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**Wednesday
3rd June, 2009**

FEDERAL REPUBLIC OF NIGERIA

NATIONAL ASSEMBLY DEBATES

FOURTH REPUBLIC

THIRD ASSEMBLY (SIXTH SENATE)

SECOND SESSION

THE SENATE OFFICIAL REPORT

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**SENATE OF THE FEDERAL
REPUBLIC OF NIGERIA**

Wednesday, 3rd June, 2009

The Senate met at 10.30 a.m.

PRAYERS

(The President in the Chair)

VOTES AND PROCEEDINGS

The President: Distinguished Senators, we have the Votes and Proceedings of Tuesday, 2nd June, 2009 for approval. We have pages 746, 747, 748, 749, 750, 751.

Senator George Anthony Manzo (Taraba North): Mr. President, I move that the Votes and Proceedings of Tuesday, 2nd June, 2009, be approved

Senator Ahmed Ibrahim Lawan (Yobe North): Mr. President, I rise to second the Motion that the Votes and Proceedings of Tuesday, 2nd June, 2009, be approved.

Question put and agreed to.

Resolved: That the Votes and Proceedings of Tuesday, 2nd June, 2009, be approved.

ANNOUNCEMENTS

**Meeting of the Senate Committee on the Review
of the 1999 Constitution**

The President: This information is from the Senate Committee on the Review of the 1999 Constitution. It reads:

The Senate Committee on the Review of the 1999 Constitution would meet today, Wednesday, 3rd June, 2009.

Time: 2 p.m. prompt

Venue: Meeting Room 211, Senate New Wing.

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(Signed)

Senator Ike Ekweremadu (CFR)

Deputy Senate President and Chairman Joint
Committee on the Review of the 1999 Constitution

Dinner

The President: There will be a dinner this evening with the Senate Press Corp at Apo Mansion. The time is 8 p.m. Distinguished Senators who are free should please attend so that we can interact with the Senate Press Corp members.

Notice of Death of Late Senator E. A. Lamai

The President: This is from distinguished Senator Isa Braimoh. It reads:

*Distinguished Senate President,
Most ranking First Republic Senators,*

The above refers. It is with a deep sense of loss that I wish to inform your Excellency, and the entire Senate, of the demise of my most distinguished predecessor in office, Senator E. A. Lamai. He died on the 14th day of May, 2009.

I am already in contact with the family, and the burial arrangements are as follows:

*Friday, 3rd July, 2009, 1 p.m. - Body leaves
Benin for Fugar, Edo North Senatorial District.*

4 p.m. - Laying-in- State at Fugar

8 p.m. - Christian Wakekeep.

Saturday, 9 a.m. - Interment at Fugar; and

11. a.m. - Entertainment of Guests.

Owing to Late Senator Lamia's unique status as the last Senator of the First Republic, which was underscored by the Senate's Special Get-Well visit to him recently at the Abuja National Hospital, may I request that the Senate plays a complimentary role in giving this boosting of Nigerian First Legislator, a befitting burial.

Whilst thanking you for your usual and expected cooperation and further action, kindly accept as always, the assurances of my highest and warmest regards.

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(Signed)
Senator Isa Braimoh (MNC)

Distinguished Senators, Senator Lamai was the last of the Senators of the First Republic. I am sure most of you would remember that we went to the National Hospital to visit him. I recall that well after that he made a couple of phone calls to me asking me how the Review of the 1999 Constitution was going. I think he was 94 years old. So, he was a politician until the day he left us.

As it is usual, we will observe one minute silence in his honour and then we would arrange and attend his burial as we always do.

Visit of Staff and Students of Kerus Academy,

Dawaki-Extension, Abuja

I wish to acknowledge the presence of Staff and Students of Kerus Academy, Dawaki Extension, Abuja, who are in the Gallery to observe Senate's proceedings. *(The visitors stood for recognition)* Sit down.

We wish them fruitful observation of our proceedings.

The Leader of the Senate, if you do not mind, you may move for us to observe a one minute silence in honour of late distinguished Senator Lamai, before we continue.

Senator Teslim Kolawole Folarin (Oyo Central): Mr. President, before we go into the Order Paper, I move that we observe a minute silence in honour of our departed Colleague.

Senator Maina Ma'aji Lawan (Borno North): Mr. President, I rise to second the Motion that we observe one minute silence in honour of our departed Colleague.

Question put and agreed to.

(One minute silence accordingly observed in honour of late Senator E. A. Lamai)

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PRESENTATION OF BILLS

Court of Appeal Additional Original Jurisdiction Bill, 2009 (SB. 280)

Senator Teslim K. Folarin: Mr. President the first business of the day is the presentation of the Bill standing in the name of distinguished Senator Sahabi Ya'u, on the Court of Appeal Additional Original Jurisdiction Bill, 2009.

You may invite the Clerk of the Senate to read the Short Title of the Bill.

Court of Appeal Additional Original Jurisdiction Bill, 2009 presented by Senator Sahabi Ya'u (Zamfara North) – *read the First Time.*

National Library and Information Service Board (Repeal and Re-enactment) Bill, 2009 (SB 281)

The second business of the day is the presentation of a Bill standing in the name of Senator Gyang D. Dantong on the National Library and Information Service Board (Repeal and Re-enactment) Bill, 2009.

You may invite the Clerk of the Senate to read the short Title of the Bill.

National Library and Information Service Board (Repeal and Re-enactment) Bill, 2009 presented by Senator Gyang Dantong (Plateau North) - *read the First Time.*

Residential Tenancy Bill, 2009 (SB 285)

The third business of the day is the presentation of a Bill standing in the name of Senator Uche Chukwumerije on the Residential Tenancy Bill, 2009.

You may invite the Clerk of the Senate to read the short Title of the Bill.

Residential Tenancy Bill, 2009 presented by Senator Uche Chukwumerije (Abia North) - *read the First Time.*

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**Code of Conduct Bureau and Tribunal
(Amendment) Bill, 2009 (SB 286)**

The fourth business of the day is the presentation of a Bill standing in the name of Senator Smart Adeyemi on the Code of Conduct Bureau and Tribunal (Amendment) Bill, 2009.

You may invite the Clerk of the Senate to read the short Title of the Bill.

Code of Conduct Bureau and Tribunal (Amendment) Bill, 2009 presented by Senator Smart Adeyemi (Kogi West) - *read the First Time*.

PRESENTATION OF REPORT

Report of the Committee on Federal Character and Intergovernmental Affairs on the Screening of Bashorun Awofisayo Jonathan Oladele and Honourable Abayomi Sheba

Senator Teslim K. Folarin Mr. President, the fifth business of the day is the presentation of the Report of the Committee on Federal Character and Governmental Affairs on the screening of Bashorun Awofisayo Jonathan Oladele (Osun State) and Honourable Abayomi Sheba (Ondo State) as members of the Federal Character Commission (FCC).

You may invite the Chairman of that Committee, Senator Smart Adeyemi to move the Motion for the Senate to receive the Report.

Senator Smart Adeyemi (Kogi West): Mr. President, may I move the Motion to present the Report of the Committee on Federal Character and Intergovernmental Affairs on the screening of the nominees from Ondo and Osun States.

Senator Felix Kolawole Bajomo (Ogun West): Mr. President, I rise to second the Motion that the Senate do receive the Report of the Committee on Federal Character and Intergovernmental Affairs on the screening of Bashorun Awofisayo Jonathan Oladele and Honourable Abayomi Sheba as members of the Federal Character Commission.

Question put and agreed to.

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The Senate President: Distinguished Senator Smart Adeyemi, lay the Report on the table please.

(Report accordingly laid on the Table)

ORDERS OF THE DAY

MOTION

Confirmation of Nomination of Mr. Sanusi Lamido Sanusi and the Renewal of the Appointment of Mr. Babatunde Lemo

Senator Teslim K. Folarin: Mr. President, the first Order of the day is the Motion requesting this Senate to consider the request of Mr. President, Commander-in-Chief for the confirmation of the nomination of Mr. Sanusi Lamido Aminu Sanusi as Governor of the Central Bank of Nigeria (CBN) and the renewal of the appointment of Mr. Babatunde Lemo as Deputy Governor of the Central Bank of Nigeria (CBN) in accordance with the CBN Act (2007).

In order to carry out this all-important exercise like in the past, I will move two Motions. The first one is that I hereby move that Order 118(a) of our Standing Orders be suspended to enable the Senate to resolve into the Committee of the Whole to consider these nominations.

Senator Maina Ma'aji Lawan: Mr. President, I suggest that the Senate Leader moves the principal Motion first before suspending the Order. We would be more on track that way.

The President: No, if he does not suspend that Rule he cannot move any other Motion. Ideally, it ought to be referred to the Committee. He has to suspend that Rule that it should not be referred to the Committee because that is what will enable us take any decision here or go any further on the Motion. So, the Leader is right.

Senator Maina Ma'aji Lawan: Thank you very much Mr. President for guiding us properly. I rise to second the Motion that Order 118(a) be suspended in order to take further action on the request of Mr. President.

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The President: The only Motion is to suspend Order 118 (a) at the moment and we resolve into Committee of the Whole? Or are the two Motions combined?

Senator Teslim K. Folarin: Yes, the two Motions are combined.

Question put and agreed to.

Resolved: That Order 118(a) of the Senate Standing Orders be suspended to enable the Senate resolve into the Committee of the Whole to consider Mr. President's nominations.

Senator Teslim K. Folarin: Mr. President, I move that this Senate do now resolve into the Committee of the Whole to consider the nominations.

Senator Maina Ma'aji Lawan: Mr. President, I rise to second the Motion that the Senate do move into the Committee of the Whole to consider the request of Mr. President for confirmation of Mr. Sanusi Lamido Sanusi as the Governor of the Central Bank.

I so second.

Question put and agreed to.

Request of Mr. President for the confirmation of the Governor and Deputy Governor of Central Bank –CONSIDERED IN THE COMMITTEE OF THE WHOLE

Senator Teslim K. Folarin: Mr. President, I move that this Senate do suspend Order 17 of our Standing Orders in order to admit the nominees and Special Advisers to the President on National Assembly Matters into the Senate Chamber.

Senator Maina Ma'aji Lawan: Mr. President, I second the Motion that the Senate do suspend Order 17 of its Standing Orders in order to admit the nominee along with the Special Adviser to the President on National Assembly Matters.

Question put and agreed to.

(The Nominees and the Presidential Special Adviser on National Assembly Matters accordingly admitted into the Senate Chamber)

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The Chairman: Distinguished Colleagues, we have before us Alhaji Sanusi Lamido Aminu. Alhaji Aminu, I am sure this is your first time in the Senate. We are very friendly, but expect that the questions will be though and they may be professional or political and we expect that you give frank answers to the best of your ability, knowledge and understanding.

We have copies of your Curriculum Vitae. If there are areas where you want to emphasise on your Curriculum Vitae you can do so, but there will be no point going through your Curriculum Vitae page by page. If there is anything you have left out in the Curriculum Vitae that you would like us to know so that it would help us in taking our decision, please do so and let us have those areas. The Floor is yours now.

Alhaji Sanusu Lamido Aminu Sanusi: Mr. Chairman, my name is Sanusi Lamido Aminu Sanusi, born in Kano, 31st July, 1961. I had my primary education in St. Anns Primary School, Kakuri in Kaduna State. It was a boarding school. Then I went on to Kings College Lagos from 1973 to 1977. I read Economics at ABU and graduated in 1981. I did my Youth Service in Gongola State at time and thought at the Federal Government Girls College, Yola. I went back to ABU for my Post Graduate Studies in 1982 and after the first year on completion of my Masters course work, I started teaching Economics at the University at the Undergraduate level. Two years later, I started banking in September, 1985 and I have been a banker since then.

I started working with ICON Limited Merchant Bankers, a subsidiary of Morgan Guaranty Trust and Barren Brothers and I started off as a Corporate Finance and Investment Banker. At one time I was Head of Financial Advisory Services in ICON, in charge of debt conversion, mergers and acquisitions and other financial advise. I also served as a pioneer Credit Officer in the Kano Office of the Bank as the Area Manager.

In 1991 I took a break and went to the Sudan and studied Arabic. I did a degree course in Sharia and Islamic Studies and on my return 1997, I came back to the United Bank for Africa Plc which then had just been privatised and started a career in Risk Management. I was in the Risk Management in UBA until 2005 when I was invited by Board of

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First Bank to join the Board as an Executive Director and Chief Risk Officer, a position I held until January this year when I was made the Chief Executive Officer (CEO)

In the course of the last few years, as my Curriculum Vitae shows, I have spent a lot of time developing my risk management skills. I have developed a number of systems. I developed the risk management system in UBA and transformed it in the search for compliance. I have presented a number of papers to NDIC, Central Bank on risk management. That has been my specialization. I have also had other interests in philosophy, social theory, in politics and I have presented papers at different international for a. Some of the papers are listed in my Curriculum Vitae I have presented papers to so many universities in practically every continent. I believe have given a list of those papers and those conferences.

Senator Simon Ayogu Eze (Enugu North): Mr. President, I want to start first of all by congratulating Alhaji Sanusi for being considered worthy by Mr. President to be sent forward here for this screening. Taking a look through your Curriculum Vitae, I can see that you cut your wisdom teeth in the merchant banking sector of our banking industry. But curiously today the fortunes of merchant banking in the banking industry are not very bright. In fact, at a point the apex bank re-introduced the merchant banks into retail banking.

Whereas I know that in other economies merchant banks are still playing leading role in pioneering innovations in equipment leasing, technology initiatives, development and research. If you are confirmed as the Governor of the Central Bank of Nigeria, what initiatives are you going to put in place to ensure that the fortunes of merchant banks are turned around and that they are given the premier role they play in other economies. That is question No.1.

Question No.2, I have also seen that in addition to your academic orientation and your commitment to your first love which is banking, you are also deep in issues concerning activities of non-governmental organisations. You are listed as Board member of two of such organisations but one of them caught my attention. It is the one on Kudirat Initiative for Nigerian Democracy and I am inclined to ask you because we know the import of the Kudirat Initiative within the politics of Nigeria,

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especially in the light of what happened on June 12 and subsequently. Is this Kudirat related to that Kudirat of politics? Are you a politician? Are you not going to play politics if you are confirmed for that position?

Senator Ahmad Ibrahim Lawan (Yobe North): Mr. Chairman, let me join my very good Friend, Senator Ayogu Eze to congratulate Alhaji Sanusi Lamido Sanusi for the nomination.

I have just a single question to ask. The Federal Government of Nigeria today has the task of ensuring that by 2015 our Millennium Development Goals are met and poverty alleviation is very central and key in this respect.

Similarly, the Seven Point Agenda has wealth creation as an important element in the menu. Given the obvious fact that about 98 *per cent* of Nigerian farmers are peasant small holdings; also we are aware that the Federal Government dedicated N200 billion support for commercial farming in Nigeria which incidentally First Bank is one of those that would disburse the fund. I am also aware of the fact that only 20 *per cent* of that fund is allocated for the 98 *per cent* of farmers in Nigeria who are peasants. Can you explain to the Senate and, indeed, to Nigerians how this particular policy would create wealth and alleviate poverty among the poor in the rural areas?

The Chairman: Alhaji Sanusi, I would like you to react to these two questions first. Please, react in details and if they are not satisfied with you answers, they would ask you the questions again.

Alhaji Sanusi Lamido Sanusi: Merchant Banking or Investment Banking as profession obviously, has gone through different phases in theory and in practice. If you go back to the United States after the crash of 1929, the Glass-Steagall Act actually started separating commercial from merchant banking. It was assumed at that time that the major problem faced by commercial banks; that is, the deposit taking banks, was that their assets were built based on the works done by investment bankers who did not take any credit risk, and this is basically how investment banks have always operated. They structure deals and transactions and they use balance sheets of the deposit money banks.

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Presently, there is an ongoing debate in the United States as to what to do with investment banks. The issue is whether to merge them into wholesale banks or to let them stand alone. But the practice is that many of them have disappeared. Merrill Lynch has gone, Goldman Sachs has transformed itself and Lehman Brothers has gone bankrupt.

Now merchant bankers continued to play a very important role in terms of raising large amount of money through loans indications structuring transactions. Merchant or Investment Banking is critical to the kind of infrastructure - power project that we want in this country. But Investment banking has to improve on the quality of skills and we have to look at the transparency of the products that are offered.

The global meltdown that we are facing has been caused principally by investment banks who had designed exotic products that are opaque and complex, which are very difficult to understand and which escaped the regulation of supervisors. Those were taken off the balance sheets of banks and they were not properly monitored and they have come back to hit the banks balance sheet. One of the things I would like to see is closer supervision.

Even in this country, we have a situation where the investment banks are licensed by Securities and Exchange Commission (SEC) and the commercial banks are looked at by the Central Bank. A lot of what you have in stock broking companies, financial services companies that are dealing in the stock market, corporate finance activity are not under the direct supervision of the Central Bank. It is critical, in my view, that you have consolidation supervision. That the Central Bank works closer with SEC and the Stock Exchange and look at the activities of these subsidiaries that can have impact on banks. But the importance of investment banking to the kind of development that we want cannot be understated and I think the various investment banks we have in the country are doing extremely well at this moment; but they need to be more closely supervised.

On the issue of KIND which stands for (Kudirat Initiative for Nigerian Democracy) you are right distinguished Senator. Kudirat is Kudirat Abiola. KIND was an institution set up by her daughter, Hafsat Abiola with the objective of helping the poor, defending women's rights and

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helping groups in social society that aim at deepening democracy.

She invited me to join the Board of KIND because I shared her views about the need to develop a democratic culture in this country; to deepen human rights and to expand the participation of the people in the electoral process. I am not a politician but I do believe as a Nigerian that we have an interest in contributing to a better society and KIND and LEAP and other NGOs that I am part of are committed to creating a better society for this country. I have never joined a political party and I do not intend to join one but I do not think we can exclude ourselves from politics and from what concerns the people.

Senator Ahmad, thank you very much for your question. When you look at the various projects that the Central Bank has, it got agricultural projects that are targeted at Small Scale Farmers. It is Agricultural Guarantee Schemes. They are a number of schemes that are targeted at small holdings. This initiative is aimed at large scale agriculture. From the perspective of the economy, our experience is that small scale farmers in Nigeria tend to be subsistent farmers. Agricultural productivity is enhanced through investments in capital intensive agriculture. We have a lot of land that is not cultivated. The projects that are being financed are not just production. There is a very strong focus on processing, storage, and handling.

If you take the tomato farmer in Kura, for instance, 80 *per cent* of his output is lost from poor handling the moment it leaves the farm. It gets destroyed. The investments that are going to be made by these loans are investments in infrastructure that would help preserve that output, develop the markets and process so as to add value and then create wealth. Non-value added activities do not create wealth. People are able to survive but they do not create wealth; they remain in poverty. Until we are able to add value through processing, we would not be able to.

The large scale agricultural credit scheme, to my understanding, is something that focuses on production, processing, storage and market development and with that we would be able to create more wealth.

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Senator Ike Ekweremadu (Enugu West): Mr. Chairman, I would go straight to the issues. Alhaji Sanusi, you are aware that you are going to face a daunting task as CBN Governor if you are confirmed because of the time you are coming; time of great recession. You are also aware that when they had recession in the US in the 1930s one of the approaches at that moment was huge infrastructural development.

In our country, we the Parliamentarians, arising from our own understanding of that period, suggested through the 2009 Budget, a huge infrastructural development that would help us to inflate our economy. It does not appear to us that the Executive think that way because they are saying in some quarters that this would create inflation. As a man that would be charged with managing the economy, you would be kind to tell us, your own opinion on this issue of using massive infrastructure to inflate our economy in a recession. We want to know your views on that.

It appears to me to be a paradox, in some other countries such as the US and the UK, prices are going down, rents are going down, unfortunately in Nigeria, prices are going up and rents are going up and we are all having the same recession all over. Can you explain to us what appears to be this paradox?

The next issue is Labour's agitation for an increase in minimum wage. As a comrade, what is your opinion on the issue of increase in minimum wage at this time?

Finally, on the issue of the exchange rate, I am aware that some countries have maintained and sustained a steady exchange rate and one of such countries is the UAE. Their currency has been exchanged for 3.65 to a dollar for the past 20 years. As the Central Bank Governor, if you are confirmed, what is your opinion about how to stabilise our Naira and possibly maintain stability for a long while?

Senator Ayodele Arise (Ekiti North): Mr. Sanusi, I have a few questions for you. First of all, you a banker and from the commercial banking sector and your area of specialisation is risk management. We have an economy that needs to grow. You as a risk management person, how would you run the Central Bank to ensure that this economy grows without shrinking? This is because

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your major focus would be to reduce the risk as much as possible and in doing so, the ability for you to develop or come up with policies that would ensure that the small scale enterprises which probably do not have this kind of security (that the bankers do require and ask for) are the majority in the population. How, as Governor of the Central Bank, would you look at your major skill as a risk manager to grow and expand this economy?

There were a lot of policies that came in the last five or six years obviously, as a banker, you might not necessarily agree with, how would you be able to give a policy that probably would affect your previous banks and you look at it that this is not in the interest of the commercial banks, but small larger interest of the public.

Looking at your background and what everybody says about you, of course, I have known you for quiet a while. How would you put your step and say look, even though, as a commercial bank and that is your background, how would you come up with policies that would not necessarily favour the commercial banks but would be in the larger interest of the public?

My last question is on the SMEs. The last two banks that you worked for, UBA and First Bank, participated actively in the 10 *per cent* set aside for the development of small scale enterprises. That policy was set aside after a while. Do you think this is good for our small scale industry to be able to develop, give the money to those who need it and the banks would create these funds or put it in a developmental bank so that this economy can grow in terms of infrastructure and industries?

The Chairman: Distinguished Colleagues, please, it would be appreciated if you can avoid the temptation of giving a lecture and ask questions direct. That would allow many more people to speak. .

Senator Abubakar D. Sodangi (Nasarawa West): Alhaji Sanusi, there is a serious contemplation by the West African Commission in collaboration with ECOWAS Parliament to have a common denomination that could be used within the West African Sub-Region. Can you please tell us how realisable is this project? Can we achieve it? What are the advantages if any?

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As a grassroots politician, when I go to the market in Nasarawa, I see people buying things worth N1, N5, and N10 respectively and the coins are not available. If you are confirmed through this exercise and as the Chief Custodian of our currency, what would you do to get back to the former system, whereby when you go to shops you use coins? It is not an old system to see a Briton or American carrying coins in his pocket, but in Nigeria, we do not use it and I believe it is not good to the system. What can you do to that?

The President: Comrade Sanusi, could you please answer the questions so far asked. Are you a Comrade?

Alhaji Sanusi Lamido Sanusi: Mr. Chairman, if I claim to be a Comrade I am sure I would be accused of being a fraud. But Senator Uche Chukwumerije can testify that I was a PRP member or supporter. *(Laughter)*

I will start with the Deputy Senate President's question. In the Seven Point Agenda of the government critical infrastructure is the first item and personally, my view is that until we address the infrastructure problem in this country we would not even begin to solve our problems. As a matter of fact, my view is that in the Seven Point Agenda if we could focus on two or three things and finish them up in the next four years that would be a far more effective contribution to this country than focusing on the seven.

This is a country where we do not have linkages and because of absences of linkages we do not have economic growth and there is much optimality. We produce gas and export it; we do not have power plant. We produce crude oil we import refined petroleum products. We export steel rods and import flat sheets. If we only set up on ground the industries that would integrate these sources of growth into the domestic economy; if we set up our own power plants, our own refineries, our own flat sheets companies the multiplier effects in the economy and on growth is amazing and if we do not do that, we cannot grow. You create new industries with power; the small-scale industries that we are talking about cannot survive without power.

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All of us grew up in villages where people had grinding machines, in a village where a woman has a deep freezer and by simply selling ice water, she is able to pay electricity bills and feed herself and her family. None of the cottage industries can survive without power. So, I have not heard anyone saying that infrastructure should not be a priority.

I think your question is how exactly, do we finance it? Do we use inflationary ways of financing or do we cut expenses or privatize? But until we address the infrastructure problem we would not be able to achieve our vision 2020 goals. I am very clear on that and I would like to say that this is something that needs to be pursued. I would come back slightly to that when I come to Senator Ayo Arise's questions.

On assets prices, well, it depends on what assets we are looking at. If you ask anybody in the stock market he will tell you that assets prices are falling; the stock market has lost 70 *per cent* of its value. Property prices are still coming down. If you go to Europe today, while property prices are coming down, rent is actually going up because fewer people are able to buy their houses and they are becoming tenants.

Overall, I think we have had inflationary pressures from a number of sources. We have had in our own inflation index, for example, food is a very large component. I think we do have the highest component of food among all the indices in the world and in an era when you have food crisis food prices go up and inflation goes up.

Inflation was 15 *per cent* in December it has not been as at 15 *per cent* since 2004 by April it came down to 13.1 *per cent*. That has been fueled partly by the depreciation in the value of the Naira, which has increased the cost of import even though that has been so much mitigated by the lowest cost of transport with low oil prices. Inflation remains a hydra headed monster. If there is one thing the Central Bank has done extremely well, it has been that focus on inflation.

There has been a tremendous amount of growth in money supply in the last few quarters and that is likely to be inflationary. But in a time of economic meltdown even though there is a necessity to have price stability, the priority of the Central Bank is to make sure that there is sufficient liquidity in the

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system and that banks continue lending to private sectors.

If you have a credit crunch, it would become a full-blown recession. Even though there are upside risks to price, it is extremely important that we do not tighten the brakes because once banks stop lending, the economy would grind to a halt. So, it is a very difficult balance and I think you are right, this is one of the greatest challenges that we are going to face, how do we balance the concerns of inflation and the concerns of growth and the question of exchange rate? There is no magic wand to do this. We have got hundreds of economists in Central Bank running models; we have got hundreds of economists out there and Consultants and we would try to look at all the models and take the part of least pain. But clearly there would be some cost to pay when you have crisis.

On the exchange rate, yes, UME has the pegged exchange rate. We had pegged exchange rate at one time. Every major currency has lost value. The Naira has been quite stable. The Naira was strengthened for over five years. It rose from ₦135 to the Dollar to about ₦117 to the Dollar before the recent adjustment in the price. That adjustment was absolutely necessary irrespective of what other policies were there which are now being reversed. The truth was, with oil prices coming down from \$147 to under \$50, our foreign reserve situation was at risk and if your salary is halved you have to cut down on your expenditure otherwise you will go broke.

So adjustment itself was necessary. Now whether it could have been handled differently on the issues of variations, and these are all being addressed now. From last week there was reversal of policies as you can see the Naira has now strengthened. It is now ₦165 to the Dollar as at today and it would continue to strengthen as it is cleared there would be a convergence. What we need to do is to open an inter-bank market to improve the bank open position limits; to go back to wholesale Dutch auction and to reverse some of the emergence measures that were taken which were temporary, as quickly as possible.

People do not really care if it is ₦150 or ₦170 or ₦180 but people want to know if it is ₦180 and I think this is what you mean when you say stability. If you import shipload of rice at ₦180 to the Dollar, you want to be sure that by the time you sell your

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rice and you want to buy the next ship it is not ₦250. That is really what you want. It is about managing expectations and this is being down extremely well and the best thing is to continue along those lines.

Senator Arise, your questions are related, and question No.2 is very straight forward. I am usually under no doubt as what my position is. If I get confirmed by this Senate and I become the Governor of the Central Bank, I am no longer the Managing Director of First Bank it is very clear to me. I am Governor of the Central Bank and First Bank becomes history. I will not play the role of the Managing Director of First Bank.

The advantage of being a Risk Manager historically is that the Risk Manager has always been an internal regulator. My job has always been to get the Bank to do the right thing. So in a sense, my job as a regulator is simply extending that role that I have played within First Bank to the 23 Banks that would be under my supervision and guidance and I do hope that we would be able to spread those out and deepen and improve the risk management practices in the system which I think needs to be improved upon.

On SMEs and development in general infrastructure, I have always said that it is extremely important to remember that the financial system is a transmission mechanism for monetary policy to the real sector. It does not provide all the answers. The policies on infrastructure, the regulatory framework, the PPP framework, the budgets of the government are all part of this process. What I will like to do is to increase the level of cooperation between the Central Bank and other arms of government and to recognise that the financial system is not an island on its own; monetary policy has to be part of the total economic policy.

Part of my role would be to tell the government what needs to be done if it wants banks to lend for infrastructure. What kind of laws it needs to have? The kind of tax regimes it needs to have. The kind of policy consistencies it needs to have; the challenges of transparency and governance that discourage capital from flowing into those areas. It would be more of being a part of the total economic management team with a clear

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focus so that monetary and physical policies hang together for the purpose of achieving these objectives.

You will not solve the power problem of SMEs by simply lending them more money. The man still needs a generator and diesel. If you can provide him with power, it reduces his cost of production. Suddenly, a company that would not have qualified for loans can qualify because its cost of production has gone up and it becomes more profitable. It is an integrated policy and what we would like to do is to see how Central Bank can play that role in shaping the overall economic policy so that the financial system can optimise its role.

Thank you very much, Senator Abubakar Sodangi for your questions. The issue of having a common currency has been a tough one. My job is made easier by the fact that last week the Central Bank announced that we are not ready for it. That is because none of the countries involved in the ECO Plan has actually met the conditions for convergence. The first condition is single digit inflation. None of us has that. The deficit should not be more than 4 *per cent* of GDP. Central Bank lending should not be more than 10 *per cent* of government revenue from tax of previous year and foreign reserves should cover, at least, three months import. Not all those countries have met these convergence criteria.

The second thing is that there are certain fundamental economic conditions that are necessary before a common currency becomes viable. In particular is the free flow of resources, labour and capital. When that is done, we are then able to have a common currency. This is what has happened in Europe.

I think it is a very good idea. It would improve trade, create greater unity, and provide us greatest security as we become integrated just like we can see in Europe. With a common economic zone, the risk of war among European countries gets reduced every time because the fortune of each country would be tied to the fortunes of its neighbours.

We have very large market. Nigeria has tremendous advantage in terms of its labour force, industrial capacity and in terms of the market that is within Nigeria and outside Nigeria in West Africa. We should take a leadership in these areas. But we

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must ensure that these steps are taken after we have met the fundamental economic conditions that have been set. This is what happened in Europe. People had to qualify before they join the European Zone and we need to ensure that we qualify before we have it.

On currency management, I would say that you got me there. I have not thought of coins. It is something we should look at but, it should be based on clear research of the cost, usage and production. I cannot promise anything now until I have actually seen what is on ground.

Senator Victor Ndoma-Egba (Cross River Central): Mr. Sanusi, in 2005, you did a theoretical critic of Nigerian economic policy from 1986 to 2004 with a view to proposing a model for economic reform. Which model did you propose then and is that model still valid today, four years after?

On the re-domination of the Naira, what are your thoughts? Do you think we need to re-dominate the Naira?

Lastly, the Soludo years were recently described by Mr. President, Commander-in-Chief as glorious. What would you be doing that would be different from what Professor Soludo did?

Senator Kanti Bello (Katsina North): Alhaji Sanusi, mine is just a practical problem that I have been facing. I can remember when last we had the Governor of the Central Bank in this Chamber and I told him my predicament as regards the situation I found myself as an elderly person. I bought shares and all of a sudden it was confirmed that 70 *per cent* of it has gone.

I kept submitting money in my box thinking it was for the rainy day but all of a sudden, the exchange rate had gone from 120 to 180 as at last two weeks. I know that the law that set up the Central Bank, if I can quote Section 16 of the Act; it says that one of your functions as a Governor of the Central Bank of Nigeria is that the exchange rate of the Naira shall be determined from time to time by a suitable mechanism devised by the Bank for that purpose.

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My question now is this, have you got any idea as at now of the way you want to move us forward with regard to this particular provision as defined in the Act setting up the Central Bank?

Senator Munirudeen Adekunle Muse (Lagos Central): Alhaji Sanusi, I want to congratulate you, at least, for being nominated by the President out of so many others. I want to talk about community banking.

This morning at the Traanscorp Hilton Hotel, Abuja, General Collin Powell talked about political democracy *vis-à-vis* economic democracy. Nigeria has been successful so far in the last ten years with political democracy but we are still far away with the economic democracy. Our people are not having the dividends of democracy so far and I believe that with community banking, the generality of our people would be able to benefit in their entrepreneurship. We want to know your thinking about community banking.

The Chairman: The last in this series is from distinguished Senator Yerima and you can ask him about Sharia also. (*Laughter*)

Senator Ahmad Rufa'i Sani (Zamfara West): You're Excellency, of course, there is Sharia related question because we need an Islamic banking in Nigeria and I know there is a move towards that. Professor Soludo has led a very solid situation. The foundation led by Soludo, I am sure, has made it possible that we can have Islamic banking in Nigeria this year.

But, I want to start by joining my Colleagues in congratulating Alhaji Sanusi for this nomination and to say that I am very proud having listened to him. I am sure you have made all of us proud and Nigerians will be happy. (*Interruptions*) I am very proud and I want to repeat that I am very proud.

Some distinguished Senators: Ask your question.

Senator Ahmad Rufa'i Sani: My contribution is not a question. (*Interruptions*) Nigeria as Senator Ahmad Lawal said is his question; one of the major problems we are facing is high level of poverty, unemployment and underemployment. Agriculture being one of the fulcrums in the Seven Point Agenda has been facing major problem of finance. I believe that development of micro finance banks

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will be one of the surest ways of financing agriculture and small scale enterprises in Nigeria. The development of these micro finance banks in the last ten years has been very slow. I believe that with your coming, Central Bank should make every effort to ensure the development of micro finance in this country. That is my contribution.

The Chairman: Distinguished Colleagues, it is not time to congratulate him yet. It is not over yet and it is not over until it is over. I did not want to take too many questions but since your own was more of a contribution, Senator Kabiru Gaya, is your own contribution or a question?

Senator Kabiru Gaya (Kano South): Mr. Chairman, I have known Sanusi Chiroma for many years. He was born in Kano, brought up in Yola and lived most of his life in Lagos. That shows he is a true Nigeria. I have only one or two questions so as to allow my Colleagues to ask more questions. Perhaps, I should limit myself to just one question.

I am worried because when we did bank consolidation we believed that the banks were going to improve. Unfortunately, the banks are now having problems. Later we went into the consolidation of Bureau de'Change with a ceiling of N500 million. This is certainly affecting other smaller Bureau de'Change organisations and that is why we have wide gap margin between the Central Bank rate and the open market rate. The Central Banks is selling at N150 while the open market was buying at N180/ N190.

My question is, what would you do to bridge this gap so that when the Central Bank sells at N150 the open market should be N152? What would you do to allow other Bureau de'Change to benefit from this consolidation?

The Chairman: Alhaji Aminu Sanusi, you should answer these ones.

Alhaji Sanusi Lamido Aminu Sanusi: Thank you very much for these questions. They are very interesting ones. The first question obviously was on the economic model after my critique of economic policy. It is interesting because that critique actually focused on a critique of the naive belief that the market will solve all our problems and the answers have been provided with what has happened in the world today.

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Markets are very good and we should as much as possible encourage private sector as the engine of growth. But if you have a free enterprise economy and do not have strong regulation and checks and balances, that economy would be an engine running out of control. The substance of my contribution was that we should be a little bit more skeptical about some of the ideological things we have been taught about the market and some of the things that have come out of SAP. Secondly, we should ultimately think of economics not as a discipline in the fairy books.

For me economic growth and economic development is not about looking at GDP and inflation and interest rate. At the end of the day, you have 150 million Nigerians. When I asked whether Nigeria is improving economically or not, the question I do ask is, how many Nigerians who did not have three square meals a day now have three square meals a day? How many Nigerians who did not have a roof over their heads now have a roof over their heads? How many Nigerians who did not have education now have an education? That is economic development.

If your GDP is growing by 20 *per cent* and 90 *per cent* of the population is living in poverty, I do not see that as development. So, economics does not give you one answer, it gives you a variety of options. The choice of option is usually not driven by economics but by political ideology. Whose interests are you interested in protecting first? So, if you go to that paper, which is 30 to 35-page paper, I started from the economics of Babangida all through to the present time. The consent theme was that if you cannot show that your economic policies have improved the well-being of the majority of the people, you cannot claim that you have succeeded. I think it was valid in 2005, it is valid today and it will be valid tomorrow.

On re-denomination, to be frank, my views are known, and they are cosmetic. It has been done in countries that have suffered hyper-inflation. Turkey did it; Argentina and Israel did it. These were countries that suffered inflation of 700 to 1000 *per cent* per annum. They slashed 5 zeros, 8 zeros and 10 zeros and they slashed again. Usually re-denomination is done after you have conquered inflation. After you have completed reforms and you signaled a new era. We have not reached that stage even if we are going to do it; it is premature. I

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have always expressed this view and certainly it is not something I am going to pursue.

This country should thank Governor Soludo for a tremendous job well done. He was a very good governor. The Central Bank under his leadership has taken bold moves. He has established a foundation on which we are to build. I would rather not say what I would do differently, I would say, what are those areas that I think need improvement and improve on them. What are those tasks that were not completed and complete them? What are those things that need to be changed and change them? But in terms of the overall direction and the overall policies, he has done a good job and it will be very difficult to emulate him. Whether I would succeed as much as he has done, we will have to wait for five years. After five years, we can judge if I get confirmed.

On the question of Senator Kanti Bello, Sir, many people here also suffer from the Stock Market. What happened with the Stock Market is a classic case of the failure of risk management. Basically, you had a Stock Market that was an accident waiting to happen. The Nigerian Stock Exchange has equities and no debt. 70 *per cent* of the valuation of the Stock Exchange is banking stock. Now, anybody can tell you upfront that this is an unsustainable structure.

Banks raised a lot of capital; they did not have what to do with the money. They lent money to people who then bought bank shares. The price of the shares went up and other banks lent to other people who bought shares and a bubble was created. The price earning ratio was too high. Price to book was too high. We had a bubble that was bound to burst. It was just waiting for something to happen and when you had a crunch and money started going out, the market crashed.

Now we are approaching reasonable valuations, I do not think the market is ever going to go back to where it was. What we need to do is to ask ourselves, how did we get here? How did we not realise that it was dangerous for banks to have this kind of exposure to capital market? Why did we not have a limit on the exposure that banks could take on the capital market? What were the regulators doing when these transactions were taking place? What changes do we need to have to ensure that this does not repeat itself? How can we

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broaden the market? The Telecoms Companies such as MTN, Globalcom and Celtel were not listed; why not? Why can they not be listed on the Stock Exchange? Where are the oil companies, they are not listed on the Stock Exchange.

Until you have more stocks and more industries listed and until you go into areas of corporate bonds and debt instruments so that people have the option of fix income and floating income and have a variety of products, you would not have a developed market. These are reforms that need to be taken and one of the things I would like to see is a greater cooperation between the Central Bank and other Regulatory Agencies. This is because what has happened, to be honest, the banks have taken a lot of it and it is true that they should be given that heat. The Central Bank has also taken the beating, which is true but, the Securities and Exchange Commission, the Stock Exchange and the other regulators need total reform and greater coordination.

On the value of the Naira, I have made the point that the depreciation in the value of the Naira under Governor Charles Soludo at the time it happened was absolutely necessary. There is no way, with oil prices as they were, with our foreign exchange reserves at risk, a responsible Central Bank will continue subsidising inputs.

It also happened at a very good time because as the Naira was losing value, commodity prices were falling and the cost of transport was also falling. So we actually did not feel the full impact of the devaluation because of reductions in other costs. However, as we know, it is important to restore confidence in the country's currency. The oil market is threatening and if we are able to move as fast as we say we want to move on infrastructure and on the real sector, we should be able to sustain a very strong Naira when we have economic growth.

Distinguished Senator Munirudeen Muse, on the question of Community Banks, we do have a number of them but unfortunately, there was poor management. We have 1000 micro-finance banks which are also in the poverty alleviation. But I keep making the point that finance is only one input into production. If you take the farmer, you have got the issue of high yield variety of seeds, you have got transportation, you have got infrastructure. I had a long discussion with the Minister of

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Agriculture a few weeks ago and one of the things that have impressed me about the agricultural policy of this government is that this is the first time that a government recognises that not every point in the value chain of agriculture can be financed with interest bearing loans. So, they have got huge funds that will be interest free money for things like land clearing and land preparation. If anyone wants to practice agriculture and say, he will borrow money from a bank to clear the land or to buy the land, clear and plant, will never produce and make profit. It is simply not possible.

Again, we are in that realm of the Central Bank licensing Community Banks and micro-finance banks but the Central Bank will have to work with the Ministry of Agriculture, Ministry of Industries, Ministry of Power, Attorney-General's Office to see how the other building blocks of the economy will come together so that finance can work, otherwise banks will simply throw away money. Community Banks had gone under precisely because they thought that when they raise and lend money the person will pay. With the best of intentions in entering into a good business, you cannot pay back and we need to make sure that that environment is favourable and that the business works.

Senator Gaya asked a question on consolidation. Consolidation was, in my view, a necessary step at the time it happened. I think there is a true statement that a good bank requires a lot of capital. But having said that, consolidation was not, and should never have been seen as an end in itself. This is because while it is true that a good bank needs a lot of capital, it is not true that every bank that has capital is a good bank.

How you use that capital; how you manage it; whether that capital is placed in the hands of fit and proper persons who should be trusted with people's money, those are critical questions that should always be asked.

Risk management ultimately is about asking yourself when the terms are good, what could go wrong? When the capital market was going up and banks were lending to them, somebody should have asked, what happens if the market crashes, would these banks survive? The risk managers in the banks did not ask these questions. The regulators did not ask those questions. What we need to do is to take consolidation as a foundation and then build

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on the other things that were actually set out in the Seven Point Agenda: the corporate governance, the risk management systems with individual banks, disclosure requirements – ensuring that banks actually recognise their losses. I will give a simple example when people talk about the Stock Market and confidence.

We all know that there is N1 trillion out there exposed to the capital market. Those numbers need to show up as non-performing loans. If they are not showing up, people do not trust the numbers. We need to ask, where are those non-performing loans and we need to force provision. If banks need more capital, then we should recapitalise those banks, but the solution is not to pretend that there are there and that they are strong.

I think the system as a whole is well capitalised. I think the liquidity in the system as a whole is good but there would be a few weak points in that system. There are few banks that are weak spots and we need to help those banks correct the problems, otherwise the system will not regain the confidence.

On Bureau de'Change, it is tied to my statement on foreign exchange. I think a lot of the additional policies that followed the actual depreciation of the Naira would need to be reversed and the Monitoring Policy Committee has started reversing those policies. It has set a deadline of three months to go back almost to *status quo* and I think we need to fast-track that process. The earlier we reverse those additional policies, the better for the system. As the oil price begins to firm up, as the economy begins to improve, I think we should be able to do that.

I do not think that Senator Sani has a question on Islamic bank. His was just a comment.

Senator Patrick E. Osakwa (Delta North): Alhaji Sanusi, I want to take you back to the answers you gave on the ECOWAS currency. You will agree with me that the EU, before they got their single currency was driven by two major countries - France and Germany. Then the UEMOA countries, too, that is the French speaking countries of West African enjoy one single currency today and it was driven by Cote d'Ivoire and Togo. Do you not agree that, first and foremost, the English speaking parts of West Africa can achieve single currency before the convergence of both? This is

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because the criteria you mentioned are not achievable. A political will of major countries like Nigeria and Ghana can drive us to achieve a common currency. That is one.

Two, there was a time these banks were going to the market to raise funds and All States Trust Bank was one of them. While the market was on, people were getting money to invest because that time appeared to be the safest way of keeping their money. All of sudden, the banks went off. Many Nigerians who bought those shares are suffering the loss. Is the money they used in buying the shares in Central Bank? Is it with the defunct banks or is it in the market? Nobody knows where that money is today and some people are suffering it. They need an answer from somebody who is appearing before us as a panacea to our problem.

Lastly, you will see that the gap between the secondary market and the official exchange rate of the Naira is very wide. That being the case, there is the tendency of people or company getting money officially at a very low rate and selling that money to the secondary market which is also known as the Black Market. What would be your panacea to bridge this gap which will also help to stabilise the value of our Naira?

Senator Anyim C. Ude (Ebonyi South): Mr. Chairman, I cannot resist the temptation to say that I enjoy your articulation, your impressive profile and your likeable size. *(Laughter)*

Coming from the banking sector, I would like you to tell us what you intend to do about banking ethics against the background that so many young girls are being exposed to danger in an attempt to get money for investment.

Secondly, you must have read these very vital documents; the Seven Point Agenda, Vision 20:2020 and the Development Plan. Are there things you have read in them that have not been done that should form your focus if confirmed? Are there things undone that you want to do in order to improve the fiscal policy of the Central Bank?

Finally, there is a comment from you. Nigerians want to know why we should have three economic managers from one State - Kano. Is it in line with the principles of federal character?

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The Chairman: Distinguished Senator Anyim Ude, I would not allow him to answer that last question. That is not within his purview at all. He is not responsible for the implementation of the federal character principle. So, Alhaji Sanusi, you should ignore the last question, please.

Senator Suleiman Adokwe (Nasarawa South): Mr. Chairman, although the nominee has spoken extensively on the issue of credit to farmers and small scale industrialists, I would like to revisit it on a new platform. Inasmuch as we have achieved a lot of stability on the macro economic level, the issue micro economic activities in the country is still worrisome. Some of the major problems are that farmers and small scale industrialists cannot access credit facilities simply because of their inability to provide securities and collaterals. We do know that there are ordinary Nigerians that have the skill to pursue legitimate enterprises but because of these limitations, they are unable to access credit facilities.

What in your view, as a Governor of the Central Bank, would you do to solve this problem? Can you create the monetary policies that would enable us give people with the skill and the necessary know-how, even though they cannot secure securities and collaterals, to access credit facilities that will grow the economy?

Secondly, given your background in banking and the fact that you have read very well in Islamic Studies, you are in the best position to expose to us the viability of the Islamic banking and its prospects in Nigeria.

The Chairman: Let me take the last one in this series from the Deputy Chief Whip of the National Assembly, Distinguished Senator Mana.

Senator Mohammed Mana (Adamawa North): Alhaji Sanusi, although the question I have for you had been asked earlier but I will repeat it once more. First and foremost, I want to agree with you, looking at the strength of the banks, that Mr. Soludo has done very well for the banking system in this country; and that you are likely to take over from him if you are confirmed today.

I want to say that after the consolidation of the banks in 2005 when the banks were reduced from about 70 to about 23 banks today, as has been said, the banks are still not strong enough. They still

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have to send out girls to chase depositors for money. Do you not think that there is still need for you if you take over, to look into the number of banks in order to reduce them to a manageable level such that the banks would be as strong as the ones in South Africa, United Kingdom and other developed parts of the world?

My next question is in relation to all the Regulatory Commissions with the Central Bank. The one I have in mind is the Pension Managers. I want to ask if there is any relationship between the Central Bank and the Pension Managers. This is because I understand that workers are paying their contributions regularly, only for these monies to be used in buying shares and now that the stocks are in distress a lot of workers are not sure of the outcome of their investments with these Pension Managers.

The Chairman: Alhaji Aminu Sanusi, you now answer these set of questions.

Alhaji Lamido Aminu Sanusi: Distinguished Senator Patrick Osakwe asked question on the core group for the ECO Currency. In fact, the present arrangement is the one that involves English speaking West African countries; that is Nigeria, Ghana, Sierra Leone, Gambia and Liberia. In principle, it is agreed that we should move towards a common currency and that we should all have a common currency zone in West Africa in the long term. The question is, should we adopt a common currency prior to achieving certain fundamental economic benchmarks, which is what happened in Europe?

Germany and France got themselves into it. If you remember, it was a very tough time to get Italy admitted into that Union. Italy had a high rate of inflation, huge government deficit, huge fiscal imbalances and it had to have the economic discipline before it joined the Union.

The reason the German Central Bank became the Europe Central Bank was that the German economy was the most disciplined in terms of economic management. The example someone always gives me when we talk about common currency without meeting criteria is that, I opened a joint account with Aliko Dangote and we say everybody can write a cheque; obviously, I will write all the cheques and take his money. So, you

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have to make sure that you do not have a common currency and they write a cheque on your account. That I think is the major issue.

On All States Trust Bank, I do not have any specific answer there. The only thing I can promise is that if I am confirmed I will look at everything and see what we can do to help.

The gap between the official and parallel market, that gap is closing now. The reason for that gap as I said, is speculative variable which was as high as N45 but it is now down to less than N20. It started coming down the moment the Central Bank signaled that it would reverse some of those policies. So it comes back to my point. Those policies need to be reversed and when they are reversed, we would move towards convergence.

On banking ethics, I would like to look at two things. First of all, ethics remain critical to banking and I have talked about having fit and proper people managing banks, because it is a business of trust. Secondly, I think the banks are competing based on a false promise that size is everything. So, when a signal is sent that if you are a big bank, then you are a good bank. Every bank wants to grow its balance sheets and chooses every means to grow the balance sheet. One of the things we need to do is to change that impression.

When you have worked for 35 to 40 years and you have your life savings and you want to put those savings in a bank, all you want to know is that your money is going to be well taken care of and it is not going to be carelessly lent and anytime you come that money is available for you and your children. Some of the signals that have to be sent, are that it is not the biggest banks that are the forth leaders in this industry, but the banks that are the most compliant and ethical and have the highest standard of corporate governance. When we begin to reward professionalism, we would begin to change direction in the system. It is just an offshoot of that imaginary that needs to be addressed.

On vision 20:2020 and the Seven Point Agenda, a vision is always good. We need a vision, we need a strategy. If you want to go to Lagos and everyday you wake up and say I want to go to Lagos and you do not buy your ticket and do not go to the airport, you will never get to Lagos. I believe in the vision and share the vision, but I want us to

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do something today. If you ask me, what should we do differently, I will say that we should stop having visions and start moving. That is what I planned to do.

Senator Suleiman, I agree with you, but I repeat that it is not just finance. (*Interruptions*)

Senator Victor Ndoma-Egba (Cross River Central): Point of Order, Mr. Chairman!

The Chairman: Yes, what is your Point of Order, Senator Victor Ndoma-Egba?

Senator Victor Ndoma-Egba: It is Order 56(10) and with your kind permission, I read. *During a sitting all Senators shall be silent or shall confer only in undertones.* The Chamber is getting a bite rowdy and we are been distracted.

The Chairman: Your Point of Order is sustained. Chief Whip take note, please.

Alhaji Sanusi Lamido Sanusi : Banks do not just lend based on collateral. Collateral is the secondary way out but far more important, we lend when we believe that the borrower has the ability and the capacity to pay. Many of those who want to borrow, if you give them a loan, you will kill them and kill their business. A lot of what is happening now and this is why I say, it is extremely important to remember that finance is only one input. Just think back a few years ago, all of us 20 years ago, where are the Agriculture Extension Research Services, where are the extensions workers? Where are the high yield varieties that farmers were given? Where are the fertilizers? Where is the infrastructure? No power, no road. Tiga Dam Irrigation, where is the irrigation?

For farmers to borrow, they need more than collateral. For collateral you can take any thing; you can take the produce itself as collateral. We already have Agriculture Credit Guarantee Schemes; the Central Bank guarantees certain loans and that is collateral. If they default you pay. But the reality is, if you give someone money when you know up front after you join your cash flows, that there is no way this farmer is going to buy inputs, go through the season, sell at a price; and most of them because they do not have storage facilities, sell at harvest when price is lowest. They end up not paying. I have seen cases of many farmers who have been rendered bankrupt because they

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borrowed, just like people who borrowed to buy shares. (*Laughter*) I confirm that that was no reference to the Chief Whip. It is extremely important that we do this, but it is something we have got to look at.

On the question of Islamic banking, this is something that interests me because when I did my degree in the Sudan, my project was actually on the Legal Foundations of Islamic banking. The Central Bank has already set up a frame work and there is now an attempt to set up a Sharia Counsel that will give advise. Islamic banking essentially, is profit sharing because under Islamic law lending is not a business. You lend somebody money if he needs money, you do it as a religious duty. If a man has a business and he comes to take money he is coming for an investor, he is not coming to a lender, so you take a risk.

It is important to remember that, if it is approached emotionally as a religious issue, as was done in Egypt at the beginning, you will set up banks that will simply collapse. This is because you lend money to people and assume that these are good Muslims they will go and make profit and come to report the profit which you share with them. They will make the profit and take it. It is very difficult to resist. It is a choice between taking a profit now and getting punished in the hereafter, which is a very long time, so they take the profit today. Islamic banking, therefore, requires a much deeper level of regulation and supervision.

It is also important that we make sure that people do not say they have set up an Islamic Bank and create for themselves an unfair advantage where they continue doing conventional banking, but by giving it an Islamic name, they simply attract money from gullible individuals; those structures have to be in place. It is also important that who ever is set up an Islamic Bank, should get people who have actually had an experience in running the Islamic Bank as a technical partner I can tell you that. Even the scholars that we have, to be on the Sharia Board of Islamic Bank you need to have a knowledge not just of Islamic law but of modern banking, and this we have seen in Malaysia, the Arab World and Pakistan but we have not seen this in Nigeria.

You have got religious scholars who have no understanding of modern banking. I know bankers who have no understanding of the law. So, there are

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number of hurdles that need to be crossed, and it is extremely important as we do that to communicate very well. You have Islamic Banks in Britain, in the Americas and Malaysia where it started prior to conventional banking. It is extremely important that people understand that this is just a product available to everybody, Muslims and non-Muslims, based on the analysis of cash flow and business. It is not religion; it is a product that is based on a code, on a religious law, and we must be very sensitive to the sensibilities of one multi-religious country. If all those things are complied with, I would be totally in support and I would built on the work that has been done and I would try to fast-track and encourage it to the best of our ability.

Senator Mohammed Mana's question is on pensions. To the best of my understanding, pensioners are not at risk. The Pension Commission, of all the regulatory bodies in the country, I think the Pension Commission is the regulatory body that has come out totally unscathed. This is because a long time ago when the PFAs wanted to aggressively invest in the capital market, PENCOT set a limit of 25 *per cent* of their funds in the capital market, now those that have gone to that limit obviously have taken the hit on that 25 *per cent*, but you could imagine what would have happened if it was more than 25 *per cent*. As the market begins to recover they recover some of the losses. If, in fact, PFAs have been hit, as the Governor of the Central Bank, I will be very willing to advise that we do some restitution because of pensioners, for some of those losses if we can and if the government can afford it as a matter of social responsibility but the pensions are well run but again PENCOT, the Central Bank, the NDIC, NICON and other regulatory bodies have to work together as operators in the financial and capital markets to make sure that this does not get out of hand.

Senator Joel Danlami Ikenya (Taraba South):
Mr. Chairman, my question to the nominee are as follows:

I take you on, on a paper you presented on September 11th and 12th 1999 titled Issues in Restructuring Corporate Nigeria. That paper has to do with the National Conference on the 1999 Constitution organised by the Network for Justice and the Vision Trust Foundation in Kaduna, Nigeria. The issues you raised in that paper are very fundamental. First was the issue of restructuring

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Nigeria, second was the issue of the failure of the Northern leaders. They sing praises to the late Sarduna but they do not behave like him. That is a statement of fact. That is why today most of the religious crises we have witnessed occurred in the Northern part of this country. It has happened in Kano where you come from. It happened in Jos and also in Kaduna. With this radical ideas that you have, and the issues you raised, are you feasible, with this type of environment you find yourself, where you are going to take on a very serious challenge, a lot of intimidation, a lot of harassment, maybe, they go against your conscience, would you stand tall to say no to issues that have to do either in area of reflecting the federal character principles because you are going to taking the entire country into your hands. You also talked about the marginalisation of the Igbos that is very fundamental. If an Igbo man gets to know this your paper, no single Igbo man will ask you question. They will only say, you should bow and go. How would you look at all these issues? That is my question.

The Chairman: I do not know what the question is but I hope you got his comments.

Senator Sylvester N. Anyanwu (Imo North): Mr. Chairman, indeed, the paper Senator Joel talked about is a very interesting one which the distinguished Managing Director of First Bank, Alhaji Sanusi Lamido Sanusi presented in Arewa Forum. I would not go to that corner because I am more interested in his ideas on restructuring the superstructure, which is, of course, the Nigerian project.

We have had series of restructuring this and that; reform this and that all aimed towards economic growth and economic emancipation of this country. The ideas you expressed in the book are very encouraging, indeed, and I admire you for that courage to voice what you feel and your opinion about the direction we should take. The question you rightly asked is that, is there any hope for this country called Nigeria? I want to put it to you today, do you believe and do you think that there is hope for Nigeria because in a very short time you will be a member of one of the economic players in this administration and you have a lot of roles to play both in combating epidemic unemployment situation in this country, as well as the inflation, how do you balance them?

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Secondly, I appreciate the fact that you recognise virtue and merit. Of course, these are part of what you alighted in your paper. Do you believe in the Seven Point Agenda? If you do believe, do you believe that we are on the right track? What are those economic, social and political parameters or framework that you think we should put in place for this country to achieve the goals.

Thirdly, you are an MD of a bank, of course, I know that you know much about what is happening in the industry now, especially with regard to electronic fraud. Electronic banking has been an innovation. It is the twenty-first century drive, especially in the financial sector and, indeed, all sectors of the economy. But, this is one cancer that is going to erode the gains of the financial sector.

I have analysed and looked at all the papers you have presented all of them seem to point at the same things risk and financial management. Would you tell this Chamber what you think this country should be doing to prevent this ever-growing fraud that is ripping innocent customers in the banking industry? At the same time, what would you do if you eventually assume the office of the Governor of the Central Bank about the unnecessary but hidden charges that most of these banks which you are part of, are charging customers?

The Chairman: Once more, distinguished Colleagues, I want to appeal that you avoid going into lectures, please. Your simple question is what he would do about the banks charges.

Senator Ikechukwu John Obiora (Anambra North): Alhaji Sanusi, Mr. President has ruled that you would not be asked the federal character question and I am bound by the rules of procedure in this noble Chamber. I shall, therefore, not ask you a question bordering on federal character.

The Central Bank Act seeks to secure some independence for the Central Bank and this has engendered, if you may, some checks and balances between the Central Bank and the Ministry of Finance on one hand, and the Central Bank and the Ministry of National Planning on the other hand. Do you think Nigerians should be concerned about the security of this independence given the fact that the Minister of Finance is from your State (Kano State) and the Minister of National Planning is also from Kano State. Do you think that the

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independence and these checks and balances which the CBN Act has so much secured - (*Interruptions*)

Senator Ahmad Ibrahim Lawan (Yobe North): Point of Order!

The Chairman: Point of Order, distinguished Senator Ahmad Lawan.

Senator Ahmed Ibrahim Lawan: Your Excellency, it is Order 53(4). With your permission, I read: *A Senator must confine his observations to the subject under discussion and may not introduce matter irrelevant thereto.* I am predicating this Point of Order on the fact that the question Senator Obiora was asking is not relevant. He is assessing and analysing the capacity and competence of the Nominee to be the Governor of the Central Bank of Nigeria.

The Chairman: Distinguished Senator Ahmad Lawan, you have a valid point but I do not think you came under the right Order. In any case, Senator Obiora, I have ruled on that. There is no point going through the back door because what you have tried to do amounts to going through the back door. We should not waste time on whether his bothers are the Minister of National Planning and the Finance Minister or the Adviser is not the subject before the Senate. He is here in his capacity to defend himself not to defend his brothers. So, please, let us not waste our time going through the back door to ask that question anymore. You rightly pointed out from the beginning of your contribution that I had ruled on it. I do not know why you still wanted to go through the back door.

Distinguished Senator Ahmad, I rule you out of Order and distinguished Senator Obiora, please do not go on that route. He would not answer that question because you have almost landed on it. As it stands, the two of you are ruled out. Is that the only question that you have?

Senator Ikechukwu John Obiora: No, Sir. Alhaji Sanusi, looking at your *Curriculum Vitae*, it shows that all through your life, you have worked in banks ranging from ICON Merchant Bank to United Bank of Africa and First Bank and so on. My question is this; you mentioned the Class Figure Act of 1929 which came into force at the Stock Market crash in which over a thousand banks crashed in the United States which necessitated the passage by the Congress of United State in trying to

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throw in more regulations, demarcating investment banking from commercial banking and bringing forth proper regulation to regulate the excesses of the bankers which also contributed to the crash in the first place.

Most recently, the global meltdown started from America because of the excesses of bankers which you have rightly pointed out. Given the fact that your friends are in these banks, some of your bosses are in these banks which you have worked and you have had interests in these banks, do you think you are constituted in such a manner to secure your impartiality and independence as to regulate these banks?

Senator Adeleke Olorunnimbe Mamowora (Lagos East): Mr. Chairman, my question has to do with the so-called toxic assets in the banking industry and I know that toxemia or septicemia in a patient is very dangerous and could lead to the death of the patient. So, I just want you to educate me regarding the status of toxic assets in the banking industry as at today.

Senator Effiong D. Bob (Akwa-Ibom North-East): Mr. Chairman, I want to join many good Nigerians in expressing my congratulations to the former Governor of the Central Bank, Professor Chukwuma Soludo. I believe, as Mr. President has said, that he did very well. As the former Chairman of Finance Committee and Chairman of Senate Services Committee, he worked closely with my office and he did very well.

My question to you is simple. In this country, there is the political class and the *businessmen*, people who are looking for honorary doctorate degrees of various dimensions. In the banking sector, too, in spite of what is called consolidation, which in practical terms is consolidation but banks are exposing their staff to look for deposit. It affects my Constituents. Somebody from my Constituency is employed in a bank and the next call I got was a request for me to bring N3 billion within three months otherwise the job is gone. Now, if you are confirmed as the Governor of the Central Bank, how would you tackle this matter?

Again, banks are said to have been consolidated and they are very solid in receiving international awards everywhere for being the best-managed banks and the best banks in deposit but they are asking people to bring deposit, how would

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you tackle this very serious problem, because sit is a very serious one?

The Chairman: I would take the last one in this series from distinguished Senator Hayatu Gwarzo.

Senator Bello Hayatu Gwarzo (Kano North): Mr. Chairman, mine is not a contribution but a straightforward and simple question. First, I want to congratulate Sanusi Lamido Sanusi for his nomination as the Governor of the Central Bank of Nigeria.

Alhaji Sanusi, going through your CV, one may agree that you have exerted the risk management. Are you comfortable with the priority given to risk management within the current regulatory framework? If your answer is in the negative, how are you going to enhance monitoring risks on individual banks?

The Chairman: You should answer these set. I thought you have already answered the question on the Seven Point Agenda. It appears to me it is the same question.

Alhaji Sanusi Lamido Sanusi: Senator Danlami, I actually did not know that you have gone to read my old papers but thank you very much for that. The paper actually captured my view and it says what I have always believed which is that the progress of this country is dependent on our ability to build a true national identity and anyone that is interested in building sub national identity, whether they are ethnic or religious is simply building a retrogressive culture that would take us back and we would never progress. I have also believed that you cannot build a nation on a platform of injustice and we should try to address all real and perceived cases of injustice. The paper was a very detailed one. It was ten years ago but the arguments remain valid.

Senator Anyanwu asked me if I believe that there is hope for this country. Yes, I do. I believe in Nigeria. I have always believed in the Nigerian projects. I am only sad that we seem to always fall below what our capacities and potentials are. But I believe that it is not enough to have hope. It is more important to ask ourselves what we are doing to realise that dream. I continue to believe firmly that this country would realise that dream but the dream would not be realised because Nigeria is nothing

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but the people who inhabit Nigeria. It is the people who lead Nigeria. It is the people in this room and our colleagues in businesses, in the Executive and in the banking. It is a small minority of Nigerians who have been entrusted with a legacy and our duty is to carry that forward and leave a better legacy for our children.

Do I believe in the Seven Point Agenda? Yes, I have said that I do. We should prioritise and focus on the narrow range of things but that Agenda captures it. If you go back to President Obasanjo's inaugural speech in 1999, he talked about power, infrastructure and the Niger-Delta. 2009, that is ten years later, we are still talking about the same things. What we want is to make sure that in 2019, we are not here talking about power and infrastructure. That is what we need to do and that is all that needs to be done. The solution for me is as clear as day and night. Anybody who thinks that he is going re-invent the wheel is wasting his time. Let us just start doing something, it may not be perfect but let us move.

Electronic fraud is a big problem. Innovation is running faster than risk management and we need to work on risk management system. We need to make sure that when banks introduce products, they properly understand the risks. We also need to understand that we are living in an environment in which the quality of human beings have changed. The student themselves that come out are already fraudulent. People want to be rich over-night; so there is a bigger social problem that needs to be addressed and we need to work on that.

About charges; at the moment the Central Bank have a process and there is a Bankers Committee on Ethics. I know that I received letters from the Central Bank when customers complained about charges and we make sure that we have those checked and if there are mistakes, we make sure we refund and we have to defend ourselves. All we can do is to strengthen that process.

Distinguished Senator Obiora, I thank you very much for your question. It is a valid question; the question of being impartial, having worked in banks. The truth is that changes have to be made in mind-sets. There is no way a Governor of the Central Bank can be an effective Governor if he is seen to be partial to some players. I can assure you that if confirmed, I would take my responsibilities not only to be impartial but to restore the clear

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separation between regulator and operator because that is something that has gone missing. The distinction has to be restored; the regulator is not the operator.

Secondly, we have talked a lot about corporate governance in banks. We need to talk about corporate governance among regulators and identify areas of conflict of interests. Should regulators own shares in the banks they are regulating? If they own shares, should they disclose? Should they borrow? If they borrow on what terms and what are the disclosure requirements? One of the first things I planned to do is to have a proper code of conduct for the regulator himself that governs the behaviour and the conduct and the interaction between regulators and operators so that the distinction is clear and the plain field is levelled and the roles are transparent and consistently applied; that I guarantee.

Distinguished Senator Mamowora, toxic assets are a problem. If banks have money tied in the Stock Market and the Stock Market has crashed, we are going to continue funding them with liquidity, pretending and keeping them afloat. It is important to continue providing banks with liquidity but it is important to recognise losses and make sure that people who have been irresponsible pay the price. If people have lent carelessly they should provide for those loans, we should write down their capital and recapitalise them. We would save the institutions but more importantly, if we find out that there are individuals who have committed acts deliberately out of greed that have caused Nigerians millions, those individuals must face the law. So toxic assets would be looked at but not in isolation of the circumstances that led to their being there. I am sure the Chief Whip will be happy to know that he lost 70 *per cent* of his shares but that somebody paid for it and this is something we need to do.

Distinguished Senator Effiong, I have heard this question a lot about targets, every business sets targets. If you are a manufacturing company you have salesmen and you give them sales targets. It happens in every business. Banks trade in money, we look for deposits and we lend and we give people targets to get deposits and to lend. Now, in every business you have to ask if these targets are reasonable; if they are achievable; if you properly reward people for this effort; if they are properly sensitised and if you are operating within certain laws that I think we can look at.

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But to be honest, banks do not set targets and push their staff out to meet those targets and if they do not, they are not going to be in business. This is the way I see it because deposit growth is growth for the banking industry.

On the question of Senator Bello Gwarzo, as I said, the Central Bank has done a very good job on consolidation. The risk management is an area that needs to be looked at. In fact, I look at what I call the three Rs: Risk Management, Reporting and Regulation. These are the three areas that need to be strengthened if consolidation is going to reap the gains. No matter how much capital you put in the hands of a bank, if it is not properly managed, the bank will go under. So, part of what we would like to do is to look at the financial service surveillance, the understanding of banking risks and the processes that the banks have for managing risks. We would set broad guidelines for concentration, for leverage, for exposures and monitor them and also have a great appreciation for systemic risks. Fortunately this is my field, this is really what my strength faces and this is what I planned to bring to table in the office.

The Chairman: Has anybody got any question that has not been addressed.

Senator Omar A. Hambagda (Borno South): Mr. Chairman, I have one and a half questions. Why did you not complete your M.Sc giving your flair for research?

During the banks consolidation, one of the objectives was that when banks have so much money there would be competition for lending to qualified and credible customers, for that reason there would be competition for those customers and so bank interest rate would go down. On the contrary, banks have decided to become a cartel, very high interest rates which does not promote production and with several kinds of charges for management of this and that of which by the time you put them together, you have another increase of four or five *per cent* above the interest rate. I guess the Central Bank provides the framework for interest rate regime? What are you going to do about that?

Senator Maina Ma'aji Lawan (Borno North): Mr. Chairman, since I have gotten my opportunity this late, let me save my distinguished Colleagues by taking just a second to say that when a friend of

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Sanusi approached me for support, I said, do not waste your time, it is like a Fulani man who has lost his cattle and as a Kanuri man I find him a city job. But having listened to his responses to the Colleagues of mine on very intelligent and searching questions and the quality of his responses, I know that it is not a question of finding job for a Fulani man who has lost his cattle, I think to a deserving and very able Fulani man. *(Laughter)*

The Chairman: Well, we are not quite there yet because we are not through with this exercise.

Senator Uche Chukwumerije (Abia North): Mr. Chairman, mine is really a very simple question. Let me first congratulate you like others but for something different. I congratulate you for being so honest, realistic, focused, concise and people oriented in your answers. That said, I have a very simple question for you.

I find in your CV here a First Class Degree in Sharia and Islamic Studies and I know that Islam has its own banking principles and practices. This question may sound a bit far fetched because you have a very solid evidence of brilliant performance in banking and you are going to an Institution with its own rules and laws. But I must draw attention here to public misgivings, if only though your answer you can give me a reassurance.

I have heard it said in many places that with this kind of study here, making you the boss of the Central Bank could be the beginning of a new process of Islamising our banking system. Can you respond to that?

The Chairman: I thought he explained it very vividly his views on the establishment of Islamic Bank. He went at length and gave his personal views which I still remember his conclusion.

Senator Sahabi Ya'u (Zamfara North): Mr. Chairman, mine is a rider to what a distinguished Colleague asked and that has to do with the target the banks set for their staff. I would want to believe that you are only being careful with your Colleagues because certainly there is need for the banking industry to look at the issue of ladies going about looking for these targets. They go in all moods of dressing, flouting their bodies and at the end of the day, some of them become unprepared mothers. It is an issue of morality and I do not expect you not to care much about the moral ethics

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of what is happening in the banking industry.

My other question has to do with the issue of safety net being put in the banking industry to address the economic meltdown. I believe that as a Managing Director of one of the most conservative and strong banks when it comes to financial transactions, you are likely to be privy to the measures already put in place by Professor Soludo to cushion the effects of the global economic meltdown. I want to know if you are fully satisfied with what is on ground or you still have some reservations and some new measures to put in. If so, can we share some of those measures with you and how effective they are likely to be?

The Chairman: Again, I thought he had addressed this reasonably well all along. He did actually. He talked on what Professor Soludo has done and the way he wants to move forward.

Senator Ganiyu O. Solomon (Lagos West): The nominee talked impressively and exhibited his knowledge of the Capital Market but I cannot resist to ask this particular question because it seems he believes that we should have more of regulatory bodies living up to their expectation.

There is also another school of thought that believes that, maybe, we should have preponderance of bodies doing regulations in the financial sector and they are thinking that we should have one single body just as it obtains in the UK where they have the Financial Services Authority; maybe, Nigeria should be thinking along that line.

When we started witnessing the meltdown, out of the desire to come up with solutions, we had our regulatory agencies coming up with solutions that are not well co-coordinated even though they came up with the solutions with good intention but at the end of the day, they were working at cross purposes. This may be futuristic, but do you think we should be looking at having a single body for our regulatory functions?

Senator Bukar Abba Ibrahim (Yobe East): Mr. Chairman, when an opportunity like this comes I think we should touch on every aspect of important national discourse. Therefore, mine has to do with the issue of ownership and the control of the economy.

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Ideally, the best economy in any country should be controlled by the ordinary people in the country; but accidents do happen along the line just like it has happened in Nigeria. It is because of the effect of accident that the Nigerian economy, all the big banks, oil companies and insurance companies are all owned by very small minority; that is, our brothers who have been opportune enough to be at the top hierarchy of the military today in this country. If you are confirmed as the Governor of the Central Bank, how are you going to assist us in a very civilised and democratic manner to actually rescue this economy and give it back to those to whom it should actually belong in the first place? This is a very important issue because presently, people talk about it but they do not confront the owners. Ownership is very important in any situation. If the ordinary people of Nigeria own the Nigerian economy they would do things that would benefit them all and we would all be better off for it. If a very small cabal, minority or oligarchy controls it, obviously they will be tuning the thing in such a way that it serves their interests better. *(Laughter)*

I am sorry, my *Oga* there has nothing in the banking or oil industry. I can here a distinguished Senator asking me how do I know? I know because he is my *Oga*. Everybody saw the revolution we had in the communications industry in the last three or four years. Everybody is happy about the revolution in the communications. Other sections have not done so well. So, how do we expect you to help us recover our economy from the military oligarchy? *(Prolonged laughter)*

The Chairman: If there is anybody who has questions will be allowed to ask because this is an important Session. I am not going to allow anybody who has a question not to ask. After this set, I would take another set.

As a way of emphasis, if you are going to address the issue of the few who have, according to him, taken control of the economy you should also address the few who have been governors for 10 years. *(Laughter)*

Alhaji Sanusi Lamido Sanusi: Senator Hambagda asked why I did not complete my Masters Thesis. The answer is very simple. I was working on my Thesis in 1985; that was after the General Buhari's coup and the Federal Government came up with a policy that there would be no more Fellowships to study abroad for courses that were

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available in Nigeria. At that time, distinguished Senator Jibril Aminu was the Vice Chancellor at the University of Maiduguri and I could not go to get a Fellowship and to do a Ph.D abroad.

So, when I realised I was not going to go abroad for a Ph.D I decided not to continue because I did not want a Ph.D in Nigeria. I wanted the exposure and I got a job in a bank and I moved.

As Mr. Chairman has said, I have answered a question on consolidation. Interest rates are, too, high in Nigeria and that is true. There are a number of reasons for that. I will not try to justify them. I want to explain a few things but I have got to also talk about some of the things that need to be done.

Take a bank like the First Bank, for instance, people look at the interest you pay on deposits. This bank has about 500 branches. Today, in every branch you need to have a generator and a back-up generator. In fact, NEPA is in stand-by, the generator is a default, your office is air-conditioned, and you have maintenance for your IT. To move cash we need bullet-proof vehicles, we need to give Police bullet-proof vests; in fact, the Police have said they will not accompany us if we do not have another escort vehicle, so we need to have armored vehicles.

The sheer cost of doing business - as it has shut down manufacturers, has also effected banking. I suppose the only reason the banks have not shut down because of costs is because they provide essential services. If people do not need banks, the banks would have shut down.

When we talk about critical infrastructure and when I talk about multiplier effects, if we focus on power and infrastructure alone the solution and the linkage to the rest of the economy can only be imagined. Imagine if we do not have all those generators and diesel, the head offices of most banks are on generators 24 hours. That is a problem and diesel is imported. Then there is the issue of staff costs. By the time you look at the overhead line in bank income statement you will find that we spend much more just doing things we should not do on security, on power, and on surveillance than we should if everything was working. So, if things started working, costs will come down.

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The second is what we are talking about on risk management, transparency and regulation. In banking, you have what is called moral hazard because of asymmetric information. When you come to borrow money from me, you know more about your business than I do no matter how well I look at your balance sheet; and the same thing with the banks.

If I place money with the bank, I really do not know what the bank's books are because I do not have enough information. What happens is when that bank wants to borrow money from you, you price in a risk element and that bank, therefore, takes money at a cost and adds its own margin when it is lending. So as we improve the risk management in banks, as we improve banking regulation, as we improve transparency, as people begin to see exactly what is going on, you would find the difference and you can judge by the spread between the policy rate and the inter-bank offer rate. It is as high as 10 *per cent*. At one time, it was 20 *per cent* and a lot of that is a risk element. A lot needs to be done in that area but once we know what the problems are, we should be able to address them and it goes back to the point of the financial system not being autonomous.

I have already answered the question on Islamic banking raised by distinguished Senator Uche Chukwumerije.

A distinguished Senator asked if I still bear the name Wada. It is on my primary school certificate and I should explain. My guardian when I was young was the former Defence Minister, Alhaji Inua Wada and I was registered in a primary school with his name. That is why on my primary school certificate you would see Lamido Wada. I later reverted to my father's name when I went to secondary school.

On the measures put in place by the Central Bank, to be honest, if you ask two Economists about a matter they would always have different views. The Central Bank has at its disposal information and data that I do not have. For that reason, I have refrained from passing a judgment on the decision taken on the basis of incomplete information.

I have the highest level of respect for the quality and the intellectual capacity of the people managing the economy in the Central Bank. I

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believe they have arrived at decisions based on the best information available to them. I may not agree with everything today but I may just go and find based on data facing me that I was wrong and they were right. I go back to what I said. If I am going to move into the Central Bank, I am going to move in on the premise that somebody had started building a house and I should go and build on it; and I would not like to start by criticising his work when I have not even entered the house.

On the question asked by distinguished Ganiyu Solomon, I think we should make a distinction between regulators living up to expectations and the preponderance of regulatory bodies. They are two different things. We need regulations for pensions, for Capital Market and for banking. The FSA today, the model in the United Kingdom, has been reconsidered. There is an argument for both. I think what is important is to ensure that there is a greater coordination between both. What you have seen in the United Kingdom now is because the FSA did not have at its disposal the information that was available to the Bank of England. The FSA did not respond fast enough to some of the issues that came up during the recent meltdown and there is a whole debate now in the United Kingdom as to whether that model should not be reversed.

I think strengthening the Directorates, whoever is a Deputy Governor, Financial Services Surveillance, ought to be a first class risk manager and he must also be able to work on a daily basis and in a regular and structured manner with all other regulatory bodies and we should have harmonious codes for regulation. Whether they sit under one umbrella or under a different umbrella, the critical thing is for us to understand what are the risks that the system is exposed to, by this structure and how can we mitigate those risks? More importantly, how do we make sure that there is immediate flow of information from one arm to another and that they are action steps.

There is a Financial Sectors Surveillance Regulatory Committee which includes the Central Bank, the NDIC, the PENCOR, NAICON and so on. What we need to do is to make that work almost like a shadow FSA. Either way, I have no issue but I think whatever you have, you just have to make it work and that is where the problem is.

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Somebody talked about democratising the economy. The best way to democratise an economy is to provide an opportunity for everyone to participate in it. We have just given examples here. If you do not address power, if people do not have electricity, only those who can afford generators can do business. You have already cut off an entire layer of people.

I do not want to give any impression that as Governor of the Central Bank, I can solve the economic problems of Nigeria, I cannot. What I can do is to come up with ideas and work together with other arms of government and let us decide what the priorities are. Like I keep saying, you do not have to address ten problems of Nigeria. There are too many problems of this country. What are the three most important problems you want to address, let us, at least, solve those. If we do that, we would be able to bring more and more people in. If we reduce that number from 90 to 60 *per cent*, somebody else comes and moves it to 30 *per cent* that is how poverty is eliminated. It is never done overnight. On that score, I think I have answered all the questions.

Senator Annie Okonkwo (Anambra Central): One thing that is going for the nominee is that you are a professional and, of course, coming from banking sector. I am worried because today, you are going to be regulating your colleagues. One problem that happened in the last few months as regards the Stock Market was that we realised that the banks were merely concentrating in margin trading and that is why they are not lending money to the real sectors of the economy. That has seriously affected the development of this economy.

When the economy is not given fund by the banking sector, it creates a lot of problems. For instance, when First Bank did public offer it tried to raise N100 billion. Unfortunately, the Bank got N400 billion more than what they required. That is why you can see the banking sector continuing to move ahead. But when a manufacturer goes to a bank to raise fund, he finds it very difficult. He will not get enough. How then can that manufacturer survive? If you are going to regulate the economy and you cannot address those factors that can enhance development of other sectors of the economy, you may not get to where you are looking forward to.

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You said that it is not the amount of funds a bank has that shows the capability of the bank. The banks have been reduced from 89 to 25, would you continue with that policy if you are confirmed? Or do you think it is time to open up the banking sector so that other players would be involved and be able to participate actively.

Senator Bode Olajumoke (Ondo North): Mr. Chairman, I have just one or two questions. Sometimes ago, we invited the Economic Team of Mr. President and asked them about this global financial meltdown whether it would affect our economy the responses we had was that because of a number of reasons, Nigeria was immune from the impact of the financial meltdown. Mr. Lamido Sanusi, I wonder what is your view on this.

Secondly, some of my Colleagues have asked the question as to the humiliation and embarrassment of our young girls in search for deposits. I still want to find out from you what can be done to minimise it.

The last point has to do with the humiliation of the disabled persons in this country. In the past one year or so banks have started installing cubicles which detect metallic object and I am inundated with a lot of complaints from the disabled members of our society as to the humiliation they suffer when they go to the banks. Is there anything that can be done to ensure that these citizens that are also Nigerians or non-Nigerians that are disabled are not humiliated when they go in to collect their funds?

Senator Ibrahim M. Ida (Katsina Central): Mr. Chairman, I was a little disturbed by the way the nominee responded to the question about charges because he seems to be talking more in support of it than really against it. Sincerely speaking, the charges are excessive that is why the banks are really declaring billions of Naira in profit.

I have two questions for him. The first one is on retail banking. The Central Bank is engaged in a lot of retail banking and we do know that serving as a banker to government and to the banks is one of its functions, but I believe that it is being done to the detriment of a lot of its other regulatory functions. The question is, is this really what obtains with other Central Banks in other parts of the world or is it a peculiarity of our Central Bank

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here that it goes to open account for even the menial institutions or organisations of government.

The second question is reliance on public deposit. As it were (*Interruptions*)

The Chairman: You will continue, but the question you are about to ask would be your third question and not the second. Your first question was on the bank charges and then the disturbance that you express on retail banking. So, the third one is the one that you are going to ask now.

Senator Ibrahim M. Ida: Mr. Chairman, I stand corrected. Reliance on public deposits by the banking institutions has a lot of consequences. First of all, we have a lot of money outside the banking system that the banks can tap on, but they rely so heavily on government deposits such that they even introduce a lot of corrupt tendency within the system. Is it healthy? Would you endorse the continuance of that as the Governor of the Central Bank if you are confirmed by this Senate?

Senator John Nanzip Shagaya (Plateau South): Mr. Chairman. I have one question but that one question is premised on four points and the points are:

- i) that Nigeria's export income is primarily earned in Dollars
- ii) that our foreign exchange earnings and reserves are also composed in Dollars;
- iii) for sometime now, the Dollar has come under tremendous pressure and it is speculated to depreciate the more in the nearest future. Some of the reasons attributed will be as a result of heavy borrowing by the United States of America;
- iv) that other world currencies like Euro, Yen and the Chinese Yuan may not depreciate that much at the same level of graph that the Dollar is depreciating.

Alhaji Sanusi, if this Senate confirms you as the Governor of the Central Bank of Nigeria, you will be, as you have acknowledged by yourself and a lot of my Colleagues here who have spoken, the most superior risk manager of this country. Would you, in your very candid opinion, allocate our foreign reserves to other currencies of the world or

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remain in Dollar denominated or better still go to the gold days of deposit?

Senator Abubakar Umar Gada (Sokoto East): Mr. Chairman, since all the critical questions have been appropriately asked and answered, mine is just on the issue of consolidation, the aspect that was not touched, in my own opinion.

Much as consolidation has already proved to be an idea that has economic merit in managing the resources of this country, especially the banking sector, it is my candid opinion that consolidation can be relaxed to respond to the banking yearnings of some State, regional or similar groupings that may not be able to get to that level of N25 billion or anything of that sort.

Will it make any economic sense and justification if Central Bank, under your leadership, if confirmed, looks into those requests and agitations so as to participate in the financial sector of this great country, bearing in mind that consolidation to that much will not be within their reach and capability and then, the regulatory authority, the Central Bank, will create an avenue for such to exist in the interest of the medium or small scale financial institutions to be emerged?

Senator Smart Adeyemi (Kogi West): Mr. Chairman, I rise, on behalf of Kogi West Senatorial District, to say that Alhaji Sanusi, to a large extent have actually won my heart, and at the risk of being asked not to go further to say that he has actually answered all the questions posed to him intelligently and I commend him for that.

Some of us here represent the masses of this country there is only one answer in which I want to disagree with him and I want him to further take a look at that answer.

He was asked about the policy in a number of banks in Nigeria where young ladies are made to compulsorily look for certain percentage of deposit. I believe very sincerely that there is a need for us to discuss that question. I stand to be corrected, but I believe that it is absolutely wrong for young ladies to be compelled to bring in deposits as a pre-condition for employment in this country. In most banks in Nigeria, you are given a particular target, would you still sustain this policy if you are so cleared? Quite a number of people are not happy with this policy.

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I equally want to ask that, apart from the agricultural sector, I want to recall that the former Central Bank Governor said that 75 *per cent* of poor people live in the Northern part of Nigeria and to a large extent, he said that more than half of Nigerian people, are still living below poverty line. What other sector do you think would be of benefit in accelerating the socio-economic development of our nation? You talked about power and I am aware that power is key, so that we can take you up and for record purposes, what are the areas that you think would be important?

The Chairman: Please, for those issues he has addressed, you do not need to give lecture on them again because there are still many more hands and I want everybody interested in asking any question to do so. Therefore, please, ask direct questions.

Extension of Sitting Time

Senator Teslim K. Folarin: Point of Order!

The Chairman: Point of Order, Senate Leader?

Senator Teslim K. Folarin: Mr. Chairman, pursuant to Order 13 of the Senate Standing Orders, I move that this Senate sits beyond 2 p.m.

Senator O. Mamowora: Mr. Chairman, I rise to second the Motion as moved by the Senate Leader.

Question put and agreed to.

Resolved: That the Senate do sit beyond 2 p.m.

The Chairman: Order, please. I do not mind asking him to bow and go, but you were all raising your hands to ask questions.

Some distinguished Senators: He should bow and go.

The Chairman: All right, let me take the last question from distinguished Senator Nkechi Nwaogu who is the Chairman of the Committee on Banking and Currency. Another man is still coming.

Senator Nkechi Nwaogu (Abia Central): Mr. Chairman, I think history has been made today by

1998

this singular exercise which ordinarily ought to have been confined to the Committee level. But, I am happy that Nigerians have been given the opportunity to see what this Senate is made of. With regard to the nomination of Alhaji Sanusi Lamido Sanusi, a lot of questions have been posed; a lot of grey areas have been cleared.
(Interruptions)

I can hear a distinguished Senator saying that I should do a vote-of thanks, I am not doing a vote-of thanks. I am going to contribute in terms of asking question and hopefully, capping it up. So, thank you for giving me the opportunity in view of the fact that we all had to jet in this morning. All the Members of the Committee on Banking had to come into Nigeria this morning to partake in today's exercise (*Prolonged Interruptions*)

Mr. Chairman, I would like to ask Alhaji Sanusi Lamido just one question, and that question relates to the constituency he is coming from which is the bank. My question is, in view of the facts you have heard today, ranging from harassment of bank staff, casualisation of bank staff, outsourcing of bank work and so many vices that are being experienced by Nigerians with the banks, I know you said you are going to create a clear divide between the regulator and the regulated, can you assure this Senate, how you are going to look at your former colleagues and ask for certain policies to be strictly adhered to if you are confirmed.

I would like to know your views on the proposed common accounting date that is in place. We would like to know your views about the common end-of –the-year accounting period.

What are your views also on the current practices of universal banking where banks have insurance companies that provide facilities and insure the facilities?

The Chairman: Comrade Sanusi Lamido Sanusi, you can respond now.

Alhaji Sanusi Lamido Sanusi: I think a number of questions have come up on the question of my being a bank CEO and how I am going to interact with other bank CEOs. I would like to remind distinguished Senators that we had Cole Oguma and Joseph Sanusi who were Bank CEOs and who became Governors of the Central Bank. In fact, I would tell you a story of an incident that

1999

happened with Chief Sanusi as the Governor of the Central Bank and Mr. J. Ajakaye my predecessor as the M.D. of First Bank Plc after the Law on Tobacco.

The Bank had a bad loan of N10 billion and the Managing Director was sent to appeal to the Governor of the Central Bank who was his boss to see if he could give any kind of forbearance to allow the bank to take the provision over four years. He went and met Chief Sanusi and they have been working for years. He asked him and Chief Sanusi's response was: *Ajikaye, I am surprised at you that you would come and ask me to do something wrong because it is First Bank go and take the provision.*

I have said this at the beginning, the reality is that if I become the Governor of the Central Bank and think like the Managing Director of First Bank I am demoting myself. Why should I be an M.D.? I have moved up. I will no longer be an M.D. and they will no longer be my colleagues. They are MDs. Now they are my colleagues. (*Laughter*)

As somebody mentioned, if I get confirmed I will be the only Governor with four Deputy Governors.

The second question is about opening up a sector and creating new banks. I do not want to play to the gallery here and make pronouncements. We are facing an economic situation where the priority is to ensure that the 23 banks that we have today survive and become stronger and we restore confidence in the market. It will be very unwise to start immediately by increasing the number of banks when we have not fixed these ones.

As a risk manager, I do not believe that every bank no matter what its business requires N25 billion. You can have definition of different scales, you have got the micro-Finance Banks, Regional Banks, and you can define different Capital Adequacy Ratios for banks for different levels of operations. That is something that will have to be thought through and looked at. But I think that what has been done so far needs to be strengthened, built upon, and then we can look at all those other areas. If we take Islamic banking for example, you do not need N25 billion to start Islamic banking. You may have a Regional Bank. So, we have to look at specialised banks as specialised institutions and see how that can be done.

2000

Distinguished Bode Olajumoke, I have never believed Nigeria was immune from crisis. Clearly, even the collapse in oil price and the holdings in the Capital Market have sufficiently shown us where we are. Our trading partners have been affected but I think we have been relatively protected by the fact that our economy has not been fully integrated into the world system. Unfortunately, we have had promises compounded by risk management issues and exposures to the Capital Market by banks. So, some of our problems really are self-inflicted and we can address them, examine and look at them. You have a forecast by the Central Bank of growth for the economy at six *per cent*. I believe the IMF has it at two *per cent*, the ADB at four *per cent*. I think four *per cent* is far below the 15 *per cent* that we require if we are going to be achieving Vision 2020. So it is really something we have to look at. The fact that our growth trajectory has taken this beating means that, it delays the time frame for achievement of our goals.

Senator Ida, I was not defending charges and I said I would not like to justify them. I understand the components of interest and we have to work on those components. If there are any illegal charges, they are not condoned and they are not going to be condoning either now or in the future. The banks themselves have taken a voluntary decision to cap interests at 22 *per cent* I do not know if they are complying with it? I think many banks are.

Low interest rates are critical at this point in time. This is because with excessive interest rates you constrain borrowing and if you constrain credit growth, you slow down economic growth. So, low interest rates are a priority for economic policy. But these are not growth you achieve by fiat. Just like in the Dollar, you have a black market for loans. If the Central Bank today says, lending rate is capped at 15 *per cent*, banks will lend at 15 *per cent* but you will go and pay a cheque for seven or eight *per cent* in some subsidiaries. They will take that 22 *per cent*, you will nurse it and you will never catch it. So, the best thing is to work on market based solutions, so that interest rates actually come down. You have to eliminate the risk, improve the transparency, reduce the cost of doing business and work on moral suasion. I think in this respect, my relationship with the banks CEOs will be very helpful because I can talk to them.

2001

On the banks and public sector deposits, a substantial part of the money supplied in the economy comes from monetization of oil revenues and those oil revenues go to the government. The growth in bank balance sheets, to excess of N8 trillion, would not have been possible if public sectors funds were still kept in the Central Bank.

We have got 36 State Governments and countless local governments. I will take public sector deposits as part of the total deposits available to banks, but I will be concerned if a bank has a huge concentration of public sector deposits because of their volatility. So, what I would like to do is possibly set guidelines and caps on what percentage of a total balance sheet can be funded with public sector deposits so that the individual institution is not exposed to risk as a result of volatility of those funds.

On the retail banking issue, I suppose the Central Bank is a banker to the government and it chooses for itself at what level it wants to bank the government. In our economy, the Central Bank has to resort to some unconventional measures for the control of money supply. I will give an example, if you go to the Federation Account, 50 *per cent* of the money that come to the Federation Account goes to the State Governments. Constitutionally, the Federal Government cannot hold back their money. The Central Bank cannot stop a State Governor from spending or from borrowing and spending. The only way the Central Bank can have control over money supply, is to make use of some of these unconventional measures to keep some money locked in and then free it when necessary, because if we do not mind liquidity in the system, you will have inflation, and if you have runaway inflation, we are back to where we were before 1986.

Distinguished Senator John Shagaya, I agree with totally. The Central Bank does have an Investment Committee. I think diversification of assets makes a lot of sense. If you keep money in Dollars, Sterling, Yen and in other currencies, you clearly mitigate the risk on your earning of a depreciation in one currency.

On the other hand, you have to look at the volume of trade and the currency in which invoices are denominated. A lot of the people who sell things to us also demand payment in Dollars. So, you want to make sure you do not run so short of

2002

Dollars that you have to start now selling Sterling and buying Dollars. If the Investment Committee does that will look at it. It is something I intend to look at very closely because it is an excellent point. I thank you very much. I will take note of it.

I think I have answered the question on consolidation.

On the question by Senator Smart Adeyemi, I do not know that any bank sets a different target for a young lady from what it sets for a young man. We have targets for Officers, Managers, and for Group Heads. Now, because we do not discriminate in employment, we employ men and women, and if we happen to employ a young lady who dresses in a particular way, it is very difficult to tell her, if you give a target, she goes for a target. I do not condone immorality, but I have heard this, over and over again. I am not aware. I am yet to be given any evidence of any bank that says to a lady you have a target that is higher than that of your colleague who is a man because you are a lady.

Now, we do have a general moral problem because the ladies who go out, if there is any treasurer who gives money to a lady because she is a lady then it works both ways, it is not just the bank it is also the treasurers. But it is something that we keep talking about and keep preaching in the system, and there is a limit to how much you can control it.

Senator Nwaogu, thank you very much but I think I have answered the question on my colleagues. On the common accounting year end, even before the first decision to have a common accounting year end, I know that we in First Bank had written and advised that we should have a common year end. It is something I believe in and something that happens every where. All over the world the banks have one common year end. It provides for easy comparison and for greater transparency in accounting. It is something I support fully and totally.

The final question was on Universal Banking. I started by saying that investment banking has gone through different stages from separation to integration. For me, it is not important what mood you chose, what is important is to understand the implications of that choice. If a bank owes an insurance company and that insurance company is consolidated on to the bank's books, then the

2003

Central Bank must seek an interest in how that insurance company operates and that is why consolidated supervision becomes important.

We must be interested in exactly how subsidiaries operate and the Central Bank should have responsibility for that and work with the relevant authorities. What we have now is that Stock Brokers are licensed by SEC and they are regulated as provided by the Stock Exchange. So, if a bank owes a Stock Broker, it can give N100 billion to the stock broking firm and the Central Bank does not supervise the Stock Broker but the huge losses made by the Broker hit the bank's books. So, what we need to do is to understand that if allow banks to operate in certain areas, we will still have a responsibility for making sure that we have a say in how those areas are supervised. At least, we must have a say on how those areas are supervised. At least, we must have a free flow of information, greater coordination and this is the case being made for greater coordination and linkage between different regulatory bodies.

Mr. Chairman, I think I have answered all the questions and I thank you very much for the opportunity to stand before you.

The Chairman: we have heard Comrade Sanusi with us for the last three and a half hours. This is the longest we have had any body with us. I saw that his date of birth is 1961, so he is a young man. More importantly, being a semi-Comrade or not being a total capitalist, he is not used to soft life so I am sure that he is capable of standing a little longer but by all means, he has been with us here for three and a half hours and I think it is only appropriate that we ask him to take a bow and go.

We have listened to you very attentively, and by the number of questions that have been asked, it is very clear that his presentations have been well above average and we have shown enough interest in the issues that you have raised. For those who are not fortunate to have asked questions, you will allow them opportunity to interact with you particularly when you come to your Banking Committee so that they can still ask you questions.

Is it the wish of the Senate that I ask him to take a bow and go?

Several distinguished Senators: Yes.

2004

The Chairman: Thank you. Alhaji Sanusi, you can take a bow now and go. *(Alhaji Sanusi Lamido Sanusi took a bow and withdrew from the Senate Chamber)*

We have got before us, Babatunde Lemo who is the nominee for the post of Deputy Governorship of the Central Bank of Nigeria. Mr. Babatunde Lemo, what I want you to do is to tell us the things we need to know about you if you have not reflected them in your *Curriculum Vitae* or if you have them in your *Curriculum Vitae*, tell us the areas that you want to emphasise so that you can help us in making a favorable decision about your nomination.

The Senate is a very friendly body, we expect you to be very frank and very truthful with us and I believe that you certainly listened to the interaction that took place between us and Alhaji Sanusi Aminu Sanusi.

Mr. Babatunde Lemo: Thank you very much his Excellency, the Senate President, distinguished Senators. Standing before you in this hallowed Chamber is Babatunde Olakunle Lemo. I was born almost fifty years ago, precisely December, 28th 1959.

I attended St. John's Primary School, Abeokuta, between 1966 and 1971. I thereafter proceeded to Leshabi Grammar School, also in Abeokuta between 1972 and 1976. I taught briefly for three years at St. Luke's Secondary Commercial Modern School, between 1976 and 1979 when I proceeded to the Federal Polytechnics, Akure briefly for one year before then I moved to the University Of Nigeria, Nsukka, between 1980 and 1984 where I bagged the Bachelors Degree in Accountancy in 1986.

I had my Youth Service at the University of Ilorin between 1984 and 1985 and thereafter I joined the Firm of Arthur Anderson, a firm of Chartered Accountants and Business Consultants. I worked there between 1985 and 1988. In-between that experience, precisely in 1986, I wrote the final examination of the Institute of Chartered Accountants of Nigeria and became a Chartered Accountant.

2005

I started my banking career in 1989 precisely with the Chartered Bank and since then I have worked also in four other banks, precisely: Equatorial Trust Bank, Manufacturers Merchant Bank, Peak Merchant Bank and finally Wema Bank in 1995 when I was employed as Deputy General Manager of the bank.

Of course, I rose to become the Managing Director, Chief Executive on the 7th of December, 2000 and I held that office till 7th January, 2004 when I was appointed by the former President of the Federal Republic of Nigeria as the Deputy Governor in charge of Financial Sector Surveillance. I have been working in that capacity since then.

Senator Dahiru A. Kuta (Niger East): Mr. Babatunde Lemo, you were at one time with Wema Bank. Immediately you left Wema Bank, we had management crisis in the Bank. We want to ask whether you did not lay a solid foundation for that bank to continue to grow. Right now, the bank is not completely on a sound footing. What have been responsible for the crisis in Wema Bank?

Senator Grace Folashade J. Bent (Adamawa South): Mr. Chairman, I would have loved to ask my question much earlier to the Governor of the Central Bank but since you have given me the opportunity now, let me quickly ask him.

Mr. Lemo, recently the outgoing Governor of the Central Bank made a pronouncement that ATMs would now be located in bank premises and Nigerians are a bit worried about that. I think the essence of having ATMs all over the places is for you to have quick access to your funds and monies in market places, shopping centres and so on and so forth. If they now have to be restricted only to bank premises, do you not think the aim of having ATMs all over the places would have been defeated? Nigerians are very uncomfortable with that pronouncement.

Senator George Akume (Benue North-West): Mr. Lemo, I have gone through your *Curriculum Vitae* and it is so rich. You have been the Deputy Governor of the Central Bank for four years now and I believe you are very capable of answering the question I want to put across to you. I would have loved to have put it across to Mr. Sanusi.

2006

The question deals with consolidation but I am asking it from a different perspective. Consolidation of banks has been held in this country as a milestone. Then, we were made to understand that government could not bail out banks that it was against private sector initiative. It was not the responsibility of the government to bail out banks. But in view of what has happened in the United States, Western Europe, Asia and so on following the collapse of some of their banks, would you still want to say that it is proper for government not to intervene in saving banks.

I say this against the backdrop of two of the banks that went under. These were large financial institutions which also represented as it were, certain geo-political zones. The African Continental Bank (ACB) represented the Eastern part of this country and the Bank of the North represented the Northern part of the country. The National Bank survived because it was transformed into Wema Bank. So it is still operating. For the sake of equity and fairness, would you want to suggest the reactivation of these banks?

Senator Osita B. Izunaso (Imo West): Mr. Chairman, I have two questions for the nominee. The first one is, what is the foreign reserve status of our country today? Can kindly explain to Nigerians what actually is foreign reserve because most people do not understand what is meant when we talk about foreign reserve being high or low.

The second question is, there is a school of thought that believes that the CBN is over the years burdened by plenty of assignments bordering on regulations. They have advocated that there is need for us to amend the Act setting up CBN so that we can have more powers given to other bodies apart from the CBN, particularly the issue of regulating the Micro Finance and Bureau de'Change. They have argued that there should be an autonomous body regulating the Bureau de'Change and the Micro Finance Banks to enable CBN concentrate more on other fiscal policies. How would you react to these?

Senator Umaru Dahiru (Sokoto South): Mr. Chairman, I had wanted to ask this question when the first nominee was around, but nonetheless, being part and parcel of the system, I want to place the question before Mr. Lemo.

2007

When the Amendment to the Central Bank Act was made, you were around. I would like to share some of your views relating to Sections 17 and 18 of the Central Bank of Nigeria Act. With your kind consent I would like read it to him. Section 17 states:

The bank shall have sole right of issuing currency notes and coins throughout Nigeria and neither the Federal Government nor any State Government, Local Government or other person or authority shall issue currency notes, bank notes, or coins or any document bearer on demand being document which are likely to pass as legal tender.

Under this Section 17, the Central Bank of Nigeria is given power to print notes and mint coins. So, by virtue of this vast powers given to the bank, do you not think that at one time we can wake up and find the bank printing whatever denomination of our currency without even involving the Federal Government? How would it affect lives in the system? Do you not think that this particular section calls for an amendment in order to involve even the Federal Government to know what the Central Bank of Nigeria is likely to do?

Secondly, it is on what is going on now. Currently, we are involved in the process of amending the Land Use Act. In particular, the issue of consent which is proposed to be taken away from the Governors, particularly on the issues relating to mortgages. You were once the Managing Director of Wema Bank, I am wondering whether if we take away the issue of consent relating to mortgages, if the banks are likely be at risk. I can use mortgage without any restriction probably to get money from the bank. I want to know from your experience, if we go ahead to do that, it would not expose our banks and lead to their eventually collapse.

Senator Jibril Aminu (Adamawa Central): Mr. Chairman, let me compliment the Deputy Governor. While he is quite big in size the Governor himself is small so we would have a healthy and physical balance in the Central Bank.

I would like to ask you a few questions and it is good to ask you because you have been in the bank longer than the candidate for Governor. Firstly, in this Senate, we have had to deal with the management of the Federation Account and some

2008

acts which are, shall I say, illegal or not consistent with the Constitution. We also know the duel between the Executive and the Revenue Mobilisation, Allocation and Fiscal Commission over these issues. Can you assure the people that since this Federation Account money is being kept by you, that you will not participate in any extra-constitutional usage of the Federation Account, like opening special accounts which are not really consistent with the Constitution. That is very important for the Senate.

Secondly, I would like to ask about loans. This country went through major debt crisis. We are fortunate that the Minister of Finance worked on that but as the nominee for Governor of the Central Bank said, you cannot force State Governors not to borrow and spend, but we are afraid that the way we are going we could go back into debt again, this country could be pushed back into debt. How would you and your Governor and the Central Bank ensure that this country does not go back into debt again?

Thirdly, you have heard Nigerians talking about some important international financial institutions which have not been mentioned at all today. The IMF which says, it is the Central Bank of the World, the World Bank, which says, it is the Merchant Bank of the World, the ADB which says, it is the Merchant Bank of Africa and the Paris Club, which says, it is the big lender of the world. At the end, the Central Bank is the one we deal with no matter the policies that are hammered in by the Ministry of Finance. Could you kindly comment on these bodies and what the future relationship between Nigeria and those bodies would be as far as we can see?

I would also like to stress that regardless of all the problems, Nigerians are still worried about banks using our children as call girls to go and get loans. We have not got a satisfactory response on that issue and we believe quiet honestly, that the Central Bank has the power and the ability to control banks on this moral aspect. I do not think we can just wash our hands like Pilate and say, we have nothing to do with that. Anybody who is in a position to help should help and I believe that the Central Bank can help.

Senator Talfida Umar Abubakar Argungu (Kebbi North): The Deputy Governor nominee, I have just one question for you. Wealth creation is

2009

said to be one of the cardinal objectives of this administration, in your view, what does the CBN in collaboration with other commercial banks need to focus on in order to assist the government to achieve this objective, taken into account the current global economic meltdown?

The Chairman: Mr. Babtunde Lemo, you may now take on this set of questions.

Mr. Babatunde Olakunle Lemo: Thank you very much your Excellency, and distinguished Senators, first, is the question from the distinguished Senator Dahiru Kuta on Wema Bank crisis.

I left Wema Bank Plc on the 9th of January, 2004. After me, somebody worked there as Managing Director/Chief Executive for two years, thereafter, somebody also worked there for about two, three months. It does not take more than one week or one month to put a bank in trouble. The problem in Wema Bank reared its ugly head early last year that was clearly four years after I left Wema Bank Plc.

We thank God for our very humble achievements in Wema Bank Plc. Whilst I held forth there, it was one of the top five banks in terms of liquidity, twice Central Bank intervened; and Wema Bank was called upon to bail out banks for liquidity support. I believed very much that immediately after my exit, perhaps, why they did not handle the succession plan well, of course, you know the suddenness in the nature of the Federal Government appointment. If I was retiring, then there would have been succession planning and people would have then been appraised and so on and so forth. I did not have input in the selection of my successor.

The second question is the nature of the problem of Wema Bank. It was basically recklessness on the part of the past management and unethical practices which, of course, we had to stop whether we knew them or not. I am sitting down there in Central Bank not as Deputy Governor of Wema Bank but as the Deputy Governor of Central Bank of Nigeria and we have to apply the same rule to all.

The second question is on ATM by distinguished Senator Bent. It is a very good question. We did not say that there should not be

2010

ATMs outside of bank premises, but you and I know that there are 24 deposit money banks, all very well capitalised. They all have capacities to deploy ATMs and they have been so doing. If we then allow them to litter every public place with their different brands, you would be inundated with too many of them. Just imagine getting out of this foyer and there are about 23 ATMs. So, we said that banks could put ATMs in their respective branches but when it comes to the public places, they could cluster around two, three generic ATMs, where they all would have shares; and those are the ATMs we expect to see in public places. There is intra-probability; you do not even have to access your own personal bank ATM to conduct transaction. We feel that with you ATM you can access money from any ATM as it is done in US. If we allow them to litter public places with their different brand ATMs, it would not be good.

Senator Akume asked question on consolidation of banks. First, let me say that I have served for five years not four years. The term of a Governor or Deputy Governor is five years in the first instance then it can be renewed for another five years.

Thank God, for consolidation. I am glad to be part of consolidation and I believe even Mr. President eloquently in commending the immediate past Governor did say so.

We did not say that it is wrong to bail out banks. What we said was that the situation in Nigeria is not exactly as it is in US. The US banks had exoteric products after the economic meltdown that wiped off their capital overnight. Of course, when you have a bank with solvency problem then you have to do a bail out. In Nigeria, we do not have such problem and so there was no need for a bail out.

You mentioned specifically ACB and Bank of the North, the good news, Sir, is that these banks have since transited into part of what we have as 24 deposit money banks today. ACB is currently part of Spring Bank and Bank of the North is sitting pretty in the under belly of Unity Bank Plc.

Senator Izunaso asked question on foreign reserve status. I can tell you that our foreign reserve level now is US\$44.7 billion.

2011

About whether or not CBN is over burdened by over regulation, well the jury is still out. There are two different modes of regulation. We have the likes of Bank of England that are just monetary authorities and then the supervision of financial institution is domiciled in another institution called the Financial Services Authorities but the model in developing economies is different because the structures are still weak. The financial institutions are structurally weak in those areas, so it is important for coordination and transmission of monetary policies to warehouse those two activities under one roof. Even the Bank of England is doing a re-think following the collapse of Northern rods whether or not even the separated model is good.

There was also a question on whether there should be different institutions for micro finance banks and BDC. I agree with you that because micro finance institution, currently we have about a thousand and that calls to question, the Central Bank's capacity to manage them. The plan we have is to nurture them to fruition we can then adopt the Ghanaian model. Ghana has a semi autonomous supervising agency that also submits to Bank of Ghana. It would get to a point when we would have to do that in Nigeria because if we realise our dream to have about 5,000 Micro Finance Banks all over the country, it would be very difficult for us to coordinate from here. But that is still evolving by the time we get to that point we would do so.

On BDCs, currently we have over one 1,500 BDCs and Class ABDCs, many of them are moribund. We only have 64 Class ABDCs and the number is still not too large for Central Bank to manage.

The question on amendment of Central Bank Act and whether or not state and local governments could be printing currency, I want us to know that yes, we are a Federation but we have only one economy. Of course, I do not know if there is any such model elsewhere. I know in Federal Reserve system in US the different regions of the Federal Reserve print currency but they are still under the Federal Reserve System. It would be very terrible if we assume that we can devolve that authority, otherwise there would be recklessness when we see money we would run. God forbid, it might even be worse than what is happening in Zimbabwe.

The Land Use Act is overdue for repeal and I am glad that the distinguished Senators are already

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thinking about it. It is actually impeding good banking business in Nigeria. In fact, the repeal of the Land Use Act would help rather than hurting bankers. Do not forget even if the Governor's consent is removed, registration would still be there and thank God for computer it would be so computerised that if I buy a property it would be registered and necessary fees would still be paid. But the problem with Governor's consent is that you have to wait and wait until that is done. In fact, bankers would celebrate this if the Governor's consent provision is removed. That is what will then catalyze the growth of credit. Many banks are shying away from lending against legal mortgage because the management of it is expensive, long and tortuous.

Senator Jibril Aminu asked question that I should comment on the Briton Wood Institution, ADB, Paris Club *et cetera*. They are very good development partners. They engage us regularly. They advise us but do not lord it over us. I recall that about two or three years ago when we wanted to craft our own homegrown policy that preceded the debt relief, they came and wanted to hand in what I call the outdated Washington Consensus. We rejected it and we said we would take ownership of our problem. Of course, they went through it with us and they understood and today it is a success. So, they are really our friends and, indeed, even as IMF and World Bank themselves are undergoing reforms, I believe that it would also be in the over all interest of all of us.

I would say that we would continue to ensure that we do not manage the Federation Account illegally. We have ensured that in the Central Bank of Nigeria giving our role as Banker to government. Of course, we cannot do anything outside the Constitution. We would not permit the opening of illegal account and I am standing here on behalf of the Central Bank to confirm to you Sirs, that we would not perform any illegal act.

The state of foreign and local loans I separate that into two. Thank God that the debt burden is over. It is important, we cannot force government not to take loan but we can advise because again Section 2 of our Act gives us that authority to advise the government. The implications would be laid out. There is nothing, *ipso facto*, bad in taking loans it depends on what you use it for. Of course, because of the experience of the past we need to be

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very careful so that we do not relapse into what happened before.

On the local loan for state and local governments, we have been regulating that. When we realised several years back that banks were lending recklessly to state and local governments we try to sharpen the prudential guideline whereby we told them that if you lend money to state or local government then you have to increase your level of provision because of the rate of default then but I think it is getting better now.

On the unethical practice of some girls mobilising deposit, I want to tell you that Central Bank takes this very seriously. We set up a Committee several years back to look into this and recommendations were made we have told bankers that it is illegal, it is unethical and anyone found doing so would be punished. The banks CEOs themselves told us that none of them ever told any girl to prostitute in canvassing for deposit. But what we are doing now is to have private eyes so that if we identify any person or group of persons doing that we would not only have the banks punish them, we would also ensure that they are blacklisted. Of course, we have also told banks to tune down their expectations in terms of target because this is really what increases the propensity to do that. Of course, giving the economic meltdown globally, I believe they have also tuned this down and we would not see much of this going on.

Finally, on wealth creation, Central Bank is at the vanguard of wealth creation. The most important function of the Central Bank is to ensure price stability that is at the heart of poverty eradication. Beyond that, we also have different initiatives in the Central Bank to create wealth under the department called Development Finance Department. It is for this reason we established micro finance banks. It is also for this reason we came up with the agricultural loan which is aimed at ensuring that food production is increased. Of course, agriculture accounts for 60 *per cent* of the employment in the country, when that starts fully, we are going to see a lot more employment in this area.

We have so many other initiatives. We set up three entrepreneurship development centers in three geo-political zones and we are rolling that out in all the geo-political zones. What are we doing? We are helping school leavers who do not have jobs to

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learn how to be on their own and how to set up businesses on their own.

Distinguished Senators time will fail me to continue to talk about the initiatives of the Central Bank on employment creation.

Several distinguished Senators: Let him take a bow and go.

The Chairman: Mr. Babatunde, you are lucky. The man before you took in a lot of questions and probably that has reduced the number of questions that you have been asked. Is it the wish of the Senate that he be allowed to take a bow and go?

Several distinguished Senators: Yes.

The Chairman: All right, there is no tenure elongation. Mr. Babatunde Lemo, you can take a bow and go. *(Mr. Babatunde Lemo took a bow and withdrew from the Senate Chamber)*

Approval of Nominations

The Chairman: I can now put the Questions on the nominations?

Several distinguished Senators: Yes.

The Chairman: Would the Senate approve the confirmation of the nomination of Alhaji Sanusi Lamido Aminu Sanusi as the Governor of the Central Bank of Nigeria?

Question put and agreed to.

The Chairman: Would the Senate approve the confirmation of the nomination of Mr. Lemo Babatunde Olakunle as the Deputy Governor of the Central Bank of Nigeria?

Question put and agreed to.

Senator Teslim K. Folarin: Mr. Chairman, I move that you report progress.

Senator O. Mamowora: Mr. Chairman, I rise to second the Motion that the Chair do report progress

Question put and agreed to.

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(The President resumed the Chair)

The President: Distinguished Senators, the Senate in the Committee of the Whole considered in an open Session, the request of Mr. President, Commander-in-Chief, on the confirmation of the nomination of Mr. Sanusi Lamido Aminu Sanusi, for the appointment as Governor of the Central Bank of Nigeria.

The Nominee took and answered questions from distinguished Senators on a number of topical issues. Thereafter, the Committee approved the nomination of Mr. Sanusi Lamido Aminu Sanusi.

Is this a true reflection of what transpired in the Committee of the Whole in the case of Mr. Sanusi Lamido Sanusi?

Several distinguished Senators: Yes.

The President: The Senate in the Committee of the Whole considered in an open Session the request of Mr. President, Commander-in-Chief, on the confirmation of the nomination of Mr. Babatunde Olakunle Lemo for appointment as the Deputy Governor of the Central Bank of Nigeria.

The Nominee took and answered questions from distinguished Senators on a number of topical issues. Thereafter, the Committee approved the nomination of Mr. Babatunde Olakunle Lemo.

Is this a true reflection of what transpired in the case of Mr. Babatunde Lemo?

Several distinguished Senators: Yes.

Confirmation of Nomination

The President: Would the Senate confirm the nomination of Alhaji Sanusi Lamido Aminu Sanusi as the Governor of the Central Bank of Nigeria?

Question put and agreed to.

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Would the Senate confirm the nomination of Mr. Babatunde Olakunle Lemo as the Deputy Governor of the Central Bank of Nigeria?

Question put and agreed to.

Resolved: That the Senate do confirm the nominations of Alhaji Sanusi Lamido Aminu Sanusi and Mr. Babatunde Olakunle Lemo as the Governor and the Deputy Governor of the Central Bank of Nigeria respectively.

Congratulations to Alhaji Sanusi and Mr. Lemo on their confirmations. Thank you very much distinguished Senators of the Federal Republic of Nigeria.

I think we had a unique opportunity to ask them very topical questions and I believe that their answers were reasonably satisfactory that, however, is not to say that they should rest on their oars when they are finally appointed as the Governor and the Deputy Governor of the Central Bank of Nigeria.

Senator Teslim Folarin: Mr. President, I move that other items on the Order Paper be stood down to another legislative day.

Senator O. Mamowora: Mr. President, I rise to second the Motion as ably moved by the Leader that other items on the Order Paper be stood down to another legislative day.

Question put and agreed to.

Resolved: That other items on the Order Paper be stood down to another legislative day.

ADJOURNMENT

The President: *And it being 2.45 p.m. the President adjourned the Senate without Question being put pursuant to Order 13 of the Senate Standing Orders to sit again on Thursday, 4th June, 2009 at 10.00 a.m.*