



CBN New Forex Guidelines:

What You Need to Know

On January 31, 2024, the Central Bank of Nigeria (CBN) introduced new rules aimed at stabilising the Naira and refining the management of the foreign exchange market. Here's what you need to know:

- 1. Currency Position Limits:** Financial institutions now face a cap on foreign currency holdings. Specifically, the gap between assets and liabilities in foreign currency cannot exceed 20% short or 0% long of the bank's shareholder equity, reducing foreign exchange risk.
- 2. Immediate Compliance Required:** Banks must realign their foreign currency positions by February 1, 2024, to meet these new restrictions promptly.
- 3. Liquid Asset Requirements:** Banks are required to maintain a healthy level of high-quality liquid assets in each significant currency to cover foreign currency transactions readily.

4. Risk Management Practices: The CBN advises banks on adopting cautious hedging strategies and maintaining consistent interest rate policies to manage exchange rate volatility.

5. Eurobond Transaction Oversight: Banks seeking early redemption of Eurobonds must now obtain prior approval from the CBN, ensuring closer monitoring of these transactions.

6. Upgraded Risk Management: Financial institutions are encouraged to enhance their systems for monitoring and reporting foreign exchange exposures, in line with updated regulatory standards.

Implications for You:

For Financial Institutions: Immediate action is required to align foreign exchange operations with the CBN's guidelines, emphasizing risk management and strategic planning.

For Individual Clients: These measures aim to protect personal finances from currency market fluctuations, leading to a more stable and secure banking experience and aiding in reliable financial planning.

Take Action with SimmonsCooper Partners These guidelines signify a strategic move towards a more stable financial landscape in Nigeria. Understanding and adapting to these regulations is crucial for financial institutions and individuals alike.

Get Ahead: For expert advice on adjusting to the CBN's new forex guidelines and protecting your financial interests, SimmonsCooper Partners is your go-to resource. Visit us at www.scp-law.com or email info@scp-law.com for a consultation. Stay informed and secure with our guidance.