



Central Bank of Nigeria

Central Business District,
P.M.B. 0187, Garki,
Abuja - Nigeria.
Tel: +234-9-462 39425/8
website: <http://www.cbn.gov.ng>

The Governor

GVD/GOV/CON/DGF/118/121

August 28, 2018

The Managing Director/Chief Executive Officer
MTN Nigeria Communications Limited
4 Aromire Street
Off Kingsway Road
Ikoyi Lagos

Through:

The Managing Director/CEO
Standard Chartered Bank Limited
105B Ajoye Adeogun Street
Victoria Island
Lagos

Dear Sir,

RE: INVESTIGATION INTO THE REMITTANCE OF FOREIGN EXCHANGE ON THE BASIS OF IRREGULAR CAPITAL IMPORTATION CERTIFICATES ISSUED TO MTN NIGERIA COMMUNICATIONS LIMITED

Following allegations of remittance of foreign exchange with irregular Certificates of Capital Importation (CCIs) issued on behalf of some offshore investors in your organization -MTN Nigeria Communications Limited - the Central Bank of Nigeria carried out an investigation in Standard Chartered Bank Limited, Stanbic IBTC Bank Limited, Citibank Bank Nigeria Limited and Diamond Bank Plc in March 2018. The banks were alleged to have, in flagrant violation of our extant laws and regulations, including the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995 and the Foreign Exchange Manual, 2006, used irregular CCIs to illegally remit foreign exchange amounting to \$8,134,312,397.63 on behalf of your company between 2007 and 2015.



Central Bank of Nigeria

- 2 -

Our investigation also revealed the following, among others:

- i. The shareholders of your company invested the sum of \$402,590,261.03 in the company from 2001 to 2006;
- ii. The investment was carried out through the inflow of foreign currency cash transfers and equipment importation, which was evidenced by the CCLs issued by Standard Chartered Bank (SCB), Citi Bank (CB) and Diamond Bank (DB);
- iii. The CCLs issued at the time of the investment by the above banks to your organization in respect of the \$402,590,261.03 showed that \$59,436,923.44 was invested as shareholders' loan and \$343,153,339.56 as equity;
- iv. However, a review of your organization's financial statements for the year ended December 31, 2007 revealed that \$399,594,146.00 was recorded/invested as shareholders' loan and \$2,996,117.00 as equity investment, in accordance with the shareholder's agreement but contrary to the CCLs issued by the banks in (iii) above;
- v. Following a request by your organization through Standard Chartered Bank for CBN's approval to convert the shareholder's loan to preference shares, an approval-in-principle was granted vide our letter dated November 13, 2007; with the grant of final approval made subject to the fulfillment of the following conditions by your organisation:

150



Central Bank of Nigeria

- 3 -

- a. Implementation of the decision in item 5B of your board resolution dated November 08, 2007 and submission of documentary evidence to that effect to the Director, Trade and Exchange Department of the Central Bank of Nigeria; and
 - b. Provision of an undertaking that no remittance for either interest or principal repayment would be made to the shareholders from the date of the loan to the date they were converted to preference shares.
- vi. In spite of the non-fulfillment of the conditions in (v) above and consequently, the non-issuance of a final approval by the CBN, your organization converted the shareholders' loan to preference shares with Standard Chartered Bank issuing new CCIs in respect of the illegal conversion;
- vii. The action of your banker in aiding your organisation in the illegal conversion of the shareholders' loan was later described by SCB in a letter to the CBN dated December 10, 2009 as an "unintended omission"; and
- viii. On account of the illegal conversion of your shareholders' loan to preference shares (interest free loan) of \$399,594,146.00, the sum of **\$8,134,312,397.63** was illegally repatriated on behalf of your company by the aforementioned banks between 2007 and 2015.

WFO



Central Bank of Nigeria

- 4 -

You will recall that upon the conclusion of our investigation, the Committee of Governors of the Central Bank of Nigeria met with the management teams of the banks and representatives of your organization in Lagos on May 25, 2018. This was to give all parties a fair hearing towards taking an informed decision on the matter.

Having reviewed the report of the investigation and the submissions by your organization, the Committee of Governors of the Central Bank of Nigeria, has decided as follows:

- a. the actions of your company and the banks represent a flagrant violation of the extant laws and regulations of the Federal Republic of Nigeria on Foreign Exchange Matters.
- b. The sum of \$8,134,312,397.63 illegally repatriated by MTN on the basis of the illegally issued CCIs should be refunded to the coffers of the Central Bank of Nigeria with **IMMEDIATE EFFECT**.
- c. henceforth, your organization is advised to be guided by the provisions of all extant laws and regulations of the Federal Republic of Nigeria in its foreign exchange transactions and ensure strict adherence thereto, failing which, appropriate sanctions including but not limited to, denial of access to the Nigerian Foreign Exchange market will be imposed on your organisation.

Yours Faithfully

GODWIN I. EMEFIELE, CON
Governor, Central Bank of Nigeria