

**AN ADDRESS BY THE GOVERNOR OF THE
CENTRAL BANK OF NIGERIA, CHIEF (DR.)
JOSEPH OLADELE SANUSI ON THE OFFICIAL
OPENING CEREMONY OF BOND BANK
LIMITED, 3 AKIN ADESOLA STREET, VICTORIA
ISLAND, LAGOS ON FRIDAY, FEBRUARY 7,
2003.**

The Chairman, Board of Directors of
Bond Bank Limited,
Other members of the Board,
Management and Staff of the bank,
Invited Guests,
Distinguished Ladies and Gentlemen

I feel highly honoured to have been invited to this memorable occasion for the official opening of your bank and the commissioning of your building.

2. I would like to start this address by mentioning that the journey to the birth of Bond Bank Limited, which started on February 8, 2001 when the application for a banking licence was initially

submitted to the Central Bank of Nigeria, was not an easy one in view of CBN's new licensing requirements which was actually not intended to scare away potential investors/promoters. The new policy was, however, meant to ensure that only serious minded and credible promoters/investors, who have the required funds, technical expertise and are "fit and proper" are allowed to establish banks. It is for this reason that it has taken two years for the bank to be officially opened, having sailed through the various stringent hurdles. I therefore wholeheartedly congratulate the promoters for their success.

3. Ladies and Gentlemen, please permit me to briefly go through recent developments in the

financial services industry so as to draw some lessons from them. As you are all aware the CBN had, overtime, licensed a number of banks and other financial institutions in order to promote healthy competition and ensure the provision of qualitative banking/financial services to the Nigerian public. By 1991, when an embargo was placed on the licensing of new banks, the number of licensed banks peaked at 120.

4. The licensing of new banks and other financial institutions brought about mixed developments in the system. On the one hand, it brought about keen competition with attendant innovations. On the other, it over stretched the limited number of qualified personnel in the industry. As a result, recruitment

and other standards were compromised. The compromise of standards, coupled with internal mismanagement, abuse of ownership privileges as manifested in non-performing, connected lending to insiders, meddlesome interference with management by directors/principal shareholders, mismatch of assets/liabilities, rampant cases of frauds/forgeries and macro-economic instability that prevailed then, led to the systemic distress that was witnessed between 1995 and 2000. Consequently, a total of 33 terminally-distressed banks had their licenses revoked during the period.

5. Having learnt from the bitter experience of the past, and to forestall a repeat, more stringent licensing requirements had to be introduced following

the lifting of the embargo earlier placed on the licensing of banks in 1998. Let me reiterate that the action was taken to ensure that only people of proven integrity and good financial standing were allowed to participate in the ownership and management of banks.

6. From the regulatory angle, a part of what led to the demise of some of the banks was that the requirements for board and top management appointments were inadequate . Another loophole was the absence of a mechanism for ascertaining the source of capital. Information which circulated in the industry indicated that promoters were borrowing funds on short-term basis to float banks, only for the new banks to be stripped of these much-needed

capital funds shortly after the acquisition of a license.

Consequently, it became necessary to subject capital deposits to thorough checks to ensure that such deposits were from stable sources. Also, the requirements for appointments into board and top management positions were strengthened, both in terms of the minimum educational qualifications and the required level of experience.

7. At this juncture, it would be pertinent to state that the CBN had conducted “fit and proper” tests on the 22 shareholders of your bank and also confirmed that the sources of capital by the shareholders were thoroughly checked and found to genuine and stable.

It also considered members of the board of directors as men of proven integrity and reputation. Besides,

it is on record that you have assembled a management team of professionals that should hopefully share your bank's vision, mission and values.

8. Furthermore, it would be recalled that during the series of meetings held with the promoters and top management staff of Bond Bank before the final licence was issued, the implications of owning and managing a bank, the respective roles the various stakeholders are expected to play, the need to always have in place a good corporate governance structure and the need to avoid insider abuse, manipulation of records and other sharp practices were emphasised. If these are taken seriously and considering the calibre of persons put together to

handle the affairs of the bank, we are confident that the bank will prosper.

9. Let me seize this opportunity to strongly advise that your bank should always ensure strict compliance with the provisions of the Banks and Other Financial Institutions Act No. 25 of 1991 (as amended) as well as other relevant Acts, circulars issued by the CBN, Code of Ethics and Professionalism in the Banking Industry and the Code of Conduct for Bank Directors. It is my hope that you will live up to expectations by setting enviable standards in all areas of banking operations in the country and challenge the status quo so as to eventually lead to a meaningful paradigm shift in banking practices in the country generally.

10. Before I end this speech, I need to once again

congratulate the Board and Management of Bond Bank for going through all the regulatory hurdles to obtain the banking licence. As we will witness the unveiling of the Vision, Mission and Logo to mark the official opening of Bond Bank, I wish the bank sustained progress and prosperity that will impact positively on the financial system in particular and the economy in general.

11. Distinguished Ladies and Gentlemen, I now have the honour and privilege to commission the Bond Bank Building/Head Office and declare the bank formally open for business to the public.

12. Thank you all for your kind attention.

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

7th February, 2003.

Bond Bank Gov's Address