

**OPENING REMARKS BY CHIEF (DR.) J. O. SANUSI, (CON),  
GOVERNOR, CENTRAL BANK OF NIGERIA DELIVERED AT THE  
BANKING AND FINANCIAL SERVICES CONFERENCE ON  
OPPORTUNITIES IN FINANCIAL SERVICES SECTOR IN  
NIGERIA, HELD IN LONDON ON JUNE 26, 2003**

The President, Britain-Nigeria Business Council, (BNBC),  
Managing Director of Banks and  
Other Financial Institutions here present,  
Invited Guests and Other Participants,

I feel greatly honoured to be invited to address this august gathering and would like to begin by commending the laudable initiative of the BNBC for creating this forum where members of the international financial and business communities could be well informed of the immense largely untapped investment opportunities in Nigeria. I should, in particular, congratulate the Britain-Nigeria Business Council which has for upwards of a quarter of a century provided a strong link in the partnership between the United Kingdom and Nigeria.

2. A few years back it would have been inconceivable to organize a conference like this in London, to discuss the subject of attracting investors to Nigeria. With the advent of democratic governance in

1999 and the shedding of the paria toga, however, Nigeria's chances appear to have been greatly enhanced. The political atmosphere in the country today is one in which privileges like freedom of speech and association are now taken for granted. Private investment flows are on the increase as the negative perception about the country has made a turnaround. Just about a month ago, the mandate of the present Administration was renewed as a new government was sworn in, marking a peaceful smooth transition of one civilian government to another.

3. Nigeria's policy focus is to continue to attract both domestic and foreign investment flows. In fact, we welcome this conference as another effort in that direction. Those investors who heeded our call to invest in Nigeria today have success stories to tell, especially in the telecommunications, oil and gas, and the banking sectors. With a large domestic market with strong linkages to the West African sub-region, a good return on investment is assured. Our investment policy is designed to suit all investors interested in doing business in Nigeria. For such investors opportunities are available in the Export Processing Zones (EPZ) where custom area rules will not apply.

4. Recognizing the important need to create an investment-friendly environment which potential investors rightly see as critical to their investment decision, the Nigerian authorities have, since the second half of the 1980s embarked on various reform programmes to establish not only a stable macroeconomic environment but also a sound financial system. In this regard, we have made our best endeavours to adopt international standards and best practices, particularly in the areas of monetary and financial policies as well as financial sector surveillance.

5. Although policy implementation had, sometimes, been constrained by exogenous factors, I would say, with confidence that we have achieved a large measure of success, particularly since the instrument autonomy was granted to the Central Bank of Nigeria in 1999. For example, inflationary pressure has largely been subdued since 1998. When the risk of its resurgence heightened in 2001, it was quickly addressed by the tightening of monetary policy. Consequently inflation rate decelerated persistently from 18.9 per cent in December 2001 to 10.1 per cent in March 2003. Also, the

exchange rate of the naira has maintained relative stability, particularly since the adoption of the Dutch Auction System (DAS) of exchange rate determination in July 2002. Since then, the volatility of exchange rate movement has been greatly minimized, while the continuous fall in the level of external reserves witnessed in the first half of 2002 has been reversed. In addition, the unacceptably wide margin between the official and parallel market exchange rate has been reduced to single digit. The problem of fiscal dominance and surprises, which has often constrained the effectiveness of our monetary policy is being properly addressed and the prospects of better coordination of fiscal and monetary policies in the coming year are enhanced.

6. The CBN has also been quite alive to its surveillance responsibilities by ensuring that appropriate regulatory and supervisory framework that conform with international standards are put in place and rigorously enforced. The Central Bank of Nigeria, as the apex regulator of the financial system, has in the past few years taken significant steps to ensure a safe and sound financial system. While investment in the banking industry has been

liberalized, the licensing requirements have been made stringent enough to ensure that only fit and proper persons own and run banks. There is a robust on-site and off-site supervision arrangement, which observes closely, the best practices for financial system supervision as enunciated in the Basel Core Principles for Effective Banking Supervision.

7. We are joining other regulators worldwide to prepare for the implementation of the new Basel Capital Accord. In 2002, a comprehensive failing institutions management framework, the Contingency Planning Framework for managing Systemic Crisis, was launched. This is a proactive framework for the management of financial sector distress. The bank has also taken significant steps to address the issue of corporate governance. In doing all these, we have always carried all the stakeholders along, through the Bankers' Committee. Major projects executed through this cooperation include the Small and Medium Industries Equity Investment Scheme (SMIEIS), the Sub-Committee on Ethics and Professionalism and the Sub-Committee on Corporate Governance. The CBN is also working closely with the Committee on Basel II and is establishing cross

border cooperation with supervisors in other jurisdictions. Already a statement of cooperation has been signed with the Financial Services Authority of the United Kingdom.

8. We are conscious of the concerns in the international arena about such issues as money laundering and other financial crimes. The National Assembly had, in 2002, responded by promulgating, a comprehensive Financial and Economic Crimes Commission Act. The commission had been inaugurated and is now operational. Along with this new legislation, the Anti-Money Laundering Act, which hitherto focused only on drug-related money laundering, was amended to incorporate other sources of laundered money. Beyond these, the National Assembly is presently considering major amendments to the banking laws.

9. Distinguished Ladies and Gentlemen, we are equally aware of our responsibilities and the considerable challenges posed by the phenomenon of economic liberalization and the need to integrate into the global financial system. In this context, the issue of infrastructure which has been of great concern is being effectively

addressed by the present government. Meanwhile, commendable steps have been taken in the areas of power and telecommunications. Implementation of the privatization programme that will ensure enhanced efficiency in the public institutions, some of which are public utility providers, is on course.

10. The organizers of this conference could not have assembled a better team of facilitators for the various sessions. I therefore have no doubt in my mind that the objective of the conference will be achieved. It is my pleasure and I feel honoured to have been associated with this project. Please accept my appreciation and congratulations.

I wish all of us successful deliberations.

OFFICE OF THE GOVERNER

CENTRAL BANK OF NIGERIA

ABUJA

26<sup>TH</sup> JUNE, 2003.