

**THE CENTRAL BANK OF NIGERIA ACT (AMENDMENT)**  
(No. 3) DECREE 1968



**Decree No. 50**

[See section 6 (3)]

Commence-  
ment.

THE FEDERAL MILITARY GOVERNMENT hereby decrees as follows :—

1.—(1) Without prejudice to so much of section 29 of the Central Bank of Nigeria Act as relates to the powers of that bank to grant advances and provisions for securities, the Central Bank shall to the exclusion of any other bank (within the meaning of the Banking Act), be responsible for granting advances to any authority to which this section relates—

Central  
Bank's power  
to finance  
purchasing  
and  
marketing  
operations,  
etc.  
Cap. 19.

(a) for fixed periods not exceeding one year at a minimum rate of interest which shall be at least one per cent above the Central Bank's minimum rediscount rate ; and

(b) except as prescribed in subsection (2) of this section, upon such conditions as the Central Bank may, after consultation with the Commissioner, specify or as prescribed to ensure repayment thereof with interest.

(2) Such advances may be granted under subsection (1) above in any particular case where a guarantee in writing is given by the Federal Government to the Central Bank on behalf of any such authority, so however that—

(a) the total advances, which may subject to the provisions of this section be granted shall not exceed an amount considered by the bank to be adequate for the authority to commence its operations at the beginning of the season ; and

(b) any such advances shall be secured, so soon after the advances have been granted as may be agreed by the Central Bank (either in part or in whole) as prescribed in section 29 (1) (e), (j) or (k) of the Central Bank of Nigeria Act and the said provisions shall be so construed.

Cap. 30.

(3) Any advances which may be granted by virtue of the foregoing provisions of this Decree shall be used solely for the purpose of financing—

(a) any purchasing and marketing operations authorised to be undertaken by any such authority by the law under which the authority was established or as may be approved by the Central Bank ; and

(b) with the approval of the Central Bank, such other operations as may be incidental thereto.

(4) For the purposes of this Decree, every authority to which this section relates shall consult with the Central Bank in any given year before the opening of the relevant produce season for the purpose of determining prices to be paid by the authority during that season to local producers of crops under the authority's control and both the authority and the Central Bank shall jointly agree on the prices to be so paid.

(5) This section relates to any marketing board or authority of the Federation, or of a State or two or more States, including an interim marketing board, established for such purpose by any law in operation in the Federation.

(6) The reference in this section to the granting of advances includes a reference to the provision of credit facilities.

Regulation  
of advances  
etc. to  
indigenous  
persons.  
Cap. 19.

2.—(1) The Central Bank may, after consultation with the Commissioner prescribe a minimum ratio of total loans, advances and discounts, granted to indigenous persons, to be maintained by each bank licensed under the Banking Act.

(2) Any bank which fails to observe the minimum ratio that may be prescribed in accordance with subsection (1) of this section shall be guilty of an offence and liable on conviction to a fine of one thousand pounds.

Direction  
as to  
policy.

3.—(1) The board shall keep the Commissioner informed of the monetary and banking policy pursued or intended to be pursued by the Central Bank.

(2) The Commissioner shall, from time to time if he disagrees with the board on the monetary and banking policy pursued or intended to be pursued by the Central Bank, so inform the board of his disagreement thereto, and the Commissioner may submit his representation and that of the Central Bank on the disagreement to the Federal Executive Council.

(3) The Federal Executive Council may in writing after considering the representations direct the Central Bank as to the monetary and banking policy pursued or intended to be pursued and the direction shall be binding on the board which shall forthwith take all steps necessary or expedient to give effect thereto.

Miscella-  
neous  
amendments  
of the  
Central  
Bank of  
Nigeria Act.  
Cap. 30.

4. The Central Bank of Nigeria Act shall be amended as follows, that is—

(a) in section 29 (1) (f) and (2) thereof after the words "Treasury Bills" wherever the words appear there shall be inserted the words "and Treasury Certificates", respectively;

(b) in section 29 (1) (j) thereof the words "maturing within ninety days" are hereby repealed;

(c) in section 29 (1) (k) for subparagraph (v) thereof there shall be substituted the following, that is—

"(v) Treasury Certificates issued by the Federal Government: Provided that no advance so secured shall at any time exceed seventy-five per cent of the market value of the certificate pledged;"

(d) in section 34 (2) thereof for the words "twelve and one half" there shall be substituted the words "twenty-five";

(e) for section 40 thereof there shall be substituted the following, that is—

“40.—(1) The Bank may from time to time issue directions, which shall subsequently be published in the Gazette requiring each bank licensed under the Banking Act (hereafter in this section referred to as the “institution”) to do the following, that is—

Cap. 19.

(a) to maintain at all times in the form of cash reserves with the Bank at its Head Office, a sum equal to a ratio of the institution's deposit liabilities ;

(b) to hold a minimum amount of specified liquid assets which shall be expressed as a ratio of deposit liabilities of the institution ; and

(c) to maintain as special deposits with the Bank at its Head Office, a percentage of the institution's deposit liabilities and/or a percentage of any increase or the absolute increase in such deposit liabilities over an amount outstanding on a date, and for a period as shall be specified by the Bank.

(2) For the purposes of subsection 1 (a) above, the Bank shall specify—

(a) the class of deposit liabilities against which the cash reserves mentioned in that subsection shall be held ; and

(b) a grace period, not exceeding fourteen days, within which any requirement under that paragraph must be satisfied by the institution concerned,

and for prescribing the ratio of cash reserve which an institution shall so maintain, those institutions shall be classified into three categories, namely—

“Class A”—institutions with deposit liabilities of fifteen million pounds or more ;

“Class B”—institutions with deposit liabilities of five million pounds or more, but less than fifteen million pounds ;

“Class C”—institutions with deposit liabilities of less than five million pounds.

(3) For the purposes of subsection 1 (a) of this section—

(a) the Bank shall have power to prescribe different cash reserve ratios to be maintained by each category of institution specified in subsection (2) above : Provided that—

(i) “Class A” institutions shall maintain higher cash reserve ratios than “Class B” and “Class C” institutions ; and

(ii) “Class B” institutions shall maintain higher cash reserve ratios than “Class C” institutions ;

(b) the cash reserve of an institution shall be determined, within such periods as the Bank may from time to time specify, on the basis of the period balances of the institution's deposit liabilities ;

(c) the Bank shall have power, from time to time, to require each institution to prepare and deliver to the Bank in such form and within such period as the Bank may specify a true and correct statement showing the positions of the deposit liabilities of the institution ; and the Bank may require such statement to be made at such periodical intervals, or as often as it may specify ;



(d) the Bank shall have power to require any institution to furnish to it such information and statistics in such form and as often as the Bank may deem necessary for the purposes of satisfying itself that the institution concerned is in compliance with the provision of that subsection.

(4) For the purposes of subsection (1) (b) above the Bank shall have power—

(a) to vary—

(i) the composition of any specified liquid assets ; and

(ii) the proportion of each category of specified liquid assets that may from time to time be held by an institution ;

(b) to require that all applications to each institution for loans exceeding such amount as the Bank may specify, shall be submitted by the institution to the Bank for approval and no such loan shall be made without that approval ;

(c) to fix ceilings on the volume of loans, advances and discounts outstanding at each institution and it may fix different ceilings for different categories of such loans, advances and discounts ;

(d) to fix a ceiling on the aggregate amount of loans, advances and discounts granted by any institution and outstanding at any time ; and the Bank may place limits on the rate of increase in the aggregate amount of such loans, advances and discounts within a specified future period of time.

(5) For the purposes of subsection (1) (c) above, the Bank shall have power to specify the class of deposits to which the provisions of that subsection shall apply, and any special deposits held in accordance with that subsection shall not count as specified liquid assets for the purposes of subsection (1) (b) of this section ; and subject to the foregoing provision of this subsection, the Bank may, at its discretion, pay interest on such special deposits held by it ; but that interest shall at its highest be one per centum below the Treasury Bill issue rate.

(6) The Bank may for the purposes of maintaining monetary stability of the economy of Nigeria, issue, place, sell, repurchase, amortize or redeem securities to be known as "stabilization securities" (which shall constitute its obligations) and the securities shall be issued at such rate of interest and under such conditions of maturity, amortization, negotiability and redemption as the Bank may deem appropriate.

(7) The Bank shall have power—

(a) to sell or place by allocation to each institution any stabilization securities issued under subsection (6) above ;

(b) to repurchase, amortize or redeem, in such manner as the Bank may deem appropriate, any such stabilization securities, and any stabilization securities repurchased by the Bank shall be extinguished, and shall not constitute the assets of the Bank.

Cap. 19.

(8) If any institution fails to comply with any direction issued under the provisions of this section, the Bank shall have power to :—

(a) prohibit the institution concerned from extending new loans and advances, and from undertaking new investments, until full compliance with the direction has been obtained by the Bank ;

(b) levy fines, which shall be a civil debt, against the institution, but such fines shall not exceed fifty pounds for the default or, as the case may be, for every day during which the default continues.

(9) Any institution which furnishes false information to the Bank shall be guilty of an offence and liable to a fine not exceeding £100 for the first offence; and for a second or subsequent offence the fine shall be £200."

5. In this Decree, unless the context otherwise requires—

"bank" has the same meaning as in section 2 of the Banking Act;

"the board" means the Board of Directors of the Central Bank of Nigeria;

"the Central Bank" means the Central Bank of Nigeria established under the Central Bank of Nigeria Act;

"the Commissioner" means the Federal Commissioner for Finance.

Interpreta-  
tion.  
Cap. 19.

Cap. 30.

6.—(1) This Decree may be cited as the Central Bank of Nigeria Act (Amendment) (No. 3) Decree 1968 and shall apply throughout the Federation.

(2) This Decree shall be construed as one with the Central Bank of Nigeria Act.

(3) This Decree shall be deemed to have come into operation on 9th May 1968.

(4) The Central Bank of Nigeria Act (Amendment) (No. 2) Decree 1968 is hereby repealed.

Citation  
extent,  
commence-  
ment and  
repeal.

1968 No. 28.

MADE at Lagos this 18th day of September 1968.

MAJOR-GENERAL Y. GOWON,  
*Head of the Federal Military Government,  
Commander-in-Chief of the Armed Forces,  
Federal Republic of Nigeria*