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**TRADE AND EXCHANGE DEPARTMENT**

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**TED/FEM/PUB/FPC/001/001**

January 31, 2024

## **LETTER TO ALL BANKS**

### **HARMONISATION OF REPORTING REQUIREMENTS ON FOREIGN CURRENCY EXPOSURES OF BANKS**

The Central Bank of Nigeria (CBN) has noted with concern the growth in foreign currency exposures of banks through their Net Open Position (NOP). This has created an incentive for banks to hold excess long foreign currency positions, which exposes banks to foreign exchange and other risks. Therefore, to ensure that these risks are well managed and avoid losses that could pose material systemic challenges, the CBN issues the following prudential requirements:

#### **1. Prudential Requirements**

- a) The Net Open Position (NOP) limit of the overall foreign currency assets and liabilities taking into cognizance both those on and off-balance sheet should not exceed 20% short or 0% long of shareholders' funds unimpaired by losses using the Gross Aggregate Method.
- b) Banks whose current NOP exceed 20% short and 0% long of their shareholders' funds unimpaired by losses are required to bring them to prudential limit by February 1, 2024.
- c) Banks are required to compute their daily and monthly NOP and Foreign currency trading position (FCTP) using the attached templates.
- d) Banks are also required to have adequate stock of high-quality liquid foreign assets, i.e. cash and government securities in each significant currency to cover their maturing foreign currency obligations. In addition, banks should have in place a foreign exchange contingency funding arrangement with other financial institutions.

## 2. Other Requirements

- a) Banks should borrow and lend in the same currency (natural hedging) to avoid currency mismatch associated with foreign currency risk.
- b) The basis of the interest rate for borrowing should be the same as that of lending i.e. there should be no mismatch in floating and fixed interest rates, to mitigate basis risk associated with foreign borrowing interest rate risk.
- c) With respect to Eurobonds, any clause of early redemption should be at the instance of the issuer and approval obtained from the CBN in this regard, even if the bond does not qualify as tier 2 capital.
- d) All banks are required to adopt adequate treasury and risk management systems to provide oversight of all foreign exchange exposures and ensure accurate reporting on a timely basis.
- e) Banks are expected to bring all their exposures within the set limits immediately and ensure that all returns submitted to the CBN provide a accurate reflection of their balance sheets.

Please, note that non-compliance with the NOP limit will result in immediate sanction and/or the suspension from participation in the foreign exchange market.

Yours faithfully,



DR. HASSAN MAHMUD  
DIRECTOR, TRADE AND EXCHANGE



RITA IJEOMA SIKE (MRS.)  
FOR: DIRECTOR, BANKING SUPERVISION

**REPORT ON FOREIGN EXCHANGE EXPOSURE**  
At Close of Business on

Reporting Bank: CCY	Position in foreign currencies				Contact Person:			Phone: Positions in local currency			In % of Capital	
	Balance Sheet, net		Off Bal. Sheet, net		Overall net positions	Cross Rates	Local ccy rates	EW	Balance sheet, net	Off Bal. Sheet, net		Overall net positions
	2	3	4	5								
1												
AED												
AUD												
CAD												
CHF												
CNH												
CNY												
DKK												
EUR												
GBP												
INR												
JPY												
SAR												
SEK												
SGD												
THB												
USD												
ZAR												
	Net Foreign currency positions											
	Capital											
	Overall long/Short position											
	Assigned NOPL											
	USD/IGN RATE											
	Difference											0.0000%

Monthly Return On Net Foreign Assets (Gross Aggregate Method)						
As at: ***						
Daily/Monthly Return On Net Open Position						
	US DOLLARS	EURO	GBP	OTHERS	TOTAL	
<b>FOREIGN ASSETS:</b>						
97110: Holdings of Foreign Currency						
97120: Balances held with Foreign Banks						
97130: Placement with Foreign Banks						
97140: Balances held with Offices & Branches Abroad						
97150: Treasury Securities of Foreign Governments						
97160: Other Financial Instruments in Foreign Currency						
97170: Loans and Advances in Foreign Currency						
97180: Other Foreign Assets (not captured above)						
<b>OFF BALANCE SHEET ITEMS:</b>						
97190: Undelivered Spot Sales						
97200: Forward Purchases						
97205: Others						
<b>97210: TOTAL FOREIGN ASSETS [A]</b>						
<b>FOREIGN LIABILITIES:</b>						
98110: Balances Held for Foreign Banks						
98120: Takings from Foreign Banks						
98130: Balances Held for Offices and Branches Abroad						
98141: Foreign Currency Deposits						
98142: Financial Instruments Issued in Foreign Currency						
98151: Loans and Advances in Foreign Currency						
98152: Other Foreign Liabilities (not captured above)						
<b>OFF BALANCE SHEET ITEMS:</b>						
98161: Undelivered Spot Sales						
98162: Forward Purchases						
98170: Others						
<b>98180: TOTAL FOREIGN LIABILITIES [B]</b>						
<b>98190: NET FOREIGN ASSETS [A-B]</b>						
<b>AGGREGATE LONG POSITION [C]</b>						
<b>AGGREGATE SHORT POSITION [D]</b>						
<b>GROSS AGGREGATE POSITION [C+D]</b>						
<b>SHAREHOLDERS FUNDS UNIMPAIRED BY LOSSES</b>						
<b>GROSS AGGREGATE OPEN POSITION AS PERCENTAGE OF SHAREHOLDERS FUNDS</b>						