

## Sanusi Lamido Sanusi: Brief overview on the Central Bank of Nigeria's proposed currency restructuring exercise

Speech by Mr Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, at the press briefing on the proposed currency restructuring exercise "Project Cure", Lagos, 23 August 2012.

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### PROTOCOL

Gentlemen of the Press, I welcome you to the briefing on the currency restructuring exercise being implemented by the Central Bank of Nigeria (CBN).

Before I proceed, I would like to use this opportunity to express our gratitude to you all for the support you have given to the Bank thus far, by helping in disseminating information about our policies, programmes and activities. I urge you to continue along this path of fruitful collaboration and support in the interest of our economy.

I am delighted to brief you today on the CBN's proposed currency restructuring exercise, which we have code-named "PROJECT CURE". As you all know, one of the core mandates of the CBN, like monetary authorities across the world, is the issuance and management of the legal tender currency. This implies that the CBN is responsible for the entire process of currency production and it includes the following elements: design, production, storage, distribution and the disposal of unfit banknotes. An important component of our responsibility is ensuring an optimal currency structure in terms of efficiency, cost effectiveness and balanced mix of various denominations. It entails the CBN being responsive to the changing needs of the economy and keeping pace with evolving trends in contemporary currency technology-world.

In addition, in line with international best practices, monetary authorities are required to review their nations' currencies at intervals of between five (5) and eight (8) years. This is done in order to address, among other factors, inevitable weaknesses and challenges identified in the circulating banknotes and coins. These factors usually arise from innovations in technology, aesthetics, security considerations and so on.

In the case of Nigeria's currency, the following table clearly shows the period some denominations have been circulating without any major review:

S/N	Denomination	Date Restructured	No. of years
1.	₦10	December 1999	1
2.	₦20	November 2000	1
3.	₦50	April 2001	1
4.	₦1,00	October 2005	7

In Nigeria, the last comprehensive review of the currency was carried out in 2005. It resulted in the introduction of the ₦20 polymer banknote followed by the varnishing of the ₦5, ₦10 and ₦50 paper banknotes in 2007. These lower denomination notes were eventually converted into polymer banknotes in 2009.

As a first step towards this routine exercise, the CBN carried out a review of the existing currency series in 2010. The exercise threw up several revelations and challenges such as the following:

- Public apathy towards the usage of the 50K, ₦1 and ₦2 coins, introduced in February, 2007.

- The varnished lower denomination banknotes failed to adequately meet expected longevity.
- Significant difficulties associated with the processing and destruction (briquetting) of the polymer banknotes. It is important to add that this situation has largely constrained the realisation of the benefits expected from polymer banknotes over paper notes.
- The tactile feature for the visually impaired on the polymer notes has not been as effective as desired.

In the light of the observed challenges, the CBN conducted several stakeholders' fora in 2011 on currency restructuring to gauge public and independent perspectives on the existing banknotes and coin series. The issues raised and the subsequent findings and decisions were summarised as follows:

- Due to inflationary pressures, the CBN should coin lower denominations of currency up to ₦100. The relevant denominations in this category are ₦5, ₦10, ₦20, ₦50 and ₦100;
- Need to encourage the usage of coins; and
- Enhancement of the quality of banknotes.
- The CBN should introduce higher denomination banknotes to discourage dollarization, reduce the volume of banknotes as well as the overall cost of currency management.

Gentlemen of the Press, we are now about to embark on another comprehensive review of our national currency structure. The impending review exercise is aimed at achieving the following objectives:

- (i) Upgrading the design of the entire existing range of currency denominations in order to enhance the quality and integrity of the banknotes;
- (ii) Incorporating a more effective feature for the visually challenged;
- (iii) Introducing new security features on the redesigned banknotes. The intention here is to enable us take ownership and control of the new features on the series and eliminate payment of royalties on patented security features;
- (iv) Achieving an optimal currency structure that will ensure cost effectiveness and balanced mix and utilization of all the currency denominations;
- (v) Introducing new series of coins that would be generally acceptable for purposes of transaction; and
- (vi) Reducing the cost of production, distribution and disposal of banknotes by introducing a higher bill that would reduce the volume and cost of notes in circulation. The savings would be channeled to provide incentives for the usage and acceptance of coins.

As a means of realising the above objectives, several entities have collaborated to redesign the new currency series. These include the Currency Operations Department, Nigerian Security Printing and Minting Company (NSPM) Plc, along with competent international consultants.

On the 28<sup>th</sup> of November, 2011, the CBN Board considered and approved the new currency series. It subsequently sought and on the 19<sup>th</sup> of December, 2011 obtained the approval of His Excellency, the President, Dr. Goodluck Ebele Jonathan, GCFR. Under the new structure, the existing denominations of ₦50, ₦100, ₦200, ₦500 and ₦1,000 will be redesigned with added new security features. It is our pleasure to inform you that a new high currency denomination will also be introduced. It is the ₦5,000 note. In the

same vein, the lower banknote denominations of ₦5, ₦10 and ₦20 will be coined. Consequently, the Naira currency structure will now be twelve (12); these are six (6) coins and six (6) banknote denominations. The details are as follows:

Coins	Banknotes
50K	₦50
₦1	₦100
₦2	₦200
₦5	₦500
₦10	₦1,000
₦20	₦5,000

Presently, efforts are being put in place to ensure that the redesigned ₦50 and the new ₦5,000 banknotes should be launched early in 2013.

It has been argued that the introduction of a higher denomination banknote could exert inflationary pressures in the economy. Ladies and gentlemen, inflation in Nigeria is a monetary phenomenon. Secondly, in some countries such as Singapore, Germany and Japan the highest denominations are 10,000 SGD, €500 and Yen10,000 respectively. These denominations have relatively high dollar equivalent. The levels of inflation are, however, low at 2.8, 1.1, and -0.7 as at 2010.

Furthermore, we believe that the introduction of a higher bill would complement the Bank's cash less policy as it would substantially reduce the volume of currency-in-circulation particularly in the long term.

To encourage the usage of coins the CBN would liaise with relevant MDAs, DMBs, road transport workers, market operators, small businesses, supermarkets, vendors, etc to create avenues for the usage of the coins. We would ensure that coin collection is convenient and the infrastructure readily assessable.

Please note that the introduction of the new currency series will be a gradual process, as the banknotes will circulate simultaneously with the old series until they are fully withdrawn from circulation. Therefore, there would be no urgent need for exchange of the old for the new banknotes by the general public for as long as the old banknotes are in circulation, they will remain legal tender.

Gentlemen of the Press, this is an overview of our currency restructuring exercise, known as "PROJECT CURE". I request that you join us in our effort to provide our country with a befitting currency structure that will be an effective facilitator of economic activities.

Thank you for your kind attention.