



Central Bank of Nigeria

CBN UPDATE

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Nigeria Commodity Exchange: CBN, NSIA to Invest N50bn

INSIDE THIS EDITION:

- Currency Swap CBN Sells 1.75bn Yuan in 2 years
- FG Set to Release 300,000 Metric Tonnes of Maize in February
- New Framework for Regulatory Sandbox Operations
- National Arts Theatre to Become World Class Centre - Emefiele
- Non-Oil Exports Generate \$100.88m in 30 Days
- Stimulating Agriculture - The Nigeria Commodity Exchange Approach

Contents

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Editor's Note	1
Nigeria Commodity Exchange: CBN, NSIA to Invest N50bn	2
Avoid Another COVID-19 Lockdown - CBN	3
Stimulating Agriculture: The Nigeria Commodity Exchange Approach	5
Currency Swap: CBN Sells 1.75bn Yuan in 2 Years	8
FG Set to Release 300,000 Metric Tonnes of Maize in February	8
Foreign Reserves Adequate for Seven Months -CBN	11
Framework for Code Payments in Nigeria Released	14
National Arts Theatre to Become World Class Centre - Emefiele	15
New Framework for Regulatory Sandbox Operations	16
Non-Oil Exports Generate \$100.88m in 30 Days	18
FREQUENTLY ASKED QUESTIONS (FAQs)	20



Editor's Note

We wish our dear readers a happy New Year as we continue to keep ourselves safe through the second wave of the COVID-19 pandemic.

In our resolve to keep you, esteemed readers, abreast of important information about the Central Bank of Nigeria's (CBN) policies, programmes and initiatives, CBNUPDATE editorial team has put together as always, an interesting edition for your reading pleasure.

In this edition to kickstart the year, we present the role the CBN is playing in resuscitating the Nigeria Commodity Exchange (NCX) as it injects N50bn into the Exchange in a move to turn its fortunes around.

The news analysis also features an incisive and reflective exposition on how the revival of the Nigerian Commodity Exchange can stimulate economic growth (NCX). It is a brilliant piece laden with a lot of information for our readers.

As promised by the Bank to reduce the suffering of Nigerians, particularly farmers in the agricultural value chain, it released 300,000 metric tonnes of maize to the Nigerian market to crash the price.

Also, in the edition, we provide you an update on the Bilateral Currency Swap Agreement between Nigeria and China, as well as assurance by the CBN of adequate foreign exchange reserves to cover months of country's export needs.

On the track of fulfilling its pledge of creating 1 million jobs in 5 years is a story on the National Theatre's renovation under the Bank CIFI window. Equally interesting is a story on the framework issued by the Bank on Quick Response Code Payments in Nigeria essentially to increase customers' appetite for payment solutions as well as other stories.

Do have a pleasurable reading of these and other interesting news stories packaged for you in this edition.

A handwritten signature in black ink, appearing to read 'Osita Nwanisobi'.

Osita Nwanisobi
Editor -in- Chief

Nigeria Commodity Exchange: CBN, NSIA to Invest N50bn

By: Ademola Bakare



Source: CommodityNG

Sequel to the approval given by the Federal Government to restructure the Nigeria Commodity Exchange (NCX), the Central Bank of Nigeria (CBN) has pledged to inject N50bn in the sub-optimally performing state-owned institution in a new plan to make it alive to its responsibilities.

The CBN's injection to increase its equity in the NCX, is compelled by the cancellation by the government of its planned sale of the Exchange in a new move to turn it around within 90 days and be able to provide a robust platform for the sale of agricultural commodities that are the end product of the various interventions of the Bank, particularly, the Anchor Borrowers' Programme.

The inability of the NCX to catalyse agricultural production, due to several structural challenges, made the government adopt this new move. It is hoped that the new approach will turn it around to compete with the world's best.

It will be recalled that President Muhammadu Buhari, in addition to the approval of the restructuring of the NCX, also endorsed an investment of at least N50bn through the Infrastructure Company (InfraCo) to reposition the commodity exchange, and tasked the CBN as a major shareholder of NCX, to collaborate with the

Nigeria Sovereign Investment Authority (NSIA) and Africa Finance Corporation (AFC), under the InfraCo, to develop and implement a strategic repositioning plan for the NCX to make the Exchange an efficient world-class Commodity exchange.

Under the new arrangement, the CBN Governor, Godwin Emefiele, will chair a steering committee that will have as members, representatives of NSIA, AFC and Federal Ministries of Finance, Budget & National Planning; Industry, Trade and Investment; and Agriculture and Rural Development, to implement the plan to restructure.

The N50bn investment by the CBN will thus increase the Bank's existing 59.7 per cent majority shareholding stake in NCX, to enable it to implement far-reaching measures, which include reconstitution of NCX's Board and Board Committees, as well as, the appointment of a chairman by the Bank.

The new arrangement incorporates the Nigeria Postal Services that will provide some of its assets across the federation as model warehouses, while the steering committee is empowered to co-opt any other Ministry, Department and Agencies of government for the effective implementation of the Strategic Turnaround Plan.

Governor Emefiele said the new plan came into being owing to the unfortunate arbitrage opportunities which the government had noticed in the private sector arrangement and which had become an obstacle in moderating food prices in Nigeria.

The CBN governor said the Bank had engaged the management of NCX and other key stakeholders on strategies to revamp the Exchange and upgrade its facilities, similar to what exists in other African and western countries where commodities exchanges are key drivers of economic growth.

Emefiele however, noted that despite efforts by the government and the CBN, "there are still

significant challenges within the Nigerian agricultural commodities value chain that would need to be addressed, in order to accelerate investment and productivity in the sector".

The challenges include poor infrastructure and logistics which impede the movement of produce from farm to market and/or processing centres resulting in massive revenue losses to farmers; limited storage and preservation facilities; lack of adequate liquidity to support offtake of agricultural goods; unavailability of pricing information to market participants and the activities of middlemen who currently aggregate commodities with the sole aim of manipulating prices for selfish gains■

Avoid Another COVID-19 Lockdown - CBN

By: Ademola Bakare

Source: Pan American Health Organization



The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), has advised the Federal Government against imposing another lockdown on the country.

Speaking at the end of the Committee's two-day meeting in Abuja on Tuesday, January 26, 2021, the CBN Governor, Mr. Godwin Emefiele said the MPC took the position because "a wholesome lockdown of the economy will be catastrophic".

He said, "expressing understanding of the public health dilemma of the recent spike in infections, MPC encouraged Government not to consider a wholesome lockdown of the economy so as not to reverse the current gains of the stimulus earlier provided in 2020".

The Governor pointed out that the COVID-19 pandemic and the necessary measures put in place by the Government to forestall its public health impact, such as the lockdown and other associated restrictions, contributed to the Nigerian economy going into recession, much like almost every other country in the world.

"Members thus agreed that the Committee's current priority remains to quicken the pace of the recovery through sustained and targeted spending by the fiscal authority supported by the Bank's interventions. Emefiele said it was thought necessary to increase collaboration with the fiscal authority by providing complementary spending to finance productive ventures in a bid to improve aggregate supply and reduce prices.

“This is in addition to effectively collaborating with the Presidential Task Force on COVID-19 through the existing private sector Coalition against COVID-19 (CACOVID) to procure and distribute vaccines to fast-track the pick-up of business activities and economic recovery.

Members, he said, reiterated the adverse impact of insecurity on food production, stressing that the current uptick in inflationary pressure could not be solely associated to monetary factors, but due mainly to legacy structural factors across the economy, including major supply bottlenecks across the country.

Emefiele disclosed that the Committee had therefore called on the Government to redouble efforts at strengthening infrastructural efficiency and address the emerging security challenges in the country.

Similarly, he said the Committee enjoined the government to explore the option of effective partnership with the private sector to improve funding sources necessary to address the huge infrastructural financing deficit.

According to him, the Committee expressed concern over the rising public debt stock, as recurrent expenditure remained relatively high, compared with capital expenditure, thus, signalling future debt servicing challenges.

Furthermore, to improve Government revenue sources and investment in capital, he said the Committee called on the Government to take advantage of the commencement of the African Continental Free Trade Area (AfCFTA), which could boost domestic production and generate sizeable revenues for Government, as well as improve domestic productivity and competitiveness.

While the Committee commended the Bank's efforts at improving liquidity in the foreign exchange market, it noted the need to continue to explore avenues to improve inflow from sources such as the International Money Transfer Operators (IMTO), diaspora remittances and non-oil export promotion, given the current trajectory of crude oil prices. These sources, in the view of the Committee, would boost foreign exchange supply and ease the current exchange rate pressure.

The Committee also noted the continued improvement in the equities market as a lead indicator of medium-term macroeconomic recovery, thus, urging the Bank to maintain its collaboration with the fiscal authority to improve the investment climate towards attracting sustainable Foreign Direct Investment (FDI).

The Committee, Emefiele pointed out, also commended the Bank for maintaining a sound regulatory surveillance over the banking system by ensuring a reasonably low level of non-performing loans (NPLs), even with the aggressive credit expansion programme during this crisis period.

Though NPLs remained slightly above the prudential benchmark, members noted that the banking system remained stable, strong and resilient. Given the success recorded under the LDR policy, it thus urged the Bank to sustain its risk surveillance approach and ensure the continued soundness of the banking system.

Stressing further, he said the Committee in its consideration, noted the broad-based global stimulus packages, including expanded credit lines, asset purchase programme, corporate bond purchase, additional funding facilities for financial system, commercial paper purchases, special central bank lending, increase in the Ways and Means limits introduced by the central banks of different countries to support economic recovery in their various economies and to prevent further distortions to the economy caused by the devastating impact of the pandemic.

The Committee noted the large stimulus packages deployed by many countries to fast-track growth recovery and restore livelihoods across the world. It also encouraged the Central Bank of Nigeria Management to intensify its efforts in the targeted credit facility to households, SMEs, the health sector, as well as agriculture and manufacturing sectors which would not only boost consumer spending but result in manufacturing output thereby positively impacting the GDP.

The Committee therefore decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 11.5 per cent, while also retaining the MPR at 11.5 per cent; the asymmetric corridor of +100/-700 basis points around the MPR; the CRR at 27.5 per cent; and the Liquidity Ratio at 30 per cent ■

News Analysis

Stimulating Agriculture: The Nigeria Commodity Exchange Approach

By: **Sam Okogbue**



We were used to hearing that agricultural production was the main stay of the Nigerian economy, but that statement faded away with the discovery, exploration and dominance of crude oil production and export. Since mid-1970s, crude oil exports assumed the status of chief foreign exchange earner, contributing on average, about 80 per cent of government's revenue and 90 per cent of Nigeria's export earnings.

Those were the days when regional produce boards held sway, coordinating agricultural produce that were relevant and revenue generating in each region. In Northern Nigeria, products such as cotton, groundnuts were dominant, palm produce (kernel and oil) were major products in the Eastern Nigeria, while cocoa reigned supreme in Western Nigeria.

Then a region's economic and financial fortune was largely determined by the operational efficacy of its produce board as demonstrated in terms of mobilizing and administering the right set of incentives to the farmers.

The military regime scrapped these regional marketing boards due to observed anomalies that were antithetical to the objectives of its establishment.

Furthermore, the prevalent economic reality was no longer in favour of the administered price system, the hallmark of Commodity Boards. Farmers and private sector entities were left to source and export agricultural commodities on their own efforts.

The Nigerian Export Promotion Council (NEPC) was established to provide incentives needed to spur the production and exportation of agricultural and other non-oil products. The operations and modalities of the NEPC could not effectively ensure mobilization of farmers to produce the quantum of agricultural produce sufficiently for local consumption at scale.

Since then, there has been a near absence of a well-coordinated agricultural production and export in Nigeria.

Given the ineffective framework for agricultural production and value addition in Nigeria, it took the launch of the Anchor Borrowers' Programme (ABP) by the CBN in 2015 to enable the sector regain traction. The novel idea of the programme introduced the wholesale anchor who guarantees to offtake the commodity from farmers. By this arrangement, the anchors provide solution to the existing "cobweb theory" dilemma faced by farmers who are often unsure of ready markets for their produce.

operation, the NCX would serve as an enlarged market for commercial agriculture and the growth of agricultural sector.

Furthermore, it is hoped that when fully operational and trading standardized commodity contracts and related investment products, the Exchange will also provide farmers with other value addition services such as the provision of warehousing receipts which can serve as negotiable instrument by farmers can discount

The operations and modalities of the NEPC could not effectively ensure mobilization of farmers to produce the quantum of agricultural produce sufficiently for local consumption at scale.

The Nigerian Commodity Exchange (NCX) was established on June 17, 1998 as an alternative institutional arrangement with the purpose of managing the effect of price fluctuations in the marketing of agricultural produce with a view to moderate the adverse implication on revenue of farmers.

Thus, it was envisaged that the NCX like similar institutions across the globe would be able to provide standardization mechanism that guides export of agricultural commodities as well as offer immense benefit to farmers, agro-commodity processors and merchants and serve as veritable platform to mitigate the inherent risks in agricultural production and marketing. However, the Exchange failed to meet the expectation of all stakeholders.

The renewed efforts to resuscitate the Nigerian Commodity Exchange (NCX) championed by the Central Bank of Nigeria is aimed at injecting value into the agricultural sector by improving sales and marketing of the end products of its various interventions.

Thus, with the injection of N50bn by the CBN to increase its equity, it is envisaged that when fully in

such instrument for cash or use it to obtain credit facilities from financial institutions thereby supporting the efforts around agricultural commodity trading.

It is believed that with the presence of a vibrant commodity exchange and the implied value addition in agricultural production, processing and sales, it would elicit huge incentives necessary to spur and reignite another agricultural revolution in Nigeria ■





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Currency Swap: CBN Sells 1.75bn Yuan in 2 Years

By: Ruqayyah Mohammed



The Central Bank of Nigeria (CBN) has sold a total of Chinese Yuan CNY 1.75bn between July 2018 when the deal was brokered and June 2020. This was revealed by the Bank recently in its 2020 Financial Markets Department (FMD) Half-Year Activity Report.

The Bank said it conducted 13 auctions in the first half of last year and Renminbi worth CNY294.09m was sold from the drawdown of CNY1.00bn, compared with Renminbi worth CNY483.18m in the corresponding period of 2019.

The report stated that "The Bank continued with the implementation of the Bilateral Currency Swap Agreement with the People's Bank of China (PBoC)

through fortnightly Renminbi auctions, which commenced in July 2018. In the review period, 13 auctions were conducted and Renminbi worth CNY294.09m was sold from the drawdown of CNY1.00bn.

In the corresponding period of 2019, Renminbi worth CNY483.18m, from the drawdown of CNY1.00bn, was also sold in 13 auctions. CNY1,746.40m has been sold from inception to end-June 2020." The CBN, in May 2018, signed an agreement with the PBoC to facilitate trade between Nigeria and China to enhance foreign reserves management. It made Nigeria the third country in Africa after South Africa and Egypt to sign such a deal with China ■

FG Set to Release 300,000 Metric Tonnes of Maize in February

By: Ruqayyah Mohammed

The Federal Government is set to release about 300,000 metric tonnes of maize into the Nigerian market from strategic anchors under the CBN Anchor Borrowers' Programme (ABP). With this move it is believed that the current price of the commodity (N155,000 per metric tonne), would be crashed drastically.

The action follows moves made by the CBN, working with the Nigeria Customs Service (NCS), in the last quarter of 2020, to facilitate import waivers to four agro-processing companies to import 262,000 tonnes of maize to bridge the shortfall in

production and augment local production.

With the release of 300,000 metric tonnes in February 2021, it is expected that the prices of maize in the Nigerian market will drop significantly, thereby increasing demand for the crop and ultimately enhance the gains of maize farmers.

Prior to the CBN/NCS collaboration, President Muhammadu Buhari had approved the release of 30,000 tonnes of maize from the National Strategic Grain Reserve to support the Poultry Association of Nigeria (PAN) at a subsidized rate.



Source: Bakingbusiness.com

Chatting with newsmen in Abuja, the National President of the Maize Association of Nigeria (MAAN), Alhaji Bello Abubakar, attributed the current shortfall in the quantity of maize available in the market to include insecurity around the major maize producing belt of Niger, Kaduna, Katsina, Zamfara and parts of Kano states. He also identified the activities of hoarders and middlemen who engage in hoarding of the grain.

Speaking in the same vein, a prime anchor under the maize production, Dr. Edwin Uche, noted that banditry, drought in some parts of the country in 2020 and activities of middlemen are responsible for the current high price. He however opined that the planned dry season farming which is first of its kind in the country, timely distribution of inputs to farmers and improved security, would go a long way to enhance production and ensure stability in price. He expressed optimism about the price crashing to N120,000 per metric tonne in the next couple of days.

Another major stakeholder in maize production, Mr. Ayodeji Balogun of AFEX, attributed the hike in price to cash-flow problem of farmers which has compelled farmers to resort to collecting cash from buyers ahead of production and resort to side-selling, especially across the borders of neighbouring countries due to higher prices.

It will be recalled that the CBN in 2020 had provided credit facility and seed support to maize farmers, to enable them increase their yield,

particularly due to the challenge posed by the Corona Virus (COVID-19) pandemic.

In pursuit of the Bank's financing initiatives, the CBN had facilitated the funding of maize farmers and processors through the Anchor Borrowers' Programme (ABP) Commodity Association, Private/Prime Anchors, State Governments, Maize Aggregation Scheme (MAS), and the Commercial Agricultural Credit Scheme (CACs).

Confirming the release of credit to its members by the CBN, the National President of Maize Association of Nigeria (MAAN), Dr. Bello Abubakar, disclosed that over 200,000 farmers are targeted to produce more than 25 million metric tonnes of maize in the 2020/2021 planting season.

According to him, the credit secured by the CBN are being distributed to members along the maize value chain, nation-wide. He expressed confidence that the support of the CBN would boost production and ultimately ensure availability as well as stability in the price of the commodity. In spite of cases of insecurity in some parts of the country, he said farmers were committed to meeting the objective of food security.

Abubakar also charged middlemen not to take advantage of the supply gap to hike the price of the grains, even as he assured that farmers would maintain reasonable price. He equally urged the Federal Government to put in place mechanism to protect farmers from market triggered shocks ■



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Foreign Reserves Adequate for Seven Months -CBN

By: Ademola Bakare



Source: The New Yorker

The Central Bank of Nigeria, (CBN), has assured that the country's foreign exchange reserves at the current level of about USD35 billion would cover seven months import needs of the economy.

This is contained in the Bank's 2020 economy review and 2021 outlook it just released. 'In the review and outlook the Bank explained that with the decline in the nations foreign exchange earnings and successive exchange rate adjustments, it was forced to implement a demand management framework designed to bolster the production of items that can be produced in Nigeria, and aid conservation of external reserves.

It stated: "Due to the unprecedented nature of the shock, we continued to favour a gradual liberalisation of the foreign exchange market in order to smoothen exchange rate volatility and mitigate the impact which rapid changes in the exchange rate could have on key macro-economic variables.

This, the Bank believes, is in line with international best practices in countries where managed float arrangements are in operation. In the report it also assures of measures being taken by the authorities to improve our non-oil exports and other sources of foreign exchange. These measures according to

the Bank have helped to prevent a significant decline in our reserves. Our external reserves currently stand above \$35 billion and are sufficient to cover seven months of import of goods and services."

On concerns of inflation and its implication on monetary policy measures CBN stated that "Inflationary pressure persisted during the year due to several factors coupled with the disruption to global and domestic supply chains as a result of COVID-19, inflation was exacerbated by the increase in VAT rate, petroleum prices, electricity price adjustments, farmer-herder clashes, exchange rate adjustment, and flooding that occurred in many parts of our farm belt areas. Inflation in October 2020 it stated stood at 14.2 percent.

"We, however, expect inflation to begin to moderate by the first half of 2021 as efforts are being made to enable significant cultivation and production of key staple items in the dry season."

Prior to the outbreak of the coronavirus, COVID-19, in December 2019, the Nigerian economy was on a positive growth trajectory, having made a significant recovery from the 2016-2017 recession, which was triggered by the drop-in commodity prices in 2016.

Following the recession, the economy witnessed 12 consecutive quarters of economic expansion, and GDP growth in the fourth quarter of 2019 stood at 2.55 percent. The Naira/\$ exchange rate remained stable for over two years at N360/\$ and our external reserves witnessed significant accretions from the sale of crude oil and continued inflows from foreign investors.

Continuing, the report said the banking system remained strong as key indicators reflected improvements across several areas. Capital adequacy ratio for the banking industry was above 15 percent, surpassing the prudential requirement. The ratio of non-performing loans declined from 11 percent in April 2019 to less than 6.1 percent by January 2020.

The Bank's intervention efforts in agriculture and manufacturing sectors continued to support employment generating activities and improved local production of goods that can be produced in Nigeria.

"The onset of the COVID-19 pandemic in the first half of 2020, and the lockdown measures put in place to contain the spread of the virus, caused an unprecedented shock to the global economy. Global economic downturn, which was particularly significant in the second quarter of the year, saw declines in growth in advanced and emerging market countries, such as the United States (9.5 percent), United Kingdom (20 percent), India (24 percent) and South Africa (17 percent).

As a result, far-reaching measures were taken by fiscal and monetary authorities in advanced and emerging markets to stabilize their respective economies. "Like other economies, the Nigerian economy was not immune from the COVID-19 shock in 2020. Nigeria's gross domestic product, GDP, contracted by 3.4 percent in the third quarter, a welcome improvement from the 6.1 percent recorded in the second quarter.

The negative rate of growth however, was due to a series of external factors in addition to the lockdown measures, imposed in order to curtail the spread of the virus. Some of the key constricting factors were, restrictions on global travel by land and air; along with the slowdown in commercial activities, these combined, led to a significant reduction in the demand for crude oil, and contributed to a 65 percent decline in crude oil prices between January and May 2020.

The drop in crude prices, along with OPEC reduction of Nigeria's production quota led to a

significant decline in our foreign exchange earnings, along with a more than 60 percent decline in revenues due to the federation account. Today, crude oil prices have recovered from its low of US\$19 per barrel in April 2020 to US\$51 per barrel in January 2021; but it is yet to return to pre-pandemic levels of over US\$60 per barrel as at January 2020. GDP growth in the oil sector in the third quarter remained subdued due to the OPEC restrictions on oil output.

Restrictions on Movement impacted on GDP growth in 2020, particularly in the manufacturing sector as many factories and businesses operated at limited capacity, in addition to a decline in demand for service-related activities, which requires extensive personal contact, such as transportation, hospitality and tourism.

Significant disruptions in domestic and global supply chains as a result of the lockdown measures in key markets in Asia and Europe between March and May 2020, affected delivery of inputs and machinery to firms in Nigeria, and this contributed to a slowdown in manufacturing activities.

Some countries such as India and Vietnam imposed restrictions on the exports of vital materials in order to meet the needs of their local market. This challenge, reinforces the need to build more resilient systems that can support Nigeria's production needs in times of crisis.

On Capital Flows, the impact of the pandemic and the resulting slowdown in economic activity led to a significant outflow of funds from emerging market economies. Foreign investors withdrew over \$100bn worth of funds from emerging markets between February and April 2020.

These funds were subsequently invested in safe haven assets such as US treasury bills and the Japanese Yen. The increase in outflows from emerging markets also led to a corresponding depreciation in the currencies of several emerging market countries such as Brazil (27.3%), Turkey (35.1%), Argentina (35%), Russia (20%), Angola (27%) and South Africa (9%) in 2020.

The CBN report also harped on the efforts of the monetary policies deployed to address other bottlenecks in the economy. It stated, "Given the impact on COVID-19 on key economic variables earlier mentioned, the fiscal and monetary authorities took unprecedented measures to prevent any long-term damage to the growth prospects of the economy."



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Framework for Code Payments in Nigeria Released

By: **Olusola Amadi**



A framework for Quick Response (QR) Code Payments in Nigeria has been released by the Central Bank of Nigeria (CBN). This is in furtherance of its mandates to ensure the safety and stability of the Nigerian Financial System, promote the use and adoption of electronic payments and foster innovation in the payments system.

The framework, which provides regulatory guidance for the operation of QR Code payment services in Nigeria, aims to ensure the adoption of appropriate QR code standards for safe and efficient payments services in Nigeria. It stipulates acceptable QR Code Standards for implementing QR Payments in Nigeria; Interoperability of QR Payments in Nigeria; Roles and Responsibilities of Participants in QR Payments in Nigeria; Risk management principles for QR code Payments in Nigeria.

Quick Response (QR) Codes are a kind of matrix barcode representing information presented as square grids, made up of black squares against a contrasting background that can be scanned by an imaging device, processed and transmitted by appropriate technology.

These codes can be used to present, capture and transmit payments information across payments infrastructure. The technology further enables the mobile channel to facilitate payments and presents another veritable avenue for promoting electronic payments for micro and small enterprises. Merchants to receive payments from customers by scanning generated QR codes using a smartphone

camera. The QR code payments carry the purchase transaction information to the mobile device of the buyer/customer.

The Bank states that while QR Code Payments in Nigeria are to be based on the EMV® QR Code Specification for Payment Systems, the Bank may however, approve the implementation of any other QR Code Standard, provided it meets the prescribed security requirements within the framework, demonstrates interoperability with other existing implementation in the industry and/or cost benefits to end-users (merchants and customers).

Going further, the framework specifies that QR Code Payments implementation will support account, wallet, card and token based QR Code Operations; and implementation of QR Code for payments in Nigeria will be based on the Merchant-presented mode (where merchants present the QR Code for buyers to accept in order to conclude payment transactions) specification. Participants in QR Code Payment in Nigeria are as follows: Merchants, Customers, Issuers (Banks, MMOs and Other Financial Institutions), Acquirers (Banks, MMOs and Other Financial Institutions) and Payments Service Providers.

The Framework as released on the CBN website, provides information on the responsibilities of participants in QR Code payments in Nigeria; interoperability of QR Code schemes; risk management and compliance principles to guide the operations of QR Code Payments in Nigeria amongst others ■

National Arts Theatre to Become World Class Centre - Emefiele

By: **Bartholomew Mbaegbu**



National Arts Theatre, Iganmu, Lagos

The National Arts Theatre, Iganmu, Lagos, is to be transformed into a world class convention centre, the Central Bank Governor, Mr Godwin Emefiele, has said.

The Governor disclosed this on Tuesday, January 26, 2021, while answering questions on the outcome of the Monetary Policy Committee meeting, which held in Abuja. According to him, all approvals are in place to renovate the structure of the National Arts Theatre and transform it into a world class convention centre.

“All approvals are in place; we are hoping in the next couple of weeks, a contract will be awarded and the National Arts Theatre, by the grace of God, will wear a new look,” Emefiele said. He recalled the structure in 1977 was commissioned and used for the Festival of Arts and Culture, FESTAC, but was saddened by the fact that it was allowed to decay.

“National Arts Theatre was commissioned and used for the FESTAC, 1977. We have visited that magnificent structure, yes, it's totally dilapidated but the structure can compete with any convention centre that you will find in any part of the world. So,

it is painful that we allowed that infrastructure to decay to the level that it is,” he said.

Emefiele also said that no convention centres in the world was a match to the national Art theatre adding that he had not seen any in all the IMF and World Bank's meetings that he had so far attended. He said that the Bankers Committee would fund the renovation of the structure, given the approval of President Muhammadu Buhari. He further said that four structures would also be built to support the creative arts activities of the Nigerian youths.

Recall that the Federal Government, in July 2020, officially handed over the National Theatre in Lagos to the Central Bank of Nigeria (CBN) and the Bankers' Committee for renovation.

Emefiele had said at the handover that Nigeria had the potential to earn over \$20bn annually from the creative industry and that the creative industry centre was expected to create over 1 million jobs in five years.

“Our goal for the National Theatre is to create an environment where startups and existing businesses are rewarded for their creativity,” Emefiele had said ■

New Framework for Regulatory Sandbox Operations

By: **Louisa Okaria**



Source: iStock Image

The Central Bank of Nigeria (CBN), in its determination to ensure a sustainable financial system, foster innovations and deepen financial inclusion, has introduced the Regulatory Sandbox. This is a formal process for firms to carry out live tests of new, innovative product, services, delivery channels, or business models in a controlled environment, with regulatory oversight, subject to appropriate conditions and safeguards

This was made known in a circular on the CBN website dated 13th January, 2021. The Bank said the essence of this is to increase consumer appetite for payment solutions and also to ensure more flexible ways of engaging with operators in the payment solutions and financial service space. The new framework would equally increase the potential for innovative business models and advance financial inclusion. The Bank stated that this would enable it stay abreast of innovations while promoting a safe, reliable and efficient payments system to foster innovation without compromising on the delivery of its mandate.

The Central Bank stated that the framework therefore, set the rules of the establishment and operations of a Regulatory Sandbox for the Nigerian payment system to promote effective competition, embrace new technology, encourage Financial Inclusion and improve customer experience, with a view to engendering public confidence in the financial system.

The Bank said that the objectives of the Regulatory Sandbox include increase in the potential for

innovation business models that advance financial inclusion. It further said that it would help reduce time-to-market for innovative products and services and business models.

It will also increase competition, widen consumers' choice and lower costs and also to ensure appropriate consumer protection safeguards in innovative products. The CBN further said that the Regulatory Sandbox would help to clearly define the roles and responsibility of stakeholders and the operations of the Sandbox for the Nigerian payment system industry.

It would further ensure adequate provisions in regulations to create an enabling environment for innovation without compromising on safety for consumers and the overall payment system and to provide an avenue for regulatory engagement with FinTech firms in the payment space, while contributing to economic growth.

The Bank revealed that Sandbox applications process is open to both the existing CBN licensees (Financial institutions with Fintech initiative) and other local companies. The latter may include financial sector companies as well as technologies and telecom companies intending to test an innovative payments product or service industry deemed acceptable by the CBN, it said.

Others eligible to also apply include those proposing non-regulated technology i.e. innovators whose proposed solution involves technology which are currently not covered under existing CBN regulations. ■



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Central Bank of Nigeria

Non-Oil Exports Generate \$100.88m in 30 Days

By: **Mohammed Haruna**



Source: Nairametrics

Reports from the Central Bank of Nigeria (CBN) reveal that 10 leading traders earned \$100.88m from non-oil goods exported in one month.

CBN disclosed this in its monthly economic report for October 2020 wherein exports were mainly agriculture produce like cocoa beans, cashew nuts and sesame among other with Olams Nigeria topping the list of with 17.1 percent.

Provisional data indicated that aggregate export proceeds of the top 10 non-oil exporters was \$100.88m in October, 2020. A breakdown showed that Olams Nigeria Limited topped the list with \$6.65m (17.1 percent) of the total volume exports of cocoa beans, cashew nuts and sesame seeds to Turkey and China.

Starlink Global and Ideal Limited came second with export value of \$16.49m (10.6 percent) from export of raw cocoa beans, raw cashew nuts, shea nuts and sesame seeds to Malaysia.

British American Tobacco Nigeria Limited was third with export value of \$12.57m (8 percent) earned from export of cigarettes to Liberia, Guinea, Ghana, Cameroon, Cote d'Ivoire and Niger

Republic.

The report also puts Indorama Eleme Fertilizer and Chemical Limited in the fourth position as a major exporter with a value of \$9.82m (6.3 percent) realised from the export of Urea, fertilizers and agronomy services to Turkey and China. While Tulip Cocoa Processing Limited with export value of \$7.6m (4.9 percent).

The sixth to the tenth position were Mamuda Industrial (Nig Ltd., Metal Recycling Industries Limited, AAK Nigeria Oils and Fats Ltd, Amajaro Nigeria Limited and Valency Agro Nigeria Limited with \$7.2m (4.6 percent), \$6.66m (4.3percent), \$5.73m (3.7percent), \$5 .0m (3.2percent), and \$307m (2.0percent) respectively.

These companies earned \$7.2m (4.6percent), \$6.66m, (4.3percent), \$5.73m (3.7percent) \$5.0m (3.2 percent), and \$3.97m (2.0 percent) respectively.

According to the report, the exported items were leather, aluminium, vegetable oils and fats, cocoa beans, and dried pure prime pressed cocoa butter to India, Saudi Arabia, other Asian and Middle East countries, Malaysia and United States respectively. ■



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Central Bank of Nigeria

FREQUENTLY ASKED QUESTIONS (FAQs)

1. Why is the CBN the only bank that can issue the Naira?

Section 2b and Section 17 of the CBN act gives the CBN the sole right to issue currency notes and coins throughout Nigeria and neither the Federal Government nor any state Government, Local Government, other person or authority shall issue currency notes, banknotes or coins or any document or token payable to bearer on demand being document or token which are to pass as legal tender. Section 18 of the CBN act also gives CBN the power to print banknotes and mint coins.

2. Are machines for printing money available for purchase by the public?

No. The machines are only available to issuing authorities on request.

3. What Department of the CBN is responsible for the printing of money?

Currency Operations Department.

4. What is the purpose of printing polymer notes?

To extend the life span of the banknotes as the polymer notes lasts three times longer than the paper banknotes.

5. How long does the polymer note last?

18 to 24 months.

6. Where can one change currency notes?

Deposit Money Banks (DMBs) and CBN.

7. Can coins be deposited in the Banks?

Yes.

8. How are new currencies circulated?

CBN evacuates the finished banknotes from Nigerian Security Printing & Minting (NSPM) Plc

for distribution to all CBN branches. The branch further distributes the banknotes to DMBs where they are finally released to the public via withdrawals.

9. Why are there no new currencies in circulation?

Analysis of the currency in circulation showed that a large and increasing proportion of the Nigerian currency outside the commercial banking system (COB) is held by the general public who hoard a lot of the new banknotes.

10. Why are the lower denomination banknotes scarce?

The scarcity of lower denomination could be linked to the fact that these notes are held by the public. Absence of Automated Teller Machines (ATM) dedicated to dispense lower denominations has also contributed to the dearth of lower denomination in circulation.

11. Why are there huge numbers of dirty One Hundred Naira notes in circulation?

Handling habits of the general public such as, squeezing, staining, spraying etc. greatly contributes to soiling of the banknotes.

12. In view of the fact that our politicians and leaders abuse the naira at rallies and public events, how do we expect the people to treat the naira with care?

CBN constantly sensitizes the general public, politicians and leaders through public enlightenment campaigns through the print and electronic media on how to properly handle the naira. Further sensitization campaigns are arranged to engage politicians, leaders and other respected elders to make them change champions of the Bank's Clean Notes Policy. This would enable the public follow suit.



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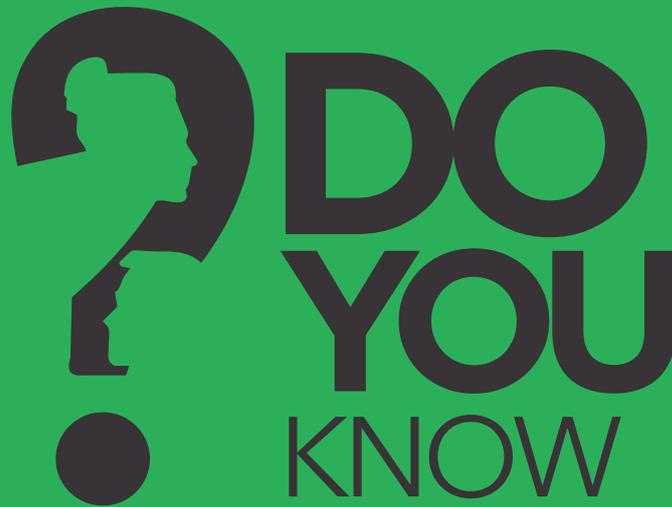
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Central Bank of Nigeria



Discretionary Monetary Policy: These are deliberate actions taken by the monetary authority to influence money supply in the system with a view to achieving its mandates.

Direct Monetary Policy: This involves the use of quantitative monetary controls such as credit ceilings, credit rationing and statutory liquidity ratios to control the amount of money in circulation.

Indirect Monetary Policy: This involves the use of market based instruments such as open market operations for the implementation of monetary policy.

Price stability: In an economy this means the general price level does not change much over time. Prices neither goes up or down.

Exchange Rate Channel: This arises when the exchange rate become the intermediate policy variable for transmission of monetary policy impulses.

Interest Rate Channel: This is a monetary policy transmission mechanism channel where by changes to the policy are propagated through interest rates to inflation.

That if you make a complaint to your bank, you must insist on getting the Consumer Complaint Management System (CCM) tracking number from your bank? This will enable the Central Bank Nigeria do a follow up.

That if you make a complaint to your bank on card related and funds transfer issues, and it is not resolved after 72 hours, you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

That if you make a complaint to your bank on account management issues and is not resolved after 14 days grace period stipulated the by Central Bank of Nigeria (CBN), you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

That if you make a complaint to your bank on excess charges and was not recitifed within 30 days allowed for resolution, you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

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Central Bank of Nigeria