WELCOME ADDRESS DELIVERED BY PROFESSOR SEGUN AJIBOLA, Ph.D., FCIB, PRESIDENT/CHAIRMAN OF COUNCIL, THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA AT THE BREAKFAST SESSION ON THE COLLATERAL REGISTRY ACT: PROS AND CONS FOR THE BANKING INDUSTRY AND OTHER STAKEHOLDERS HELD AT THE BANKERS HOUSE, ADEOLA HOPEWELL, VICTORIA ISLAND, LAGOS, ON THURSDAY, SEPTEMBER 28, 2017

Protocol

Distinguished Ladies and Gentlemen, it is my great pleasure to welcome you to another Session in the series of knowledge events organized by the CIBN Centre for Financial Studies (CIBNCFS), a wholly owned subsidiary of The Chartered Institute of Bankers of Nigeria (CIBN). The CIBNCFS was established in 2013 with the mandate of providing thought leadership in the banking and finance industry and other allied sectors and carrying out cutting-edge research on topical and emerging issues in the industry.

It is worthy of note that a total of seven (7) knowledge events have been held this year by the Centre and the resolutions at these programmes were communicated in forms of Communiques to relevant organizations and agencies within the financial services industry and other allied sectors.

Permit me to take a moment and specially recognize our Keynote Speaker today, Mr Mainasara Muhammad, Registrar, National Collateral Registry, Central Bank of Nigeria. Your presence here today is yet another testament to the unprecedented and consistent support the Institute enjoys from the Central Bank of Nigeria.

We are also privileged to have in our midst, as panellists, some of the country's top experts in risk management, MSMEs financing and The Collateral Registry Act. Mr Olusegun Alebiosu, Chief Risk Officer, First Bank of Nigeria Limited; Mr Osaro Eghobamien, SAN, Founding Partner, Perchstone & Graeys and our very own, Mr. Ken Opara, FCIB, Divisional Head, Managed SME & Consumer Sales Force, Fidelity Bank Plc and National Treasurer, The Chartered Institute of Bankers of Nigeria (CIBN).

The subject today, **Collateral Registry Act: Pros and Cons for the Banking Industry and other Stakeholders**, is indeed timely against the backdrop of different propositions on the potentials of the Micro, Small and Medium Enterprises (MSMEs) in contributing to the much-desired diversification of the Nigerian economy. As at 2015, MSMEs were estimated to employ over sixty million Nigerians and accounted for 48 per cent of the Gross Domestic Product (GDP) in the country. Lack of adequate capital for the sector has however been identified as a major factor militating against the realization of the sector's full potentials.

It is then saying the obvious that the banking industry is central to the effective functioning of the MSMEs. The small operating scale of most MSMEs does not afford them the opportunity to meet most of the collateral requirements, particularly fixed assets such as real estate, for accessing loans in commercial banks. On the contrary, banks are wary of the level of risks associated with such business considering the less-than-encouraging business environment in the country. For instance, the World Bank Ease of Doing Business Survey currently ranks Nigeria 169th out of 189 economies. Hence, the probability of business failure is so high that lenders hedge against this inherent risk by charging high interest rates with stringent collateral demands. These discourage MSMEs for accessing such loans.

For these reasons, the enactment of the Collateral Registry Act which allows SMEs in Nigeria to apply for credit on the strength of movable assets as collateral is truly a welcome innovation. By introducing this Act, Nigeria is joining the league of countries like India, where the initiation of the SME Act in 2006 led to the consistent growth of SME practice. A 2015 report by the International Finance Corporation (IFC) noted that Indian MSMEs grew by 11 percent each year consecutively between 2007 and 2011 and by 17 percent between 2014 and 2015. According to the Maiden Edition of the CBN National Collateral Registry (NCR) Newsletter, the adoption of the collateral registry in China resulted in 84 percent of SMEs securing their loans using movable assets. The use of the Registry in Mexico also grew loans secured with movables by four times while 45 percent of total loans went to the agricultural sector.

The Governor of Central Bank of Nigeria also reported that as at August 24, 2017, 136 financial institutions, 22 commercial banks, 106 microfinance banks, one non-bank financial institution, three merchant banks, three development finance institutions and one non-interest bank had registered 16,236 financing statements for 20,684 movable assets on the National Collateral Registry (NCR) platform, valued at ₦392 billion. These statistics show the huge prospect of this Act for easing access to loans by MSMEs.

On our part, we appeal to all the stakeholders to remain honest, faithful, ethical and professional in the use of the Registry. As you are well aware, the enactment of the Act is to contribute to the ease of doing business in Nigeria and not intended to be used by any party to the disadvantage of the other(s). A lot of issues have arisen in the lender-borrower relationship in terms of choice of appropriate collateral, perfection and realization (when inevitable) in this jurisdiction. It is hoped that the introduction of Collateral Registry in this environment would help to ease the oft observed tension and acrimonies between Nigeria banks and their borrowing customers

As I welcome you to this Breakfast Session, I am confident that participants would leave the Bankers House today better equipped on the modalities for achieving a win-win situation between banks and the MSMEs sector as we all strive at improving our national economy.

I wish you all an enlightening session.

God bless

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President/Chairman of Council
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