



The Nigerian

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# Banker

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## The World Converges in Nigeria as CIBN Hosts 22nd World Conference of Banking Institutes

### Other Features:

- Virtual/Cryptocurrency – Evolution, Regulatory Challenges and Impact on the Future of Payments and Settlement Systems
- Role of Public-Private Partnership as it Relates to Financial Inclusion and Microbanking
- Investment Planning - The Basics

# THE BANKERS CREED

## Hugh McCulloch's Advice to Bankers of 1863

(Hugh McCulloch (1808 – 1895) was an American Banker who helped launch the American National Banking System and was Secretary of the Treasury during the civil war and reconstruction)

- Let no loans be made that are not secured beyond a reasonable contingency. Do nothing to foster and encourage speculation. Make your loans on as short term as the business of your customers will permit, and insist upon the payment of all paper at maturity, no matter whether you need the money or not. Give credit facilities only to legitimate and prudent transactions. Never renew a note merely because you may not know where to place the money with equal advantage if the note is paid.
- Distribute your loans rather than concentrate them in a few hands. Large loans to a single individual or firm, although sometimes proper and necessary, are generally injudicious, and frequently unsafe. Large borrowers are apt to control the bank; and when this is the relation between a bank and its customers, it is not difficult to decide which in the end will suffer. Every dollar that a bank loans above its capital and surplus it owes for, and its managers are therefore under the strongest obligations to its creditors, as well as to its stockholders, to keep its loans under its control.
- Treat your customers liberally, bearing in mind the fact that bank prospers as its customers prosper, but never permit them to dictate your policy.
- If you have reasons to distrust the integrity of a customer, close his account. Never deal with a rascal under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.
- Pay your officers such salaries as will enable them to live comfortably and respectably without stealing; and require of them their entire services. If an officer lives beyond his income, dismiss him; even if his excess of expenditures can be explained consistently with his integrity, still dismiss him. Extravagance, if not a crime, very naturally leads to crime. A man cannot be a safe officer of a bank who spends more than he earns.
- The capital of a bank should be a reality, not fiction; and it should be owned by those who have money to lend, and not by borrowers.
- Pursue a straightforward, upright, legitimate banking business. Never be tempted by the prospect of large returns to do anything but what may be properly done under the National Currency Act. "Splendid financiering" is not legitimate banking, and "splendid financiers" in banking are generally either humbugs or rascals.



## THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

PC 19, Adeola Hopewell Street, Victoria Island, Lagos.

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## GUIDELINES FOR SUBMISSION OF ARTICLES FOR PUBLICATION IN THE NIGERIAN BANKER

1. The Nigerian Banker Journal welcomes original scholarly research articles from practising professionals, academics, financial consultants/analysts, book reviewers, researchers and policy review analysts, etc in the area of banking and related subjects.
2. Submission of an article for publication in The Nigerian Banker Journal presupposes that the article has never been previously published, nor is it being concurrently submitted for publication elsewhere.
3. Articles should be typed double spaced on A4 size paper and should not exceed 15 pages, bibliography and footnotes inclusive. Long articles should be divided into logical parts so that they can be published in parts, if found publishable.
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7. Full references using the Harvard method should be listed alphabetically at the end of the text as follows: Alawode, A. C., (2002), Federalism and National Building; The Nigerian Banker, Vol. 1 No. 1, June, Lagos.
8. Footnotes should be avoided.
9. Check tables and figures (rows, columns and totals) properly. Explanatory paragraphs should be as near as possible to the relevant tables and figures, which should be appropriately numbered.
10. Only articles that are of high quality in content and relevance may be published. Unpublished articles may not be returned to their authors.
11. One hard copy of the article in addition to soft copy are to be sent by writers. Articles sent without a soft copy may be delayed or not published.
12. Articles lost in transit are the responsibility of the author(s).
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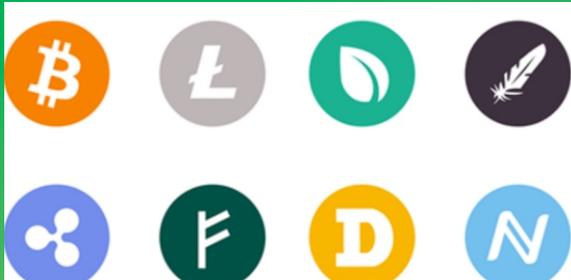
**Further correspondence should be addressed to:**

**The Editor, The Nigerian Banker**

The Chartered Institute of Bankers of Nigeria, PC 19, Adeola Hopewell Street  
P O Box 72273, Victoria Island, Lagos

Tel. 01-4617924, 4610655 **Website:** [www.cibng.org](http://www.cibng.org) **E-mail:** [cibn@cibng.org](mailto:cibn@cibng.org)

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## Editorial Team

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**Letters to the Editor should be sent to:**  
The Nigerian Banker  
Bankers House  
PC 19, Adeola Hopewell Street  
P.O. Box 72273  
Victoria Island, Lagos, Nigeria  
Tel: 01-4617924, 01-4610655  
E-mail: cibn@cibng.org

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(May 2016 - May 2018)

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## A WORD FROM THE REGISTRAR/CHIEF EXECUTIVE, THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA & CHAIRMAN, EDITORIAL BOARD OF THE NIGERIAN BANKER

Mr. 'Seye Awojobi, FCIB



It is my great pleasure to introduce the first quarter edition of The Nigerian Banker for 2017. This special edition has been dedicated to the 22nd World Conference of Banking Institutes to be hosted by The Chartered Institute of Bankers of Nigeria from April 24 to 28, 2017 at the Eko Hotels and Suites, Victoria Island, Lagos. The theme of the Conference which is Rethinking the Future of Banking and Lifelong Learning was carefully chosen to discuss and address topical issues that would have an overarching impact on global banking and other allied sectors of the economy in the next few years.

This edition of the Journal features the history of the Conference, well-researched articles by highly regarded academics as well as a wide array of notable individuals who have demonstrated their support for the Conference through their endorsements. These notable individuals include, traditional rulers, state governors, banks' Managing Directors/Chief Executives, top professionals across different sectors of the economy as well as the Diplomatic Community. Indeed this special edition contains a wealth of information which leaves me in no doubt that our wide readership of the Journal would not only be well-attuned with the expectations from the World Conference but would also benefit from the rich articles featured in this edition.

I would like to take this opportunity to express the Institute's deep appreciation to our numerous stakeholders who have given us their unalloyed support in the hosting of this Conference. I would like to make special reference to the Central Bank of Nigeria (CBN) ably led by the Governor, Mr. Godwin Emefiele, CON, FCIB, the Nigeria Deposit Insurance Corporations (NDIC) ably led by the Managing Director, Alhaji Umaru Ibrahim, mni, all the Deposit Money Banks (DMBs), Development Banks, Merchant Banks, Microfinance Banks, Mortgage Finance Banks, Other Non-Bank Financial Institutions, the Chartered Institute of Management Accountants (CIMA) and the Finance Accreditation Agency (FAA).

Furthermore, I cannot but specially appreciate the Lagos State Governor under the leadership of His Excellency, Mr. Akinwunmi Ambode, for his unparalleled support for the Conference in view of the platform it provides for Lagos State to showcase its rich cultural heritage, hospitality and investment potentials.

Needless to say, the Organising Committee for the Conference, ably led by the Chairman, Dr Segun Aina, OFR, FCIB, Past President, CIBN and Co-Chairmen, Otunba (Mrs) 'Debola Osibogun, FCIB, Immediate Past President, CIBN and Mr. Nnamdi Okonkwo, HCIB, Managing Director/Chief Executive, Fidelity Bank Plc have indeed done a great job at ensuring the successful hosting of the Conference. The Office Holders and Governing Council members of the Institute ably led by Prof. Segun Ajibola, Ph.D, FCIB have also provided us with useful guidance in the planning for this Conference.

The imperative of rethinking the future of banking and finance can indeed not be exaggerated considering the remarkable spate of change in the industry. There is no doubt that the incursion of technology into this critical sector of the economy has indeed redefined the traditional banking models and principles. Generally, technology has afforded us conveniences that would not have been imagined some few decades ago.

However, using the words of the great economist, Joseph Schumpeter, technology has also "creatively destroyed" the banking industry and introduced new competitors that are gradually gaining large market shares putting unprepared traditional financial institutions in a somewhat uncomfortable situation.

With the progressive dominance of Financial Technology, it is safe to say that banking within the next few decades would be, as aptly described by Brett King, something you do rather than somewhere you go. What would this mean for traditional banking institutions that have huge investments in physical structures and other forms of physical assets? Are there going to be fundamental changes in the type of human capital needed to run the new banking models of the future? What role would lifelong learning play in the bank of the future? These and other similar questions would be the focus of conversation at the 22nd World Conference of Banking Institutes.

Undoubtedly, participants at the Conference are assured of an intellectually stimulating and rewarding session considering the pedigree of the resource persons, both local and international, that have accepted to personally feature at the Conference. Incidentally, the Conference coincides with the 50th Anniversary of Lagos state and this would provide another opportunity for participants to enjoy the State as indeed a financial tourist centre.

**'Seye Awojobi, FCIB**

*Registrar/Chief Executive, CIBN*

*& Chairman, Editorial Board of The Nigerian Banker*

# From The Editor's Desk



It was a feat well-deserved when in April 2015 the world voted unanimously in favour of The Chartered Institute of Bankers of Nigeria (CIBN) to host the 22<sup>nd</sup> World Conference of Banking Institutes

(WCBI). It is worthy of note that this is the first time a West African country would host the global banking community and the CIBN has, unarguably, provided a great opportunity for Nigeria as a country and the banking and finance sector to display their rich financial and cultural heritage. In its 54 years of existence, the CIBN has not only sustained the legacy of building human capacity in the banking and finance industry through its diverse and cutting edge certification and training programmes, but has been on the front line of promoting ethical and professional conduct in the industry.

Between April 24 – 28, 2017, renowned international experts would gather at the Eko Hotel and Suites to chart a new course for global banking and financial services sector. The choice of Lagos as the venue for the Conference derives from the undeniable fact that the state is an important financial hub within the African continent. Incidentally, the 22<sup>nd</sup> World Conference of Banking of Institutes to be held in Lagos, Nigeria coincides with the 50<sup>th</sup> Anniversary of a state that, for several years, has been an investment haven for both local and international entrepreneurs and business moguls. It is therefore not surprising that Lagos state, under the leadership of Mr. Akinwumi Ambode, has expressed its unreserved support for the Conference and lining it up as one of the activities to celebrate the “State of Excellence” at 50.

Globally, banking and its functions are moving away from the brick-and-mortar system to a virtual/digital form. This necessitates the need to redefine the current

structure that characterizes banking. The theme of the Conference – **Re-Thinking the Future of Banking and Finance & Life Long Learning** – was therefore deliberately chosen to achieve the objective of peeping into the future of banking with a view to developing feasible steps that would ensure that the industry is well prepared to exploit the opportunities that the new banking dynamics would provide. The Conference would also discuss practicable strategies to address the challenges that may ensue from the disruptive role of technology in the industry. Consequently, subject matter experts have been carefully chosen to handle each of the five (5) sub-themes with excellent academic and professional touches. The sub-themes are Envisioning the Future of Banking & Finance in the Global Economy; Re-Professionalising Banking through Continuous Education; The Dynamics of Competition: Present & Future; The Need for & Role of Banking/Finance Standards: Global, Regional & National and; The Desire for Lifelong Learning.

The Parallel Sessions on Technology, Payments System, Regulation and Artificial Intelligence would also address the disruptive potentials of these relatively new developments on the future of banking and payments system.

This edition also features articles on Virtual/Cryptocurrency by Niyi Ajao, HCIB, Investment Planning by Joel Ezeugo and the Role of Public-Private Partnership in Financial Inclusion & Microbanking by Yemi Morebise. The authors have provided us with simple but thorough analyses of the subjects.

On behalf of the Editorial Board of The Nigerian Banker, I wish the international banking community a rewarding Conference and The Chartered Institute of Bankers of Nigeria a successful hosting.

■ Yinka Egbaiyelo, FCIB

# BRIEF HISTORY OF THE WORLD CONFERENCE OF BANKING INSTITUTES

The World Conference of Banking Institutes (WCBI) is a biennial global forum that brings together professionals from financial services industry and other stakeholders engaged in banking operation, education and training. There are estimated to be over 100 such organizations spanning across the globe that are engaged and focused mainly on the talent management and human capital development for the Banking and Financial Services sectors.

The first Conference was held in Edinburgh, U.K. in 1975. Thereafter, there have been 20 WCBI Conferences held in different parts of the world and the last edition was held in Seoul in 2015. Since its inception in U.K. in 1975, the major objective of the Conference has been to provide a global platform for the review of achievements and emerging challenges concerning the functioning of Banking and Finance Institutes and their role in effectively supporting the Financial Sector's Performance and Profitability.

## Hosting Rights to The CIBN

Upon the successful bid for the hosting right of the 2017 World Conference of Banking Institutes (WCBI) in South Korea on April 7, 2015, The Chartered Institute of Bankers of Nigeria (CIBN) was unanimously endorsed to organize the 22nd edition of the biennial Conference for all banking Institutes across the globe in Lagos, Nigeria by 2017. The WCBI serves as a veritable platform for the banking institutes to strategically appraise the achievements and challenges faced by the banking sub-sector globally and to also effectively enhance the financial sector's performance.

The hosting of the WCBI in Nigeria by The Chartered Institute of Bankers of Nigeria (CIBN) would promote innovative talent management strategies for the financial services; encourage strategic learning, cross fertilization of ideas and networking for value; promote investment and economic growth especially in the financial services industry; enrich access to information, knowledge experience and expertise of professionals from other jurisdictions; and provide unique platform for bilateral relations.

SN	YEAR	LOCATION	TITLE
1	1975	Edinburgh, Scotland	The Role of the Bankers Institute
2	1977	Johannesburg, South Africa	Content and Control of Banking Institutes
3	1979	London, UK	Qualifying Role of Banking Institutes
4	1981	Montreal, Canada	Use of Banking Management Simulation as a Pedagogical Tool
5	1983	Harare, Zimbabwe	Banking Education in Developing of Countries
6	1985	Stockholm, Sweden	Institute of Bankers Role in the Development of Banking
7	1987	Amsterdam, The Netherlands	Human Resources Development in Banking and Finance
8	1989	Washington D.C., USA	Role of Banker Education and Training Management of Dynamic Change
9	1991	Paris, France	New Frontiers in Banking
10	1993	Goa, India	Banking Education and Training Management of Dynamic Change
11	1995	Taipei, Taiwan	The Quest for Quality in Banking Education
12	1997	Dublin, Ireland	Major Trends in Banking
13	1999	Cape Town, South Africa	Cape Town, South Africa Benefit the Customer by Learning from each other
14	2001	Kingston, Jamaica	-----
15	2003	Melbourne, Australia	Staying Alive and Staying Relevant: The Challenges for Banking Institutes Globally
16	2005	Rome, Italy	Innovation, Culture, Change
17	2007	Toronto, Canada	Wealth Through Learning
18	2009	Dubai, UAE	The Metamorphosis of Banking Institutions over Three Decades
19	2011	Nassau, Bahamas	Creating a Progressive Financial Services Environment: Trust, Accountability, Competence & innovation
20	2013	Nairobi, Kenya	Frontiers in Financial Services – Ethical Professionalism and Best Practice
21	2015	Seoul, Korea	Financial Innovation through Talent Management
22	2017	Lagos, Nigeria	Re-Thinking the Future of Banking & Finance and Lifelong Learning

TOGETHER WE ARE MAKING HISTORY...

## A WORD FROM THE CHAIRMAN ORGANIZING COMMITTEE OF THE 22ND WORLD CONFERENCE OF BANKING INSTITUTES

Dr. Segun Aina OFR, FCIB



**H**istory is about to be made in Nigeria as The Chartered Institute of Bankers Nigeria (CIBN) prepares to host the 22nd World Conference of Banking Institutes (WCBI) from the 24-28 April, 2017 at the Eko Hotel and Suites, Lagos. The event is historic because it is the first time it will be taking place in West Africa. The maiden edition of

the conference was held in Edinburgh, Scotland in 1975.

It is a great privilege and honour for me to be the Chairman of the Organizing Committee for this distinct edition of the Conference. I would like to inform you, our distinguished readers, that the Organising Committee has been working diligently to ensure a well-organized Conference that would seamlessly address issues that will impact and determine the direction of the future of Banking and professional banking education with accompanying suggestions and recommendations. The choice of the Committee members by the Governing Council of the CIBN is commendable. It may interest my esteemed readers to know that Otunba (Mrs) 'Debola Osibogun, FCIB, Immediate Former President, CIBN and Mr Nnamdi Okonkwo, HCIB, Managing Director/Chief Executive, Fidelity Bank Plc are Co-Chairmen of the Organizing Committee. Membership of the Committee, which cuts across regulatory institutions, banks and non-banks financial institutions, government ministries, academics, the organized private sector and the Press, has also afforded us rare privilege of tapping into the wealth of experience of these seasoned professionals and technocrats.

The theme of the Conference, Rethinking the Future of Banking and Lifelong Learning is indeed very timely as the global banking space continue to grapple with developments that are redefining the concept of banking. Such developments call for a Conference of this nature that would coalesce the different experts' views on the future of banking and lifelong learning. It is also instructive that such an important topic should be handled by renowned experts in the field of banking, technology and lifelong learning.

I am proud to place on record that the different sub-committees have been working tirelessly to ensure that the CIBN host a hitch-free Conference. The Conference is indeed a global affair

as we have secured the confirmation of forty nine high profile resource persons from all continents of the world. We are poised to make this Conference the most inclusive and most well attended edition in recent times. Necessary arrangements have been made to ensure the safety and convenience of all local and foreign participants. The programme will include a one-day tour to places of historical and educational significance. The Committee has secured the commitment of the Press to give the Conference a wide coverage to ensure that the resolutions reached are communicated to all concerned stakeholders.

Distinguished readers, there is no gainsaying that the WCBI is a landmark event which would continue to strengthen the international expansion and standard of the banking business and profession. I am therefore delighted to state that during the 22nd edition of the World Conference, the Global Banking Education Standards Board (GBESTb) will be inaugurated. The GBESTb is a global initiative being put in place to re-professionalise banking, rebuild public trust and confidence and set acceptable educational and ethical standards in banking and finance profession across the globe. Currently, a total of 21 banking Institutes around the globe have keyed into this initiative which CIBN is coordinating. It is also worthy of note that this Board is the first of its kind globally.

Let me conclude by acknowledging the esteemed leadership of the President/Chairman of Council, CIBN, Professor Segun Ajibola, Ph.D, FCIB, on whose shoulders the arduous but rewarding task of ensuring a successful Conference has fallen. The other members of the Institute's Office Holders, the Governing Council and the Management and staff of CIBN have continually provided the Organizing Committee the needed support. The Committee is indeed poised to making the Conference not only a platform for the cross-fertilization of ideas and networking but also for delegates to have a full experience of the country as a haven for financial tourism and different investment opportunities.

We look forward to welcoming you all.

**Dr Segun Aina OFR, FCIB**

*Past President*

*The Chartered Institute of Bankers of Nigeria*

*Chairman, Organizing Committee*

*22nd World Conference of Banking Institutes*

*Member, Task Force*

*Global Banking Education Standards Board*

# Traditional Rulers, Minister and State Governors Endorsing WCBI 2017



The Emir of Kano  
His Highness, Muhammad Sanusi II, CON, FCIB



The Ooni of Ife  
Oba Adeyeye Enitan Ogunwusi Ojaja II



Obi of Onitsha, His Royal Majesty, Igwe Nnaemeka Alfred  
Ugochukwu Achebe, CFR, MNI



Nigeria's Minister of Interior  
Rtd Lt-Gen. Abdulrahman Bello Dambazau, CFR, P.h.D, Honourable Minister of Interior



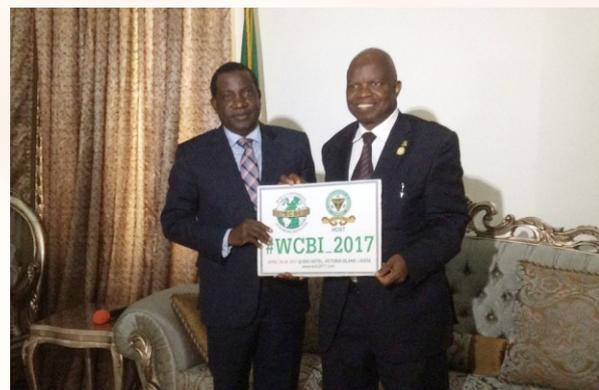
Lagos State Governor, Mr. Akinwunmi Ambode



Bayelsa State Governor, Mr Henry Seriake Dickson



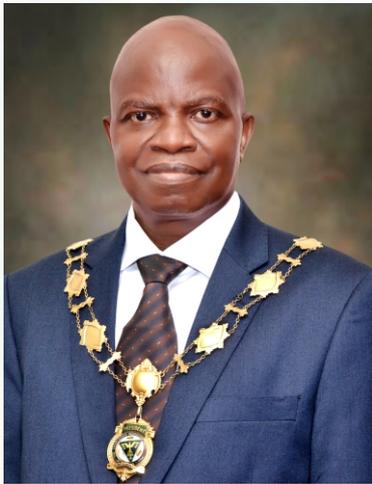
Bauchi State Governor, Barrister Mohammed Abdullahi Abubakar



Plateau State Governor, Rt. Hon. Simon Lalong

## WORDS FROM THE PRESIDENT/CHAIRMAN OF COUNCIL, THE CHARTERED INSTITUTE OF BANKERS NIGERIA (CIBN)

PROFESSOR SEGUN AJIBOLA, Ph.D, FCIB



**D**istinguished readers, the great scholar Victor Hugo once said, “No force on earth can stop an idea whose time has come”. The 22nd World Conference of Banking Institutes (WCBI) to be hosted

by our highly revered Institute is indeed an idea whose time has come, considering the fact that this is the first time the Conference would be hosted in West Africa - 42 years after the initial edition. I feel highly elated and excited about this Conference as there is no denying that we have come a long way.

CIBN began as a Local Centre for bankers in 1963 at Surulere, Lagos as the result of a resolution passed by over a hundred bankers for its establishment. For over five decades thereafter, CIBN has always strived to uphold its mandates of the maintenance, observance and furtherance of the ethical standards and professionalism of practitioners in the banking and finance industry as well as the determination of knowledge, skill, and ethical conduct to be possessed by banking professionals across Nigeria. Now at 54 years old, the Institute has continued to maintain its mandates in the midst of an ever-evolving industry.

At present, the platform on which banking services are offered has been revolutionized. Financial Technology, popularly coined as FinTech has slowly but persistently established its dominance as the avenue through which account transactions, payments and other core banking services are accessed. In particular, digital platforms as opposed

to bank branches now increasingly provide millions across the globe with banking services more efficiently and conveniently than ever. It is safe to assume that bankers as well as other finance professionals who wish to survive in this new terrain need to update their skills and competence. It is for this reason that the theme of this year's Conference, “Rethinking the Future of Banking and Finance and Lifelong Learning” is now more relevant than ever.

To do justice to this subject, the theme has been divided into sub-themes and we have engaged a handful of senior industry leaders, innovators as well as experienced banking professionals who would not only lead enriching discussions on the topics but also share ideas on how the industry could move to greater heights. Participants at the Conference are sure to partake in an enlightening, engaging and thought provoking event.

Indeed, this Conference will be a memorable one that will be referenced for years to come. I am proud to mention that in addition to hosting the first ever WCBI conference in West Africa, the inauguration of The Global Banking Education Standards Board (GBESTB) will also be a major highlight during the Conference. It is worthy of note that this Board is the first of its kind to be launched in the world. I am also proud to mention that His Excellency, the Executive Governor of Lagos State, Mr. Akinwunmi Ambode has magnanimously adopted the Conference as part of the State's activities to celebrate the 50th Anniversary of the creation of Lagos in recognition of the huge potential hosting the Conference in this city offers.

I would like to take this opportunity to specially recognize the members of the planning committee of the WCBI conference and in particular, the

## The Conference will feature among other things, the following special events:

Events	Date
Welcome Cocktail	Monday, 24th April, 2017
Opening Ceremony	Tuesday, 25th April, 2017
5 Business Sessions	Tuesday, 25th – Wednesday, 26th April, 2017
4 Plenary Sessions	Wednesday, 26th April, 2017
Gala Dinner	Wednesday, 26th April, 2017 at the Civic Centre, V.I
Tour of Lagos West Badagry	Thursday, 27th April, 2017
Departure	Friday, 28th April, 2017

Chairman, Dr Segun Aina, OFR, FCIB and the Co-Chairmen of the Committee, Otunba (Mrs) 'Debola Osibogun, FCIB, Immediate Former President, CIBN and Mr Nnamdi Okonkwo, HCIB, Managing Director/Chief Executive, Fidelity Bank Plc who were instrumental in leading the CIBN to bid for and win the hosting rights for the WCBI Conference in Nigeria. As evidence by their consistent efforts and drive I have no doubt that preparations for the event are being held to the highest possible standards.

Additionally, the impact of the planning committee was further enriched due to the participation of federal government agencies and regulatory institutions such as the Federal Ministry of Finance ably represented by Mrs. Rakiya Bakari Girei, the Central Bank of Nigeria represented by Mr. Raji Mojeed Ademola and the Nigeria Deposit Insurance Corporation represented by the Managing Director/Chief Executive Officer Alhaji Umaru Ibrahim, mni, FCIB. This is in addition to other top professionals who are members of the Committee

I would also like to thank our generous stakeholders for their unwavering support of the Conference. Locally, we have benefited from the generous support of the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Deposit Money Banks (DMBs), Merchant banks, non-bank financial institutions as well as Government Ministries, Departments and Agencies (MDAs). Globally the Institute has also benefited immensely from the support of Institutions such as the Chartered Institute

of Management Accountants (CIMA) and the Finance Accreditation Agency (FAA) of Malaysia. I have no doubt that due to this unprecedented support the Institute has built the capacity to host a Conference that would be remembered for years to come.

Finally I cannot conclude these few words without appreciating the efforts of the Registrar/Chief Executive, CIBN, Mr. 'Seye Awojobi, FCIB who has dutifully and skilfully led the Management and Staff of the Institute in providing the administrative support to ensure a successful Conference. The success of this event is a victory not only for the Institute and the Nigerian banking industry but also for Nigeria and the global banking community as a whole. I look forward to hosting our delegates at this momentous event and wish all participants a successful and enlightening Conference.

**Prof. Segun Ajibola, Ph.D, FCIB**  
President/Chairman of Council  
The Chartered Institute of Bankers Nigeria

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## 3<sup>RD</sup> ECONOMIC OUTLOOK: IMPLICATIONS FOR BUSINESSES IN NIGERIA IN 2017

HELD AT ORIENTAL HOTEL, VICTORIA ISLAND, LAGOS | DATE: JANUARY 24, 2017

### Introduction

The Roundtable Session on 3rd Economic Outlook: Implications for Businesses in Nigeria was held on Tuesday, January 24, 2017 at Oriental Hotel, Victoria Island, Lagos.

The Welcome Address was given by the President/Chairman of Council, The Chartered Institute of Bankers of Nigeria, Professor Segun Ajibola, Ph.D, FCIB while the Keynote Address was delivered by Professor Akpan Ekpo, the Director General, West African Institute for Financial and Economic Management (WAIFEM) and the Overview of the Economy and 2017 Outlook was presented by Dr. Biodun Adedipe, the Chief Consultant, B. Adedipe Associates Limited.

The Panel Session, chaired by Mr. Olusuyi Adaramewa, HCIB, Former Deputy Director, Banking and Payments System Department, Central Bank of Nigeria, had the following economic and political analysts as Panellists: Dr. Frank S. Udemba Jacobs, MON, President, Manufacturers Association of Nigeria (MAN) represented by Engr. R. I. Odiah,

Chairman, Economic Policy Committee, MAN; Professor Pat Utomi, Founder, Centre for Values in Leadership; Mr. Femi Awoyemi, Chief Executive Officer, Proshare Nigeria Limited and; Engr. (Mrs.) Florence Seriki, MFR, Group Managing Director, Omatek Ventures represented by Mr. Abimbola Tooki, Editor, Business World.

### Highlights and Recommendations

#### A. Highlights

- When Nigeria returned to civilian rule in 1999 there was hope that better macroeconomic management would be part and parcel of governance. While there were some efforts at ensuring this, such as the passage of the Fiscal Responsibility and Procurement Acts, among others, the real sector of the economy did not grow as expected.
- During the 16-year period, the average growth rate of GDP of 6 per cent in Nigeria did not translate into economic development.
- Nigeria's economy is still essentially based on primary production.
- Presently, Nigeria's position in both the Global

competitiveness and the Ease-of-Doing-Business Indices are at the very bottom. According to the World Economic Forum, the country scored 3.39 points out of 7 on the 2016-2017 Global Competitiveness Report and ranked 169 among 190 economies in the ease of doing business.

- It is a welcome development that the 2017 Budget is designed to partner with the private sector to ensure the growth of the economy.
- The objectives of the 2017 budget indicate that the areas of focus of the government include infrastructure, the use of special Economic zones and Industrial Parks as vehicles to fast track domestic economic activity for innovation and wealth creation, food security and agro-business, Social Housing Fund, stimulating the growth of small and medium scale businesses and provision of social safety nets for the poor.
- If these objectives are met, 2017 would provide opportunities for businesses – small, medium and large scale enterprises. These objectives will also attract new domestic and foreign investors.
- The impact of the decline in the international price of crude oil is a strong indication that Nigeria's economy is not diversified sufficiently across sectors and within the oil sector itself.
- The delay in passing the 2016 budget, the sharp decline in oil prices, the removal of subsidy, the near absence of fiscal policy, the lack of coordination between the fiscal and monetary policies and the inability to integrate and coordinate the activities of sub-national governments further worsened the economic situation in the country.
- The inability of policies to address under-consumption, infrastructure deficit and declining investment resulted in two consecutive quarters of negative GDP growth in 2016. This resulted in the official announcement of the country's plunge into recession in the 3rd quarter of 2016.
- Global forecasts state that advanced

economies would grow by 1.9 per cent in 2017 and 2.0 per cent in 2018 (World Bank).

## **B. Recommendations**

At the end of the Session, the roles of different stakeholders in revamping the Nigerian economy were identified as follows:

### **Government**

- Despite the shortfall in government revenue, there is the need for the current administration to move aggressively and show commitment in providing basic amenities for the average Nigerian.
- Government should focus more on restoring citizens' trust and confidence.
- There is the need for goal congruence in the coordination of activities at the States level to complement the efforts of the Federal Government.
- The Federal Government should as a matter of urgency make its economic management team more robust and also make Nigeria's business environment enabling for growth.
- There is the need to further reduce entrenched corruption in the system, promote good governance, adhere to policy implementation and development of critical infrastructural facilities.
- Government should promote the policy of buy made-in Nigeria goods.
- Government should pursue with more vigour the diversification of the economy.
- There is the need to diversify foreign exchange earnings and government revenue and increase domestic linkages between the economic sectors.
- Government should develop modalities for collating important economic data, for example Gross Domestic Product (GDP), at state and possibly local government levels. This would facilitate decision making processes for these levels of government. Efforts of relevant agencies should not only be concentrated on the Federal.

- Revise the spend-all policy on Federal allocation to states which currently does not support adequate and effective saving culture in the country.
- There is the need for strategic borrowing by the government to finance infrastructural development.
- The Ministry of Finance and the Evaluation and Monitoring Unit of the National Planning Commission should adequately monitor allocated funds for development projects by measuring the level of completion of projects and holding responsible persons accountable for funds disbursed.
- Economic managers at all levels should be measured on the basis of their deliverables.

#### Regulatory Institutions (Central Bank of Nigeria)

- There is the need for improved co-ordination of the fiscal and monetary policies to improve significantly the productive sector of the economy.
- The Central Bank of Nigeria should pursue a macroeconomic management policy that would moderate inflation rate and ensure a single-digit interest rate.

#### CIBN, Banks and other Businesses Enterprises

- CIBN, banks and other financial institutions should conduct research on emerging opportunities for business growth.
- There is the need for the banking industry to increase lending to the small and medium-sized enterprises at a low interest rate in order to boost productive activities of the SMEs sector.
- There is the need for government to show more interest in sectors with more local content to avoid the foreign exchange constraint.
- There is the need for businesses to seize the opportunity of the recession to be innovative, explore and exploit government policies regarding agriculture and invest in made-in-Nigeria goods and services.

#### Conclusion

The Session was well-attended with delegates from both the public and private sectors of the economy. The resource persons displayed excellent mastery of the subject matter and participants' contributions to the discussion were insightful.

#### Seye Awojobi, FCIB

Registrar/Chief Executive

The Chartered Institute of Bankers of Nigeria

#### Dr. Biodun Adedipe

Chief Consultant

B. Adedipe Associates Limited



Group Photograph of Participants at the 3<sup>rd</sup> Economic Outlook: Implications for Businesses in Nigeria in 2017 jointly organized by the CIBN Centre for Financial Studies and B. Adedipe Associates

P R E S E N T

# 1<sup>st</sup> National FinTech Conference in Nigeria

BLOCKCHAIN | FINANCIAL INCLUSION | REGTECH | ARTIFICIAL INTELLIGENCE

**Date:** Monday, April 24, 2017  
**Time:** 8:00 a.m. - 4:30 p.m.  
**Venue:** Oriental Hotel, 3 Lekki-Epe Express Way, Victoria Island, Lagos

**Keynote Speaker**



**Dr. Okechukwu Enelamah**  
Hon. Minister of Industry, Trade and Investment

**Objectives**

The Forum will among other things:

- Share experts' analyses of the promise of blockchain technology as a platform for the wide adoption of financial products & services.
- Expose businesses to strategies for exploiting Nigeria's potentials as Africa's FinTech Leader.
- Discuss developments in financial technology in various parts of the world.
- Extensively discuss how Artificial Intelligence, Robotics and Chatbots would impact on the financial services industry, FinTech companies, Government, Regulators and other key stakeholders in the economy.
- Expose participants to new products by FinTech startups

**Participation Fee**

- Regulatory Institutions - N49,500.00
- Banks (DMBs, Development Banks, Mortgage banks etc.) - N49,500.00
- Microfinance Banks, Insurance companies - N35,000.00
- Self-sponsored Members of CIBN - N35,000.00
- Self-sponsored Non-Members of CIBN - N40,000.00
- International Delegates - \$150



**Christine Duhaime**  
Founder & Executive Director Digital Finance Institute



**Mr. Femi Odubiyi**  
Commissioner for Science and Tech, Lagos State



**Ade Ayeyemi**  
Group CEO of Ecobank



**Omokehinde Adebajo**  
VP & Area Business Head of Africa at Mastercard



**Mohammed Kari**  
CEO, National Insurance Commission Nigeria



**John Obaro**  
CEO, SystemSpecs



**Tunde Badejo**  
MD/CEO, Soft Alliance and Resources Limited



**Andrew Davis**  
Ambassador for Stone & Chalk



**Dipo Fatokun**  
Director, Banking & Payments Central Bank Nigeria



**Kamal Budhabhatti**  
CEO of Craft Silicon



**Dr. Bola Akindele**  
GMD, Courteville Business Solutions



**Jay Alabraba**  
Co-Founder of Paga

...with other array of subject-matter experts

**Payment Channels**

**Electronic Transfer Payment (E-transfer)**

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Bank Branch - NIJ Branch  
Bank Sort Code - 011152439

**Cash/Cheque Deposit into CIBN Account**

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Bank Sort Code - 069150221

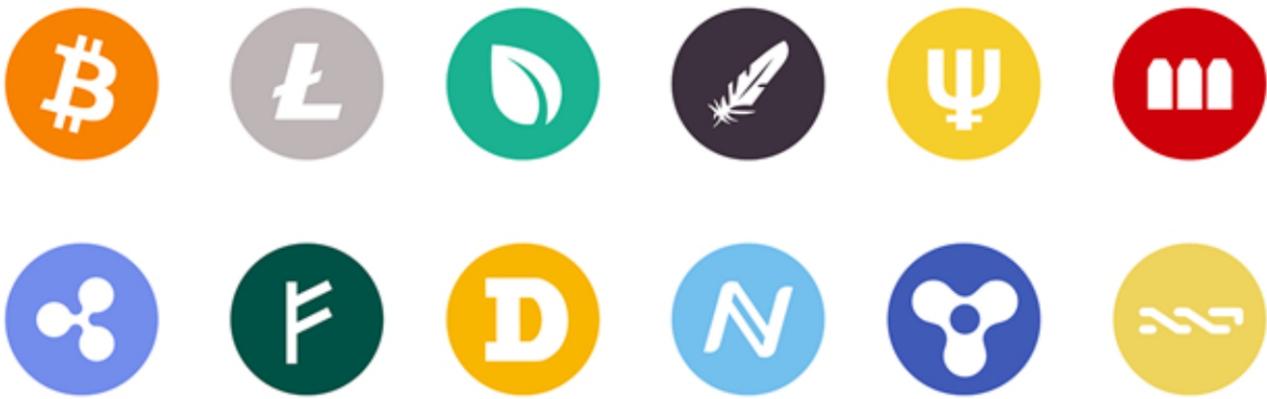
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## Virtual/Cryptocurrency – Evolution, Regulatory Challenges and Impact on the Future of Payments and Settlement Systems

Being a paper presented at the  
CIBN Centre for Financial Studies Breakfast Session

By Mr Niyi Ajao, HCIB

Executive Director (Business Development), Nigerian Interbank Settlement System Plc

### Outline

- The origin and evolution of cryptocurrencies
- The significance and impact of cryptocurrencies on the global financial market and payment systems
- The significance of cryptocurrencies on the Nigerian banking and finance sector and other private businesses
- The position of the CBN and other international regulatory bodies on the adoption of bitcoin
- Country examples of the successful adoption and challenges in the use of Bitcoin
- Practical steps for businesses to remain cutting edge in the competitive market where new entrants are attracting a large share of the market

### The Origin and Evolution of Cryptocurrencies

- Cryptocurrency is a digital asset designed to work as a medium of exchange using cryptography to secure the transactions and to control the creation of additional units of the currency. They are also a subset of alternative currencies (private currency) or specifically of digital currencies.

- **Digital currency or digital money** is distinct from physical currencies i.e. fiat currency (such as banknotes and coins and their electronic forms); Digital currency exhibits properties similar to physical currencies, but allows for more instantaneous transactions and borderless transfer-of-ownership.
- The first and most popular decentralized cryptocurrency is the Bitcoin and it was invented in 2009.

### Cryptocurrency Means Many Things to Many People

1. To the underworld, it is an opaque anonymous payment system which shields their payment activities away from regulators and governments.
2. To currency speculators, cryptocurrencies' relative volatility make them attractive for quick money making gamblers.
3. To some investors, it is where to store your money to shield you away from the volatility of the local currency.
4. To close schemes, including a group of companies with many subsidiaries, it is a useful tool of accounting.

5. To cross-border money transfer players, it is a fast secure and most cost-effective cross-border money transfer system, devoid of the many intermediaries and rules with their associated costs.
6. To FinTechs, it is the newest buzzword and newest technology corporates and governments are concerned about and there is money to be made in providing solutions and participating in the different experiments going on.
7. To financial system players, intermediaries and regulators, it is the newest phenomenon with a frightening promise of restructuring the financial system as we know it today; with uncertain consequences.
8. To realists, cryptocurrency is a myth and hype; the underlying Distributed Ledger Technology (Blockchain Technology being one of its implementations) is what is useful for solving certain management problems e.g. information sharing.
9. Another way to make money. "Smart guys" in town are organizing Bitcoin/Blockchain charged trainings for the public dangling the carrots of 2, 3 and 5 above.
10. Cryptocurrency utopia. Imagine a GOOGLE BANK in a single currency world where email inboxes become account/wallet numbers. Fund transfer will be free of charge. Banks and intermediaries would not be required any more.

## The Blockchain Technology

A Blockchain can be defined as timestamped transactions ledger of truth, which cannot be influenced by a third party, or retroactively modified at all. The key features:

1. **Security** – The fact that the blockchain ledger is distributed across thousands of computers means that hacking is almost impossible, reducing server maintenance requirements and improving security for banks.
2. **Transparency** – The sender and the recipient of every transaction are recorded and all transactions are publicly available for inspection. The blockchain reveals how money flows around the financial system, and into which markets.
3. **Privacy** – Users are anonymous and can move money around instantly and securely. This allows banks to save time and reduces costs on international transactions.
4. **Risk** – No single authority has control, which means that if there is a fault, the rest of the network will continue to function

These features make the Blockchain Technology or Distributed Ledger Technology adaptable for the implementation of cryptocurrencies and other non-financial uses such as secure document sharing.

**“It’s the first time in history that we can think about mutualising infrastructure while enhancing security. That’s what blockchain is all about. And what it means to mutualise infrastructure and share financial infrastructure is the opportunity to eliminate very significant components of the cost base – not 5%, but 30, 40 or 50% – which in an environment with depressed ROEs and a range of existential threats is a very interesting proposition.”**

**BLYTHE MASTERS, CEO, DIGITAL ASSET HOLDINGS**

## Evolution of Cryptocurrencies

Cryptocurrencies	History
E-Gold	<ul style="list-style-type: none"> <li>▪ Founded in 1996 and backed by gold</li> </ul>
Q Coins or QQ Coins	<ul style="list-style-type: none"> <li>▪ Emerged in 2005. they were used as a type of commodity-based digital currency on Tencent QQ's messaging platform. Q coins were so effective in China that they were said to have had a destabilizing effect on the Chinese Yuan or RMB currency due to speculation</li> </ul>
Liberty Reserve	<ul style="list-style-type: none"> <li>▪ Founded in 2006; it lets users convert dollars or euros to Liberty Reserve Dollars or Euros, and exchange them freely with one another at a 1% fee. Both services were centralized, reputed to be used for money laundering, and eventually shut down by the US government</li> </ul>
Bitcoin	<ul style="list-style-type: none"> <li>▪ It was introduced in 2009 and it has become widely used and accepted as a digital currency.</li> </ul>

### The Significance and Impact of Cryptocurrencies on the Global Financial Market and Payment systems

- ❑ In May 2010, Lazio bought two pizzas for 10,000 bitcoins. It was the first time anyone had purchased anything with the new digital currency.
- ❑ Currently, the cryptocurrency market is worth nearly \$19 billion and those 10,000 bitcoins would be worth more than \$ 10 million.
- ❑ Most of the cryptocurrency market is in Bitcoin, followed by Ether, the currency used by the smart contract platform Ethereum.
- ❑ Tech giants, like Microsoft, IBM and Amazon, as well as major Wall Street banks, including JPMorgan Chase and Citigroup, are investing in blockchain technology, the underlying class of technology that started with Bitcoin.
- ❑ Infosys, TCS, HCL, and Accenture are working on blockchain-based products for banks.
- ❑ Fiat currencies relevance for trade and commerce will likely decline as the rate of internet penetration increase and the need for digitization increase.
- ❑ Cryptocurrencies underpinned on the blockchain technology facilitates (peer-to-peer) transactions seamlessly thereby making financial institutions become irrelevant in the scheme of things.
- ❑ Settlement institutions may become irrelevant as 'trusted' third-parties/correspondence banks are not required.
- ❑ The underlying value of online real-time settlement, transparency, and near-ZERO transaction fees put the consumer first and will enhance borderless trade.
- ❑ The face of commerce will change as the number of online and traditional merchants accepting bitcoin as a means of payment is increasing. Hence, the emphasis of cards for transacting on e-commerce sites may decline.
- ❑ Cryptocurrencies will also be used for speculative trading which may pose a risk to fiat currencies.
- ❑ Cryptocurrencies are not regulated; hence the value is a function of the activities of users in the market.
- ❑ Most implementations involving banks are for cross-border payments.

## Cryptocurrencies for Cross-Border Payments

**“Blockchain technology enables a payment that goes across borders to be connected in the same way that payments are connected today that move around within a country – and that’s a really big shift in how technology enables payments to happen around the world.”**

**MARCUS TREACHER, GLOBAL HEAD OF STRATEGIC ACCOUNTS, RIPPLE**

- ❑ Marcus Treacher, Global Head of Strategic Accounts at Ripple, said: “Blockchain technology enables a payment that goes across borders to be connected in the same way that payments are connected today that move around within a country – and that is a really big shift in how technology enables payments to happen around the world. What it means is that a lot of the chasing, the reconciliation work, and the lack of clarity that exists today and has existed for years around cross-border payments, is removed by this technology – that is where the power really resides.
- ❑ Banks including UBS, Santander, CIBC, UniCredit, ReiseBank, National Bank of Abu Dhabi and ATB Financial have signed up to Ripple's distributed ledger technology for cross-border payments, with the aim of cutting the time and cost of cross-border settlement and enabling new types of high-volume, low-value global transactions.

### **The Significance of Cryptocurrencies on the Nigerian Banking and Finance Sector and Other Private Businesses**

- ❑ Formal remittance market in Nigeria as at 2015 was about \$21 billion.
- ❑ This is likely going to decline as consumers resolve to cryptocurrencies exchanges for local and int'l remittances.
- ❑ Nigeria has viable Bitcoin exchanges e.g. NairaEX.
- ❑ Cryptocurrency trade is currently not regulated and poses a risk to consumers
- ❑ Far reaching implications for Anti-Money Laundering (AML)/Know Your Customer (KYC) regulation.
- ❑ Low awareness for the public, who are drawn largely to it for speculative trading.
- ❑ Intermediaries like CBN, Banks and NIBSS may not be required in the long run as Blockchain will disrupt clearing and settlement.
- ❑ Will likely bring transparency into the financial system and curb corrupt practices.
- ❑ Adoption of bitcoin is growing in Nigeria.



L-R, Mr. Niyi Ajao, HCIB, Executive Director (Business Development), NIBSS; Mr. Segun Akintemi, HCIB, CEO, Page Credit MF Bank Limited; Mrs. Toluwaleke Adenmosun, Managing Director, Financial Services, Accenture Nigeria; Mr. Musa Itopa Jimoh, Deputy Director and Head, Payments System Policy Oversight, Banking and Payments System Department, CBN at the Breakfast Session on Virtual/Cryptocurrency held at the Bankers House on February 28, 2017



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### **Background**

The inadequacy of competencies in the banking and finance industry, especially at the executive level has amplified the need to engage, develop, and retain competent personnel to handle the business of banking. In the light of this, there became a need to establish an institution that would assist in bridging the identified gaps in competencies. The Chartered Institute of Bankers of Nigeria (CIBN) has established the Centre for Financial Studies (CFS) to provide relevant, research-based thought leadership, and capacity building opportunities to improve quality of executive-level management in the financial services industry across Africa with a view to equipping them better to drive change and make an impact.

### **Who we are**

CIBN Centre for Financial Studies (CIBNCFS) is a research-based thought leadership, and knowledge sharing organization with a mission to facilitate knowledge-creation, knowledge transfer and thought leadership in the African financial services sector and provide evidence-based policy insights to industry, academics and governments.

### **What we do**

CIBNCFS provides key management personnel in Banks and other Financial Institutions, States and Federal government establishments with an opportunity to be on the cutting edge of sound finance knowledge and research-based policy development. We use technology to partner with world-class institutions to strengthen our methods and faculty.

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# The Position of the Central Bank of Nigeria and Other International Regulatory Bodies on the Adoption of Bitcoin

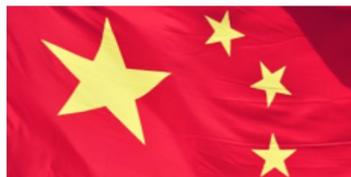


BLOCKCHAIN

## Private digital currencies need regulation to flourish - Bank of Canada research

20 February 2017 | 5524 views | 0 | 12 | 10

Digital currencies such as Bitcoin will not be safe without government intervention and are likely to be counterfeited, according to a Bank of Canada report drawing on the lessons off private bank notes in the 1800s.



WHOLESALE BANKING

## Chinese central bank tests digital currency system

26 January 2017 | 8883 views | 0 | 27 | 24

The People's Bank of China (PBOC) has completed a successful trial run of a digital bank acceptance exchange, moving it closer to becoming the first central bank in the world to research and test its own digital currency, according to media agency Caixin.



WHOLESALE BANKING

## RBI told the time is right to digitise the Rupee

13 January 2017 | 7958 views | 0 | 14 | 12

The research arm of the Reserve Bank of India has recommended that the central bank should begin work on the creation of a digital currency unit using blockchain technology.

Similarly, Japan's Mizuho, working with US firm Cognizant, has successfully completed trials that used distributed ledger technology for:

### ❑ Cross-border document sharing

A tamper-proof distributed database was used to create an effective platform for information sharing among multiple group companies, offering cost savings and better usability. The main goal is to minimise counterparty risks, speed up settlements, improve contractual performance, and enhance regulatory reporting

### ❑ A custom digital currency

Group subsidiaries are able to both issue a digital currency based on their performance, and freely transfer that currency to other subsidiaries, eliminating the need for data reconciliation among them.

Mizuho says it will now explore the use of blockchain to address the need to store and manage large volumes of data as it seeks to cement its place as an early adopter of the technology.



Group Photograph of Participants at the Breakfast Session on Virtual/Cryptocurrency: Evolution, Regulatory Challenges and Impact on the Future of Payments and Settlement System organized by the CIBN Centre for Financial Studies on February 28, 2017

## Top 10 Bitcoin Friendly Countries

Country	Experiences
1. Estonia	The use of bitcoin is not regulated or otherwise controlled by the government. Blockchain based e-voting implemented in Estonia. It hosts a number of bitcoin ATMs
2. USA	The USA classified bitcoin as a convertible decentralized virtual currency in 2013
3. Denmark	On March 25, 2014, Denmark declares bitcoin trades to be tax-free. Rents are even paid in bitcoins and landlord gets the equivalent in Danish crowns in their bank accounts
4. Sweden	The Swedish Financial Supervisory Authority (Finansinspektionen) legitimized the fast growing industry in the country by publicly declaring Bitcoin (and other cryptocurrencies) as a means of payment. Though certain businesses interacting with fiat (mainly exchanges) must file for a license in accordance with AML/CTF and KYC regulations. The first bitcoin ATM was unveiled in Europe by a Swedish company. The machine allows people to exchange cash in the country's currency to bitcoin in a mobile wallet
5. South Korea	Bitcoin can be traded in Korbit, one of the biggest exchanges in Korea. Korbit's focus is remittances and cross-border payments. People also can buy merchandise with the virtual currency. The government is also exploring the blockchain technology. South Korea is a regular host of bitcoin conferences.
6. Amsterdam	There is a 'Bitcoin city' in the Netherlands called Arnhem with over 100 bitcoin merchants. In Arnhem, a Bitcoiner could probably get gas, accommodation, bicycles, and even dental services here. Additionally, the banking sector, including ABN Amro and ING are also considering Bitcoin and the blockchain technology that underpins it is being seen as a way to improve technology and cut costs.
7. Finland	The Central Board of Taxes (CBT) has given bitcoin a value-added tax exempt status by classifying it as a financial service. Finland is home to the leading global P2P bitcoin exchange LocalBitcoins. In January of 2016, the most expensive bitcoin sale involving a luxury vehicle took place at the Auto-outlet Helsinki Oy of a Tesla Model S worth over € 140,000. They also have several bitcoin ATMs in Helsinki.
8. Canada	Vancouver and Toronto are bitcoin hubs. Bitcoin is regulated under the anti-money laundering and counter-terrorist financing laws in Canada.
9. United Kingdom	Bitcoin is treated as private money. VAT is not applied when traded with other currencies. Bitcoin payments are accepted across London. Bank of England has been closely looking at Bitcoin technology and has even requested the public to pitch ideas on how to improve its monetary system.
10. Australia	Australia classified bitcoin as property and purchases made with bitcoin are treated as barter. The Australian Securities Exchange (ASX) is currently testing distributed ledger technology. Moreover, the Australia Post is considering distributed ledger technology to store digital identities in an effort to improve service and reverse falling revenue.

## Japan - Challenges on the Use of Virtual Currency

Mt. Gox, one of the first bitcoin exchanges was founded in 2011 by the CEO, Mark Karpeles. The company abruptly shut down all transactions of the virtual currency in February 2014 and filed for court protection from creditors, claiming it had lost bitcoins worth about ¥48 billion and ¥2.8 billion in funds entrusted to it by his clients when the exchange's computer system was hacked. The CEO, Mark Kapeles was arrested and charged to court.

The collapse of Mt. Gox and the criminal probe into the company's operation highlighted the need to protect the users of virtual currencies by ensuring companies using the technology abide by consumer protection laws and transparent business governance.

## Bank of Japan's response (Regulatory response)

An amended settlement act was enacted with 3 pillars of regulation:

- Registration requirements on Virtual Currency Exchange business in Japan
- Regulation against money laundering and terrorist financing
- Introduction of rules to ensure customer protection
- The Financial Services Agency (FSA) issued detailed regulations which provided the framework of regulations on VC Exchangers set by the Amended Settlement.

## What does the future hold?

- ❖ Distributed Shared Ledger Technology will surely thrive.
- ❖ Cryptocurrencies as we know it today (in the hands of non-government entities and without regulation) is most likely doomed.
- ❖ Cryptocurrencies promoted by financial regulators hold a great promise.

## Practical Steps for Businesses to Remain Cutting Edge in the Competitive Market where New Entrants are Attracting a Large Share of the Market

1. Acquiring knowledge is key for every small business to remain competitive.
2. Small businesses need to take advantage of this open source global platform and determine how Distributed Ledger Technology will add value to their business.
3. A lot of startups have taken advantage of this platform as the cost of operations for a small business will reduce significantly.
4. Small businesses can also offer new services on the blockchain platforms
5. Businesses need to collaborate with fintechs and disruptors, to mitigate the risk of losing market share

**“When you understand the problems in financial services, you see that some of the core components of the technology will be very useful. There are so many problems, and blockchain can help us with many of them: providing invaluable elements like immutable record, permissioned access and a golden source of data.”**

JENNY KNOTT, CEO, POST TRADE, ICAP

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# The Journal of Banking

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Alawode L., Obi H. & Usman C. (2008) An Empirical Investigation into the Rate of Loan Defaults. *Journal of Banking* 1(1), 54-82

### Proceedings:

Williams, M. (2006) The Dynamics of the Nigerian Banking System. In: Nwankwo, A., Charles, R., Akintunde, J.F. and Subaru, J.P. (eds.) *Banking in Nigeria from Independence Till WCBI 2017*, 9-12 May 2017, Lagos, Nigeria. Taylor & Francis. pp. 211-216.

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Akintunde S. (2006) *Risk Management in Nigeria's Financial Institutions: A Descriptive Study*. Unpublished Masters Thesis, University of Lagos, Lagos.

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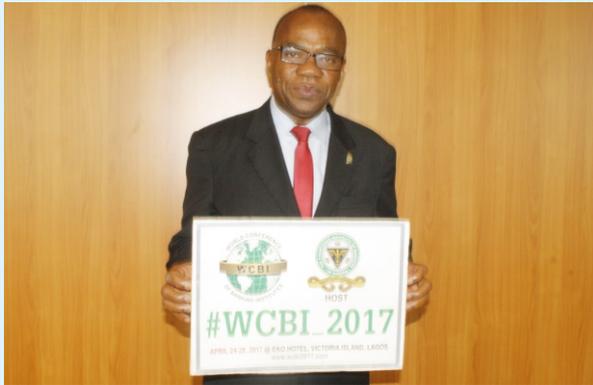
### Further correspondence should be addressed to:

#### The Editor

The Journal of Banking  
The Chartered Institute of Bankers of Nigeria  
PC 19, Adeola Hopewell Street  
Victoria Island, Lagos  
Tel. 01-4617924, 01-4610655  
Website: [www.cibng.org](http://www.cibng.org) E-mail: [cibn@cibng.org](mailto:cibn@cibng.org)

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Group Managing Director/Chief Executive, Diamond Bank Plc

# THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP AS IT RELATES TO FINANCIAL INCLUSION & MICROBANKING

By YEMI MOREBISE FCA, ACTI, HCIB, MBA, BA (SUNDERLAND)



## Introduction

With estimated figure of two (2) billion persons being financially excluded from financial services globally, urgent financial inclusion strategy to bringing the financially excluded populace into accessing and using financial services becomes imperative. It is a proved fact that actual economic growth comes from including more people into the global economy which benefits the government, the citizenry and other stakeholders in the private sector. In Nigeria, 39.5% of the adult population remains financially excluded from formal and informal financial services necessitating the government, through the Central Bank of Nigeria, to deploy the National Financial Inclusion Strategy in combating the menace. A critical part of the strategic initiatives in use globally in solving the challenge has been through the Public-Private Partnership Model. In this context, financial inclusion means easy access to and use of formal financial services by all members of the economy.

Public-private partnership (PPP) is a funding arrangement where the government or public institutions partner with the private sector to facilitate public infrastructure development such as road, power, telecommunication, airport, etc. The public partner is represented by the government at a local, state and/or national level while the private partner can be a privately-owned business, public

corporation or consortium of businesses with a specific area of expertise. The model can be applied to anything from a simple, short term management contract (with or without investment requirements) to a long-term contract that includes funding, planning, building, operation, maintenance and divestiture. It is particularly useful for large projects that require highly-skilled workers, major capital and where laws require the government to legally own any infrastructure that serves the public.

## Benefits of Financial Inclusion Strategy

Greater financial inclusion has a positive impact on the lives of the poor as it makes it easier to reduce inequalities and alleviate poverty. The essence of financial inclusion is to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no frills banking services for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life), etc.

According to the CBN's National Financial Inclusion Strategy, financial inclusion is achieved when adult

Nigerians have easy access to a broad range of formal financial services that meet their needs at an affordable cost. The services include, but are not limited to, payments, savings, loans, insurance, and pension products. The importance of Financial Inclusion derives from the promise it holds as a tool for economic development, particularly in the areas of poverty reduction, employment generation, wealth creation and improving welfare and general standard of living. The National Financial Inclusion Strategy aims at further reducing the financially excluded rate to 20% by 2020 in Nigeria.

Financial exclusion is caused, on one side from the general lack of awareness, poor source of income, poverty and illiteracy and, on the other side, inadequate branch network by financial institutions, burdensome account opening documentation and processes, inappropriate products, language barrier, bank's staff poor attitudes etc. The elitist nature of bank locations, products and staffers makes the low-income people to feel it is easier to save and borrow money from the informal sources thereby undermining standard of living resulting in higher costs, and increased exposure to unethical and unregulated providers and vulnerability to uninsured risks.

Financial inclusion is not restricted to merely opening of saving bank account but connotes the creation of awareness about the financial products, education and advice on money management, offering debt counseling, etc. by financial institution. This is why the emergence of micro-banking has been a significant part of the integrated strategy at solving this challenge for several decades. Micro-Banking is expected to be a source of financial services for entrepreneurs, small businesses and individuals lacking access to banking and related services from mainstream financial institutions. It was invented for faster penetration of the micro-income group and rural areas in bringing the financially excluded persons into the formal economy, though it seems to have been somewhat

limited in impact in Nigeria.

### Reasons for not using financial services

1. Stringent account opening requirements
2. Bank is too far away
3. Bad experience
4. Time consuming
5. Bank process is too long.
6. Low income/insufficient or irregular income
7. Poor network services
8. High interest on loans
9. High risk of losing collateral
10. Ignorance and misconceptions

### Opportunities for Public-Private Partnership (PPP) for Financial Inclusion

1. When the government provides a regulatory framework and policies conducive to expanding bank account opening, it can help to reduce the barriers the people face in accessing and using financial services. Examples of such policy-related issues are:
  - a. Licensing bank agents
  - b. Improving on the extant tiered Know-Your-Customer requirements
  - c. Re-visiting and streamlining the former rural banking incentives and architecture
  - d. Designating some low-fee accounts for the financially disadvantaged people
  - d. Harmonizing the Identity Management programmes
  - e. Facilitate the evolution of new methodologies and technologies in mobile money in collaboration with telecommunications and financial institutions
2. Shifting payments into banking accounts by the public and private entities. More than 20 percent of unbanked adults (over 400 million) receive wages or government transfers in cash globally.
3. Shifting agric product payments through banking accounts is an opportunity for increasing bank account opening by the

unbanked. In developing economies, 23 percent of unbanked adults (440 million) receive payments in cash for the sale of agricultural products. In African, 36 percent of unbanked adults (125 million) receive such payments in cash which can be shifted through bank account with the aim of closing the financial inclusion gap.

4. Another opportunity lies in encouraging those who send or receive domestic remittances only in cash or through over-the-counter transactions to do so through bank accounts. With 14 percent of unbanked adults (270 million) of people with no bank accounts sending or receiving domestic remittances only in cash and 5 percent of unbanked adults (100 million) only through over-the-counter transactions in developing countries, there is a key opportunity for public and private partnership in designing suitably affordable, and convenient formal financial channels in pursuit of financial inclusion. It has been established that in Sub-Saharan Africa, 22 percent of unbanked adults (about 80 million) send or receive domestic remittances only in cash and 12 percent of unbanked adults (40 million) send/receive only through over-the-counter transactions.
5. There is no doubt that the PPP Model (or 3P, as it is often called) is vital in data/Information gathering & sharing to show up-to-date research-led information about where there are potential opportunities at any point in time to help in shaping the direction of investment and engender the penetration in financial inclusion.
6. Financial literacy and education is another area where partnership and collaboration is needed for effective financial inclusion strategy. Like the recent campaign by the Bankers Committee in Nigeria. There is need to do more in strategic partnership between the government and banks. In addition, a longitudinal survey is necessary to measure the impact of the financial

literacy programmes on the financial behaviour of unbanked populace from time to time.

7. A key requirement for effective financial inclusion programme is infrastructure like telecommunication, road access, electricity and security. In all the areas, there is enormous opportunity to leverage on Public-Private Partnership (PPP) to deliver the infrastructure requirements that will encourage financial inclusion.
8. International surveys have revealed that partnership that bringing about cultural orientation, accounting and non-financial auxiliary supports to the unbanked will invariably help to improve financial inclusion. For example:
  - a. Helping rural farmers to off-load their produce to other stakeholders in the agric chain to aid warehousing, preservation and distribution can suitably help in bringing the farmers into the financial system.
  - b. In Nigeria, the partnership with the private sector on the National Identity Card Project can help to improve financial inclusion if properly harnessed.
  - c. Providing skeletal accounting (e.g cloud accounting and inventory system), micro-insurance and affordable deposit/loan apps for the financially excluded people can be jointly deployed to improve their lives and encourage them to use financial services.

In order to accelerate the delivery of financial services to the unbanked, poor and rural communities, governments, development partners and private sector are strongly encouraged to forge creative partnerships and evolve innovative product design and delivery systems that have strong pro-poor targets, processes and outcomes.

# INVESTMENT PLANNING: THE BASICS

BY JOEL EZEUGO

FCA, ACTI, ACIP, MNIM, MBA, B.SC (UNIBEN)

*Being a paper delivered at the CIBN Financial Literacy Programme  
for Lagos Central Baptist Conference Pastors' Fellowship*



## A. INTRODUCTION

The productive capacity of an economy is a function of the real assets of that economy: the land, buildings, knowledge and machines that are used to produce goods and the workers whose skills are necessary to use those resources. Together, physical assets and human resources generate the entire spectrum of output produced and consumed by the society.

In contrast to the real assets are financial assets such as stocks or bonds. These assets by themselves do not represent a society's wealth. They are mere papers that do not directly contribute to the productive capacity of the economy. These assets contribute indirectly to the productive capacity of the economy because they allow for separation of the ownership and management of the firm and facilitate the transfer of funds to enterprises with attractive investment opportunities. Financial assets certainly contribute to the wealth of the individual or firm

holding them. This is because financial assets are claims to the income generated by real assets.

When real assets used by a firm generates income, the income is allocated to investors who are owners of the financial assets or securities issued by the firm. E.g. Debenture or a bond holder is entitled to flow of income based on the interest rate, equity or stock holders are entitled to any residual value income after bondholders and other creditors are paid. The value of financial assets are therefore derived from and depend on the value of the underlying real assets of the firm

While real assets are income-generating assets, financial assets define the allocation of income or wealth among investors. When individual decides to choose to invest their current endowment for future gain they may choose to hold financial assets. The money a firm receives when it sells its securities (stock, debenture, bonds, etc) to investors is used to purchase real assets. Ultimately, then the returns on a financial assets come from the income produced by real assets that are financed by the issuance of security. Financial assets can then be properly viewed as the means by which individuals hold their claim on real assets.

In the balance sheet the real assets are financed by the creditors fund (Bank overdraft, debenture/bond holders, other creditors) and owners fund (equity shareholding).

## B. TYPES OF INVESTMENT PRODUCTS IN NIGERIA.

The introduction above is for a general investment environment. We are however narrowing down to the Nigerian environment when considering the different

financial assets or products that individuals or corporations can channel their investment to. In Nigeria we have a broad spectrum of investment outlets from where a potential investor can choose from.

**Below are some of the investment channels in Nigeria:-**

1. Stock (Shares)
2. Bonds
3. Mutual Funds
4. Treasury Bills
5. Commercial Papers
6. Bankers Acceptance
7. Demand deposit
8. Savings account
9. Cash Management: - Certificate of Deposits (CDs), Money market funds etc. etc.

*For the purpose of this paper we shall briefly discuss the major investment outlets as follows:-*

#### **1. STOCK: What is a stock and how does it work?**

A stock is an ownership share in a corporation. As a company's earnings improve, investors generally become more willing to buy the stock. Ultimately, stock investors hope to achieve gains in the form of dividends paid to stockholders (although not all stocks pay dividends) and in the form of capital gains. When you buy a share of stock, you're entitled to a small fraction of the assets (and dividends, if the company's management chooses to pay them) of that company. The value of the stock is set by many people trading it in a free, open market—stock exchange. The price of a stock fluctuates according to supply and demand, with many factors influencing these two broad aspects of stock prices.

#### **Advantages of a Stock**

- Do it yourself: Stocks can be a good option for investors who have time to evaluate and analyze individual stocks you have the privilege of doing it yourself and gain knowledge on stock valuation analysis.
- Greater return potential: If you do your research and pick the right companies to invest in, you can potentially succeed as they succeed.
- Accessibility: Because so many companies sell

stock, the stock market is a very accessible way to invest. You can generally buy or sell shares anytime during the trading day.

- Ownership: Purchase of stock gives you the right of part ownership of a company, which entitles you to dividends and capital gain.

However investment in individual stock can be risky, meaning that there is a chance of your losing all or portion of your investment due to drastic fall in price of the invested company's shares or liquidation of the company owing to other economic conditions

#### **2. BONDS: What is a bond and how does it work?**

A bond is a certificate of debt (usually interest bearing or discounted) that is issued by a Government or Corporation in order to raise money. The issuer is required to pay a fixed sum annually until maturity and then a fixed sum to repay the principal. The Federal Government, States and Corporations issue bonds to raise capital for purposes such as building roads, improving schools, opening new factories, and buying the latest technology. When you invest in a bond, you become one of the bond issuer's lenders. In fact, a bond is like an IOU—a promise from the borrower to pay back the money you've loaned, with interest. Individual bonds typically pay a predefined schedule of fixed interest payments and promise to return your money on a specific maturity date.

#### **Advantages of a Bond**

- Provides stability for a Company's portfolio. By diversifying your investments across different asset classes—such as stocks, bonds, and cash—you can balance your risk versus potential return. Adding bonds to a stock portfolio can help lower the portfolio's volatility over time because stock and bond prices most times do not move in the same direction and in the same magnitude.
- Provide a stream of predictable income. Most bonds provide a regular stream of interest payments on specified dates. As a result, bonds can be used to try to generate a predictable stream of income which can be very effective for budgeting purpose.
- It helps in preservation of funds. Most bonds have a stated maturity date when principal is expected to

be returned. As a result, certain types of bonds can be used to protect the principal and can be useful when you're saving for future expenses such as buying a home or paying for college tuition.

*Bonds though considered by many investors as being less volatile than stock, they do have some unique risk of their own such as:-*

- Interest rate risk: Bond prices tends to move in opposite direction with interest
- Inflation risk: Over time, inflation can severely erode the purchasing power of interest payments and principal.
- Liquidity risk: Investors may encounter liquidity risk when they sell a bond before maturity and incur high transaction costs.
- Credit risk: A bond issuer may be unable to make interest payments or return principal at maturity due to default.

### 3. **MUTUAL FUNDS: What is Mutual Funds and how does it work**

Mutual Funds are financial instruments that allow a group of investors to pool their monies with a predetermined investment objective. Mutual funds pool money from many investors to purchase a broad range of investments, such as stocks, bonds, cash, or other types of securities. They are efficient ways to begin investing and building a portfolio. Mutual funds can be an efficient, cost-effective way to invest. When you make an investment in a fund, you purchase shares of the fund, which means you own a portion of all of the underlying investments.

#### **Advantages of Mutual Funds**

- Provide built-in diversification. It enables you to invest in several companies within an industry, or even a broader mix across industries, without having to do the work of choosing individual stocks or bonds.
- Provide Professional management. Day-to-day decision making that may arise from changing market conditions is left to the expertise of professional portfolio managers.
- Provide convenience and daily liquidity. For a modest amount, you're able to invest in a diversified portfolio for much less than you might pay for

individual securities. You can also buy and sell mutual fund shares quite easily.

Though considered to have minimal risk due to diversification, mutual funds are subject to the fluctuations of the market, depending on what types of investments they hold. They are not NDIC-insured and do involve some investment risks, including possible loss of principal as well as fluctuation in value.

### 4. **CASH INVESTMENT**

A cash investment is a short-term obligations, usually fewer than 90 days, that provide a return in the form of interest payments. Cash investments generally offer a low return compared to other investments. They are also associated with very low levels of risk and are often insured. Options for investing your cash include certificates of deposit (CDs) and money market funds. With CDs, you choose a specific amount of time to invest your money, and at the end of that time period you receive your money back along with interest. Money market funds are mutual funds that hold a portfolio of high-quality, short-term investments. They pay a variable yield based on the performance of those investments.

Before choosing a cash investment, consider why you are holding the cash and how you plan to use it. Depending on what you plan to do with your cash, you may have specific preferences for liquidity, a fixed versus variable yield,

### 5. **BANKERS' ACCEPTANCE**

A banker's acceptance, or BA, is a promised future payment, or time draft, which is accepted and guaranteed by a bank and drawn on a deposit at the bank. The banker's acceptance specifies the amount of money, the date, and the person to whom the payment is due. After acceptance, the draft becomes an unconditional liability of the bank. But the holder of the draft can sell (exchange) it for cash at a discount to a buyer who is willing to wait until the maturity date for the funds in the deposit.

### 6. **COMMERCIAL PAPER**

Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper

rarely range any longer than 270 days. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates.

## 7. TREASURY BILLS

Treasury Bills are short-term debt instruments issued by the Federal Government through the Central Bank to provide short term funding for the government. They are by nature, the most liquid money market securities and are backed by the guarantee of the Federal Government. They are usually issued for tenors of 91 days, 182 days and 364 days at the primary market auction held fortnightly by the Central Bank of Nigeria. Treasury Bills are attractive to investors because they offer a very low-risk way to earn a guaranteed return on invested money

### C. INVESTMENT PLANNING

*What is investment?*

Investment is the purchase of financial products or other items of value with an expectation of favourable returns.

*What is Investment Planning?*

This is the placing of funds into the proper investment vehicles based on the investors' future goals, time horizon and priorities. It also takes into account the safety of the investments, as well as liquidity and level of return. Proper investment planning will allow the investor's fund to produce financial reward over time.

#### Factors that influence Investment Planning

Past market trends. Sometimes history repeats itself; sometimes markets learn from their mistakes. You need to understand how various asset classes have performed in the past before planning your investment. Your risk appetite. The ability to tolerate risk differs from person to person. It depends on factors such as your financial responsibilities, your environment, your basic personality, etc. Therefore, understanding your capacity to take on risk becomes a crucial factor in investment decision making.

Investment horizon. How long can you keep the money invested? The longer the time-horizon, the greater are the returns that you should expect. Further, the risk element reduces with time. Investible surplus. How much money are you able to keep aside for investments? The investible

surplus plays a vital role in selecting from various asset classes as the minimum investment amounts differ and so do the risks and returns. Investment need. How much money do you need at the time of maturity? This helps you determine the amount of money you need to invest every month or year to reach the magic figure.

Expected returns. The expected rate of returns is a crucial factor as it will guide your choice of investment. Based on your expectations, you can decide whether you want to invest heavily into equities or debt or balance your portfolio

### D. IMPORTANCE OF INVESTMENT AND SAVING FOR A NON-FOR-PROFIT ORGANIZATION

In order to be sustainable, nonprofits must have robust governance structures and savvy investment strategies. Nonprofit organizations have no shareholders to keep happy, but they still need to generate income.

Whatever their mission—fostering scientific research, helping the disadvantaged, advancing a moral cause, assisting students—nonprofits must invest the donations they attract in order to generate income to achieve the following:-

- Generate sufficient returns to cover operating expenses. Despite not being profit oriented in objectives the non-for-profit organizations expend funds to meet its short term obligations and operating expenses that keeps the organization running, such as:- payment of salaries and purchase of stationeries.
- Meet philanthropic goals. Investing and saving creates ease at fulfilling the philanthropic goals of the organization
- Wealth creation and avoidance of idle funds. Investment is a channel for wealth creation and antidote of keeping idle funds.
- It is a way of beating inflation and preserving capital. When funds are kept idly in current account that offers no incremental value, over the period of high inflation that money loses value. With investment such funds are preserved and inflation will be adequately compensated for by interest earning on the fund.
- Reduces pressure on Donors and Donor-Agencies

## E. POSSIBLE INVESTMENT STRATEGIES.

Investment strategy is a set of rules, behaviors or procedures, designed to guide an investor's selection of an investment portfolio. Individuals and organizations have different profit objectives, and apply different tactics and strategies in arriving at their investment decision. Some choices involve a tradeoff between risk and return. Most investors fall somewhere in between, accepting some risk for the expectation of higher returns.

### Investment strategies.

**Buy and Hold:** This strategy involves buying company shares or funds and hold them for a long period. It is a long term investment strategy, based on the concept that in the long run equity markets give a good rate of return despite periods of volatility or decline.

**Value vs Growth:** Value investing strategy looks at the intrinsic value of a company and value investors seek stocks of companies that they believed are undervalued. Growth investment strategy looks at the growth potential of a company and when a company has expected earnings growth that is higher than companies in the same industry or the market as a whole, it will attract the growth investors who are seeking to maximize their capital gain.

**Dividend growth investing:** This strategy involves investing in company shares according to the future

dividends forecast to be paid. Companies that pay consistent and predictable dividends tend to have less volatile share prices. Well-established dividend-paying companies will aim to increase their dividend payment each year. Investors who reinvest their dividends are able to benefit from compounding of their investment over the longer term.

**Diversification and use of professional.** This strategy involve investment in Mutual funds in order to enjoy the in-built diversification, service of professional portfolio managers, the convenience, less volatile nature and ease of liquidation inherent in it. It is a most convenience for a beginner and non for profit organizations. Also the organization can hire the services of a professional portfolio manager who can diversify the investment portfolio of the company so as to minimize risk and maximize returns

## CONCLUSION

The need to generate adequate funds to cover the organizations operating expenses, meet the philanthropic objectives, acquire real assets to enhance the organizations performance, avoid keeping of idle funds, wealth creation to hedge against inflation and the preservation of capital, makes it imperative for a non for profit organization to have a robust investment policy in order to remain sustainable.



Group Photograph of Participants at the CIBN Financial Literacy Programme for Lagos Central Baptist Conference Pastors' Fellowship



## THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

# Notice of 2017 Annual General Meeting

This is to notify all members that the Institute's Year 2017 Annual General Meeting will hold as follows:

**Date:** Saturday, May 20, 2017 **Time:** 10.00 a.m.

**Venue:** Bankers House, PC 19, Adeola Hopewell Street, Victoria Island, Lagos

### **AGENDA**

- ① 2016 Report
- ② 2016 Accounts
- ③ Special Business
- ④ Any Other Business.
- ⑤ Adjournment.

**By Order of Governing Council**

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Dr. Segun Aina, OFR, FCIB  
Past President, CIBN and Chairman, Organizing Committee, WCBI 2017



Otunba (Mrs) 'Debola Osibogun, FCIB, Immediate Former President, CIBN  
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Dr. Omede Idris  
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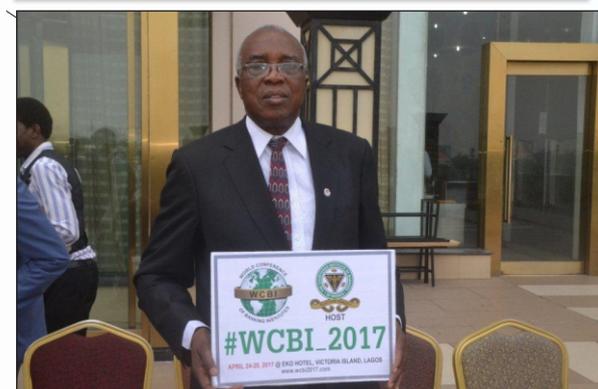
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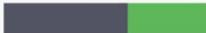
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## Business Intelligence

SAP Business Intelligence empowers business users with self-service access to information for better business decisions. It provides flexible ways of sharing information delivered in context when and where it's needed.





## 22<sup>ND</sup> WORLD CONFERENCE OF BANKING INSTITUTES

"Re-thinking the Future of Banking and Finance & Life-Long Learning"



### Objectives

- To review and keep abreast of changes in the domestic and global financial systems.
- To compare and understand the structures of the programmes and management of banking education and training in different countries.
- To underscore the crucial role played by the banking & financial services sector in the global economy.
- To study major changes in non-banking education fields (e.g. Universities and other professional bodies outside the commercial banking sector) and explore opportunities for collaboration.
- To explore management issues in the financial services sector and its impact on national and global economies.
- To monitor recent developments in education and training programmes of participating members; and
- To understand the impact of technology and globalization on the financial services sector and how it (technology) can be effectively applied in service delivery, both to bank customers and in banking education and training.
- To expand the participating organizations' international network and thereby gain international recognition for their countries' training and educational programmes.

Date: April 24 - 28, 2017  
Venue: Eko Hotel & Suites, Victoria Island, Lagos, Nigeria

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For nominations or further enquiries, please contact:

Babatunde: 0803 726 7460	email: babatundeapena@cibng.org
Rita: 0803 718 3607	email: ritaadeyanju@cibng.org
Adeyinka: 0802 292 1312	email: adeyinkaegbaiyelo@cibng.org

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### HOST



All correspondences to

'Seye Awojobi, FCIB, Registrar/Chief Executive

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

Bankers House, PC 19, Adeola Hopewell Street, Victoria Island, Lagos, Nigeria

Tel: +234-1-4617924, 4610655, 6310046 E-mail: cibn@cibng.org Web: www.cibng.org

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