indicating an increase of 3.99 per cent. At end-December, 2020, the total issuable notes (new banknotes and Counted Audited Clean notes) was 592.94 million pieces, compared with 726.43 million pieces in 2019, indicating a decrease of 133.49 million pieces or 18.37 per cent. (Tables 1.5.1-1.5.2 & Figure 1.5.1)

**TABLE 1.5.1. ANALYSIS OF STOCK OF CURRENCY NOTES IN MILLION PIECES (2019 & 2020)**

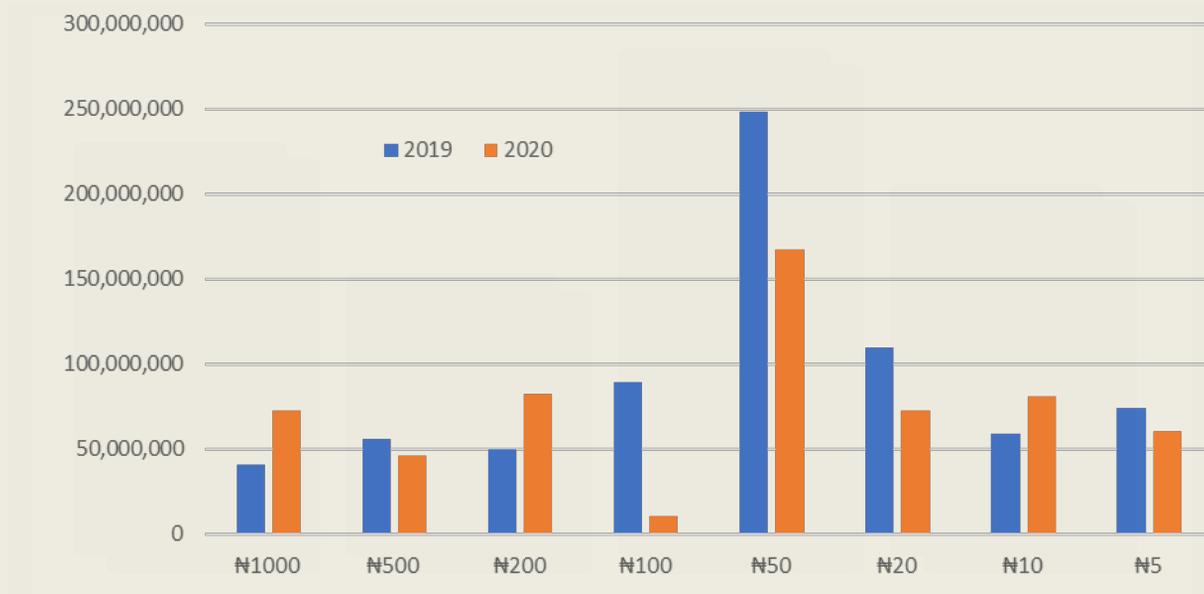
Denominations	2019			2020		
	Issuable Banknotes	Non-Issuable Banknotes	Total Stock	Issuable Banknotes	Non-Issuable Banknotes	Total Stock
<b>₦1000</b>	40.71	114.62	155.33	72.89	55.47	128.36
<b>₦500</b>	55.77	256.46	312.23	46.02	75.31	121.33
<b>₦200</b>	50.05	172.28	222.33	82.21	263.11	345.32
<b>₦100</b>	88.95	69.80	158.75	10.68	152.98	163.66
<b>₦50</b>	248.11	311.20	559.31	167.06	502.44	669.50
<b>₦20</b>	109.91	394.74	504.65	72.72	465.70	538.42
<b>₦10</b>	59.12	309.83	368.95	80.58	327.64	408.22
<b>₦5</b>	73.81	286.00	359.81	60.78	311.50	372.28
<b>Total</b>	726.43	1,914.93	2,641.36	592.94	2,154.15	2,747.09

Source: Planning & Logistics Office

**TABLE 1.5.2. ANALYSIS OF ISSUABLE NOTES (2019-2020)**

Denominations	Issuable Banknotes (Pieces)		Percentage Change
	2019	2020	
₦1000	40,710,000	72,890,000	44.15%
₦500	55,770,000	46,020,000	-21.19%
₦200	50,050,000	82,210,000	39.12%
₦100	88,950,000	10,680,000	-732.87%
₦50	248,110,000	167,060,000	-48.52%
₦20	109,910,000	72,720,000	-51.14%
₦10	59,120,000	80,580,000	26.63%
₦5	73,810,000	60,780,000	-21.44%
Total	726,430,000	592,940,000	-18.37%

Source: Planning & Logistics Office

**FIGURE 1.5.1. ISSUABLE NOTES (2019 & 2020)**

Total issuable notes (New notes and CAC) stood at 592.94 million pieces as at the end of December, 2020 as against 726.43 million pieces in 2019.

## 1.6. CURRENCY DISTRIBUTION ACTIVITIES

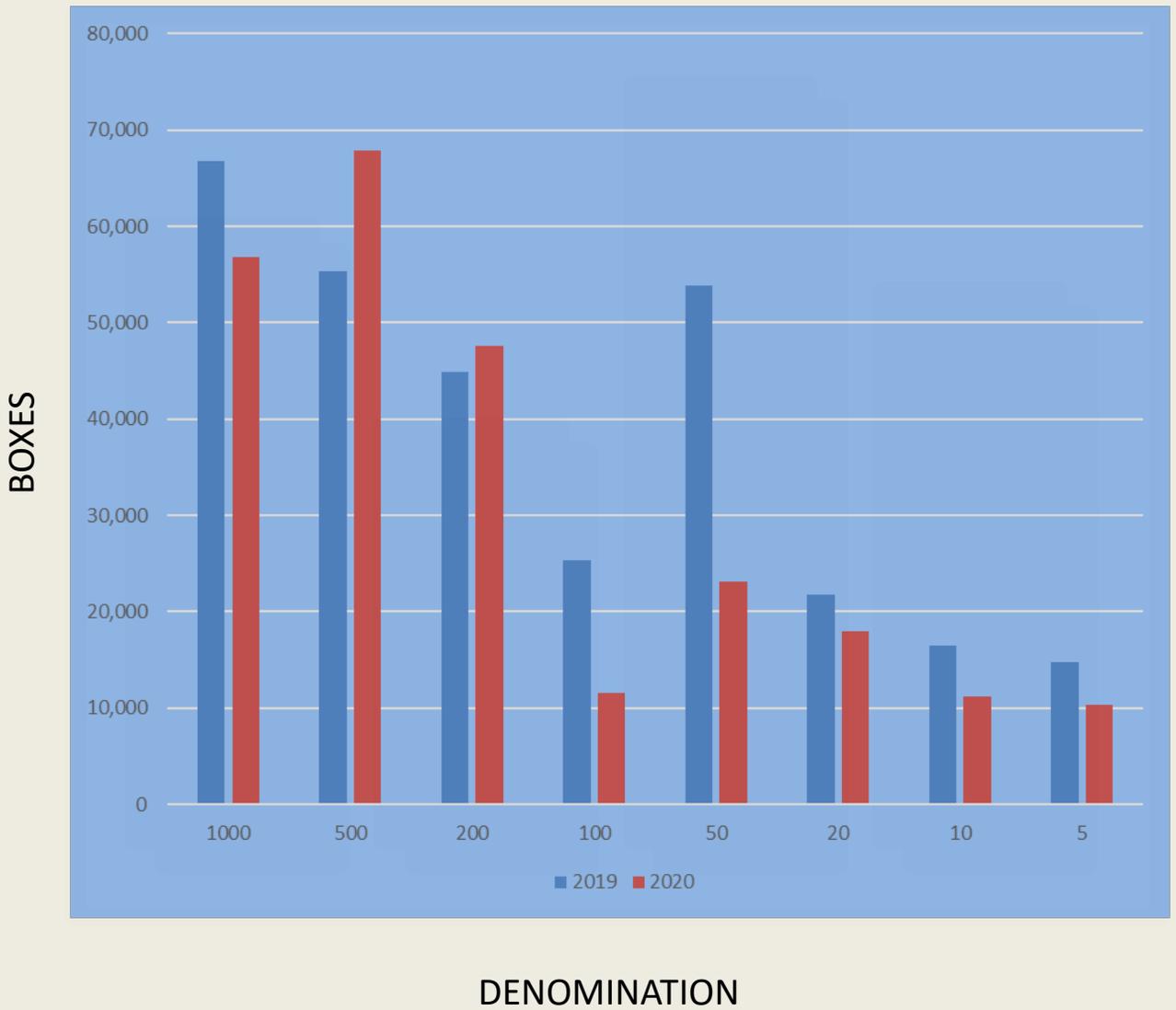
The Bank evacuated a total of 246,236 boxes of banknotes valued at ₦1,030,689.35 million, from the NSPM PLC Lagos and Abuja factories to CBN branches in 2020. This represented a decrease of 53,046 boxes or 17.72 per cent and ₦62,543.45 million or 5.72 per cent, in volume and value terms, respectively, compared with 299,282 boxes, valued at ₦1,093,232.90 million in 2019.

A total of 711,331 boxes valued at ₦3,191,239.81 million was moved across the Branches in 2020, representing a decrease of 23.42 per cent and 22.01 per cent in volume and value terms, respectively, compared with 928,852 boxes, valued at ₦4,091,726.98 million in 2019. The decrease was due to reduction in the annual indent and COVID-19 containment measures (Tables 1.6.1 - 1. 6.3 & Figures 1.6.1- 1.6.3).

**TABLE 1.6.1. SUMMARY OF EVACUATION FROM LAGOS & ABUJA NSPM PLC FACTORIES (2019 & 2020)**

DENOMINATION	BOXES (2019)	VALUE - ₦ MILLION (2019)	BOXES (2020)	VALUE - ₦ MILLION (2020)
1000	66,773	667,730.00	56,790	567,900.00
500	55,360	276,800.00	67,874	339,370.00
200	44,820	89,640.00	47,569	95,138.00
100	25,382	25,382.00	11,500	11,500.00
50	53,869	15,248.50	23,132	11,566.00
20	21,786	4,357.20	17,926	3,585.20
10	16,490	1,649.00	11,158	1,115.80
5	14,802	740.10	10,287	514.35
<b>Total</b>	<b>299,282</b>	<b>1,093,232.80</b>	<b>246,236</b>	<b>1,030,689.35</b>

**FIG. 1.6.1 EVACUATION BY DENOMINATION IN BOXES (2019- 2020)**

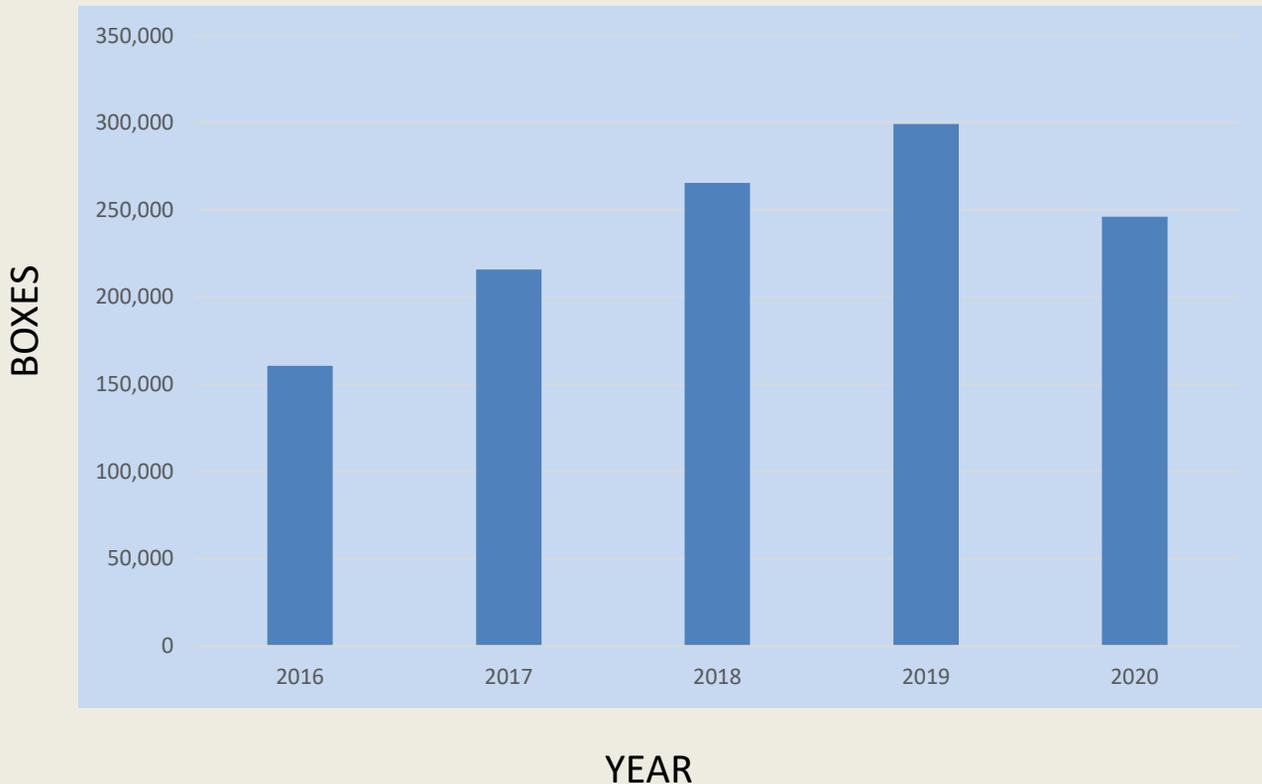


**TABLE 1.6.2 YEARLY DISTRIBUTION OF BANKNOTES IN BOXES (2016-2020)**

YEAR	2016	2017	2018	2019	2020
BOXES	160,565	215,853	265,553	299,282	246,236

*Source: Distribution Management Office*

**FIGURE 1.6.2. YEARLY DISTRIBUTION OF BANKNOTES IN BOXES (2016-2020)**

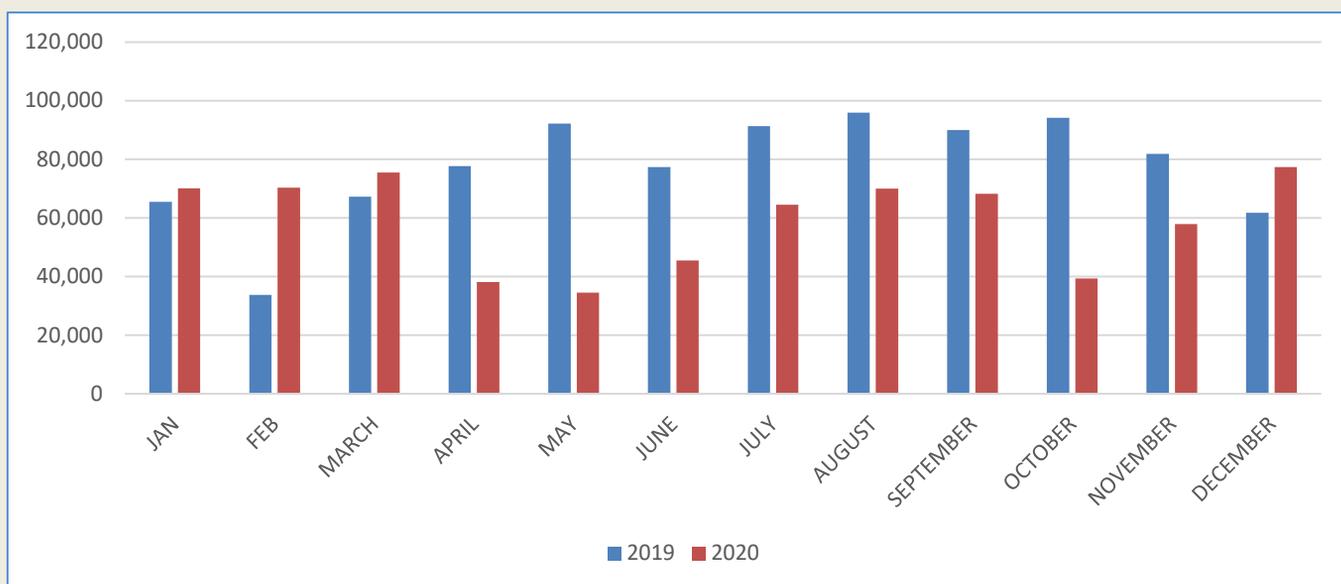


**TABLE 1.6.3. INTERSTATE DISTRIBUTION IN BOXES (2019 - 2020)**

MONTH	NO OF BOXES		VALUE (N)	
	2019	2020	2019	2020
JAN	65,529	70,082	258,554,803,610	370,457,414,620
FEB	33,805	70,316	183,022,365,135	292,234,700,000
MARCH	67,292	75,458	342,779,025,335	300,977,718,420
APRIL	77,712	38,173	346,199,787,200	138,952,100,000
MAY	92,208	34,487	455,170,350,000	118,506,750,000
JUNE	77,383	45,489	334,083,349,055	157,061,150,000
JULY	91,273	64,468	441,254,000,000	256,395,900,000
AUGUST	95,948	70,023	406,377,070,555	357,504,200,000
SEPTEMBER	89,933	68,274	283,085,262,410	316,638,379,780
OCTOBER	94,183	39,306	448,502,319,100	155,123,350,000
NOVEMBER	81,879	57,894	356,864,250,000	281,442,400,000
DECEMBER	61,707	77,361	235,834,400,000	445,945,750,000
<b>TOTAL</b>	<b>928,852</b>	<b>711,331</b>	<b>4,091,726,982,400</b>	<b>3,191,239,812,820</b>

Source: Distribution Management Office

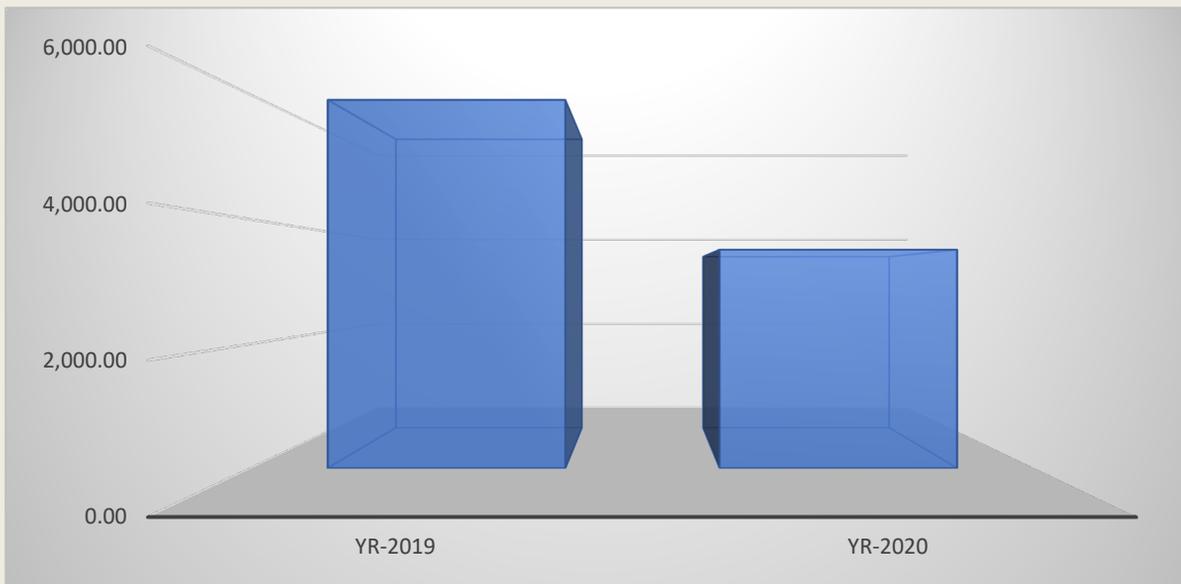
**FIG 1.6.3. INTERSTATE DISTRIBUTION IN BOXES (2019- 2020)**



### 1.7. COST OF CURRENCY DISTRIBUTION (2019 - 2020)

The sum of ~~₹~~₹4,585.63 million was incurred on currency distribution in the period under review, compared with ~~₹~~₹5,916.72 million in 2019. (Figures 1.7.1) The 22.50 per cent reduction in cost was a result of reduced movement due to the COVID-19 restrictions during the period under review.

**FIGURE 1.7.1 COST OF CURRENCY DISTRIBUTION (₹ Million) 2019 - 2020**



## CURRENCY

The Bank engaged Travelex Nigeria Limited, Innovate 1 Pay Limited and CFS Limited to procure and distribute foreign currency during the period under review. A total of USD1,830,000,000.00 was procured in 2020 representing a decrease of USD2,120,000,000 or 53.67 per cent, compared to USD3,950,000,000 in 2019. Of the total amount, USD1,230,000,000.00 was supplied to Lagos Branch and USD600,000,000.00 to Abuja Branch, for onward distribution to other branches during the period under review. This was used to fund the operations of Bureaux De Change (BDCs) across the country, as well as payment of estacode and personal travel allowances to the Ministries, Departments and Agencies (MDAs).

At end-December 2020, the sum of USD20,676.17 million had been received and processed at CBN Lagos and Abuja Branches. In 2020, the Bank received a total of USD20,676.17 million, representing a decrease of 65.43 per cent compared to the 2019 total of USD9,818.98 million. The decrease reflected the impact of COVID-19 pandemic.

In addition, the sum of USD4,889.40 million was utilized for BDCs operations/interventions and USD587.81 million for payment to MDAs and other approved foreign currency expenses.

In total, the sum of USD5,477.21 million, GBP1.21 million and EUR0.52 million were sold in 2020 against USD13,487.00 million, GBP4.58 million and EUR1.69 million sold in 2019. The decrease in sales reflected the impact of COVID-19 pandemic on business activities and reduction of weekly BDC market days from four to two.

## 1.9 CURRENCY-IN-CIRCULATION (CIC)

The CIC increased by ₦465,470.08 million or 19.06 per cent to ₦2,907.13 billion in 2020, compared with ₦2,441.66 billion in 2019. In 2020, there were higher withdrawals by DMBs than deposits, due to the panic need to hold cash to deal with the emergencies and reduced banking hours due to restrictions to curb spread of the pandemic.

**TABLE 1.9.1: CURRENCY-IN-CIRCULATION IN VALUE & VOLUME (2019-2020)**

Denom.	2019		2020	
	Volume	Value	Volume	Value
₦1000	1,460,440,396	1,460,440,395,940	1,678,267,302	1,678,267,302,125
₦500	1,421,271,966	710,635,983,235	1,844,065,204	922,032,602,068
₦200	726,223,606	145,244,721,259	850,479,766	170,095,953,176
₦100	693,497,610	69,349,761,004	792,630,544	79,263,054,350
₦50	502,453,584	25,122,679,200	486,014,057	24,300,702,846
₦20	934,295,458	18,685,909,154	1,014,135,703	20,282,714,060
₦10	768,823,285	7,688,232,855	783,691,851	7,836,918,511
₦5	576,912,627	2,884,563,135	688,616,066	3,443,080,331
₦2	204,367,122	408,734,244	204,367,122	408,734,244
₦1	736,049,332	736,049,332	736,049,332	736,049,332
0.5	681,478,816	340,739,408.11	681,478,816	340,739,408.11
0.25	348,225,432	87,056,357.95	348,225,432	87,056,357.95
0.1	315,582,866	31,558,286.56	315,582,866	31,558,286.56
0.01	31,371,969	313,719.69	31,371,969	313,719.69
<b>Total</b>	<b>9,400,994,069</b>	<b>2,441,656,697,130.31</b>	<b>10,454,976,030</b>	<b>2,907,126,778,815.31</b>

Source: Planning and Logistics Office

**TABLE 1.9.2. CURRENCY-IN-CIRCULATION TO GDP RATIO (2016-2020)**

Year	Value (₦' Billion)	GDP (₦' Billion)	Ratio-CIC/GDP
2016	2,179.17	102,575.42	2.12
2017	2,157.23	114,906.66	1.88
2018	2,329.71	127,762.55	1.82
2019	2,441.66	144,210.49	1.69
2020	2,907.13	154,252.32	1.88

Source: Planning and Logistics Office/ Statistics Department

There was an increase of 19.06 per cent in the value of CIC as at the end of December 2020.

## 1.10. CURRENCY PROCESSED AND AUDITED

A total of 173,585 currency boxes of various denominations, valued at ₦980,758,000,000.00 were processed in 2020. This represented 52.49 per cent of the processing target of 330,720 boxes for the 23 processing Branches. This also indicated a decrease of 87,066 boxes (33.40 per cent), compared with 260,651 boxes processed in 2019.

A further analysis of the processing output indicated that 83,624 boxes of CAC and 89,961 boxes of CAD were generated in 2020. This represented a decline of 61,817 boxes (42.5 per cent) of CAC and 25,249 boxes (21.9 per cent) of CAD, compared with the 2019 output (See tables 1.10.1&1.10.2). The reduced output reflected impact of the disruptions to operation on account of COVID-19 pandemic induced restrictions.

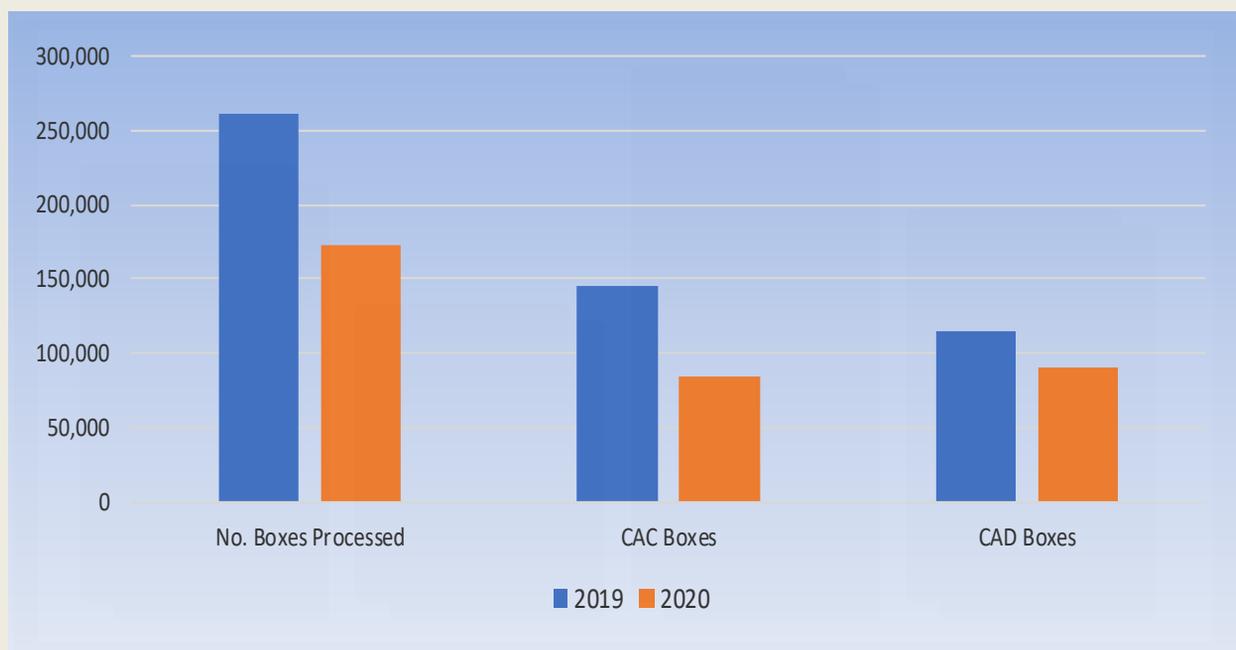
**TABLE 1.10.1. CURRENCY PROCESSED (2016-2020)**

YEAR	CURRENCY PROCESSED		
	VOLUME (BOXES)	VOLUME (PIECES)	VALUE (₦ 'MILLION)
2016	356,629	3,566,290,000	1,679,805.95
2017	258,007	2,580,070,000	1,482,414.00
2018	266,578	2,665,780,000	1,561,940.00
2019	260,651	2,606,510,000	1,533,729.00
2020	173,585	1,735,850,000	980,758.00

**TABLE 1.10.2 ANALYSIS OF CURRENCY PROCESSED (2019 - 2020)**

Details	2019	2020
No. Boxes Processed	260,651	173,585
No. Pieces Processed	2,606,510,000	1,735,850,000
Value (₹ Million)	1,533,729	980,758
CAC Boxes	145,441	83,624
CAD Boxes	115,210	89,961

Source: Currency Processing and Relationship Management Office

**FIGURE 1.10.1 ANALYSIS OF CURRENCY PROCESSED (2019 – 2020)**

A total of 1,735.85 million pieces or 173,585 boxes of banknotes valued at ₹980,758 million was processed in 2020, compared to 2,606.51 million pieces or 260,651 boxes of banknotes valued at ₹1,533,729 million processed in 2019

## 1.11. SHORTAGES DISCOVERED FROM CURRENCY PROCESSING

In 2020, a total of ₱250.1 million was discovered as shortages during processing of deposits by DMBs and CPCs. Of this amount, ₱182.2 million were shortages recorded against four (4) DMBs. The shortages in 2020 was lower by ₱115.5 million (31.5 per cent), relative to ₱365.5 million in 2019. The decline was attributed to reduced number of boxes deposited for processing, on account of slowdown in economic activities, due to impact of COVID-19 pandemic restrictions on operations of DMBs.

**TABLE 1.11.1 SHORTAGES IN PROCESSING (2019-2020)**

YEAR	Total (₱ Million)	% CHANGE
2019	365.5	(16.27)
2020	250.1	(31.5)

*A total of ₱250.1 million shortages was discovered during currency processing of deposits from DMBs in 2020.*

## 1.12 . CURRENCY DISPOSAL

The Bank sustained banknotes disposal operations in 2020 to ensure the circulation of clean banknotes. In furtherance of this objective, it deployed eleven (11) Banknote Destruction Systems (BDS) and three (3) Currency Disintegrating Systems (CDS) for currency disposal activities in the period under review. At end-December 2020, a total of 1,514.66 million pieces (151,427 boxes) valued at ₦698,593.29 million was disposed, compared with 1,572.17 million pieces (157,217 boxes) valued at ₦814,437.60 million in 2019. The boxes and value of unfit notes disposed in 2020 decreased by 5,790 boxes, and ₦1,115.84 million, respectively, below 157,217 boxes, valued at ₦814,437.10 million in 2019. The decrease was attributed to the suspension of disposal activities due to COVID-19 restrictions (Tables 1.12.1 and 1.12.2 below)

**TABLE 1.12.1. ANALYSIS OF BANKNOTES DISPOSED IN 2020 (VOLUME & VALUE)**

DENOMINATION (₦)	BOXES	VOLUME (PIECES)	VALUE (₦ Million)	RATIO (%) (in volume pieces)
1000	33,843	338,430,000	338,430,000,000	22.34%
500	57,881	578,810,000	289,405,000,000	38.21%
200	28,345	283,450,000	56,690,000,000	18.71%
100	8,059	80,590,000	8,059,000,000	5.32%
50	7,739	77,390,000	3,869,500,000	5.11%
20	6,259	62,590,000	1,251,800,000	4.13%
10	6,190	61,900,000	619,000,000	4.09%
5	3,111	31,110,000	155,550,000	2.05%
MUTILATED NOTES	-	79,657	52,653,885	0.01%
OLD/REDESIGNED	-	204,235	6,313,985	0.01%
SPECIAL BOXES IN PIECES	-	19,745	16,299,010	0.00%
SPECIMEN NOTES	-	-	-	0.00%
CAD PIECES	-	84,206	38,173,000	0.01%
A/E PIECES	-	-	-	0.00%
<b>TOTAL</b>	<b>151,427</b>	<b>1,514,657,843</b>	<b>698,593,289,880</b>	<b>100%</b>

**TABLE 1.12.2. ANALYSIS OF BANKNOTES DISPOSED IN VOLUME & VALUE (2016-2020)**

Details	2016	2017	2018	2019	2020	% Changes
						(2019 & 2020)
<b>No. Of Boxes</b>	358,877	257,501	181,217	157,217	151,427	3.68%
<b>Value (₦-Million)</b>	829,938	977,231	814,592	814,438	698,593	14.22%

Source: Currency Disposal Office

### 1.13. COST OF CURRENCY DISPOSAL

The sum of ₦538.59 million was incurred on currency disposal activities in 2020, compared with ₦647.82 million in 2019. This was ₦109.23 million or 16.86 per cent lower than the cost in 2019. (Table 1.13.1 and Figure 1.13.1)

**TABLE 1.13.1 COST OF NOTES DISPOSAL (2016-2020)**

Year	Cost of Notes Disposal (₦' Million)	Changes (year-on-year) (₦' Million)	% Change
2016	1,437.34	235.36	19.58
2017	594.62	-842.72	58.63
2018	662.21	67.59	9.17
2019	647.82	-14.39	2.17
2020	538.59	-109.23	-16.86

Source: The Administrator's Office

**FIGURE 1.13.1. COST OF NOTES DISPOSAL (2016 -2020)**

### 1.14. MUTILATED NOTES DISPOSED AND REPLACED

A total of 79,993 pieces of mutilated banknotes of various denominations, valued at ₦52.82 million was audited, disposed and replaced in 2020, compared with 865,775 pieces valued at ₦45.99 million in 2019. This represented 90.76 per cent and 14.85 per cent decrease, in volume and value terms, respectively. (Table 1.14.1)

**TABLE 1.14.1. MUTILATED NOTES DISPOSED AND REPLACED (2016-2020)**

YEAR	2016 (Million)	2017 (Million)	2018 (Million)	2019 (Million)	2020 (Million)	% Change (2019-2020)
VALUE (₦)	101.61	70.74	39.24	45.99	52.82	14.85%
VOLUME	0.2425	0.3236	0.0599	0.8658	0.0797	-90.76%

Source: Currency Disposal Office

A total of 79,993 pieces of mutilated currency notes valued at ₦52.82 million was disposed and replaced in 2020

## 1.15. COUNTERFEIT NOTES DISCOVERED

To maintain the integrity of the banknotes in circulation, the Bank, in collaboration with Security Agencies, sustained efforts at combatting counterfeiting activities in 2020. A total of 67,265 pieces of counterfeit notes with a nominal value of ₱56.83 million was recorded in 2020. This was 20.80 per cent in volume and 12.18 per cent value, lower than 84,934 pieces and ₱64.71 million in 2019. The ₱1000 and ₱500 denominations constituted the bulk of counterfeited banknotes, accounting for 69.06 per cent and 30.79 per cent, respectively, of the total counterfeit notes.

The data on counterfeit notes in 2020 were mainly from four (4) sources, namely: Security Agencies, DMBs, CBN's 24 processing centers and BWH PLC. The ratio of counterfeit notes to volume of banknotes in circulation was 13 pieces per million, compared to 20 pieces per million banknotes in 2019. Despite the decline, the recurring incidence of higher denomination banknote counterfeiting underscores the need to further strengthen the various measures designed by the Bank to prevent and mitigate the risk of counterfeiting. In this regard, the Bank would, sustain its publicity campaign, collation of data on counterfeits for analyses and monitoring, as well as, strengthen its collaboration with security agencies, to curb the incidences of counterfeiting.

*The volume of counterfeit notes recorded as at end-December, 2020 was 67,265 pieces, with a nominal value of ₱56.83 million.*

**TABLE 1.15.1: COUNTERFEIT BY DENOMINATION AND RATIO (VOLUME AND VALUE) JANUARY- DECEMBER, 2020**

DENOMINATION (₱)	VOLUME (PIECES)	VALUE (₱)	RATIO (%)
1000	464,520,000	464,520,000,000	69.06%
500	207,080,000	103,540,000,000	30.79%
200	1,040,000	208,000,000	0.15%
100	10,000	1,000,000	0.00%
50	-	-	0.00%
20	-	-	0.00%
10	-	-	0.00%
5	-	-	0.00%
<b>TOTAL</b>	<b>672,650,000</b>	<b>568,269,000,000</b>	<b>100%</b>

Source: Currency Disposal Office

**TABLE 1.15.2 RATIO OF COUNTERFEIT TO VOLUME OF BANKNOTES AND CIC (2017 - 2020)**

Year	Volume of Banknotes in circulation (Million)	Volume of Counterfeit Discovered	Ratio of Counterfeit/Volume of Banknotes in Circulation (per million)	Volume of Currency in Circulation (Million)	Volume of Counterfeit Discovered	Ratio of Counterfeit /CIC(per million)
2017	7,341.48	118,126	16	9,340.65	118,126	13
2018	6,939.49	119,663	18	9,256.63	119,663	13
2019	7,083.92	84,934	12	9,400.99	84,934	20
2020	8,137.90	67,265	8	10,454.98	67,265	13

Source: Currency Disposal Office/Planning and Logistics Office

## **2.0. CURRENCY OPERATIONS OUTSOURCING POLICY**

### **2.1. OUTSOURCING OF THE MAINTENANCE OF CASH SORTING/ DISPOSAL EQUIPMENT**

In 2020, the stock of Banknotes Processing Systems (BPS 1000), Currency Processing Systems (CPS 1800), Banknotes Destruction Systems (BDS 400) and Currency Disintegrating Systems (CDS/OBS 500) were 106, 22, 24 and 4, respectively. As a result of the rationalization policy, the number of BPS, BDS and CDS deployed for operation were 53, 12 and 3, respectively, while the use of CPS was discontinued. The aim was to ensure cost efficiency and operate in consonance with the current volume of deposits by DMBs. In addition, the Bank had 50 BPS-CI-F & SBM 95 machines for authentication of foreign currency.

Giesecke + Devrient Currency Technology Africa Limited (G+DCTA) and Interprods Limited continued to provide maintenance services for the BPS, BDS and CDS.

### 3.0. CLEAN NOTE POLICY

To maintain public confidence and ensure integrity of circulated notes in the economy, the Bank had developed and unveiled a Clean Note Policy and Banknote Fitness Guidelines in 2018. The guidelines outlined details of quarterly and yearly activities towards achievement of this objective. The two documents were issued by the Bank in collaboration with key industry stakeholders including, Deposit Money Banks (DMBs), Cash-in-Transit Companies (CITs), Currency Processing Companies (CPCs) and Nigerian Cash Management Scheme (NCMS).

The clean note policy encapsulates diverse currency management activities to preserve the integrity and maintain the quality of banknotes in circulation. The policy provides that every newly printed and existing banknotes should conform to predefined standards before circulation and re-circulation in the economy.

The Banknote Fitness Guidelines provides the industry with clear and acceptable criteria for determining the quality of banknotes in circulation. It provides guiding principles on how to identify fit and unfit banknotes and the various degradation levels of the banknotes, amongst others.

The Bank commenced monitoring of DMBs' compliance with the policies in the review period. This entailed quarterly spot checks by the Banks' Branch staff on DMB branches within their states. A total of 13,083 infractions were recorded from 12 defaulting DMBs, with a total sum of ₦181,000,000.00 recommended as penalties to be paid by the erring DMBs.

#### **4.0. NIGERIAN CASH MANAGEMENT SCHEME (NCMS)**

The Bank sustained its efforts at engendering a more efficient currency management regime under the Nigerian Cash Management Scheme. The Scheme advocates and implements initiatives inspired by the principle of shared services in order to reduce the cost of cash management in Nigeria.

Despite the disruptions occasioned by the COVID-19 global pandemic during the year under review, the Bank remained resolute in its implementation of the upgraded industry-wide Cash Activity Reporting Portal (CARP), one of the initiatives under the NCMS. The Portal is expected to improve visibility on the operations of participants within Nigeria's cash management sector and further provide operational data to aid improved industry efficiency. Milestones recorded during the year included the launch of the upgraded industry Portal and the commencement of data transmission by stakeholders unto the portal.

The Bank registered one additional CIT company in 2020. Consequently, at end-December 2020, there were nine (9) registered CIT operators and two (2) cash processing companies.

## 5.0. INCOME AND EXPENDITURE PROFILE

### 5.1. INCOME PROFILE

The sum of ₦6,499.91 million was generated as income from penal charges on deposits of unsorted banknotes and charges for authentication of foreign currency deposits by DMBs in 2020. The amount represented a decrease of ₦6,743.01 million (50.91 percent), compared with ₦13,242.91 million in 2019. The decrease was attributed to reduced deposits by DMBs, on account of restrictions to curb the spread of Covid-19 pandemic.

### 5.2. EXPENDITURE PROFILE

The Bank incurred a total of ₦67,212.20 million on Currency Operations in 2020, representing a decrease of ₦17,963.18 million or 21.08 percent, compared with ₦85,175.38 million in 2019. Of the total, ₦63,972.53 million (95.18 percent) was incurred on Currency Issue Expenses (CIE) recurrent, ₦3,206.15 million (4.77 percent) on CIE capital, while Non-CIE items accounted for the balance of ₦33.51 million (0.05 percent). The CIE recurrent showed a decrease of ₦18,722.13 million or 22.64 percent, compared with ₦82,694.66 million in 2019. This was due, largely, to reduction on the volume of the indent.

Further analysis of the CIE recurrent expenditure showed that expenses on printing of banknotes amounted to ₦58,618.50 million or 91.63 per cent, cost of air charter was ₦4,507.22 million (7.04 per cent), while expenses on disposal of currency notes, amounted to ₦538.59 million or (0.84) per cent in the period under review. (Table 5.2.1 and Figure 5.2.1)

**TABLE 5.2.1. COD EXPENDITURE PROFILE (2019-2020)**

	2019 (₹ MILLION)	2020 (₹ MILLION)	PERCENT CHANGE IN THE PERIODS UNDER REVIEW
CIE RECURRENT	82,694.67	63,972.53	(22.64)
CIE CAPITAL	2,416.15	3,206.15	32.70
NON-CIE	64.55	33.51	(48.09)
<b>TOTAL</b>	<b>85,175.37</b>	<b>67,212.20</b>	<b>(21.08)</b>

**FIGURE 5.2.1. COD 2020 EXPENDITURE PROFILE (IN PERCENTAGE)**

## 6.0. CURRENCY MUSEUM

A total of 1,829 individuals visited the Currency Museum in 2020, indicating a decrease of 4,907 visitors (72.85 per cent), compared with 6,736 visitors in 2019. The decrease was attributed to the suspension of visitors' admission into the museum as a result of COVID 19 induced restriction . There was no artefact acquisition in 2020, thus the Museum's count of artefacts remained at 1,934 pieces at end-December 2020. In line with the MOU signed with the National Commission for Museums and Monuments (NCMM) two conservation exercises are carried out annually to preserve them from decay and deterioration. However, in 2020 only one phase of the exercise was carried out due to the COVID-19 pandemic.

The sum of ₱70,000.00 was realized from the sale of souvenirs in 2020, as against ₱232,050.00 in 2019, indicating a decrease of ₱162,050.00 or 69.83 per cent, compared with the income generated in 2019.

## 7.0. ISSUES AND CHALLENGES

In the review period, currency management activities were constrained by a number of challenges especially COVID-19 pandemic induced restrictions. Other challenges included, high level of human intervention in currency handling processes at the Branches, sale of new Naira banknotes, incidences of counterfeiting, poor handling habits of banknotes by the public and high cost of currency management. Other constraints are public apathy to the usage of coins and continued involvement of the Bank in retail cash processing and distribution.

Unlicensed CIT/CPC's refusal to register remained a challenge, despite the newly introduced guidelines for registration with tiered capital requirements. The number of visitors to the Currency Museum was significantly reduced due to the COVID-19 pandemic restrictions. Also, the processing and disposal of polymer banknotes remained a major challenge due to lack of polymer processing and disposal specific machines.

## 8.0. PROSPECTS AND THE WAY FORWARD

To address the challenges, the Bank would need to sustain implementation of various initiatives and programs designed to improve efficiency of currency management, including but not limited to the following :

- a) Sustain compliance checks to ensure adherence to the Clean Notes Policy/Banknotes Fitness Guideline across all the DMBs and other stakeholders;
- b) Continue collaboration with security agencies to combat the sale of naira banknotes, through sting operations and other activities;
- c) Automation of currency operations in the Branches to enhance efficiency and reduce manual intervention in some cash handling processes;
- d) Sustain intervention to address the sub-optimal circulation of lower denomination banknotes through adequate supply and distribution in collaboration with DMBs;
- e) Recycling of banknote waste to reduce the carbon footprint;
- f) Collaboration with relevant stakeholders in the Harmonized Publicity Campaign and reinforcement of the cashless policy to stem the tide of sale of naira notes, curb counterfeiting and discourage poor handling of the naira notes.
- g) Enforce compliance of operators on data rendition on the CARP and ensure active use of the internal and industry-wide CARP dashboard by the operations management team and distribution management office for monitoring and management of cash.

In addition, the Bank has commenced the process for the establishment of a Currency Laboratory to facilitate adjudication, banknotes evaluation and other tests for quality improvement. The Bank would also continue to engage the NSPM PLC to facilitate timely delivery of the indent, as well as, liaise with the Bankers' Committee, and the Committee of Heads of Bank Operations (CHBO) for DMBs to strengthen their internal control mechanisms. This is with a view to minimize the incidences of shortages, deliberate mutilation, inter-leaving and counterfeiting.

**LIST OF ABBREVIATION AND ACRONYMS**

<b>AE</b>	Awaiting Examination
<b>BC</b>	Branch Controller
<b>BDC</b>	Bureau De Change
<b>BDC</b>	Banknotes Destruction System
<b>BOD</b>	Branch Operations Department
<b>BPE</b>	Bureau of Public Enterprises
<b>BPS</b>	Banknotes Processing System
<b>BWH</b>	Bankers Warehouse PLC
<b>CAC</b>	Counted audited clean
<b>CAD</b>	Counted audited dirty
<b>CBN</b>	Central Bank of Nigeria
<b>CIT</b>	Cash-In-Transit
<b>COD</b>	Currency Operations Department
<b>COG</b>	Committee of Governors
<b>CDS</b>	Currency Disintegration System
<b>CIC</b>	Currency In Circulation
<b>CIE</b>	Currency Issues Expenses
<b>CPDA</b>	Currency Processing and Disposal Assistant
<b>CPS</b>	Currency Processing System
<b>DMB</b>	Deposit Money Bank
<b>EUR</b>	Euro
<b>FCT</b>	Federal Capital Territory
<b>FIFO</b>	First in First Out
<b>GBP</b>	Great Britain Pound
<b>(G+DCTA)</b>	Giesecke + Devrient Currency Technology Africa Limited
<b>GDP</b>	Gross Domestic Product
<b>HRD</b>	Human Resources Department
<b>ICMS</b>	Integrated Cash Management Services
<b>ITD</b>	Information Technology Department
<b>LSD</b>	Legal Services Department
<b>MDA</b>	Ministries, Departments & Agencies
<b>MIINT</b>	New Banknotes
<b>NCMS</b>	Nigerian Cash Management Scheme
<b>NSPM PLC</b>	Nigerian Security Printing and Minting PLC
<b>PROJECT CURE</b>	Currency Restructuring Exercise
<b>OVI</b>	Optical Variable Ink
<b>OBIS</b>	Optical Banknote Inspection System
<b>PTA</b>	Personal Travel Allowance
<b>RMD</b>	Risk Management Department
<b>SAR TC</b>	Saudi Riyal Travelers Cheques
<b>SSD</b>	Security Services Department
<b>SLA</b>	Service Level Agreement
<b>TE</b>	Time Expired
<b>USD</b>	United States Dollar

**REFERENCES**

**Inputs from Offices in Currency Operations Department**  
**GDP Data From Statistics Department, Central Bank of Nigeria, Abuja.**