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THE IMPLEMENTATION OF NAIRA RE-DESIGN POLICY AND ISSUANCE OF NEW NAIRA BANKNOTES

According to the Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele (2022), currency management is a key function of the Central Bank of Nigeria, as enshrined in Section 2 (b) of the CBN Act 2007. Indeed, the integrity of a local legal tender, the efficiency of its supply, as well as its efficacy in the conduct of monetary policy are some of the hallmarks of a great Central Bank globally.

In recent times, however, currency management has faced several daunting challenges that have continued to grow in scales and sophistications, with attendant and unintended consequences for the integrity of both the CBN and the country. The challenges primarily include but are not limited to the following:

- Significant hoarding of banknotes by members of the public, with statistics showing that over 80 percent of the currency in circulation are outside the vaults of commercial banks.
- Worsening shortage of clean and fit banknotes with attendant negative perception of the CBN and increased risk to financial stability.
- Increasing ease and risk of counterfeiting, as evident by several security reports.

Recent developments in photographic technology and advancements in printing devices have made counterfeiting relatively easier. In recent years, the CBN has recorded significantly higher rates of counterfeiting especially at the higher denominations of N500 and N1,000 banknotes. Although global best practice is for central banks to redesign, produce and circulate new local legal tender every 5–8 years, the Naira has not been redesigned in the last 20 years (Emefiele, 2022).

Premise on the above trends, problems and facts, and in line with Sections 19, Subsections a and b of the CBN Act 2007, the Management of the CBN sought and obtained the approval of President Muhammadu Buhari to redesign, produce, and circulate new series of banknotes at N100, N200, N500, and N1,000 levels.

Mustafa (2022), in the CBN circular to all banks, affirmed that an emergency Bankers' Committee meeting was held on Friday, October 28, 2022 and as part of arrangements to ensure seamless implementation of the new currency re-design policy, the Central Bank of Nigeria (CBN) has approved the following interim measures:

1. There shall be no charge on cash deposits by customers above the threshold specified under the Cash-less Policy, effective October 26, 2022.
2. The requirement for cash evacuation to CBN branches using armoured bullion vans is temporarily waived in view of the anticipated large volumes of cash deposits to be evacuated vis-a-vis the limited capacity of registered Cash in Transit companies. Banks may convey cash using other transportation arrangements but shall bear the associated risks.
3. Deposit of mutilated notes in the denominations covered under the dispensation (N200, N500 & N1,000 denominations) shall be permitted without any fees. All mutilated notes received would be processed in due course to check for counterfeit, forged or composed notes and banks shall be responsible for any defective notes and shortages in line with extant regulations
4. The following charges are hereby temporarily waived until January 31, 2023:
 - Penalty for cash shortages by banks at CBN branches. However, all banks shall continue to bear the responsibility for meeting any cash shortages.
 - Charges for deposits that are not in CBN approved cash boxes.



Other Measures established by CBN in the transition to the new currencies include:

- Banks' currency processing centres shall remain open from Monday to Saturday to accommodate all cash that would be deposited by customers
- No cash deposits by any customer shall be rejected provided such deposits are lodged into an account with a BVN.
- All deposits by new or walk-in customers should be accepted by banks subject to compliance with the requisite account opening documentations and KYC requirements.
- No deposit should be boxed and or credited to any suspense account, general ledger or any other internal account of a bank.
- Banks shall cease to load their ATMs with old Naira notes from January 31, 2023, as the old Naira bills shall cease to be legal tender from that date.

- All cash deposits, including mutilated notes must be lodged at only CBN branches. Deposits should not be lodged with Bankers Warehouse or any other service providers.
- Splitting of deposits is not permitted under any circumstance. All unusually large deposits should be paid into customers' accounts with BVNs as bulk amount.
- Banks shall ensure that customers are promptly attended to and well treated to avoid delays and long queues/congestion at banking halls
- Banks shall deploy measures to detect fake or counterfeit notes and avoid any form of competition to ensure a smooth implementation of the policy
- Banks are required to ensure full compliance with extant Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulations on reporting of currency and suspicious transactions.

In line with CBN approval, arrangements have been finalized for the new currency to begin circulation from 15th December, 2022. The new and existing currencies shall remain legal tender and circulate together until 31st January, 2023 when the existing currencies shall cease to be legal tenders. Accordingly, all Deposit Money Banks currently holding the existing denominations of the currencies may begin returning the notes back to the CBN, effective immediately. The newly designed currencies would be released to the banks in the order of First-come-First-serve basis. Customers of banks are enjoined to begin paying the existing currencies into their bank accounts to enable them to withdraw the new banknotes once circulation begins in mid-December 2022.

References

Emefiele, G.I. (2022) On issuance of new Naira Banknotes; Press Remarks By Governor Godwin Emefiele,

Mustafa, H.B (2022) Re: Implementation Of Naira Re-Design Policy; Central Bank Of Nigeria, Bsd/Dir/Con/Lab/015/064 Letter to All Banks, October 31, 2022

