



PRESS STATEMENT

US Congress Applauds CBN Banking Reforms

On Tuesday, Nov 16th 2010, at the Rayburn House Office Building, Capitol Hill, in Washington D.C. the crucial role that Nigeria's economy plays in Africa and the global economy, was put under the spotlight, as the Governor of the Central Bank of Nigeria (CBN), Mallam Sanusi Lamido Sanusi and the Director General of the Securities Exchange Commission (SEC), Ms Arunma Oteh, gave testimonies at a congressional hearing titled, 'Global Financial Crisis and Financial Reforms in Nigeria', by special invitation of the US Congress Subcommittee on International Monetary Policy and Trade.

It was an open hearing presided over by the Chairman of the Subcommittee on International Monetary Policy and Trade, Honourable Gregory W. Meeks (Democrat), supported by Ranking Member, Honourable Gary G. Miller (Republican), with other House Representatives, the press and the public in attendance.

In his opening remarks, Honourable Meeks recalled his meeting with the CBN Governor in February 2010 during a bi-partisan congressional mission to Africa aimed at gaining insight into the programs implemented by governments and multilateral institutions to tackle the impact of the financial crisis and global economic recession on African nations.

He remarked; "We were fascinated by the CBN Governor, and impressed by the tough, decisive and transparent actions that he and his colleagues had taken in Nigeria in a way that many Americans wish had also been done here with the leaders of financial institutions that benefitted from tax-payer funded bail-outs." Consequently, Congress invited Governor Sanusi and DG Oteh to tell the Nigeria and Africa story, to better inform the US work in support of emerging markets.

Addressing Sanusi and Oteh as "extraordinary" and "distinguished" witnesses, Chairman Meeks said it was uncommon for senior government officials from another country to agree to testify before the United States Congress, but conceded that "these are unusual times, as the global financial crisis from which the world is only beginning to emerge continues to hang over many nations' recovery plans."

In a two-hour hearing, the witnesses summarised their written submissions and then answered questions from the House.

Sanusi reiterated the background to the crisis in the Nigerian financial sector, recounting the stress tests conducted on all banks and a further examination of the nine banks identified as ‘distressed’. He reported that the sector was beset by liquidity problems, the collapse of interbank lending, ‘bubble capital’, asset concentration and serious governance issues, which led the CBN to embark on an aggressive reform program whose key features include; the removal and prosecution of ‘bad’ CEOs; the recapitalisation of fragile banks; the establishment of AMCON (the Asset Management Company of Nigeria) which is unique in Nigeria, to buy up ‘bad loans’ and help recapitalise the distressed banks; the review of the universal banking model; and the integration of the financial sector with the real economy.

Sanusi and Oteh addressed many questions relating to the restoration of confidence in the financial markets and the creation of an enabling environment to attract capital inflows into Nigeria without leading to another speculative bubble.

In response, the CBN Governor said that the regulators are following the capital inflows to ensure that “the right kind of financial and economic policies are in place to attract the right kind of Foreign Direct Investments (FDI).”

Sanusi pinpointed Agriculture and the Power sector as key sectors which have huge potential for the country, illustrated by the fact that Agriculture contributes 42% of the nation’s GDP but remains largely in primary production, with only 4% of GDP coming from manufacturing. He said that the Power sector is potentially bigger than the Telecoms sector, and reported that President Goodluck Jonathan is doing all the right things to ensure significant progress is made with the Power sector reforms.

On her part, Ms Oteh said that SEC is committed to creating “a world class capital market in Nigeria that would foster meritocracy, encourage innovation and entrench good governance.”

“This is the decade for Africa,” Oteh said, as she addressed the issue of US investors finding interest in Nigeria and anxieties over speculative bubble. “There are huge investment requirements, hence opportunities, across different sectors which current FDI levels cannot fully address,” she added.

Mr Todd J. Moss, Vice President and Senior Fellow, Centre for Global Development, who was the third witness at the hearing, opined in his submission that “the global economic crisis may turn out to be a good thing for Nigeria”, explaining that the country’s banking troubles were largely local in

nature and the pressure of the global crisis both exposed the hidden problems as well as forced the actions of the Nigerian authorities which would make Nigeria's financial sector stronger and more competitive.

Moss called on the Nigerian authorities to deal with the fiscal situation as a matter of urgency, citing the savings in the Excess Crude account which stood at \$20bn just 20months ago but now almost completely depleted.

Moss emphasised that Nigeria 's success is undeniably in the U.S national interest, asserting that as a regional powerhouse and a neighbourhood enforcer when necessary, Nigeria is key to regional security.

“ Nigeria is vital to the US energy security, as well as a lynchpin in the global fight against 21st century transnational threats such as terrorism, diseases, drugs and arms trafficking. A strong Nigeria can be an indispensable ally to contain those threats,” Moss concluded.

Signed:
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