

Nov 16th 2010 Subcommittee Congressional Hearing on International Monetary Policy and Trade

Appendix to the submission by the Governor of the Central Bank of Nigeria, Mallam Sanusi Lamido Sanusi.

This document is prepared as an appendix to the submission of the Governor, Central Bank of Nigeria on the impact of the Global Financial Crisis on the Nigerian Economy, to shed light on some areas not covered in sufficient detail in the main paper.

1. The Support of Multilateral Organizations

The IMF has been a constant source of support along with the World Bank throughout this period. The IMF in particular played a critical role in designing the AMCON and drafting the legislation, arriving at valuation models and learning from the experience of other jurisdictions. In addition to the technical support for monetary policy implementation, the IMF has provided us with a special adviser on AMCON, a Nigerian with strong background in asset management and liquidation.

Nigerian banks have also benefited from credit lines and investments from a number of Multilaterals that have shown us support during the crisis. These include the IFC, US EXIM bank, EIB and FMO.

2. Court cases with Bank CEOs

In early October the former CEO of Oceanic Bank Plc Mrs Cecilia Ibru entered into a plea bargain arrangement in which she pled guilty to some counts and received 3 jail sentences for six months running concurrently. She also forfeited assets including shares in over 100 companies and about 200 pieces of real estate located in various cities in Nigeria, the UAE and the USA, totaling about USD1.2b.

The former CEO of Intercontinental Bank plc, who was on the run and in hiding in the UK, returned to face trial after we secured a freezing order on his assets worldwide from a UK court and applied for his extradition.

There is a very good chance of getting convictions and custodial sentences on other CEOs

3. Banking sector funding for bailout

It is clear that AMCON will not be able to recover the costs of the bailout from disposal of assets and loan recovery. Considering that the funding for AMCON takes the form of a Bond guaranteed by the Finance Ministry the implications are a potential increase in the fiscal deficit as a result of the bailout.

To mitigate this risk we have secured an agreement with the banks to pay an amount equal to 0.3percent of their total balance sheets as at December 31 for ten years beginning 2011 into a sinking fund. This will be complemented with a N50b contribution annually from CBN surplus. Together the sinking fund and the proceeds of AMCON assets will cover bail out cost and avert the need for fiscal costs of the bailout.

The agreement for the sinking fund is now being processed to be passed as law by the National Assembly.

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