



Central Bank of Nigeria



Keynote address by:

Olayemi Cardoso

Governor, Central Bank of Nigeria

Delivered at the Chartered Institute of Bankers of Nigeria
59th Annual Dinner | November 29, 2024

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Keynote Address by the Governor of the Central Bank of Nigeria, Olayemi Cardoso delivered at the Chartered Institute of Bankers of Nigeria Annual Dinner, November 29, 2024

1. Distinguished guests, esteemed members of the Chartered Institute of Bankers of Nigeria, colleagues, and friends, good evening,
2. I am delighted to join you tonight at the CIBN's 59th annual dinner. My gratitude goes to the leadership of the CIBN led by its President, Prof. Pius Olanrewaju and the Registrar/CEO, Akin Morakinyo for the gracious invitation. The CIBN stands as a critical pillar in Nigeria's financial system, sharing our vision at the Central Bank of a banking community that actively contributes to the inclusive development of our economy.
3. Ladies and Gentlemen, we gather tonight at a pivotal moment of economic transition. The reforms we have undertaken over the past year have been both challenging and essential. One year ago, I shared with this audience—many of whom are here tonight—that through targeted policies, transparent market operations, effective coordination between monetary and fiscal authorities, and a commitment to rebuild trust, we would stabilize the exchange rate, curb inflation, strengthen banks' capital buffers, and foster an environment conducive to the success of both businesses and individuals.
4. In my address this evening, I will take you through our journey over the past 12 months, highlighting the key actions we have taken to prioritize price and exchange rate stability, catalyze sustainable economic growth, and protect the livelihoods of millions of Nigerians; as well as outline our priorities for 2025.
5. Let me start by acknowledging a reality we all recognize. While these reforms have delivered progress, many Nigerians still grapple with rising costs and limited opportunities. From traders in Aba to farmers in Taraba, people across the country are striving to build better futures despite significant challenges. I want to assure you that at the Central Bank, every decision we make is driven by a commitment to serving the best interests of the people. This is why we will continue strengthening our internal capacity and processes to ensure our decisions remain firmly rooted in evidence-based analysis.

Global Economy

6. To fully grasp Nigeria's challenges, we must consider them within the broader global context. As you are aware, the world economy has weathered significant storms over the past two years following the COVID-19 pandemic: the impact of the Russia-Ukraine war on energy and food prices, the surge in global inflation and the subsequent tightening of monetary policy in advanced markets. These factors have led to a withdrawal of capital flows from emerging markets, creating new challenges for economies like ours.
7. In 2024, we have seen signs of improvement. Global inflation is projected to decline to 3.5 percent in 2025, down from its peak of 9.4 percent in 2022. Major central banks are gradually easing their monetary conditions and this shift is slowly reopening access to international capital markets for emerging economies. However, global growth remains subdued at 2.6 percent, hindered by geopolitical tensions, China's economic slowdown, and growing trade fragmentation.
8. Sub-Saharan Africa has seen modest growth of 3.6% this year, while still lagging pre-pandemic levels. The effects of monetary tightening measures have helped to curb inflation in some key markets such as South Africa and Kenya but many countries are still grappling with double-digit inflation rates and high debt service burdens. These challenges constrain the resources available for critical investment in education, healthcare and infrastructure. Even though we see countries gradually returning to the Eurobond market due to a reduction in interest rates in advanced markets, progress is uneven given the significant disparity in growth and inflation faced by resource-intensive countries like Nigeria and Angola.

Domestic Conditions

9. In light of these global challenges, it is imperative to sustain and enhance reforms aimed at strengthening our economic buffers to withstand external shocks. This requires a steadfast focus on curbing inflation, ensuring fiscal discipline, and advancing initiatives that promote greater economic diversification.
10. Upon assuming office in October 2023, we prioritized reforms to rebuild Nigeria's economic buffers and strengthen resilience. Inflation, which had surged to 27%, was one of the most pressing challenges, partly driven by excessive money supply growth. While our GDP growth had stagnated at a

meagre 1.8% over the previous eight years, money supply expanded rapidly, averaging about 13% growth annually. This imbalance not only fueled inflation but also contributed to a significant depreciation of the naira. As we all know, inflation creates uncertainty for households and businesses, acting as a silent tax by eroding purchasing power and driving up living costs.

11. The nation was also grappling with a fiscal crisis, marked by unsustainable deficit financing through the Central Bank's Ways and Means advances, which had reached an unprecedented N22.7 trillion by 2023—equivalent to almost 11% of our GDP. In addition, quasi-fiscal interventions by the CBN, totaling over N10 trillion, undermined market confidence and weakened the effectiveness of our policy tools.
12. These actions shifted focus away from our primary responsibility—maintaining price stability. They compromised transparency by bypassing essential oversight mechanisms, which are vital for accountability. Moreover, they strained monetary stability, contributing to inflationary pressures and market distortions. Under my leadership, we have taken decisive steps to move away from these practices. We have ended years of fiscal deficits financed through CBN's Ways and Means advances, reinforcing our commitment to price stability and promoting fiscal discipline.
13. To tackle the pressing challenge of inflation, the CBN acted decisively by raising the Monetary Policy Rate by 875 basis points to 27.5% in 2024—an essential move to contain inflation and restore stability.
14. To borrow from Winston Churchill's famous perspective: in our world, interest rates are undoubtedly the least desirable tool for combating inflation—except for all the others! I fully recognize the challenges that higher interest rates impose on businesses and families. However, these measures are not intended to be permanent. We are closely monitoring the data, and as inflation shows sustained signs of improvement—something we expect in the near future—we will adjust rates accordingly.
15. Our tight monetary policy stance has altered the previous dire trajectory, and we expect a downward trend in 2025. Inflation remains unacceptably high, but the signs are encouraging, particularly given that the full effects of monetary policy typically take 6-9 months to impact the consumer sector. Our commitment is unwavering: we will prioritize price stability until its benefits are felt by every Nigerian.

16. In the foreign exchange market, we faced a backlog of over \$7 billion in unfulfilled commitments and a fragmented FX regime characterized by multiple forex rates, which had encouraged arbitrage opportunities. This regime stifled much needed foreign investment, and led to the depletion of our external reserves which fell to \$33.22bn in December 2023. It must also be understood that the cost of the FX subsidy regime is estimated to far exceed that of fuel subsidies. In 2022 alone, the potential revenue lost due to a less flexible FX regime was approximately N6.2 trillion, compared to N4.5 trillion from fuel subsidies. These funds could have significantly contributed to critical investments in education, healthcare, and infrastructure development.

Foreign Exchange Market

17. Over the past year, we have undertaken critical reforms to unify Nigeria's exchange rate, eliminating distortions and restoring transparency. This unification has enabled us to clear the outstanding foreign exchange obligations, giving businesses—ranging from manufacturers to airlines—the confidence to plan and invest in the future. **To further enhance the functionality of the foreign exchange market, we are introducing an electronic FX matching system, which has proven effective in other markets.**
18. It is vital to address the disinformation circulating about a supposed demand-supply gap in the FX market, which is fueling unnecessary panic. The current USD exchange rate reflects the price that the most desperate buyers are willing to pay, and this does not represent the true market value of the naira. The introduction of the electronic matching system will correct these distortions by enhancing the price discovery process. Additionally, it will significantly boost the Central Bank's oversight and intervention capabilities, ensuring a more stable and transparent foreign exchange market.
19. While the Central Bank will continue to lay the foundation for price stability and foster a conducive policy environment, the role of our banks in this journey is crucial. An FX market defined solely by when and how the Central Bank buys or sells dollars is inadequate for the needs of a dynamic economy like Nigeria's. Now is the time for banks to step up to their intermediation and market-making responsibilities, providing customers with the right solutions to run their businesses and manage risks effectively.

20. We are not oblivious to the challenges of the past decade, including the *japa* of experienced professionals in the financial sector. This moment presents an opportunity to rebuild our competency framework, re-educate staff, and return to best practice training. Re-education is critical—concepts like "willing buyer/willing seller" have been misinterpreted, and the market has forgotten that at least one counterparty in a transaction must be an authorized dealer. We must restore these standards and uphold industry ethics. We will also prioritize capacity development and continuous education at the CBN, which is home to many talented individuals.
21. The ethics and professionalism of bankers and treasurers are under constant scrutiny, which is why we have introduced the FX Global Code for all authorized dealers and market participants. I urge this institute to take the lead in upholding and demonstrating the highest standards in the industry. At the Central Bank, we have intensified surveillance of market activities to ensure compliance and eliminate bad actors who attempt to undermine the system. Together, we must build a market based on strong governance and transparency. As regulators, we will maintain a zero-tolerance approach to compliance violations.

External Sector

22. Our efforts to improve the functioning of our FX market are having the desired impact. Average daily turnover in the Nigerian Autonomous Foreign Exchange Market increased by 226 percent in the 1st half of the year when compared to the same period in 2023. **Foreign portfolio inflows have increased by over 72% during this period, while foreign exchange reserves have risen from \$32 billion in May 2023 to over \$40 billion today!** This represents the equivalent of 17.5 months' import cover and marks the highest reserve level in nearly three years.
23. **The market has also supported over \$9bn in capital outflows over the past year as investors were able to freely repatriate capital and dividends without the need to wait for several months as experienced in the past.** These results reflect improved confidence in the reforms we have embarked on. In addition, we witnessed a \$6bn current account surplus in the first half of 2024 as a result of the impact of these reforms. Reduction in petroleum product imports supported by improved domestic refining capacity, a growing focus on non-oil exports and higher remittance inflows helped to support the positive current account balance.

24. **An enabling policy environment has led to a doubling of monthly remittances from an average of \$300 million in September 2023 to nearly \$600 million in August 2024.** We are committed to further integrating the Nigerian diaspora into our financial system, exemplified by the introduction of the non-resident BVN registration. We expect our financial institutions to develop products that not only enable the diaspora to support their families but also provide opportunities for savings and investment in Nigeria.
25. Distinguished ladies and gentlemen, **the outcomes of these reforms clearly demonstrate impact in restoring investor confidence and laying a solid foundation for long-term growth and competitiveness.**

Banking Sector

26. Within the banking sector, I am pleased to note that the sector remains robust with key indicators reflecting a resilient system. The non-performing loan ratio remains within the prudential benchmark of 5 percent, showcasing strong credit risk management. The banking sector liquidity ratio comfortably exceeds the regulatory floor of 30 percent, a level which ensures banks are maintaining adequate cash flow to meet the needs of customers and their operations. The recent stress test conducted also reaffirmed the continued strength of our banking system.
27. To ensure that our banking system can effectively support the growth of our economy, efforts to strengthen banks' capital buffers were announced in 2023 with a two-year implementation window. **I am pleased to note that a significant number of banks have raised the required capital through right issues and public offerings well ahead of the 2026 deadline!** I believe that the banking sector is in a strong position to support Nigeria's economic recovery by enabling access to credit for MSMEs and supporting investment in critical sectors of our economy.
28. In the same vein, Other Financial Institutions (OFIs) hold significant potential to drive productivity and economic growth by expanding access to credit and financial services for underserved individuals and businesses. To unlock this untapped potential, we aim to strengthen key institutions—particularly Primary Mortgage Banks (PMBs) and Microfinance Banks (MFBs)—to enhance their efficiency and impact. Our strategy includes implementing model mortgage foreclosure laws to stimulate lending and reduce delinquency, integrating PMBs and MFBs into the GSI platform to minimize non-performing loans, and leveraging Development Finance Institutions

(DFIs) more effectively to provide increased on lending facilities to well-managed OFIs.

- 29.** **The Nigerian payments ecosystem has been ahead of many advanced economies, yet has not always received the recognition it deserves.** Many innovations that other countries are only now experiencing have been part of our system for years. We must celebrate these successes, as they contribute to building our global reputation. Nigeria’s dynamic fintech ecosystem has driven financial inclusion and positioned the country as a hub of innovation in Africa. Despite a challenging external environment, Nigerian Fintechs continue to shine, attracting significant foreign investment and several have achieved global unicorn status this year. Their innovations, alongside other financial service providers, have fueled growth in transactions and made financial services more affordable and accessible for many more Nigerians.
- 30.** We must continue to leverage this channel to enhance access to finance and credit, particularly for under-served populations. However, I urge fintech companies and banks to ensure their platforms are not exploited for fraudulent activities. Strengthening the KYC onboarding process is essential to prevent malicious actors from exploiting our financial system. Additionally, these institutions must prioritize improving transaction monitoring and bolstering consumer protection measures to ensure that digital channels remain safe, especially for the most vulnerable segments of our population.
- 31.** On this note, I must express my concern over recent delays in some payment gateways in settling financial transactions. Trust is fundamental to fostering digital transactions, and we must take every necessary step to preserve that trust in our payment systems. These delays often disproportionately affect vulnerable segments of our population. To address this, we will impose strict penalties on non-compliant institutions to safeguard consumer trust and ensure swift redress mechanisms are in place.
- 32.** We also recognize the ongoing challenges with cash availability at ATMs, which disproportionately affect ordinary Nigerians. To address this, we are conducting spot checks across Deposit Money Banks (DMBs) and will impose penalties on underperforming institutions.
- 33.** **Effective December 1, 2024,** customers are encouraged to report any difficulties withdrawing cash from bank branches or ATMs directly to the

CBN through designated phone numbers and email addresses for their respective states. Guidelines will be distributed widely to raise public awareness. We also urge full regulatory compliance by all stakeholders, including Mobile Money Operators and PoS Agents, to promote digital transaction channels and improve service delivery. I repeat, financial institutions found engaging in malpractices or deliberate sabotage will face stringent penalties.

34. The CBN will continue to maintain a robust cash buffer to meet the country's needs, particularly during high-demand periods such as the festive season and year-end. Our focus is on ensuring a seamless cash flow for Nigerians while fostering trust and stability in the financial system.

Payment System Vision 2025

35. To further enhance confidence in the payment system, our Payment System Vision 2025 initiative will drive initiatives to encourage quick and affordable cross-border payments, a critical step toward unlocking trade, investment, and economic growth. Additionally, the e-Naira, our Central Bank Digital Currency (CBDC), holds significant growth potential. We will therefore undertake a comprehensive review of its implementation to optimize broad and positive economic impact.
36. In 2025, we will prioritize initiatives including implementing our open banking framework, advancing contactless payment systems, and expanding our regulatory sandbox. Additionally, we will issue revised guidelines for agency banking and continue to strengthen electronic payment channels.

Compliance

37. Regarding Nigeria's inclusion on the Financial Action Task Force (FATF) grey list, we fully recognize the problems this presents and are addressing legacy deficiencies with utmost urgency. Building a robust culture of compliance remains central to our efforts. **We are optimistic that Nigeria will exit the grey list by Q2 of 2025!**
38. Today, we face significant challenges: money laundering, cybersecurity threats, fraud, corruption, and disparities in financial inclusion. The cost of inaction is profound—fraud undermines confidence, corruption erodes trust, and money laundering perpetuates organized crime. As you may have noticed by now, compliance is a recurring theme in this speech, reflecting its critical importance to our mission. The compliance culture I envision for our

industry is one where:

- a. **Executives and boards set the tone** by making compliance a strategic priority, championing zero tolerance for breaches—not just in policy, but in practice.
- b. **Financial institutions anticipate vulnerabilities** and proactively address risks in areas susceptible to abuse.
- c. **Teams are educated to recognize red flags** and encouraged to report concerns about fraud, money laundering, or unethical behavior, knowing they are protected.
- d. **Institutions know their customers and partners**, conducting enhanced due diligence, especially for high-risk clients, politically exposed persons, and vendors, ensuring operations are not conduits for illicit funds.
- e. **The industry collaborates** to combat systemic threats, sharing information on emerging risks, cooperating with law enforcement, and maintaining open communication with the central bank and regulators.

39. Starting in 2025, financial institutions will be required to refine their compliance and governance frameworks to address evolving risks. We are enhancing regulatory effectiveness and accountability, as demonstrated by recent changes to our supervisory and enforcement approach. Recently, penalties totaling **₱15 billion** were imposed on 29 banks for breaches, including AML/CFT violations. In addition to these penalties, the banks are required to address the root causes of the lapses, which is crucial for improving regulatory effectiveness. Historically, the industry has struggled with recurring issues, but we are confident that this approach will help change that narrative.

40. A bank that prioritizes compliance does more than protect itself—it strengthens the entire financial ecosystem. It directs financial resources toward growth, innovation, and prosperity rather than crime and corruption. Together, we must exceed standards, demonstrating to the public and the world that we are stewards of integrity and trust.

Regulatory Landscape

41. Indeed, the work of the Financial Services Regulation Coordinating Committee (FSRCC) is critical to our efforts. Through the FSRCC, we have strengthened regulatory collaboration, harmonized policies, closed

oversight gaps, and enhanced information sharing to monitor systemic risks effectively. These efforts have been instrumental in preserving the stability and soundness of Nigeria's financial system.

Economy

- 42.** The measures implemented to curb inflation, coupled with foreign exchange market reforms, are bolstering Nigeria's economic growth. In Q3 2024, the economy grew by 3.46%, compared to 2.54% in the same period in 2023. This growth was driven primarily by resilience in the services sector, particularly telecoms and financial services, which recorded a real growth of 5.17%, recovering from a 0.85% contraction in Q3 2023. Improved oil production and increased domestic refining also contributed to growth. However, agriculture and manufacturing continue to underperform. Targeted support to these critical sectors is vital to reducing inflation, creating jobs, and boosting overall output.
- 43.** The case for economic diversification has never been more urgent - reliance on a single sector is simply unsustainable. The consequences of neglecting diversification are clear; as the saying goes, we cannot reap where we did not sow. At the Central Bank, we are committed to collaborating with fiscal authorities to foster growth across key sectors and deliver meaningful progress for all Nigerians.

Development Finance

- 44.** As previously noted, the Central Bank's return to orthodox monetary policy means that we will refrain from direct intervention in development finance initiatives. **That said, I am pleased to report that, as of October 2024, nearly ₦1 trillion has been recovered or repaid under previous development finance programs, thanks to the enhanced monitoring and enforcement of the guidelines we put in place.**
- 45.** Our focus remains on ensuring the effective utilization and recovery of outstanding loans within the framework of established guidelines. While development finance has a role in an economy like Nigeria's, it must be approached with proper governance to achieve meaningful impact. Looking ahead, we are exploring indirect funding strategies through Development Finance Institutions, focusing on accountability, transparency and oversight to drive sustainable development.

Financial Inclusion

46. Financial inclusion is vital to Nigeria's ambition of becoming a \$1 trillion economy. It is not just about access to accounts and credit—it is a driver of poverty reduction, job creation, and economic productivity. Yet, 26% of Nigerian adults remain financially excluded, limiting their ability to grow businesses, secure savings, or invest in education and healthcare. This exclusion hampers national progress.
47. The CBN is addressing this challenge. Recently activated minimum capital requirements for banks are aimed at strengthening their capacity to cater to underserved populations, including MSMEs, rural communities, and women. Digital innovations like mobile money and agent banking are also extending services to remote areas, breaking barriers to access. **We must do more!!**
48. Female financial inclusion is paramount. Financially empowered women reinvest in their families and communities, amplifying economic benefits. The CBN is using gender-disaggregated data to develop targeted frameworks that close gender gaps while enhancing digital platforms to improve access for women and youth. With the launch of the **CBN Women Financial Inclusion Data Dashboard**, all regulated entities now have a centralized platform to report products and services tailored to the women's market segment, ensuring accountability and progress in bridging this critical gap.

Enhancing Transparency

49. Transparency lies at the heart of effective governance and public trust. At the Central Bank of Nigeria, we recognize that clarity in policy-making and open communication with the public are essential for achieving our goals. In this regard, we have implemented several measures to ensure that stakeholders have access to accurate, timely, and comprehensive information about our operations.
50. Under my leadership, the CBN has prioritized increasing public access to critical reports, including the **Purchasing Managers' Index (PMI)** and sectoral performance data. These reports are now regularly updated and available on our website and media channels, empowering businesses and analysts to make informed decisions.

51. We have also committed to enhancing the quality and frequency of financial stability reports, balance of payments data, and FX market updates, equipping stakeholders with essential insights into the economic landscape.
52. By improving transparency, we strengthen the CBN's credibility and public trust in our policies. This enables businesses and investors to plan and reassures households that monetary decisions are made in their interest. It ensures accountability through open communication and constructive feedback.
53. Our commitment to openness extends beyond data reporting—it fosters an inclusive dialogue with all Nigerians, providing the tools to engage in economic decisions and build a resilient, informed society.

Preparing for the future

54. Over the past year, I have engaged with critical stakeholders across various sectors—government officials, foreign and domestic investors, private sector leaders, and more. Yet, some of the most impactful interactions I've had have been with student groups visiting the bank. Their intelligence and thirst for knowledge have been truly inspiring.
55. Nigeria is home to some of the brightest minds, but we must do more to nurture and develop talent. As I mentioned earlier, capacity building is essential to strengthen institutions, and at the Central Bank, we are committed to this cause. This includes introducing internship and mentorship programs to give students the opportunity to interact with us and learn. I encourage everyone to do the same. If each of us invests in cultivating the talent within our reach, we will collectively move the nation forward
56. Distinguished guests, as I conclude, I want to reassure you that our efforts go beyond tackling the challenges of today—they are focused on securing the opportunities of tomorrow. The road ahead may present obstacles, but it is a path rich with potential if we move forward with clarity, determination, and collaboration.
57. Our foremost priority is to achieve price stability, with inflation as a central focus. While inflation has shown early signs of moderation, we are fully committed to doing everything in our power to tame inflationary pressures in 2025. To this end, we will maintain vigilance through strategic

deployment of our monetary policy tools. The Monetary Policy Rate (MPR) will continue to serve as our anchor for inflation management, calibrated on evolving economic conditions and data. The Cash Reserve Ratio (CRR) and Open Market Operations (OMO) will be adjusted as necessary to ensure liquidity levels in the banking system remain aligned with our inflationary goals.

58. The unification of the exchange rate is a pivotal reform, but it marks just the beginning. On the 2nd of December 2024, the foreign exchange market will begin trading on the electronic FX matching system to further enhance transparency, restore confidence, and attract new investments. Coupled with an improved framework for deploying products targeting the Nigerian diaspora and efforts to establish a well-functioning FX market, we anticipate increased diaspora and foreign investments over the next 12 months, building a more resilient and liquid FX market.
59. Financial inclusion offers equity and opportunity for all Nigerians. **Our goal is to ensure that 80% of adults are financially included by 2026.** Through partnerships with banks, fintechs, agent banking, and targeted support for women and rural communities, we will create a financial ecosystem that leaves no one behind.
60. Our journey ahead demands trust, and trust is built on transparency and accountability. As regulators, we will continue to engage openly with stakeholders, providing regular updates on policy outcomes and adjusting our strategies based on empirical evidence.
61. Ladies and gentlemen, this is not just the Central Bank's journey—it is Nigeria's journey. **We are building an economy where every individual, every business, and every community can thrive. This vision will not be achieved by one institution alone. It requires all of us—banks, regulators, businesses, and citizens—to work together with steadfast resolve.**
62. The challenges are real, but so too is our collective potential. **By focusing on transparency, inclusivity, and resilience, we will build a Nigeria that prospers not just today, but for generations to come.**

Thank you, and may God bless Nigeria.