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CENTRAL BANK OF NIGERIA

Press Release

New Policy Actions in the Foreign Exchange Market

In continuation of efforts to increase the availability of Foreign Exchange in order to ease the difficulties encountered by Nigerians in obtaining funds for Foreign Exchange transactions, the Central Bank of Nigeria (CBN) is providing direct additional funding to banks to meet the needs of Nigerians for Personal and Business Travel, Medical needs, and School fees, effective immediately. The CBN expects such retail transactions to be settled at a rate not exceeding 20 percent above the interbank market rate.

A. Travel Allowances

Having cleared the historic backlog of matured letters of credit at the inception of the current flexible exchange rate system, the CBN would immediately begin to provide foreign exchange to all commercial banks to meet the needs of both personal travel allowances (PTA) and business travel allowances (BTA) for onward sale to customers. All banks would receive amounts commensurate with their demand per week, which would be sold to customers who meet usual basic documentary requirements.

B. School and Medical Fees

Similarly, the CBN would meet the needs of parents, guardians and sponsors who are seeking to make payments of school and educational fees for their children and wards. Such payments must be made by commercial banks directly to the institution specified by the customer. The CBN would ensure that this process is as smooth as possible and that as many customers as possible get the foreign exchange they genuinely demand. This would also apply to customers seeking to make payments, or purchase foreign exchange, for medical bills and paid directly to hospitals. The supply of FX to retail end-users (PTA, BTA, School fees, medical bills, etc) would be sustained by the CBN.

C. Forward Sales Tenor

In order to further increase the availability of foreign exchange to all end-users, the CBN has decided to significantly reduce the tenor of its forward sales from the current maximum cycle of 180 days, to no more than 60 days from the date of transaction.

D. FX Sales at Major Airports

In order to further ease the burden of travellers and ensure that transactions are settled at much more competitive exchange rates, the CBN hereby directs all banks to open FX retail outlets at major airports as soon as logistics permit.

E. Increase Efficiency of FX Market

In order to maintain confidence in the FX market, the CBN will immediately take the following steps:

- a. Begin implementing its articulated program to clear all the unfilled orders in the interbank FX market;
- b. Given our plan to meet all unfilled orders, and while provision of FX to the manufacturing sector would remain the CBN's strong priority, we will no longer impose allocation/utilization rules on commercial banks;
- c. Implement an effective intervention programme to support the inter-bank market to ensure adequate liquidity necessary to deliver an efficient FX market;
- d. Advise FMDQ to activate its FX Order-Book systems as soon as possible and also accelerate the on-boarding of FX clients on the FX Relationship Systems to ensure total transparency of the FX market.

Given the CBN's objective to continuously and vigorously pursue a transparent, liquid, and efficient FX Market, the Bank reiterates it would neither tolerate unscrupulous actions nor hesitate to bring serious sanctions on offenders, be they banks or their staff. The Bank therefore encourages market participants to assist in ensuring that these new measures engender the preservation of our external reserves, stability of our financial system, and growth of our economy to the benefit of all Nigerians.



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