



CENTRAL BANK OF NIGERIA

PRESS RELEASE

CBN POSITION ON SHARE CERTIFICATE AS COLLATERAL FOR LOANS

The Central Bank of Nigeria (CBN) has noted with concern the misrepresentation of the Bank's position on the use of banking shares as collateral for lending as reported in some national dailies and the subsequent comments on the same issue by some commentators.

The CBN wishes to correct this misrepresentation, by stating very clearly that no such directive on using banking shares as collateral for lending had been issued by the Bank. The CBN Board at its April 15, 2010 meeting approved rules and regulations on margin lending. The Board noted that large exposure of banks to the capital market was a major contributor to the recent banking crisis and therefore decided to ring-fence depositors of banks against any speculative or high risk trading activities in order to protect depositors' funds. It also set a maximum cap of 10% aggregate exposure to margin lending in the loan portfolios of individual banks.

The CBN and SEC are in the process of finalising the framework on the guidelines and rules that will guide operations and activities surrounding lending specifically meant for trading in stocks in the capital market. Details of these guidelines would soon be made public.

For the avoidance of doubt, the CBN had at no time issued a blanket directive to deposit money banks (DMBs) on the type and nature of collaterals on facilities granted to their customers. The DMBs reserve the right to accept whatever security they deem suitable as collateral for their commercial lending purposes.

Signed:

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