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CIRCULAR TO: ALL DEPOSIT MONEY BANKS AND DISCOUNT HOUSES

UPDATE ON THE CBN LENDING WINDOWS

As part of the continued efforts of the Central Bank of Nigeria to ensure that the banking system remains liquid in the face of the on-going global economic melt-down, the Bank makes the following clarifications.

Standing Lending Facility (SLF) Window

1. The daily Standing Lending Facility (SLF) of the CBN is open to all the deposit money banks (DMBs) and the discount houses (DHs).
2. The rate for accessing this window would remain the CBN's Monetary Policy Rate (MPR), while the eligible collateral would continue to be the Federal Government securities.

Repurchase Facility Window

3. In addition, the Repurchase (REPO) window of the CBN is open to all participants of the money market. This facility is available up to a maximum tenor of 90 days, while the eligible collateral remains the Federal Government Securities.
4. The rate on the REPO window is still bench-marked to the CBN MPR plus appropriate basis points to reflect the different tenors. (Appendix 1)

Expanded Discount Window (EDW)

5. In order to further expand the scope of liquidity injection into the money market, the eligible collateral for accessing facility from the EDW shall include non-FGN securities as follows:
 - ◆ State Government Bonds
 - ◆ NDIC Accommodation Bills
 - ◆ Bankers Acceptances
 - ◆ Guaranteed Commercial Papers
 - ◆ Promissory Notes

6. This means that the Federal Government Security ceases to be eligible collateral for the EDW. DMB/DH that wants to use the FGN security as collateral for facility from the CBN, should access the Bank's REPO and SLF windows
7. Transactions on the EDW shall continue to be for tenors not exceeding 360 days.
8. The rate on the EDW would continue to be bench-marked to the CBN Monetary Policy Rate (MPR) + appropriate basis points. (See Appendix 2)
9. For the avoidance of doubt the above facilities remain the Bank's normal monetary operation channels and all DMBs/DHs shall be given unfettered access to these windows to meet their liquidity needs so long as they satisfy the minimum regulatory requirements.
10. However to prevent arbitrage opportunities, any DMB/DH that obtains funds from any of the CBN's lending windows should not simultaneously place funds in the inter-bank money market.
11. Any institution that engages in lending activities in the inter-bank money market, having accessed the CBN window would be sanctioned appropriately.
12. Sanctions would include denial of access to the CBN window for a period of 3 months in the first instance, and for six months for the second time, while the third time offence would attract a 12-month suspension from CBN's money market window. In addition, the institution shall forfeit the profits it would have made on the transaction.

Thank You.



James K. A. Olekah

Director, Banking Operations Department

Appendix 1: Applicable Rates for the REPO WINDOW

| TENORS | GOVT. SECURITIES |
|----------|------------------|
| | Repo Rates (%) |
| 1-3 days | MPR (9.75) |
| 4-7 days | MPR+ 25 bps |
| 30 days | MPR + 125 bps |
| 60 days | MPR + 175 bps |
| 90 days | MPR + 195 bps |

Appendix 2: Applicable Rates for Expanded Discount Window

| TENORS | Expanded Discount Window. |
|----------|---------------------------|
| | Rates (%) |
| 1-3 days | MPR+300 |
| 4-7 days | MPR+350 |
| 30 days | MPR +400 |
| 60 days | MPR +450 |
| 90 days | MPR +500 |
| 180 days | MPR + 600 |
| 360 days | MPR + 700 |