



Central Bank of Nigeria

CBN UPDATE

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Cryptocurrency Trading: CBN Orders Banks To Close Operating Accounts

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Editor's Note

As we begin into the year 2021, the editorial crew continues to urge our esteemed readers to adhere to the COVID 19 protocols and stay safe in order to contribute our quota to rebuilding the economy.

In this edition, we present readers with the position of the CBN on cryptocurrency. The news stories begin with the CBN's reminder to Deposit Money Banks to desist from transacting with entities dealing in cryptocurrencies. This policy directive is further explained in a news analysis on response to the regulatory directive.

We have an account of the CBN Governor, Mr. Godwin Emefiele briefing the Joint Committees on Banking, Finance and Other Financial Institutions; ICT and Cybercrime; and Capital Market at the National Assembly on the likely effects of cryptocurrency and the advantages Nigeria's financial system will gain with keeping cryptocurrency off the country's banking system.

There are two news stories on the International Monetary Fund (IMF) and Security and Exchange Commission (SEC) extending their support towards CBN's position to avoid dealing with cryptocurrency in the Nigerian banking system.

A report from the National Bureau of Statistics shows Nigeria's exit from recession in the fourth quarter of 2020 with a growth rate of 0.11%.

On diaspora remittances, we have a news story with the CBN Governor, Mr. Emefiele revealed that weekly diaspora remittances had risen from \$5mn to \$30mn.

Following a January 2021 report on the collaboration between CBN and the Bankers' Committee to transform the National Arts Theatre into a world-class center, we present an update on the N21bn project.

We believe you will have an intriguing reading of this educating edition packaged for your reading pleasure.

The signature is handwritten in black ink, appearing to read "Osita Nwanisobi".

Osita Nwanisobi
Editor -in- Chief

Cryptocurrency Trading: CBN Orders Banks To Close Operating Accounts

By: Ademola Bakare



Source: The Exchange Africa's

The Central Bank of Nigeria (CBN) has directed all banks to desist from transacting in and with entities dealing in cryptocurrency. The CBN also directed banks to close accounts of persons or entities involved in cryptocurrency transactions within their systems.

This directive was contained, in a circular dated February 5, 2021, signed by the Directors, Banking Supervision and Payments System Management, Bello Hassan and Musa Jimoh respectively, and communicated to deposit money banks (DMBs), Non-bank financial institutions (NBFIs), and other financial institutions (OFIs) reads:

"Further to earlier regulatory directives on the subject, the Bank hereby wishes to remind regulated institutions that dealing in cryptocurrencies or facilitating payments for cryptocurrency exchanges is prohibited". "Accordingly, all DMBs, NBFIs and OFIs are directed to identify persons and/or entities transacting in or operating cryptocurrency exchanges within their systems and ensure that such accounts are closed immediately."

The CBN warned local financial institutions against having any transactions in crypto or facilitating

payments for crypto exchanges. CBN had in January 2017 said digital currencies such as bitcoin, litecoin, and others are largely used in terrorism financing and money laundering, considering the anonymity of virtual transactions.

"The attention of banks and other financial institutions is hereby drawn to the above risks and you are required to take the following actions pending substantive regulation or decision by the CBN," CBN said in a statement in 2017.

The Bank further directed the banks to "Ensure that you do not use, hold, trade and/or transact in any way in virtual currencies. Ensure that existing customers that are virtual currency exchangers have effective capital AML/CFT controls that enable them to comply with customer identification, verification and transfer, monitoring requirements.

Also, in February 2018, the CBN warned people who invest in cryptocurrencies that they did so at their own risk because they were not protected by the law. According to the CBN, dealing in cryptocurrency or facilitating payments for cryptocurrency exchanges is prohibited. ■

CBN, Bankers' Committee Kick-start N21bn National Arts Theatre Renovation Project

By: Ademola Bakare



(L-R) Minister of Information and Communication, Lai Mohammed, CBN Governor Godwin Emeefiele and the Lagos State Governor, Babajide Sanwo-Olu during the Handover Ceremony of the National Arts Theatre, Igamu, Lagos

The Governor of the Central Bank of Nigeria (CBN), Mr Godwin Emeefiele, on Sunday, February 14, 2021, said that no fewer than 25,000 people would be gainfully employed at the National Arts Theatre when completed.

Emeefiele made the disclosure at the contract award signing ceremony for the restoration and refurbishment of the National Arts Theatre, Igamu, Lagos

The first phase of the project which according to the Governor has four hubs for music, fashion, information technology and movies, would be ready in 15 months.

Godwin Emeefiele said massive job creation in this upsurge of creative entrepreneurship starts now. In his words; "We anticipate that there would be at least 10,000 direct and indirect jobs created during the construction of the Lagos Creative and Entertainment Centre.

We also project that over 25,000 people would be engaged in different sections of the Center when the signature cluster is completed, with anticipated multiplier effect of other job opportunities".

Describing the complex as one of the most "iconic buildings" in Nigeria, Emeefiele said despite its current state, nearly 45 years after it was built, it had continued to inspire the creativity of Nigerians, especially the teeming youthful population.

Governor Emeefiele stated that the idea behind the project christened "Lagos Creative and Entertainment Centre" is simple as it sought to restore the glory of an iconic building by aligning most of its equipment and facilities with the aesthetics of the 21st century.

Continuing, the Governor noted that the project is aimed at developing an ecosystem of creative hubs on the adjoining 44 hectare parcel of land to complement and enhance the National Arts



Theatre. He added that the Bankers' Committee would provide funding for the prototype cluster labeled the "Signature Cluster".

The "Signature Cluster" which would consist of a building each for music, film, fashion and information technology verticals, would also consist of a Visitors' Welcome Centre; police and fire stations; and a structured parking lot for up to 500 vehicles would be built.

He said the Welcome Centre which sits at the heart of the "Civic" master plan would house commercial

and retail facilities, administration and management offices amongst others.

Emefiele noted that the fashion building would be a full-fledged apparel production facility with textile showroom, retail and photography spaces and teaching laboratories. The music building, he said, would house recording studios with all front and back-end spaces and facilities.

Explaining further, the Governor said that the aim is to deliver a successful Creative and Entertainment City that will encourage additional investment into Nigeria's creative industry.

He added that the facility would provide space, support networks, facilitate business development and community engagement for the creative, cultural and technology sectors.

Stressing that a huge parcel of land, which is currently a polluted storm water retention basin will be dredged, with the expectation that the Ebute Meta creek will be re-instated to ensure adequate flushing and free flow of clean water, he said that each structure had been uniquely designed to function independently, yet codependently, providing the opportunity for extensive collaborations between the different creative communities. ■

CBN Issues Regulatory Framework for Open Banking in Nigeria

By: Olusola Amadi

As part of its bid to promote innovation, broaden the range of available financial products and deepen financial inclusion in the country, the Central Bank of Nigeria (CBN) has issued the Regulatory Framework for Open Banking in Nigeria that establishes principles for data sharing across the banking and payments ecosystem.

In a circular issued by the Director, Payments System Management Department, Mr. Musa Jimoh on February 17, 2021 to all Deposit Money Banks (DMBs) and Payment Service Providers (PSPs), the Bank stated that the framework is to regulate the practice of open banking in Nigeria.

It also reiterated its commitment to the adoption of beneficial international standard practice in the Nigerian Banking Industry with due cognisance

given to risk management and applicability in the Nigerian environment.

The statement noted that the framework which is in line with CBN's mandate to promote financial system stability, was enacted following the Bank's observation of the growing integration of banks and other financial institutions with innovators in the financial services space in addition to the increasing adoption of Application Programming Interface (API) based integrations in the industry.

The objectives of the framework include - providing an enabling regulatory environment for provision of innovative and customer-centric financial services through the safe utilisation and exchange data and services; defining risk based data access levels and service categorisations towards effective management of risk in the operation of open API.



The framework also outlines baseline requirements and standards for the exchange of data and services among participants in the financial services sector and provides risk management guidance for operators in the financial services space for leveraging data and APIs in the provision of financial services.

It also seeks to promote competition in banking and other financial services sector in addition to enhancing access to financial services.

The Bank classified open banking participants into four (4) main categories for the following banking and other related financial services - Payments and

remittance services; Collection and Disbursement services; Deposit-taking; Credit; Personal finance advisory and management; Treasury Management; Credit ratings/scoring; Mortgage; Leasing/Hire purchase; and other services as may be determined by the Bank.

Open Banking supports a network of data across institutions for use by financial institutions and consumers while enabling the provision of third-party financial service providers with open access to consumer banking transactions and other financial data from banks and non-bank financial institutions using APIs ■

Identification: CBN Direct Banks to Accept MRCTD & RID Cards

By: Olusola Amadi

The Central Bank of Nigeria (CBN) has directed banks and financial institutions to accept the Machine Readable Convention Travel Document (MRCTD) and the Refugee Identity Card as a means of identification for refugees and asylum seekers seeking to access financial services in the country.

In a statement issued by the Director, Financial Policy Regulation Department, Dr. Kelvin Amugo on February 8, 2021, the Bank notes that the MRCTD issued by the Nigerian Immigration Services; and the Refugee Identity Card which is issued by the National Commission for Refugees, Migrants and Internally Displaced Persons are

adequate as means of identification for banking transactions.

The Bank also noted that the directive follows careful consideration of the challenges encountered by refugee and asylum seekers in Nigeria in providing means of identification in order to conduct financial transactions in the country.

In addition, the CBN urged banks and other financial institutions to ensure the implementation of effective customer due diligence policies and procedures in order to combat money laundering, financing of terrorist and proliferation of weapons of mass destruction ■



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For the Records

Response to Regulatory Directive on Cryptocurrencies



The attention of the Central Bank of Nigeria (CBN) has been drawn to various comments and reactions following our recent reminder to Deposit Money Banks (DMBs) to desist from transacting in and with entities dealing in cryptocurrencies. Most of these reactions reveal that there appears to be a need to provide further justifications about our position, especially to the general public.

For those who are not conversant with the universe of cryptocurrencies, it is important to state that Cryptocurrencies are digital or virtual currencies issued by largely anonymous entities and secured by cryptography. Cryptography is a method of encrypting and hiding codes that prevent oversight, accountability, and regulation. While there are a number of cryptocurrencies now in circulation, Bitcoin was the first to be introduced in 2009, and now accounts for about 68 percent of all cryptocurrencies.

As regards our recent policy pronouncement, it is important to clarify that the CBN circular of

February 5, 2021 did not place any new restrictions on cryptocurrencies, given that all banks in the country had earlier been forbidden, through CBN's circular dated January 12, 2017, not to use, hold, trade and/or transact in cryptocurrencies. Indeed, this position was reiterated in another CBN Press Release dated February 27, 2018.

It is also important to note that the CBN's position on cryptocurrencies is not an outlier as many countries, central banks, international financial institutions, and distinguished investors and economists have also warned against its use. They have all made similar pronouncements based of the significant risks that transacting in cryptocurrencies portend risk of loss of investments, money laundering, terrorism financing, illicit fund flows and criminal activities. China, Canada, Taiwan, Indonesia, Algeria, Egypt, Morocco, Bolivia, Kyrgyzstan, Ecuador, Saudi Arabia, Jordan, Iran, Bangladesh, Nepal and Cambodia have all placed certain

In China, for example, cryptocurrencies are

completely banned and all exchanges closed as well. Banks and other financial institutions are not allowed by law to transact or deal with cryptocurrencies. China's Central Bank, called the Peoples Bank of China (PBoC) has provided several directives ruling out the use of these currencies. The PBOC views cryptocurrencies as illegal because they are not issued by any recognized monetary institution and do not hold any legal status that can make them equivalent to money. Hence banks and all stakeholders are strongly advised against their use as a currency.

Even famed investor Warren Buffett has called cryptocurrencies "rat poison squared," a "mirage," and a "gambling device." Mr. Buffett believes it is a "gambling device" given that they are mostly valuable because the person buying it does so, not as a means of payment; but in the hope they can sell it for even more than what they paid at some point.

During an online forum hosted by the Davos-based World Economic Forum few weeks ago, Andrew Bailey, the Governor of the Bank of England, highlighted the extreme price volatility of cryptocurrencies as one of the biggest flaws and explained that this flaw makes it impossible for them to be used as a lasting means of payment. "Have we landed on what I would call the design, governance and arrangements for what I might call a lasting digital currency? No, I don't think we're there yet, honestly. I don't think cryptocurrencies as originally formulated are it," he said.

It is not surprising he would take that position because, Bitcoin, the best-known cryptocurrency, hit a record high of \$42,000 per unit on January 8, 2021, and sank as low as \$28,800 about two weeks later. This is far greater volatility than is found with normal currencies.

Let us now turn to some of the justifications for CBN's recent policy reminder. A perfunctory reflection on the definition of cryptocurrencies can already reveal several problems. First, in light of the fact that they are issued by unregulated and unlicensed entities, their use in Nigeria goes

against the key mandates of the CBN, as enshrined in the CBN Act (2007), as the issuer of legal tender in Nigeria. In effect, the use of cryptocurrencies in Nigeria are a direct contravention of existing law. It is also important to highlight that there is a critical difference between a Central Bank issued Digital Currency and cryptocurrencies. As the names imply, while Central Banks can issue Digital Currencies, cryptocurrencies are issued by unknown and unregulated entities.

Second, the very name and nature of "cryptocurrencies" suggests that its patrons and users value anonymity, obscurity, and concealment. The question that one may need to ask therefore is, why any entity would disguise its transactions if they were legal. It is on the basis of this opacity that cryptocurrencies have become

well-suited for conducting many illegal activities including money laundering, terrorism financing, purchase of small arms and light weapons, and tax evasion.

Indeed, many banks and investors who place a high value on reputation have been turned off from cryptocurrencies because of the damaging effects of the widespread use of cryptocurrencies for illegal activities. In fact, the role of cryptocurrencies in the purchase of hard and illegal drugs on the

darknet website called "Silk Road" is well known. They have also been recent reports that cryptocurrencies have been used to finance terror plots, further damaging its image as a legitimate means of exchange.

More also, repeated and recent evidence now suggests that some cryptocurrencies have become more widely used as speculative assets rather than as means of payment, thus explaining the significant volatility and variability in their prices. Because the total number of Bitcoins that would ever be issued is fixed (only 21 million will ever be created), new issuances are predetermined at a gradually decelerating pace.

This limited supply has created a perverse incentive that encourages users to stockpile them in the hope that their prices rise. Unfortunately,

with a conglomeration of desperate, disparate, and unregulated actors comes unprecedented price volatility that have threatened many sophisticated financial systems. In fact, the price of ether, one of the largest cryptocurrencies in the world, fell from US\$320 to US\$0.10 in June 2017. The price of Bitcoins has also suffered similar volatilities.

Given that unlike Fiat Money which accompanied by full faith and comfort of a country or Central Bank, cryptocurrencies do not have any intrinsic value and do not generate returns by themselves. When one buys a stock, say of a conglomerate in the Nigeria Stock Exchange, its price reflects the activity and production of that conglomerate and the value people place on their goods and/or services.

This price may rise as the conglomerate produces better goods/services and probably gains greater market share. The reverse would be true if the conglomerate does not innovate to improve the quality of its goods/services. In other words, the price of that stock reflects market fundamentals.

In contrast, cryptocurrencies do not have fundamentals and would never have fundamentals. Investors only buy in the hope that its use and acceptability will rise, thereby pushing up its demand and price. But since new versions of cryptocurrencies come on stream with new mathematical models, an infinite supply may someday crash the price to zero.

At this juncture, the CBN would like to assert that our actions are not in any way, shape or form inimical to the development of FinTech or a technology-driven payments system. To the contrary, the Nigerian payments system has evolved significantly over the last decade, leapfrogging many of its counterparts in emerging, frontier and advanced economies propelled by reforms driven by the CBN. This is evident from the variety of participants, products, channels, cutting-edge technology in the payments system.

It is also validated by the astronomical growth of volume/value of transactions and the fact that Nigeria is an investment destination of choice for international financial technology companies because of CBN's policies that have created an enabling investment environment in the payments system. These developments in the payments and settlements space has helped to grow the financial system, improving financial inclusion, the quality and convenience of financial services and has also created millions of direct and indirect jobs for teeming youth population.

The innovations in Nigeria's payment system were catalyzed by regulatory reforms driven by the CBN which entailed the issuance of a raft of guidelines and regulations on Operations of Electronic Payments Channels in Nigeria; Transaction Switching; Card Issuance and Usage, Licensing of payment service providers; Mobile Money Services, Electronic Payments of Salaries, Pensions, Suppliers and Taxes, Licensing Super Agents in Nigeria; and use of USSD for Financial Services in Nigeria, Super Agents and Agent Banking Operations and Payment Service Banks to mention a few.

The robust regulatory framework put in place by the Bank opened up the payment system to innovation with several new players across in the following licensing categories- Payment Terminal Service Providers (PTSPs), Payment Solution Service Providers (PSSPs), Mobile Money Operators (MMOs), Payment Terminal Application Developers (PTAs), Switches, Super Agents, Agents and Payment Service Banks (PSBs) This has created both direct and indirect jobs for Nigeria's youth population.

Several other initiatives are being implemented to further support FinTech development and creation of jobs. These include regulatory sandbox and open banking principles that the Bank recently implemented.

The recent regulatory directive became necessary to protect the financial system and the generality of Nigerians (including the youth population) from the risks inherent in crypto assets transactions, which have escalated in recent times, with dire consequences for the integrity of the financial system and financial stability. Due to the fact that cryptocurrencies are largely speculative, anonymous and untraceable they are increasingly being used for money laundering, terrorism financing and other criminal activities. Small retail and unsophisticated investors also face high probability of loss due to the high volatility of the investments in recent times.

In light of these realities and analyses, the CBN has no comfort in cryptocurrencies at this time and will continue to do all within its regulatory powers to educate Nigerians to desist from its use and protect our financial system from activities of fraudsters and speculators ■

Osita Nwanisobi

Ag. Director, Corporate Communications

Cryptocurrencies: SEC Supports CBN Position

By: Ademola Bakare



The Securities and Exchange Commission (SEC) says it will put on hold, admittance into its Regulatory Incubation Framework for Fintech firms, all persons affected by the Central Bank of Nigeria (CBN) cryptocurrencies circular.

The Commission disclosed this in a statement it issued in Lagos on Thursday, February 9, 2021. It said that assessment of all persons and products affected by the CBN Circular of February 5, 2021 would be on hold until such persons would be able to operate bank accounts within the Nigerian banking system.

"For the purpose of admittance into the SEC Regulatory Incubation Framework, assessment of all persons (and products) affected by the CBN Circular of Feb. 5 (2021), is hereby put-on hold until such persons are able to operate bank accounts within the Nigerian banking system," it said. The Commission, however, said that the planned implementation of the SEC Regulatory Incubation Guidelines for FinTech firms intending to introduce innovative models for offering capital market products and services would continue.

It assured investing public that it would continue to monitor developments in the digital asset space to promote economic development. "The commission will continue to monitor developments in the digital asset space and further engage all critical stakeholders with a view to creating a regulatory structure that enhances economic development while promoting a safe, innovative and transparent capital.

The SEC said it has received several comments and inquiries from the public on a perceived policy conflict between the SEC statement on Digital Assets and their Classification and Treatment of Sept. 11, 2020, and the CBN circular of Feb. 5, 2021. "We see no such contradictions or inconsistencies. In recognition of the fact that digital assets may have the full characteristics of investments as defined in the Investments and Securities Act, 2007, the SEC statement asserts that trading in such assets falls under SEC's regulatory purview, except proven otherwise," it said.

The Commission said that the primary objective of the statement was not to hinder or stifle innovation, but to establish standards of ethical practices that would ultimately make for a fair and efficient securities market. It said, SEC made the statement at the time to provide regulatory certainty within the digital asset space due to the growing volume of reported flows. "Subsequently, in its capacity as the regulator of the banking system, the CBN identified certain risks, which if allowed to persist, will threaten investor protection, a key mandate of the SEC, as well as financial system stability, a key mandate of the CBN," it added.

The Commission said that it had engaged the CBN and would continue to work with it to understand the identified risks. "In light of these facts, we have engaged with the CBN and agreed to work together to further analyse and better understand the identified risks to ensure that appropriate and adequate mitigants are put in place, should such securities be allowed in the future," it said. ■



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Weekly Diaspora Remittances Hit \$30m - Emeifie

By: Daba Olowodun & Ademola Bakare



CBN Governor, Mr. Godwin Emeifie speaking at the event

The Governor, Central Bank of Nigeria (CBN) Mr. Godwin Emeifie has noted that the initiatives introduced by the CBN to boost forex in the country were yielding results as weekly diaspora remittances has risen from \$5m to \$30m.

Mr. Emeifie spoke during the CBN/Bankers' Committee Initiative for Economic Growth event with the theme "***How to Overcome the pitfalls of Recession; Bankers' Perspectives on an Enduring National Growth Plan***" which was organised in collaboration with Vanguard Newspapers on February 26, 2021.

Speaking at the occasion attended by stakeholders from the financial sector, State Governors and other dignitaries, the Governor said that the CBN has already taken several measures to increase the flow of diaspora remittances into the country using formal channels.

He stated that in December 2020, the Bank directed all international money transfer operators to provide remitters with the option of sending foreign exchange to beneficiaries in Nigeria.

This new measure, he noted, has helped to reduce the diversion of forex by some IMTOs, who had thrived from forex arbitrage arrangements, rather than on improving transactions volumes to Nigeria.

Going further, he said that the Bank believes that the measure will help to significantly boost inflows of forex and create more liquidity in that space.

He also noted that with the decline in the country's foreign exchange earnings and subsequent adjustments in the value of the Naira vis-à-vis the dollar, the CBN had continued to implement a demand management framework.

This, the Governor said, was designed to support improved production of items that could be produced in Nigeria, and further conservation of the country's external reserves. These measures, he continued, had helped to prevent a significant decline in the reserves.

Emefiele who also spoke of the response by the monetary and fiscal authorities to the impact of COVID-19 on key economic variables said the fiscal and monetary authorities took unprecedented measures to prevent the economy from collapsing.

The CBN Governor said the Bank's first objective was to restore stability to the economy by providing assistance to individuals, SMEs and businesses that had been severely affected by the pandemic, as well as by the lockdown measures imposed by the government.

Recently, the CBN said in a circular to all authorised dealers and International Money Transfer Operators titled 'Modalities for payout of diaspora remittances', signed by the Director, Trade & Exchange Department, Dr. O. S. Nnaji, that it would withdraw the operating licences of any operator who continued to violate rules regulating diaspora remittances into the country. ■

Nigeria Exits Recession, Records 0.11% Growth In Q4

By: Louisa Okaria & Ademola Bakare

Source: Business Review



The National Bureau of Statistics (NBS), on Thursday, February 18, 2021, disclosed that Nigeria's GDP grew by 0.11 per cent in Q4 2020, from the 6.11 per cent contraction in Q3, signalling a gradual recovery from recession.

It will be recalled that the economy slipped into its second recession in five years in November 2020 as gross domestic product (GDP) contracted for the second consecutive quarter.

The NBS, in its review of the Gross Domestic Product (GDP) Report (Q4 and Full Year 2020) released in Abuja, said this represented the first positive quarterly growth in the last three quarters.

"Though weak, the positive growth reflects the gradual return of economic activities following the easing of restricted movements and limited local and international commercial activities in the preceding quarters. "As a result, it said, while the Q4 2020 growth rate was lower than growth rate recorded the previous year by 2.44 per cent, it was higher by 3.74 per cent compared to Q3 2020. "On

a quarter-on-quarter basis, real GDP growth was 9.68 per cent indicating a second positive consecutive quarter-on-quarter real growth rate in 2020, after two negative quarters," it noted.

The NBS said overall, in 2020, the annual growth of real GDP was estimated at 1.92 per cent, a decline of 4.20 per cent when compared to the 2.27 per cent recorded in 2019. In the quarter under review, NBS said aggregate GDP stood at N43.564 billion in nominal terms. This performance, the Bureau said was higher when compared to Q4 2019, which recorded a GDP aggregate of N39.577bn, representing a year-on-year nominal growth rate of 10.07 per cent.

The NBS classified the Nigerian economy into the oil and non-oil sectors. For the oil sector in Q4, an average daily oil production of 1.56mn barrels per day (mbpd) was recorded. This, it said, was lower than the daily average production of 2.00 mbpd recorded in the same quarter of 2019 by 0.44 mbpd and Q3 2020 by 0.11 mbpd.

It noted that real growth of the oil sector was 19.76 per cent (year-on-year) in Q4 indicating a decrease of 26.12 per cent, relative to the rate recorded in the corresponding quarter of 2019. "Growth decreased by 5.87 per cent when compared to Q3 2020, while quarter-on-quarter, the oil sector recorded a growth rate of 26.27 per cent in Q4.

"For 2020, the oil sector grew at -8.89 per cent compared to 4.59 per cent in 2019," the report stated. It added that the oil sector contributed 5.87 per cent to total real GDP in Q4, down from corresponding period of 2019 and the preceding quarter, where it contributed 7.32 per cent and 8.73 per cent respectively.

The nation's non-oil sector it said grew by 1.69 per cent in real terms in Q4 2020, slower than the 2.26 per cent recorded in the corresponding quarter of 2019. NBS however said it was better than the 2.51 per cent growth rate recorded in the preceding quarter. The Bureau added that for the full year 2020, the non-oil sector grew by 1.25 per cent compared to 2.06 per cent it recorded in 2019.

It noted that the growth in the sector was driven by Information and Communication Technology

(Telecommunications and Broadcasting). Other drivers according to the report, were agriculture (crop production), real estate, manufacturing (food, beverage and tobacco), mining and quarrying (quarrying and other minerals) and construction, accounting for positive GDP.

"In real terms, the non-oil sector contributed 94.13 per cent to the nation's GDP in Q4 2020, higher than what it recorded in Q4 2019 (92.68 per cent) and Q3 2020 (91.27 per cent). The NBS report said, "for 2020, the non-oil sector contributed 91.84 per cent to real GDP, higher than 91.22 per cent recorded in 2019." It explained that Quarterly National Accounts (QNA) were an integrated system of macroeconomic accounts designed to describe the entire system of production in a nation on a quarterly basis.

They provide a picture of the current economic status of an economy on a more frequent basis than Annual National Accounts (ANA). In providing a reasonable level of detailed information of the economy, QNA allows the government to regularly access, analyse and monitor economic developments.

We Support CBN Monetary Policy Initiatives - IMF Mission

By: Bartholomew Mbaegbu & Ademola B.

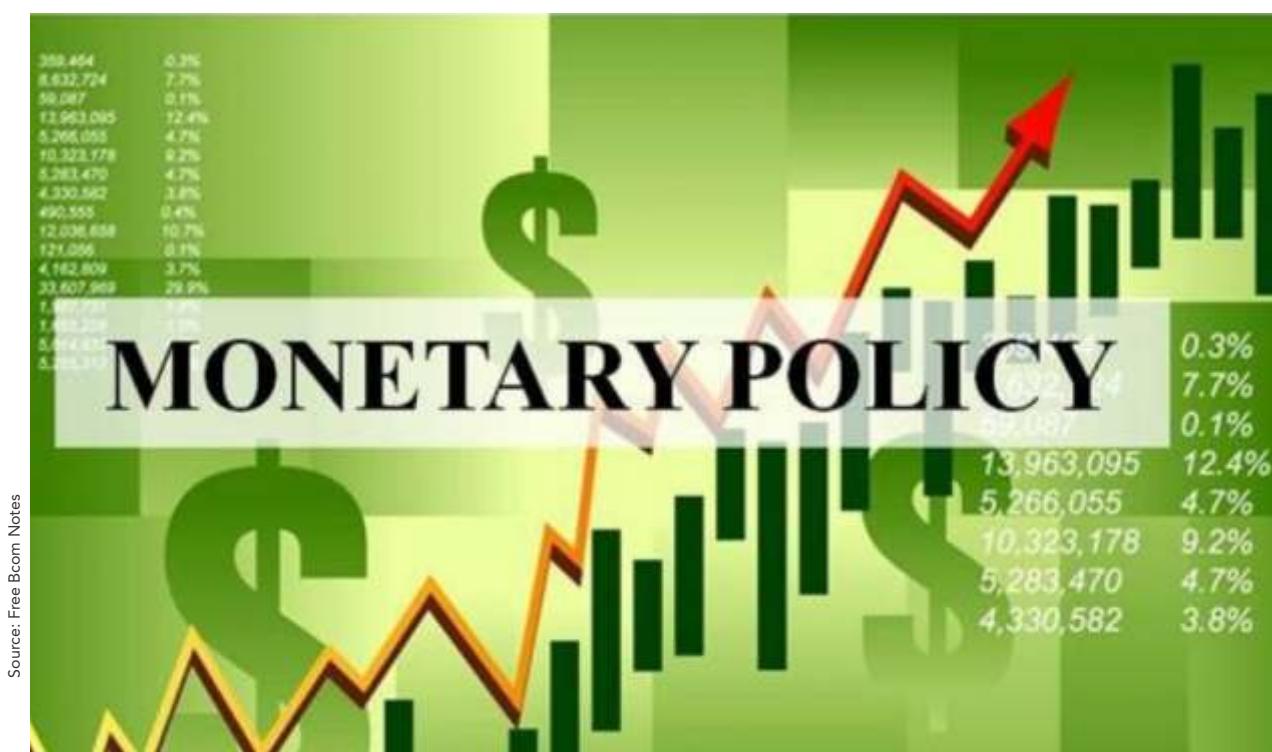


The International Monetary Fund (IMF) staff mission of the 2020 Article IV Consultation with Nigeria, has backed the Central Bank of Nigeria on its decision to finance several sectors of the economy, in its efforts to return the nation to growth.

This was contained in a statement by the IMF Resident Representative in Nigeria, Mr. Ari Aisen, on Saturday, February 13, 2021. Mr. Aisen quoted the leader of the mission, Ms. Jesmin Rahman, as saying, "The mission agreed with the CBN that the accommodative monetary stance remains appropriate in the near-term given the constrained fiscal space, large fiscal financing needs, and strained sovereign external market access."

The mission however said, that if the Balance of Payments and inflationary pressures intensify, there might be a need to withdraw liquidity or raise rates. It also argued that given weak transmission and record low market interest rates, further cuts in the Monetary Policy Rate are unlikely to provide additional support to the economy.

Ms. Rahman's team also welcomed this year's reduced dependence on the CBN for financing the budget and recommended its complete removal in the medium term. "This could be accomplished by



improving budget planning and public finance management practices to allow for flexible financing from domestic markets and better integration of cash and debt management," it said.

On the banking sector, it said "While the banking sector has been resilient thanks to the ample pre-crisis buffers, the Mission recommended vigilance and corrective actions to prevent an increase in financial stability risks arising *inter alia* from increasing non-performing loans.

In this connection, debt relief measures for clients should remain time-bound and limited to clients with good pre-crisis fundamentals, in line with existing regulations. "The minimum loan to deposit ratio should be reconsidered because of the risk to financial stability associated with pushing credit possibly to higher-risk clients," it said. The Mission observed the significant decline in revenue collections, from levels that were already among the lowest in the world while fiscal deficits were projected to remain elevated in the medium term.

The statement reads, "There are significant downside risks to this near-term outlook arising from the uncertain course of the pandemic both globally and in Nigeria. "Recognizing the gravity of the situation, the Nigerian authorities have undertaken commendable and timely measures to counter the pandemic's impact on lives and livelihoods.

The Federal Government adopted a revised budget in July which removed fuel subsidies and prioritized spending to make room for a support package, which included higher subsidies on CBN credit intervention facilities and regulatory forbearance measures to ease debt service in affected sectors.

The Mission also commended the authorities for taking courageous steps to remove costly and untargeted subsidies in the power sector, which were largely benefiting better-off households. It urged the government that more needs to be done. Recommending that major policy adjustments embracing broad market and exchange rate reforms are needed to address recurrent BoP pressures and raise the medium-term growth path."

On exchange rate, the Mission suggested a review of the nation's exchange rate, saying, "A durable solution to Nigeria's recurrent Balance of Payments problems requires recalibrating exchange rate policies to reduce BoP risks, instil market confidence and facilitate private sector planning.

The adjustments in the official exchange rate made earlier this year are steps in the right direction and the mission recommended a multi-step transition to a more unified exchange rate regime, with a market-based, flexible exchange rate" ■

Cryptocurrency Prohibition in Nigerians' Best Interest - Emeifie

By: Ademola Bakare



CBN Governor, Mr. Godwin Emeifie arriving the National Assembly for the briefing



The Governor, Central Bank of Nigeria (CBN), Mr. Godwin Emeifie says the Bank's decision to prohibit deposit money banks, non-banking institutions and Other Financial Institutions from facilitating trading and dealings in cryptocurrency is in the best interest of Nigerian depositors and the country's financial system.

Mr. Emeifie said this on February 23, 2021, while briefing a Joint Senate Committee on Banking, Insurance and Other Financial Institutions; ICT and Cybercrime; and Capital Market, on its directive to institutions under its regulation.

Describing the operations of cryptocurrencies as dangerous and opaque, the CBN Governor said the use of cryptocurrency contravened an existing law. He said given the fact that cryptocurrencies were issued by unregulated and unlicensed entities made it contrary to the mandate of the Bank, as enshrined in the CBN Act (2007) declaring the Bank as the issuer of legal tender in Nigeria.

Emefiele, who also differentiated between digital currencies, which Central Banks can issue and cryptocurrencies issued by unknown and unregulated entities, stressed that the anonymity,

obscurity and concealment of cryptocurrencies made it suitable for those who indulge in illegal activities such as money laundering, terrorism financing, purchase of small arms and light weapons and tax evasion.

Citing instances of investigated criminal activities that had been linked to cryptocurrencies, he stated that the legitimacy of money and the safety of Nigeria's financial system was central to the mandate of the CBN, even as he declared that "Cryptocurrency is not legitimate money" because it is not created or backed by any Central Bank. "Cryptocurrency has no place in our monetary system at this time and cryptocurrency transactions should not be carried out through the Nigerian banking system," he added.

Mr. Emeifie also emphasized that the Bank's actions were not in any way, shape or form inimical to the development of FinTech or a technology-driven payment system. On the contrary, he noted that the Nigerian payments system had evolved significantly over the past decade, surpassing those of many of its counterparts in emerging, frontier and advanced economies boosted by reforms driven by the CBN.



Source: iStock

While urging that the issue of cryptocurrency be treated with caution, the CBN Governor assured that the Bank would continue its surveillance and deeper understanding of the digital space, stressing that the ultimate goal of the CBN was to do all within its regulatory powers to educate Nigerians on emerging financial risks and protect our financial system from the activities of currency speculators, money launderers, and international fraudsters.

Also speaking, the Director-General of the Securities and Exchange Commission (SEC), Mr. Lamido Yuguda clarified that there was no policy contradiction between the CBN directive and the pronouncements made by the SEC on the subject of cryptocurrencies in Nigeria. He explained that the SEC made its pronouncement at the time to provide regulatory certainty within the digital asset space due to the growing volume of reported flaws. Prior to the CBN directive, he said the SEC had, in 2017, cautioned the public on the risks involved in investing in digital and cryptocurrency, adding that the CBN, Nigeria Deposit Insurance Corporation (NDIC) and the SEC between 2018 and 2020 had also issued warnings on the lack of protection in investments in cryptocurrency.

Yuguda further disclosed that following the CBN directive, the SEC had put on hold the admittance of all persons affected by CBN circular into its

proposed regulatory incubatory framework in order to ensure that only operators that are in full compliance with extant laws and regulations are admitted into the framework for regulating digital assets.

Similarly, the Chairman of the Independent Corrupt Practices and Other Related Offences Commission (ICPC), Prof. Bolaji Owasanoye highlighted the risks inherent in investing in virtual assets and cryptocurrencies in Nigeria. He explained that cryptocurrencies posed serious legal and law enforcement risks for Nigeria due to its opaque nature and illicit financial flows, adding that the current move by the Federal Government to link National Identification Numbers with SIM cards attested to the fact that terrorists, kidnappers, bandits and perpetrators in illegal acts had relied on the shield provided by anonymity to commit heinous crimes.

Earlier in his welcome remarks, the Chairman of the Joint Senate Committee, and Chairman, Senate Committee on Banking, Insurance and Other Financial Institutions, Senator Uba Sani, said the committee was on a fact-finding mission and had no preemptive recommendation or stand and would make its position known only after it had reviewed the submissions made by stakeholders ■

Mortgage Lenders' Assets Rise By N56bn In 10 Months

By: Mohammed Haruna



Source: Ledger Insight

The assets of mortgage banks in Nigeria have risen by N56bn from N315.48bn as of the end of November 2019 to N371.66bn as of the end of September 2020. This statistic was released by the Central Bank of Nigeria in its report on 'Primary Mortgage Bank' accounts and assets.

It showed that the lenders' assets had continued to record moderate growth over the year. The Bank disclosed in its third quarter economic monthly report for 2020 that under its development financing, it approved N200bn as mortgage financing to Family Homes Fund Limited.

The fund is expected to fast-track the construction of 300,000 homes across the country within the next five years and help create up to 1.5 million direct and 1 million indirect jobs. The National Bureau of Statistics had earlier disclosed that the real estate

sector grew by 9.15 per cent in the fourth quarter of 2020. The NBS stated in its Gross Domestic Product report for Q4 that the sector contracted by 3.55 per cent in the full year 2020. Part of the report read, "In nominal terms, real estate services in the fourth quarter of 2020 grew by 9.15 per cent, or 6.64 per cent points higher than the growth rate reported for the same period in 2019 and 17.21 per cent points when compared to the preceding quarter.

"Quarter-on-quarter, the sector growth rate was 27.34 per cent, while the annual growth rate stood at -3.55 per cent for 2020 compared to 4.23 per cent in 2019." It stated that the contribution to nominal GDP in Q4 2020 stood at 6.4 per cent as against 6.45 per cent recorded in the fourth quarter of 2019 and higher than the 5.6 per cent recorded in the third quarter of 2020. ■



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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.

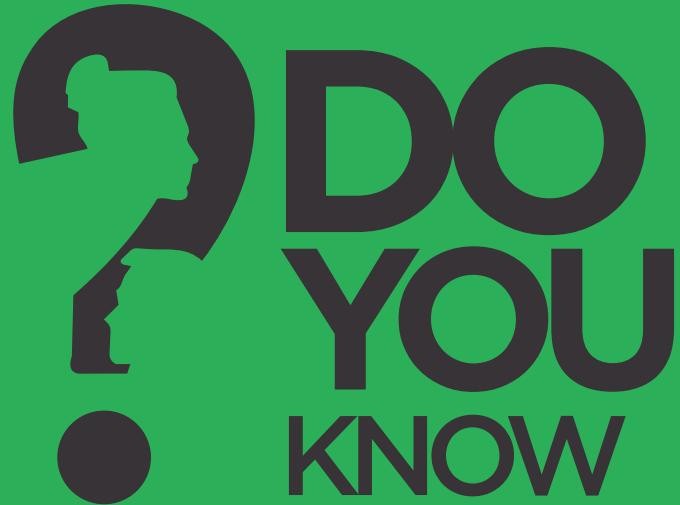


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Discretionary Monetary Policy: These are deliberate actions taken by the monetary authority to influence money supply in the system with a view to achieving its mandates.

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 rectified 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