

**GOODWILL ADDRESS BY CHIEF (DR) J.O SANUSI,**  
**GOVERNOR, CENTRAL BANK OF NIGERIA**

The President/Chairman of Council, The Chartered  
Institute of Bankers of Nigeria,

My Lord, the Chief Justice of Nigeria,

Justice M. L. Uwais,

His Excellency, The Governor of Rivers State,

Dr. Peter Odili,

My Lords, Justices of the Supreme Court and

Other Judges here present,

Honourable Members of the National Assembly,

Honourable Members, State House of Assembly,

The Inspector General of Police,

Fellows and Associates of the Institute,

Distinguished Participants, Ladies and Gentlemen.

**1.0** It is a privilege to be invited as a Special Guest  
of Honour and to deliver the goodwill address at  
this very important National Seminar on Banking

and Allied Matters for Judges. I, therefore, thank the organisers for the honour. I understand that the seminar is designed for the cream of the judiciary, company secretaries and heads of legal departments of banks, and the law enforcement agencies, with a view to providing an opportunity for exchange of ideas on contemporary banking and allied issues. The seminar could not have come at a better time, given the critical role that the judiciary is expected to play in the on-going financial sector reforms and institutional development towards building a sound and efficient banking industry in Nigeria. It is, indeed, relevant to note here that a well functioning legal system is critical to resolving the lingering problems of corporate governance and financial crimes in the banking industry.

**2.0** Distinguished Ladies and Gentlemen, the banking industry has witnessed a phenomenal growth since the late 1980s, following the adoption

of a liberal licencing policy. For example, the number of banks about tripled from 41 to 119 between 1986 and 1991. Following the distress situation experienced in the industry in the 1990s, however, the number plummeted to 90 by 2001. The liberalisation policy promoted a more competitive banking environment in the country and enhanced the efficiency of financial intermediation. Specifically, the reforms resulted in the increased number of banks and the emergence of new financial institutions, improvement in financial services delivery as well as encouragement to develop new financial products and innovations in the industry. Moreover, since the adoption of the universal banking system in 2001, the dichotomy between commercial and merchant banks has ceased to exist, as banks are now allowed to engage in activities in both money and capital markets as well as the insurance business, depending on their

operational focus and capacity, thus providing a level playing field for all the banks. In Nigeria and elsewhere, improvements in information and telecommunication technologies contributed substantially to the accelerated growth and development of the banking industry.

**3.0** These developments are, however, not without the attendant risks and problems. Notably, the growth in the number of banking institutions overstretched our operational and regulatory capacities, while the growing sophistication in the design and use of financial instruments heightened the risks of malpractices and fraud in the industry, thereby posing serious challenges for the regulatory authorities and, of course, the judiciary. In particular, mismanagement such as insider abuse and poor credit appraisal systems, resulted in the accumulation of unpaid loans and advances, which eventually contributed to the emergence of distress

situation in the banking system in the early 1980's to mid-1990s.

**4.0** It is important to note at this juncture, that the CBN has been responding to these challenges through the introduction of a number of regulatory measures, designed to strengthen the capital base of banks and promote a more professional approach to banking business. Specifically, the CBN adopted the risk-weighted measurement of capital adequacy ratio, recommended by the Basle Committee of the Bank for International Settlements (BIS), while prudential guidelines and mandatory accounting standards for all licenced banks were introduced. Taken together, these were expected to ensure the stability and soundness of the banking system.

**5.0** Also, a number of legislative initiatives were introduced during the reform years to address operational problems in the sector and the economy

at large, including the promulgation of the following laws: The Nigeria Deposit Insurance Act of 1988; Central Bank Of Nigeria, Act (1991) and the subsequent amendments of 1998 and 1999; Banks and Other Financial Institutions Act (1991) and the subsequent amendments of 1998 and 1999; Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act of 1994; Money Laundering Act of 1995; Advance Free Fraud and Other Fraud-Related Offences Act of 1995. The application of these laws in the context of financial sector surveillance has placed enormous responsibilities on the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and the Judiciary, in the effort to sanitise the system and the economy for improved performance. It is noteworthy that in the discharge of their supervisory responsibilities, the CBN and NDIC have co-operated with the Judiciary and law

enforcement agencies to facilitate the adjudication of cases brought before the courts.

**6.0** Your Excellencies, despite these initiatives, there is still a need for further strengthening of the legal processes in order to complement the efforts of the regulatory authorities, in tackling the problems facing the industry, effectively. For instance, while the sanctions, which the regulatory authorities could impose on banks to deal with breaches of the Banking Acts and unprofessional behaviour have become subject of litigations in the courts, the adjudication has, at best, been very slow. The observed delays have the potential to engender speculation and uncertainty which could adversely affect public confidence in banks and impair the stability of the financial system. We are often subjected to inexplicable *exparte* injunctions designed to frustrate due process.

**7.0** With due respect to the rule of law, the fundamental rights of operators in the financial

sector as well as verdicts of the law courts, it should be noted that the current system that allows for long legal procedures on cases brought before courts by individuals and institutions to challenge the actions of the regulatory authority could jeopardise efforts to reform and sanitise the system. While such legal challenges represent a healthy development, the delays in the legal processes could be counter-productive. There is, therefore, an urgent need for such cases to be treated with dispatch in order to make the system more credible and effective.

**8.0** Distinguished Ladies and Gentlemen, the need to tackle financial crimes in our society cannot be over emphasised. While there exist various laws to deal with the problem of money laundering, advance fee fraud and corruption, the menace of money laundering and other financial crimes remain unresolved. The international community



has shown great displeasure on the lack of an effective mechanism to address these problems. It is therefore important that concerted efforts be made to redress the situation. The challenge is not only for the regulatory agencies like the CBN and NDIC, but also for the Judiciary, which must be at the fore-front in ensuring that cases bordering on financial crimes are promptly treated.

**9.0** Nigerian banks face various kinds of vices including fraud, armed robbery and loans default. A situation where the perpetrators resort to long judiciary process, knowing fully well they are not going to win but just to exploit the process to frustrate the banks is not good for the financial system and the economy as a whole. Therefore, there is need for prompt enforcement of financial contracts and dispensation of justice in the sector.

**10.0** This seminar provides a unique opportunity for the various stakeholders to re-double their

efforts at finding solutions to the various problems confronting the financial sector. The Chartered Institute of Bankers of Nigeria (CIBN) and the National Judicial Institute (NJI) should be congratulated for the initiative of organising this forum, which will go a long way to foster greater understanding and cooperation between the financial sector and the Judiciary. It is expected that at the end of this exercise, issues relating to the administration of justice, especially on financial matters, would have been thoroughly examined and credible solutions proffered by the participants.

**11.0** On its part, the CBN shall continue to cooperate with the Judiciary in its efforts to build a sound and stable financial system. I would, at this juncture, call on the various stakeholders in the financial sector to imbibe the culture of good corporate governance in order to achieve a stable

and sound financial system, which the nation can be proud of.

**12.0** I wish the seminar participants fruitful deliberations and thank you for your kind attention.

Chief (Dr.) J. O. Sanusi,  
Governor,  
Central Bank of Nigeria

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