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CIRCULAR TO ALL BANKS IN NIGERIA

LIQUIDITY AND CAPITAL ADEQUACY RATIO COMPUTATION

All Deposit Money Banks are hereby notified of the basis for the computation of the Liquidity Ratio (LR) and the Capital Adequacy Ratio (CAR) by the Central Bank of Nigeria as requested by the Chief Executive Officers of banks at the last breakfast meeting on January 6, 2009.

A. THE COMPONENTS OF LIQUIDITY RATIO COMPUTATION

LIQUID ASSETS:	N
10130 Cash	
10260 Balance held with CBN	
10280 Net Balances held with banks within Nigeria	
10410 Nigerian Treasury Bills	
10420 Nigerian Treasury Certificates	
10430 CBN Registered Certificates	
10352 Net Inter bank Placement with Other Banks	
10340 Net Money At Call with Other Banks	
10360 Net Placement with Discount Houses	
10540 Total Certificate of Deposit	
11011 FGN Bonds	
10440 Stabilisation Securities	
TOTAL SPECIFIED LIQUID ASSETS	
CURRENT LIABILITIES	
L1. Adjusted Total Deposit	
L2. Cert. of Deposits Issued[of not more than 18 months of maturity]	
L3. Net Balance held for other Banks	
L4. Net Money at call held for other Banks	
L5. Net Inter bank Placements held for other Banks	
L6. Net Takings from Discount Houses	

L7. Balances Held for External offices Less Bal. held with External offices [if net is negative, ignore]	
L8. Balances Held for External banks Less Bal. held with External banks [if net is negative, ignore]	
L9. Bankers Acceptances	
TOTAL CURRENT LIABILITIES	

Liquidity Ratio = Total Specified Liquid Assets / Total Current Liabilities * 100

B. RESOLVING THE DIFFERENCES BETWEEN THE E-FASS COMPUTATION AND COMPUTATION BY BANKS

The differences in the computation of the Liquidity Ratio by the CBN and the banks arise from the automatic adjustments made by the e-FASS in respect of three items: balances held with the CBN, net inter bank balances with other banks and deposits.

Banks are therefore advised to adjust these items as indicated below:

i. Balances held with the CBN:

The current month's CRR should be adjusted against the opening balance in the CRR account. If the current month's CRR is lower than the previous month's balance, the net position should be added to the CBN current account balance but if the current month's CRR is higher, the net position should be subtracted from it.

ii. Net Inter Bank Balance with Other Banks

The net inter bank balance should be added to either assets or liabilities depending on whether it is positive or negative. When the net balance is positive, it should be added to assets, but when it is negative, it should be added to liabilities.

iii. Adjusted Deposit

Total deposits should be adjusted to include likely deposit items imbedded in other liabilities.

C. COMPONENTS OF CAPITAL ADEQUACY COMPUTATION

S/No	Type of Assets	Net Value of Item ₦	Weight of Risk	Amount of Risk Weighted Assets ₦
1	Cash in hand		0	
2	Cash reserve with CBN		0	
3	Current account with CBN		0	
4	Due from Other Banks in Nigeria		0.2	
5	Items in the process of clearing		0.2	
6	Overdue balance with other bank		1	

7	Due from Other OECD countries		0.2	
8	Due from Other non-OECD countries		0.5	
9	Money at call secured with treasury bills		0	
10	Unsecured Money at call		0.2	
11	Collateralised placements		0	
12	Unsecured Inter bank placements		0.2	
13	Placement Secured with treasury bills		0	
14	Unsecured Placement		0.2	
15	Treasury bills		0	
16	Treasury Certificates		0	
17	Certificates of deposits- Negotiable		0.5	
18	Certificates of deposits -Non Negotiable		1	
19	Banker's Acceptances		1	
20	Commercial papers		1	
21	Other assets (Net)		1	
22	Fixed assets (Net)		1	
23	OBS: Direct credit substitutes		1	
24	OBS: Certain transaction-related contingent items		0.5	
25	OBS: Short-term self liquidating trade-related contingencies		0.2	
26	OBS: Sale and repurchase agreements and asset sales with recourse		1	
27	OBS: Forward asset purchase, forward deposits and partly paid shares and securities		1	
28	OBS: Note issuance facilities and revolving underwriting facilities		0.5	
29	OBS: Other commitments (e.g. formal standby facilities and credit lines)		0.5	
30	OBS: Similar commitments with an original maturity of up to one year		0	
31	Under Provision		-1	

32	Other accounts with CBN		0
33	Net loans and Leases		1
34	Investment		1
35	Promissory notes and other financial instruments		1
Total Risk Assets			
	1st TIER CAPITAL		2nd TIER CAPITAL
	Ordinary Shares		Fixed Asset revaluation reserves
	Statuary Reserves		Forex Revaluation reserves
	Share Premium		General Provisions
	General Reserves		Minority Interest
	Reserves for SSI		Hybrid capital Instruments:
	Other Reserves		Preference Shares
	Retained Profit And Loss		Debenture Stock
	Interim (Half Year) audited Profit approved by CBN		
	Total Capital and Reserves		
	Less:		
	Goodwill & Intangible Assets		
	Unpublished Losses of Current Year		
	Under Provision		
	Total 1st Tier Capital		Total 2nd Tier Capital
	Total 1st Tier and 2nd Tier Capital		
	Less Investments in Unconsolidated Subsidiaries & Associates		
	Total Qualifying Capital		

RISK WEIGHTED ASSETS RATIO (CAR) = Total Qualifying Capital/Total Risk Weighted Assets * 100

Banks are advised to be guided by the above formats and prescribed adjustments in the Liquidity Ratio computation.

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