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TO ALL LICENSED BANKS

IMPROPER TREATMENT OF OPEN BUY BACK (OBB) TRANSACTIONS BY BANKS

1. It has been observed that banks use treasury bills pledged under Open Buy Back (OBB) transactions to window dress their returns and audited financial statements.
2. Some of these practices include the inflation of the treasury bills stock of banks with the treasury bills received against placements rather than reporting them off balance sheet, in accordance with the provisions of paragraph 84 of the Statements of Accounting Standard (SAS) 15 part 11.
3. Since the treasury bills pledged under OBB transactions are not to be treated as a sale, they should remain in the books of the banks that pledged the treasury bills as part of their **other assets** and not reported as liquid assets.
4. Without prejudice to the above, the CBN will continue to treat placements secured by treasury bills as liquid assets for the purpose of computing banks' liquidity ratios.
5. For the avoidance of doubt, any bank that records the treasury bills pledged under OBB transactions incorrectly in its books, returns and audited financial statements will be construed to have falsified its records or returns and will be sanctioned appropriately.

Please note that this circular supersedes our circular BSD/8/2003 dated June 25, 2003.

G.A. OLADEJOBI
for: DIRECTOR OF BANKING SUPERVISION