BUREAUX DE CHANGE: OPERATIONS AND CONTROL (A CASE STUDY OF CENTRAL BANK OF NIGERIA)

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CERTIFICATION

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DEDICATION

To God Almighty for His inspiration and infinite mercy.

To my beautiful wife and friend, "my jewel of inestimable values", Olori Taiwo; my children and little friends, Olamiposi, Eniolaye and Olasubomi.

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CHAPTER ONE

1.0 GENERAL INTRODUCTION

Nature does not distribute its resources equally among nations. Some nations are richly blessed in mineral and other resources while others are not, this makes it necessary for trading among nations so that they can all enjoy some of these endowments which they do not possess. This forms the basis for International Trade, that is, trade between nations.

International Trade also came with its attendant problems chief among which is the medium of exchange which gives rise to the issue of foreign exchange. Foreign exchange can be defined as a medium of exchange (money or otherwise) that is generally acceptable as means of settlement of indebtedness among nations. Some authors defined it as "international money".

Foreign exchange acquisition is made through the foreign exchange market. The foreign exchange market can be categorized into two viz:

(1) The official market

(2) The unofficial , parallel or black market

The official market is operated by the monetary authorities, that is, the banking system and administered by the Central Bank. The second market is the Black Market or any other market that may exist. The unofficial market was however, officially recognised in August, 1989 with the introduction of the Bureaux De Change.

Basically, this type of financial institution is to transact business in foreign exchange (FX) with a view to strengthen economic activities in a deregulated economic system as well as narrow the gap between the official and unofficial/parallel market rates. Although, the creation of this market has enlarged the size of officially recognised foreign exchange market, small dealers or "black marketers" of foreign exchange still exist. They have continued to exist because they have refused to come forward for registration, which may be due to the cost of registration, other procedural stipulations or other reasons best known to them.

1.1 BUREAUX DE CHANGE

Attempt must be made here to define the term "Bureau De Change" which is the topic of this research project. Bureau is a French word, pronounced "byoor'o" - noun. It can be pluralised as bureaus or bureaux, pronounced "byoor'oz". According to Webster's New Dictionary, this word could mean:-

(i) a chest of drawers;

(ii) a government department or subdivision of a department; or

(iii) an office or business that performs a specific duty.

For our purpose here, the last definition will be adopted.

"De" too, is a French word meaning of. "Change," pronounced chanj is an action word and could mean:-

(i) to be or cause to become different (i.e. alter);

ABSTRACT

The aim of this research topic -Bureaux De Change: Operations and Control, is to provide a realistic picture of why and how the Bureaux De Change was established in Nigeria. The focus is equally to highlight it's contributions, problems, prospects and to offer useful suggestions to the Government, Operators and Clients on the continuous operations of Bureaux De Change and its benefit to the banking sub-sector in particular and the economy in general.

(ii) to exchange for or replace by another;

(iii) to give or receive an equivalent sum of money in lower denominations or foreign currency; or

(iv) to put fresh clothes or coverings on.

At this juncture, Bureau de Change can thus, be defined as an office, organisation or business that performs a specific duty of giving or receiving an equivalent sum of money in lower or higher denominations (of foreign currencies).

These "money shops" were basically established to;

(a) accord legal recognition to small dealers in Foreign Exchange and thereby enlarge the size of the officially recognised foreign exchange market;

(b) provide free access to foreign exchange by small buyers in a convenient and informal manner thereby filling the gaps in service under the existing arrangements;

(c) enhance efficiency in macro-economic management through more adequate statistical coverage of foreign exchange flows; and

(d) improve fiscal efficiency.

1.2 HISTORICAL BACKGROUND OF CBN

The history of the Central Bank of Nigeria will be incomplete without a brief mention of the West African Currency Board (WACB). Before the creation of West African Currency Board in 1912 and subsequently West African Currency, the media of exchange were multifarious and far from convenient. In fact, the situation then was like a "mixed barter-money" economy.

The need to simplify the heterogeneous and inconvenient media of exchange existing then, led to the creation of a standard and readily acceptable currency - the West African pound issued by WACB. This however, applied only to the British West African colonies of Nigeria, Ghana, Gambia and Sierra Leone.

By designation, the WACB was not a monetary authority and never acted as such. Throughout its period of existence, it did not exercise any discretionary control over the money stock of the territories in which it operated. Records further show that the Board, in actual fact, was not a money issuing bank with power to vary the amount of currency at will, but merely a passive money changer which receives superior money; i.e. London Sterling, and gives in turn token money; i.e. West African Currency. Thus the essence of the West African Currency system then, was the convertibility of West African coins and notes on demand into sterling balances in London.

Despite the foregoing, the system established a unified currency standard which commanded peoples confidence in the system comparable to that reposed in the London sterling. Moreso, it relieved the colonial government's problems of currency management and eliminated the danger of locally created inflation or foreign exchange crisis.

Nevertheless, the circulation of a single currency in four different colonial territories became less practicable, especially as these colonies marched rapidly and readily towards self-government. Thus, as member-countries began their march towards political independence while at the same time planning for the development of their economies, it became clear that nothing short of a Central Bank for each country's monetary and financial development was needed.

The earliest support for the establishment of Central Bank of Nigeria dates back to the period of banking failures of early 1950's following which power of control of banking was reposed in the Financial Secretary. Then many nationalist leaders called for the creation of a Central Bank. A concrete move however, came in April 1952 when the late Hon. K. O. Mbadiwe, then a Private Member of House of Representatives, formally proposed a motion for the creation of CBN to perform the traditional functions of a Central Bank. Subsequently, the House passed an amended motion which called on Government to examine the possibility of such venture for the country, viz: the prevailing economic situation then.

An adviser to the Bank of England in person of Mr. J. L. Fisher was appointed by the Government to see to the feasibility of a Central Bank for Nigeria considering the financial environment prevailing in Nigeria vis-a-vis the principle of orthodox central banking as developed in England. Mr. Fisher's recommendations in 1952 did not favour the establishment of a Central Bank . A year later (1953) an International Bank for Reconstruction and Development (IBRD) Mission visited Nigeria to consider the same issue, but however, accepted Fisher's view that a Central Bank for Nigeria was premature. The Nigerian financial conditions were reviewed for the last time in 1957 by another Bank of England Adviser, Mr. S. Loynes. He was in Nigeria by invitation to advise in the light of IBRD Mission recommendations on problems relating to the creation of a Central Bank. Loynes' report favoured the idea of establishing a Central Bank in Nigeria. In fact, his views and recommendations formed the basis for the draft legislation for the establishment of the CBN which was presented to the House of Representatives in March, 1958.

The House, on 17th March, 1958, passed an Ordinance which partially came into force on 15th September, 1958 when those sections necessary for carrying out the initial functions of a Central Bank became law. The Act was fully implemented on 1st July, 1959 when the CBN came into full operation.

The principal objectives of the CBN remained as stated in the original Act, the:-

(1) issuance of legal tender currency in Nigeria;
(2) maintenance of external reserves in order to safeguard the international value of the currency;
(3) promotion of monetary stability and sound financial structure;
(4) banker and financial adviser to Federal Government; and
(5) banker to other banks in Nigeria and abroad.

These represent the broad traditional functions of a Central Bank in mixed economies where both private and public sectors perform significant economic functions.

1.3 ORGANISATION AND GROWTH:

Since establishment, the Bank has undergone various administrative and structural changes to continually reflect its expansion and demands of its operations in the Nigerian Economy. A major administrative restructuring in the history of the Bank announced in the 1988 Budget transferred the Bank to the Presidency. Under this arrangement, the Governor of the Bank is to report directly to the Office of the president instead of through the Minister of Finance and Economic Development. However, there came another policy in the 1997 budget reverting the system to the old arrangement.

The overall policy-making organ of the Bank is its Board of Directors. The board has undergone restructuring at different times. At present, the board is made up of twelve members, comprising, The Honourable Minister of Finance and Economic Planning as Chairman, six executives and five non-executive members. The Executive members include the Governor and Five Deputy Governors in charge of : Domestic Monetary and banking Policy; General Administration; Domestic Operations; International Operations; and Management and Staff Services. This board is however yet to be inaugurated since the announcement of the 1997 budget.

Next on the hierarchy is the Committee of Governors comprising the Governor and his five deputies. Following this are the Principal Officers which can be classified into five groups as follows:-

(a) Heads of Departments;

(b) Heads of Autonomous Units.

(c) Zonal Controllers.

(d) Branch Controllers

(e) Currency Officers

From the above list the Bank has twenty two departments and Departmental Heads based in its Head Office in Lagos and Abuja. The Departments are :-

Administration

Agricultural Finance

Banking Examinations

Banking Operations

Banking Supervision

Branch Operations

Building & Engineering Services

Computer Services

Currency Operations

Debt Management

Finance and Accounts

Foreign Operations

Governor's Office

Internal Audit

International Economic Relations

Personnel

Research

Secretary's

Security Services

Special Duties

Staff Medical Services

Trade & Exchange

The Autonomous Units are Organisation and Methods (O & M), and Legal; each headed by a Deputy Director. The Bank also have 20 branches/currency centres located in some designated State Capitals of the country headed by Branch Controllers/Currency Officers.

For effective coordination of its Operations throughout the Federation, the Bank is divided into four zones, each headed by a Zonal Controller. The zones are Bauchi, Enugu, Ibadan and Kano. Each zone comprises of a number of branches and currency centres.

1.4 AIMS/OBJECTIVES OF STUDY

Before the advent of the Second-Tier Foreign Exchange Market (SFEM), exchange rates were arbitrarily regulated by government through the Central Bank. That is, the value of the Naira was fixed by the CBN without due reference to prevailing financial indexes. Alongside the regulated market also exists the Black or Parallel Market; characterised by very high exchange rates; fake currencies, touting and other dubious activities. Several attempts were made by various regimes to exterminate this illegal market, but minutes after each raid, these touts were already back on the streets. This continued alongside with SFEM, FEM AND IFEM, even when it became legalised as Bureaux de Change, some of these Currency merchants refused to come forward for legalisation.

The aim of this study however, is directed at the "legalised Black Market" - Bureaux de Change - to highlight the motives behind the creation; after the creation, how far have they been able to achieve the purposes; to what extent have they been conforming with the guidelines governing their operations; and to offer advice on how to ensure that the activities of these money shops are tailored towards achieving these purposes.

1.5 STATEMENT OF PURPOSE:

The government, in a continuing bid to ensure the efficiency of exchange rate policy in macroeconomic management, introduced Bureaux de Change in August, 1989 to accord legal recognition to small dealers in foreign exchange and provide free access to foreign exchange by small buyers. But the discourse on "money Shops" cannot be complete without looking critically at the Foreign Exchange Market and its management in Nigeria in the light of various developments within the system and their effects on the economy. Against this background, the following items will be discussed in the course of this work:-

(1) The Foreign Exchange Market to date.

(2) The Black Market.

(3) Guidelines on Operation of Bureaux de Change

(4) Code of Conduct of Bureaux de Change

(5) Advantages of Bureaux de Change

(6) Operations so far. How adequately have they been complying with the Code of Conduct.

1.6 SCOPE AND LIMITATION OF STUDY:

Ordinarily, the operations of Bureaux de Change are to make the system more attractive than the uncoordinated black market system. However, this project work is to appraise the operations and control of these currency Shops vis-a-vis the powers vested in the Central Bank of Nigeria by the guidelines setting them up, and of course, the effects of their operations on the total Foreign Exchange Market since inception in 1989.

CHAPTER TWO

REVIEW OF RELEVANT LITERATURE

2.0 THE FOREIGN EXCHANGE MARKET TO DATE:

In setting out to review the Nigerian Foreign Exchange Market and regime of exchange controls, it is of paramount importance to make a brief attempt at the definitions of Foreign Exchange and a Foreign Exchange Market. The sources of foreign exchange to the country will equally be considered here.

Foreign Exchange is the monetary asset used for the settlement of current international transactions and for financing imbalances in a country's external payments position in relation to other countries. From another angle, Foreign Exchange is a component of a country's official reserves which includes total stock of external asset available to the monetary authorities of a country for the settlement of inter-economic transactions. The main sources of foreign exchange to a country can equally depict what constitutes foreign exchange. These include convertible foreign currency receipts from the exports of goods and services, inflow of foreign capital such as loans and investments, unilateral transfers (i.e. grants or gifts), holdings of monetary gold, the reserve position in the International Monetary Fund (IMF) and the holdings of Special Drawing Rights (SDRs). Apart from these sources, small dealers of foreign exchange (i.e. Parallel Market Operators), business people travelling abroad, Nigerians living abroad, and tourists, have at one time or the other acted as sources of foreign exchange to the country. In fact, nowadays people deliberately travel abroad (Most especially to Britain and USA) in order to work and earn hard currencies, which are remitted and later converted into Naira.

A Foreign Exchange Market is one in which those who want to buy a certain currency in exchange for another currency and those who want to move in the opposite direction are able to do business with each other. Simply put, it is a market in which claims to foreign money are bought with and sold for domestic currency. Foreign Exchange is the commodity handled in the Foreign Exchange Market, viz: Traveller's Cheque, Bills of Exchange, Foreign Draft, Telegraphic and Mail Transfers and Foreign notes and coins. Thus, purchasing power is transferred from one country to another.

The attainment of political independence in 1960 marked the beginning of a regime of exchange controls. The controls were aimed at ameliorating the nation's balance of payment problems through the regulation of the purchase and sale of foreign exchange and the accommodation of only essential imports and services. Although the measures did achieve some of the objectives at that time, they however, reduced the usability and thus increased the inconvertibility of the Nigerian Currency.

The root of the exchange control system in Nigeria can be traced to the Exchange Control act, 1962 which replaced the Exchange Control Ordinance of 1950. The act, not only prohibited all payments outside Nigeria by Nigerians residents (Unless with prior approval of exchange control authorities), it also enshrined a surrender requirement whereby proceed from Nigerian exports must be repatriated to the country and surrendered to the exchange control authorities within three months from the date of exports.

Though, the Act was applied liberally up to mid 1967, tight foreign exchange control measures were applied during 1967-1971; the period of Nigeria's civil war. The Nigerian currency became increasingly inconvertible during the period. The currency however, recorded remarkable gains in convertibility in the era of liberal exchange control regulations - April 1972 to March 1977 and April 1980 to November 1981, and most especially in the period of oil boom; i.e. 1974 - 1976. It was a period of sufficient earnings from petro-dollars. Thus a strong balance of payment position and relatively comfortable level of external reserves for the country to the extent that naira was used freely as transaction currency in some neighbouring countries of the West African sub-region.

Following the global oil glut, the buoyant economic situation gradually fizzled out. This led to the promulgation of the Exchange Control (Anti-Sabotage) Decree, 1977. The Decree primarily, was to strengthen the Exchange Control Act of 1962 and arrest the drain on the country's external reserves. The failure of the 1977 Decree in 1981 led to the birth of Economic Stabilization (Temporary Provisions) Act 1982. The aim was to further tighten the noose on exchange controls, with the support of other control such as fiscal measures and import licensing. The Act however, imparted a substantial dose of inconvertibility on the already overvalued Naira.

In order to soften the burden of the continuing severe balance of payment pressures at that time, the Exchange Control (Anti-Sabotage) Decree of 1984 was introduced. Notwithstanding, there was acute shortage of input necessary to sustain industrial production to a satisfactory level. Then, the naira was generally believed to be over-valued in nominal and real terms against the US Dollar and other major currencies. The over-valuation of naira was one of the price distortions and disequilibrium in the economy which the Structural Adjustment Programme (SAP) sought to correct.

On the introduction of SAP in July 1986, exchange control on current transactions and import licensing were abolished. A Second-Tier Foreign Exchange Market (SFEM) where the naira exchange rate was to be determined by the inter-play of the forces of demand and supply was introduced and backed-up by the SFEM Decree of 1986. A market determined rate under SFEM was meant to eliminate the over-valuation of the naira, reduce the drain on foreign exchange reserves and subsequently lowering the pressure on balance of payments which arose from unrealistic pricing of imports and exports. The market was equally meant to facilitate the elimination of further payments arrears on imports and of trade and exchange restrictions. The funds to be exchanged in the Second-Tier Foreign Exchange Market are expected to be supplied from the foreign currency domiciliary accounts deposited by persons returning from abroad, commission agents, professionals, exporters who are entitled to keep for their own use 25% of the foreign currency proceeds (later increased to 100% to encourage export) from their exports, and tourists to Nigeria.

When the SFEM became operational on 26th September, 1986, two exchange rates prevailed in two markets, viz, first and second-tier foreign exchange markets and rates. The first-tier market and rate applied to debt servicing, payments to international bodies, settlement of transitional imports for which letters of credit were opened before commencement of SFEM, and disbursement in respect of public sector letters of credit. There was little or no restriction on the functioning of the second-tier foreign exchange market because it is an open market where foreign currencies are bought and sold in bidding sessions involving authorised dealers (i.e banks). This was done under the supervision of the Central Bank of Nigeria.

In July, 1987, a step was taken to further deregulate and reinforce market determination of the naira rate by the creation of a single Foreign Exchange Market (FEM). FEM emerged from the merger of the first-tier and SFEM rates. Originally, the SFEM system was to develop a mechanism through which a realistic and viable exchange rate of the naira could be determined. Though naira firmed up at the end of 1986 relative to its position before the introduction of SFEM, however, it suffered fluctuations from one bidding session to another such that it became clear that a change in modality was necessary if the gains already recorded were to be preserved.

The FEM covered not only dealings in official funds, but also autonomous funds which encouraged exporters to repatriate their proceeds in view of the much depreciated rate. Initially, the interbank rate was linked to the SFEM rate but was later broken. The banks were then permitted to buy and sell foreign exchange at the rate determined in that market subject to a maximum margin of 1% between the buying and selling rates. The minimum transaction allowed was 10,000 US dollars or its equivalent. Along the line the Dutch Auction System (DAS) was introduced, whereby bids were settled at bid rates in order to check unrealistic bids which had no bearing with actual demands. The DAS resulted to many rates and successful bidders at the end of each bidding session. The result of all these measures was that the interbank rate diverged widely from the FEM rate implying irrational allocation of resources; the DAS gave rise to multiplicity of rates, and there was a large differentiation between the FEM and autonomous rates. As such, undue pressures were exerted on the exchange rate, resource allocation became well pronounced.

Hence, in order to redress the situation and establish a single naira exchange rate, the autonomous market and the official foreign exchange market were merged with effect from January, 1989 to form the Interbank Foreign Exchange Market (IFEM). Under IFEM, no distinction was made between funds obtained from the Central Bank and autonomous sources. Principally, the Central Bank of Nigeria determines the exchange rate using one or a combination of the following principles:-

a) Weighted average of all quotations submitted by all banks; (individual bank quotes weighted by amount demanded);

b) Simple average of all quotations submitted by all banks;

c) Highest bank and lowest bank quotes provided that the latter do not depreciate by more than 2% when compared with the rates that emerge in (b) above; and,

(d) Intelligence reports on the exchange rate movements during the previous day both in the inter-bank foreign exchange market and in some world financial centres.

By and large, IFEM was able to achieve the major objective for which it was created - the need for a single exchange rate, thus eliminating the distortions in the allocation of foreign exchange. Another remarkable step by the government has been trying to improve the allocative efficiency of the foreign exchange market through the establishment of Bureaux de Change - which is the main concern of this project. Introduced in late 1989, Bureau de Change is designed to handle small scale foreign exchange transactions based on non-official funds which could further reduce demand pressure on official foreign exchange resources, and also reduce illegal foreign exchange practices of parallel dealers in the market and subsequently remove the distortions so far created by their operation.

COMMENTARY:

Basically, there was no foreign exchange market in Nigerian until 29th September, 1986. Periods before then (1962-1985), the method of fixing the naira exchange rate was by administrative fiat. This was defective and far from accepted theoretical framework of equilibrium often associated with purchasing power parity approach of exchange rate determination. As a result naira was over-valued for many years, a situation which cheapened imports and penalized exports, and consequently created serious balance of payment problems.

The dismantling of exchange control measures which accompanied the Structural Adjustment Programme (SAP) and the introduction of market determined exchange rate policies eliminated the over-valuation. Exchange rates are determined through bidding sessions. Here the Central Bank of Nigeria calls for bids from authorised dealers and the available foreign exchange is sold to them at the price determined at the auction. Nigeria operates a managed floating exchange rate regime whereby some form of government intervention in determination of exchange rate is adopted in order to ensure its orderliness and stability. While some measures of stability has been achieved, the current exchange rates are about right though they are volatile and subject to destabilising forces such as inflationary pressures and expectations, government deficit financing and psychological factors.

Thus a deregulated foreign exchange market in the Nigerian context does not indicate total government "hands-off" per se. Rather, it is an open market under the watchful eyes of government through occasional buying and selling of foreign exchange and adoption of appropriate monetary and fiscal measures.

The black or parallel market flourishes very close to the Central Bank of Nigeria, around which many authorised foreign exchange dealers are dotted. Precisely, along Broad, Martins, Abibu-Oki, Balogun, Breadfruit, Nnamdi Azikiwe Streets and the Marina. The International airports and major internal hotels are equally their bases.

Before the emergence of SFEM on September 29, 1986, there was no foreign exchange market in Nigeria. What existed was an illegal market parallel to the Central Bank allocation system. In other words the Black Market has been with us from time immemorial and, in fact, has grown into an institution, though not official recognized. The market fills a vacuum since it performs an economic function by creating facilities for Nigerians resident and others in Nigeria to transfer the purchasing power in naira to that in foreign currencies and vice-versa at a rate not necessarily more beneficial to them than they would have got from the authorised dealers, but for the ease of transaction. The sources of supply of foreign exchange to the market are price arbitrageurs made up of: Nigerian students studying abroad who, long after finishing their courses, continued to get foreign exchange at official over-valued rates, smugglers, proceeds of over-priced import bills, under-priced export bills, unspent surplus of legitimately acquired foreign exchange held by Nigerian residents and visitors.

The activities of black marketers and their impact were not felt in the eras of oil boom - (1972 - 1977) and (1980 - 81). These periods were characterized by liberal exchange control regulations, in which the naira recorded remarkable gains in convertibility. Their impact on the exchange control measures of the government and total economic system became pronounced following the global oil glut and subsequent down-turn in the economy.

At the wake of the oil glut, various administrations in the country began to adopt tight exchange control measures. Foreign exchange became difficult to come by. The administrative procedures involved in getting foreign exchange from the desks of authorised dealers being a reflection of Central Bank guidelines, complicated the situation the more. Small buyers in need of foreign exchange find it difficult to do so. In fact, a ceiling was placed on the amount of foreign exchange that could be taken out or brought into the country. Those in need of foreign exchange, especially in small quantity, had no choice than to source from the black market.

Owing to increased patronage, the market became proliferated and further characterized by fake currencies, very high exchange rates, touting and other dubious activities. The high exchange rate that prevailed in the market continued to complicate the inconvertibility of the already over-valued naira.

As part of government measures to give the market a good fight especially in the area of high exchange rate, SFEM. FEM and IFEM were introduced one after the other, i.e. one succeeding the other. These moves however, have not been able to do much in terms of bridging the disparity of rates between the official and the unofficial markets, but they have, to some extent, reduced unauthorized arbitrage. Late in 1989, the Bureau de Change was introduced to accord legal recognition to small scale foreign exchange dealers, thus giving the hitherto unofficial black market a legal status. In this way transactions in the parallel market are now carried out through official channels.

In view of the new dispensation, it will be sheer display of ignorance for anybody to live under the illusion that the black market will die with the introduction of Bureau de Change.

2.1 GUIDELINES ON THE OPERATIONS OF BUREAU DE CHANGE IN NIGERIA

Owing to the strategic position of this type of financial institution in the foreign exchange management of this country, the monitoring body (CBN) came out with guidelines of operation, to ensure that the motives of setting it up are not defeated. The modus operandi is divided into nine sections, viz:-

1) Objective of Establishing Bureaux de Change
2) Licensing Requirements
3) Mandatory Deposit
4) Revocation of License
5) Operation of Bureaux de Change
6) Transactions Not Allowed
7) Supervision and Monitoring of Bureau de Change.
8) Offences and Penalties

9) Commencement

Objectives of Establishing Bureaux de Change:

(a) To accord legal recognition to small dealers in foreign exchange and thereby enlarge the size of the officially recognized foreign exchange market.

(b) To provide free access to foreign exchange by small buyers in a convenient and informal manners thereby filling gaps in service under the existing arrangements.

(c) To enhance efficiency in macro-economic management through more adequate statistical coverage of foreign exchange flows.

(d) To improve fiscal efficiency.

2) Licensing Requirements:

Any organisation wishing to transact the business of Bureau de Change in Nigerian must be duly licensed to do so by the Federal Minister of Finance and Economic Development.

In keeping with the standards of the financial industry and in order to generate and maintain public confidence in Bureaux de Change, the following minimum requirements must be met by organisations which wish to be appointed as dealers:-

i) Any organisation or company seeking to obtain a license to operate as a Bureau de Change shall be a duly incorporated Nigerian limited liability company.

ii) Application for a license to transact the business of Bureau de Change shall be made in writing through the Governor of the

Central Bank of Nigeria to the Federal Minister of Finance and Economic Development and shall be accompanied with the prescribed non-refundable fee of ₦1,000.00 together with such other documents as may be prescribed by the Central Bank. It should be stressed that each applicant must demonstrate visibly its ability and preparedness to undertake the business of Bureau de Change.

iii) An initial licensing fee of ₦25,000.00 is payable and subsequently an annual renewal fee of ₦5,000.00

3) Mandatory Deposit

Every licensed Bureau de Change shall maintain a mandatory deposit of ₦250,000.00 with Central Bank of Nigeria as "caution money" for the purpose of paying bonafide claimants in the event of default or liquidation of the Bureau de Change. Such funds shall be invested in full in Government securities by the Central Bank and any income accruing thereon shall be paid to the Bureau de Change periodically. If for any reason, the principal, i.e. the mandatory deposit, should fall below the ₦250,000.00 level, the company shall be required to make up for the short-fall within seven days.

4) Revocation of License:

(i) The Federal Minister of Finance and Economic Development may, at any time, on the recommendation of the Central Bank of Nigeria, revoke the license of a Bureau de Change whose activities violates the conditions of its license.

ii) The grounds for revoking a license granted to a Bureau de

Change shall be any or all of the following:-

a) where the company or any of its officers with intent to defraud, forges, mutilates, alters or defaces any foreign currency, traveller's cheques or other instruments of exchange in the Foreign Exchange Market;

b) where the company fraudulently obtains its foreign currency from any of the ineligible sources;

c) where the company persistently fails to maintain the mandatory deposit of ₦250,000.00

d) where the company has been found guilty by a Court of competent jurisdiction of fraudulent or dishonest practices; and

e) any other act or acts which, in the opinion of the Governor of the Central Bank of Nigeria, constitutes a violation or serious default.

iii) Any person aggrieved by the decision of the Federal Minister of Finance and Economic Development in revoking his license may, within 28 days of the receipt by him of the Minister's letter of revocation, appeal in writing to the President, Commander-in-Chief of the Armed Forces.

5) <u>Operations of Bureau de Change</u>

i) Every Bureau de Change in Nigeria shall deal only in banknotes and coins and the encashment (purchase) of traveller's cheques. It shall not sell traveller's cheques or any foreign currency instrument other than foreign banknotes and coins.

ii) The foreign currencies dealt in by a Bureau de Change shall be derived only from private sources.

iii) Any person wishing to sell foreign currency at a Bureau de Change shall not be required, and if so required, shall not be obliged to disclose the source. The Bureau de Change should however, ascertain the genuineness of the foreign currency. In the case of traveller's cheques, it should confirm the seller's identity in the conventional way, i.e by sighting the seller's passport.

iv) Transactions shall be on a "cash and carry" basis. Consequently, payment shall be made in equivalent naira on delivery of the foreign currency.

v) The buying and selling rates for Bureaux de Change shall be subject to a maximum spread of 2% on the prevailing Central Bank of Nigeria rates.

vi) The maximum commission chargeable for bank notes and traveller's cheques shall be ¼ of 1%.

vii) The exchange rate and commissions at which each Bureau de Change is prepared to transact business shall be clearly displayed and business shall be done at those rates and commissions subject to the requirements in 5(v) and 5(vi) above.

viii) Every Bureau de Change shall keep registers and other records of all its transactions for the purpose of enhancing business efficiency. Furthermore, a machine list or receipt showing how the amount paid to a customer was arrived at should be issued by the Bureau de Change.

ix) There is no documentation requirement in respect of sales or purchases of foreign exchange by customers.

x) Where a customer intends to travel with the foreign currency purchased at a Bureau de Change, it is desirable for custom's purposes, that the customer's passport be endorsed and stamped with the amount purchased in keeping with the existing regulations.

xi) Every Bureau de Change shall transact business only in its registered office location or premises specifically approved for that purpose and conspicuously located and clearly designated.

xii) Every Bureau de Change shall fix its hours of business which must be clearly displayed.

xiii) Transactions between Bureaux de Change shall be allowed but such transactions must be conducted within the maximum spread of 2% based on the prevailing Central Bank of Nigeria rates.

xiv) Net global holdings of each Bureau de Change organisation at the end of each trading week shall not exceed the equivalent of $250,000.00

6) <u>Transactions Not Allowed</u>

Foreign exchange employed by Bureaux de change cannot be sourced from Banks operating in Nigeria including Central Bank of Nigeria.

7) <u>Supervision and Monitoring of Bureaux de Change</u>

i) The Central Bank of Nigeria shall supervise and monitor the operations of Bureaux de Change to ensure the orderly conduct and development of this segment of the Foreign Exchange Market.

ii) The full list of licensed Bureau de Change and their registered places of business shall be published periodically by Federal Ministry of Finance and Economic Development in the Federal Government Gazette and national newspapers for the information and benefit of members of the public.

iii) Every Bureau de Change shall render monthly returns to the Central Bank of Nigeria not later than 15 days after the end of the month to which the returns relate on the prescribed formats. The returns, which shall give information on amounts of purchases, sales and holdings of foreign exchange only in aggregate terms are merely for statistical purposes; i.e. to enable the Central Bank of Nigeria to have accurate data of the Foreign Exchange Market.

iv) The records of Bureaux de Change shall be made easily accessible to Central Bank Field Inspectors for examination as and when requested.

v) The Public Complaints Desk which the Central Bank introduced with effect from 1988 in each of its Branch offices in the State Capitals and in the Head Office in Lagos/Abuja where aggrieved members of the public should lodge complaints against their banks, will now be extended to cover Bureaux de Change. Where the case against any Bureau de Change is clearly established, such a Bureau de Change shall be made to make necessary amends and in addition pay penalties that may be stipulated.

vi) Every Bureau de Change is expected to comply with all the relevant provisions of the Companies Decree 1968, Company and Allied Matters Decree 1990 and other statutory and regulatory provisions including those relating to prescribed returns for income tax purposes.

vii) A detailed Code of Ethics for Bureaux de Change intended to foster professionalism and responsible behaviour on the part of its operators and thereby enhance public confidence in the system should be clearly displayed in the premises of each Bureau de Change.

8) <u>Offences And Penalties</u>

Any Bureau de Change which contravenes the provisions of these guidelines shall be liable to penalties as may be stipulated, in addition to prosecution in a court of competent jurisdiction.

9) <u>Commencement:</u>

Duly licensed Bureaux de Change companies commenced business during the last quarter of 1989.

2.2 CODE OF CONDUCT FOR BUREAUX DE CHANGE IN NIGERIA

The Central Bank of Nigeria fully endorses these minimum standards and strongly urges all conduct themselves in a manner that can generate and sustain confidence.

ii) Operators should enter into transactions that may be considered prudent under prevailing market conditions. They must avoid high-risk speculative transactions that could undermine their business.

iii) Operators must ensure that their dealing staff are adequately trained for the purpose; that limits of authority are set for such staff, and that they monitor their performance.

iv) Operators must stand by their word in all their dealings with customers.

v) They shall not spread rumours which could destabilize the market or hurt a competitor.

vi) They must observe confidentiality in respects of the transactions of individual customers.

vii) They shall not take advantage of the ignorance of a customer. Hence they must deal within the prescribed maximum spread of 2% based on prevailing Central Bank rates.

viii) Operators must observe legality by keeping within the conditions of their license and the operating guidelines. They must do all in their power to discourage improper conduct by others in the market.

ix) Buying and selling rates of foreign currencies against the naira must be prominently displayed next to each other so that prospective customers can read them clearly before entering into any transaction. Rates should be clearly headed "WE BUY" and "WE SELL".

x) Except where a special transaction has been negotiated say, through another Bureau de Change, the customer has a right to cancel a transaction at any time before leaving the premises of the Bureau de Change. Any cancellation after that time is at the discretion of the operator.

xi) Opening hours must be displayed on the outside of the premises.

xii) Dealing in or passing forged naira, foreign currencies or travellers' cheques is not only a serious offence but is injurious to the integrity and orderliness of the operation of Bureaux de Change in Nigeria. Consequently, all Bureaux de Change shall ensure that they have adequate facilities for verifying the genuineness of monetary instruments sold to them and instruments which they sell to customers. Any Bureau de Change which deals in or pays forged banknotes will have its dealership licence revoked by court of competent jurisdiction.

xiii) This code of conduct must be clearly displayed in the premises of each Bureau de Change.

COMMENTARY

In view of the subject matter of this discourse; i.e. Bureaux de Change - Operations and Control, it is highly essential to make a brief comment on the guidelines of operations and the code of operating a Bureau de Change.

Looking critically at those modus operandi, they clearly depict the base upon which the Central Bank of Nigeria's surveillance authority viz her Trade and Exchange Department, and Banking Supervision department lies.

Basically, the guidelines are meant to regulate the day to day activities of the money shops and ensure that they are in line with the basic objectives for creating them. The code of Ethics however, are meant to effectively bring the operators under the Central Bank of Nigeria's monitoring power. Thus, the code of conduct are designed to foster professionalism and responsible behaviour on the part of the money shops operators, so as to enhance prudent management of, as well as, public confidence in the system. Based largely on the "Code of Behaviour in Dealing" issued by the Association Cambiste Internationale and on usually accepted international principles, the code of conduct represents minimum standards of conduct and practice which all foreign exchange dealers are expected to observe, both in the letter and spirit.

2.3 MERITS OF BUREAUX DE CHANGE

Ordinarily, the creation of Bureaux de Change was to accord legal recognition to small dealers in foreign exchange and thereby enlarge the size of the officially recognized Foreign Exchange Market and to enhance efficiency in macro-economic management through more adequate statistical coverage of foreign exchange flows. However, there are more to Bureaux de Change than this. The intention here therefore, is to look at Bureaux de Change viz-a-vis their merits to the Nigerian economy.

i) Their operations will help to ameliorate the risks of the parallel market as operated hitherto. This will be so because of the safeguards present in the Bureaux arrangement but are lacking in the black market. This include the simple documentation and other records kept by the Bureaux to protect customers from counterfeit money and other risks prevalent in the parallel market.

ii) The Bureaux serve as source of revenue to government viz licensing fee and taxation.

iii) Since their existence allows for proper monitoring and supervision by the Central Bank of Nigeria, this will facilitate government's efforts to obtain a better coordinated exchange rate for the naira, by directly influencing the operating rate. By so doing the inefficiencies and distortions inherent in the previous arrangement (i.e. the parallel market) will be minimized.

iv) The initial licensing fee of ₦25,000.00 and the ₦250,000.00 mandatory deposit with the Central Bank of Nigeria will not only guarantee the entry of only genuine dealers and reduce the number of frivolous and dubious entrepreneurs on one hand but will also act as a means of guaranteeing bonafide claimants in the events of default or liquidation of a Bureau de Change.

v) Another measure of their contribution to the economy can be seen in terms of employment generation and thus contributing to the standard of living in Nigeria.

In spite of the foregoing, the existence of Bureaux de Change is more likely to result in higher competition with the foreign exchange business of banks and further weaken the exchange value of the naira. Nonetheless, their establishment will diminish the patronage of the black market and lead to better accountability in foreign exchange business in Nigerian as well as a more efficient management of the country's foreign exchange resources.

2.4 OPERATIONS SO FAR

Shortly after the authorization of licensed Bureaux de Change as additional financial institutions in the nation's money market, certain amendments were made in the original guidelines setting them up. The first being in the area of buying and selling rates which were to be determined by the CBN with the spread between the two rates put at a maximum of 2%. They now have the authority to determine the rate at which they buy and sell, but on condition that the margin between the rates does not exceed one percent (1%).

The amendment also altered the maximum commission a Bureau can charge for each transaction. It is now ¼ of 1% in local currency as against ¼ of 1% in foreign currency as stated in the earlier guidelines. In addition, Bureaux are henceforth free to negotiate the rates they will charge for inter-bureau transactions, whereas in the original guidelines, such transactions must be conducted with a maximum spread of 2% based on the prevailing CBN rate.

From their establishment to date, reports have revealed that most small users of foreign exchange who hitherto patronize the parallel market have started patronizing the more organised Bureaux. In fact, the rates charged at the Bureaux are not significantly different from what obtains at the Parallel Market. These "firms" have also protected the small users of foreign exchange from the bitter experience of being given fake currencies, a phenomenon associated with a typical black market.

They have also, to a great extent, provided the breather much clamoured for by many businessmen and small users of foreign exchange who either had no access to banking facilities or are impatient with banks rigorous and often cumbersome procedures. In spite of the various gaps filled since their commencement of business, activities of the Bureaux de Change still leave much to be desired. They have been reported to engage in massive foreign exchange racketeering and other transactions contrary to the Central Bank of Nigeria (CBN) guidelines on the scheme. Originally, they were allowed a maximum spread of 1% above their cost of funds, but the displayed currency boards revealed that many of them go beyond the 1% spread by charging as high as between 2% to 3% above their cost of money at source.

Some Bureaux de Change have been said to engage in a game of wits, spying on each other's rates before fixing theirs. Thus compelling them to display rates which are often at variance with the actual rates when real businesses are being transacted. Apart from this, they now offer discriminatory rates, depending on the amount of bill a customer presents. For example, a hundred dollar bill attracts a higher rate than a ten dollar bill. Such discriminatory measure is however, contravening vis-a-vis the objective of catering for the needs of small buyers of foreign exchange outside the orbit of banking services; and since buyers will always prefer a fair exchange rate, irrespective of the amount of currency in their possession, they prefer to have recourse to the black market barring the risks involved.

Ordinarily, Bureaux de Change are supposed to give a good challenge to the black market in form of competition. Surprisingly, the black marketers have continued to enjoy the support of Bureaux de Change which patronize them in a bid to satisfy their customers' demand. Should this continue, their ability to stand the test of time and achieve the objectives for which they were established remains in doubt.

Notwithstanding, the operators of Bureaux de Change have their own tale of woes which makes them handicapped against the black market, but they believe receiving the necessary support will assist at reducing the black market operations. Operators claimed that the interest margin is too low given the huge overhead costs they have to contend with. There is also the problem of inadequate funding of the market, traceable to their inability to exploit other avenues for their supply of foreign exchange except through tourists and businessmen. To this end, they are persistently calling on CBN for partial funding of their operations.

Like the banking industry, operators now clamour for deregulation of bureaux business. This they believe will place them in a better position over the black market in terms of expansion in business operations and further bridging of the wide exchange rate gap between the official market and the black market. They have also blamed their lot on government's reluctance to enact coercive laws against the parallel market. Such laws, they strongly believe will make things a little bit difficult for the black marketers.

The guidelines on the operation of Bureaux de Change requires every licensed bureau to maintain a mandatory deposit of ₦250,000.00 with the CBN as caution money to pay bonafide claimants in the event of default or liquidation of the Bureaux de Change. Though it yields monthly interest to the firms, they complained that it is a little bit high.

However, in a bid to make a collective bargain with the CBN over their affairs, and to bring about sanity into the market by ensuring that members comply with Central Bank of Nigeria's guidelines, operators have since come together under one umbrella - Association of Bureaux de Change Operators in Nigeria (ABCON).

CHAPTER 3

SYSTEM ANALYSIS AND DESIGN

3.0 OUTPUT SPECIFICATION

Output are the processed data through a system that generate information. It is basically required to communicate the result of processing to users and moreso, to provide a hard copy for consultation. The new system was designed to generate the following reports:

MONTHLY RETURNS REPORT:

This is a report that contain the details of returns on monthly basis by all the firms operating within the market.

CURRENCY BALANCES:

This list the balance of all the currencies purchased and sold.

DAILY TRANSACTION REPORT:

This is a report used to show the details of all the transactions that occur on a daily basis.

3.1 INPUT SPECIFICATION

Input refers to the data that are supposed to be entered into the new system. The input design is the point of contact for the users of the new system and it is prone to error.

Therefore, considering the above premises, the input design of the new system is made to dialogue with users. It prompts for data entry.

It is equally designed to reject possible errors and non existing codes. However the input data into the new system is the monthly returns of the participating firms.

3.2 DATABASE FILES DESIGN

The database files design are the description of all the files that are used in a system. This include the file contents and the structure. The new system consists of three files namely - BUREAU.DBF, CURRENCY.DBF, and MASTER.DBF.

However the description of contents and structure of each files are as follows.

- BUREAU.DBF:-

This file contains the code and names of all the participating firms in the market as well as their respective balances in each of the currencies. It consist of 12 fields which are described in the attached figure 1.

- CURRENCY.DBF:-

This database file contains the details of all the available currencies purchased and sold in the market and their current values. It consists of three fields as represented by figure 2.

- MASTER.DBF:-

This file contain the details of all the returns made by all the participating firms. Example attached as fig. 3.

3.3 THE PHYSICAL DESIGN OF THE SYSTEM

The physical design of the new system has to do with the program specification for output, input, files and processing into computer software. Software designing for the EDP is very vital and ensure that the program performs the desired tasks and allowing for modification whenever the need arises. The documentation of the program specification are attached to the appendix.

CHAPTER 4

SYSTEM DEVELOPMENT AND IMPLEMENTATION

4.0 SYSTEM IMPLEMENTATION

The system implementation stage is the stage of the system development where the conceived requirement of the new system and its overall objectives becomes real and visible.

The system implementation stage equally means to prove the extent of the success of the new system and also give the user the desired confidence.

For proper analysis the system implementation is further broken dawn thus:

4.1 SYSTEM REQUIREMENT

The system requirement is the computer configuration needed for the new system. Computer configuration is a collection of hardware for a complete computer system. However its selection is done to meet both the present and future needs of the organisation while considering the volume and types of data to be processed.

A computer with a minimum of 100MB and having 3.5 inches drive units with a laser printer attached is recommended. The 3.5 inches diskette is recommended because it has a larger memory capacity and could not be easily damaged. This diskette can be used to transfer software into the hard disk as well as for backup.

The computer should have a speed of 4MHZ to aid fast processing of records and an uninterrupted power supply (UPS) which can store power for 45 minutes in case of power failure.

4.2 SYSTEM TESTING

This is a very vital stage in system implementation. It has to do with the use of tested data on the new system to ensure its accuracy and efficiency before the real operation commences. At this point of system testing, the logical design and physical design are properly examined to make sure that it can work.

4.3 SYSTEM CONVERSION

File conversion into database file and changeover is not completed until the actual change over from the existing system to the new system takes place. This can be done in any of the following 4 ways;

i) Direct changeover

ii) Parallel running

iii) Pilot running

iv) Staged change over.

However the most appropriate is the parallel running. This method allows processing data by both the existing system and the new system concurrently. This allows for the comparison of results of the new system and existing system thereby promoting the confidence of the user on the new system.

4.4 DESCRIPTION OF THE PROPOSED SYSTEM.

The newly designed system is made up of the main menu that consist of five options namely: RETURNS ENTRY, ENQUIRY ON RETURNS, REGISTRATION PROCESS, GENERATING REPORT, and SYSTEMS EXIT. At the main menu (i.e. fig. 1) the new system prompts for the entry of a code among the option available after which the appropriate program is activated.

- OPTION 1 -RETURNS ENTRY:-

This option allows the user to enter details of monthly returns as represented by figures 2 and 3 for the necessary data.

- OPTING 2 - ENQUIRY ON RETURNS:-

This option is meant to give details of any enquiry made on the position of all the currencies available. Fig.4

- OPTION 3 - REGISTRATION PROCESS:-

This is an option used to register a new firm into the market. In doing this the firm will be assigned a code and the name of the firm would be entered. Fig. 5.

- OPTION 4 - GENERATING REPORT:-

The user has the opportunity to use the new system to generate reports listed in the output specification. The format of this is represented by figure 6.

- OPTION 5 - SYSTEM EXIT:-

This menu serves as the only way of exiting from the system. If selected, the user returns to the operating system prompt.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 SUMMARY AND CONCLUSION:

The aim of this research work is to look into the circumstances surrounding the establishment of Bureaux De Change , how far they have been able to achieve these objectives , and the extent to which they have been conforming with the guidelines of operation. Thus, finding out whether the present practices of currency shops , after almost ten years of existence ,have been able to enhance the macro-economic management and fiscal efficiency within the realms of foreign exchange rates and flows.

Before 1989 , the exchange rate of the naira was basically determined through administrative fiat. This mechanism however became defective in that it resulted into overvaluation of the naira and balance of payment disequilibrium. In order to reduce the pressure on the economy, the Structural Adjustment Programme was introduced in 1986. Consequently, all current transactions under exchange control and import licensing were abolished. A Second Tier Foreign Exchange Market was introduced to achieve trade liberalisation and realistic exchange rate for the naira via the inter-play of the forces of demand and supply. Since SFEM, the deregulated Foreign Exchange Market has continued to experience different stages of modification via FEM and IFEM to suit prevailing economic conditions.

Due to increasing level of awareness, increasing pace of level of development, coupled with increasing commercial contracts and other financial transactions with other countries of the world, the Foreign exchange market has ceased to be the concern of only few people whose dealings in International Trade required exchanging the naira for other foreign currencies. This accounted for the development, growth and sustenance of the parallel foreign exchange markets and rates. Despite stringent exchange control legislation and fiscal measures to totally dislodge the operators, this illegal market has continued to flourish, the effect on the economy being a wide disparity between the official market and the unofficial market exchange rates. The difference became more pronounced following the unstable prices of crude oil which is our major source of foreign exchange. Even the introduction of SAP and its related exchange control tools could not do much in terms of bridging the rates gap. An attempt to further bridge these inequalities led to the creation of the bureaux de change system in 1989.

Owing to the strategic roles Bureaux de change are expected to play, certain guidelines and code of conduct were issued by the CBN to regulate their business. Being a better organised system, their existence, is believed would not only give the black market a "good fight" but would gradually marginalise the obnoxious market and its effect on the economy.

The result of the investigation carried out in the course of this project indicates that there are over 200 registered bureaux de change companies now existing in Nigeria. However, since commencement of business not only have they been competing with the black market, the survey also indicated that their operation has resulted into higher competition with foreign exchange business of banks, which in a way has not helped the exchange value of the naira.

Shortly, after coming into operation, the system came under fire. The issue being massive foreign exchange racketeering and inadequate funding by operators. These allegations were confirmed positive by the result of the survey conducted. However, operators have continued to refute the allegations. In fact some of them are of the view that the issue of inadequate funding should be blamed on the government. In other words, these group of people believed that their operation is better enhanced if government could inject some funds into the system by way of organising bidding sessions and by way of deregulation. By so doing, they are convinced that the system will be better placed to fight the black market. To further consolidate their position, government, it is believed, should also come out with coercive laws against the parallel market.

The bureau de change system being a relatively new institution in Nigeria, should not be treated as an ordinary appendage to the financial system of the economy rather, it should be seen as an important sub-system of the total financial system, especially, in the areas of accountability in foreign exchange business in Nigeria and efficient management of the country's foreign exchange resources.

5.1 RECOMMENDATION:

In light of the appraisal, as well as respondents' opinion poll coupled with the outcome of analysed data and problems identified during the course of conducting research work, recommendations on this study shall be considered from two angles, viz: (a) From the angle of the operator, and (b) from that of the monitoring body - CBN. This is necessarily so because of practical experiences of the way some bureaux conduct their businesses and the personal responses of some CBN staff interviewed on the issue of monitoring the bureaux de change activities. These are experiences and responses which no relevant literature revealed during the course of reviewing them.

(a) To Operators:

Due to developments in various parts of the world, the business environment is becoming increasingly dynamic every day. For a business to achieve its goals and mission of existence, it must be dynamic - keeping abreast of current trends and giving room for changes whenever necessary. Therefore, managing an enterprise vis-a-vis the various environmental factors requires a dynamic and aggressive management that exploits the visionary, expertise and charismatic powers at its disposal from time to time as the business environment dictates.

From the field work and other analysis carried out in the course of this project, it could be seen that the major problem of Bureau de Change in Nigeria is that of inadequate funding and competition, (sometimes unhealthy) from the black market operators.

Inadequate funding affects them both with local and foreign exchange transactions. From this study, one finds out that at times, prospective customers walk up to the Bureaux de Change offices to sell foreign exchange but the Bureaux is not able to provide naira cover for the transaction, so the customer goes away with his business even though the Bureaux is in need of the foreign exchange. Same also goes for buying foreign exchange. The reverse is the case with the black market operators who are ever ready to buy/sell such foreign currency at whatever price and volume.

In addition the lack luster attitude of relevant agencies at enforcing the law prohibiting foreign exchange transaction in the black market is largely responsible for the near failure of Bureaux de Change in Nigeria. Until the provisions of the Law regulating the sale of foreign exchange are strictly enforced, the woes of Bureaux De Change will continue to be.

The bureaux should employ more dynamic and aggressive strategies of obtaining funds to meet their customers' demand. This dynamism and aggressiveness could be directed at corporate bodies, embassies, agencies and other foreign missions that usually deal in large foreign exchange transactions rather than relying only on small dealers in foreign exchange. Since most of the organisations in the Bureau de change business are already existing businesses with stable financial positions, they should also look into other alternative funding strategies.

The Association of Bureaux the change operators in Nigeria (ABCON) should also look into the possibility of organising themselves into a consortium so that they can together meet huge foreign exchange demand from their clients. Government on its part should match its words with action by arresting and prosecuting illegal (black market) operators.

(b) **To CBN**

Originally, it was CBN that issued the guidelines and code of conduct for operating Bureaux De Change in Nigeria. Consequently, it has been supervising all registration processes. In fact going by the terms of the guidelines and code of conduct, it is very clear that the bank has a monitoring role to play in order to ensure strict compliance. But, surprisingly, CBN staff interviewed, most of whom are examiners and assistant examiners, confirmed that they only register and licence bureau de change and ensure returns are made in good time to the bank. Thus, signifying that the bank does not actually monitor their day to day activities as it does in the case of Commercial and Merchant banks. A look around also shows that some of the Bureaux had voluntarily closed shop even though they are not liquidated. The time therefore has come for the Central Bank to commission a group of staffers both at the head office and zonal offices to practically monitor the operations of currency shops. Such commission will not only afford the bank the opportunity of enforcing the guidelines as stipulated but also to constantly review certain terms and clauses vis-a-vis the complaint of operators and prevailing condition.

The Central Bank of Nigeria should also consider computerizing the submission nof returns by Bureaux De Change companies to facilitate processing of such returns. Should computerization be adopted, it will provide a database for Bureaux De Change in Nigeria and also make it easier, than it used to be, to detect, at a glance, which Bureaux De Change does not submit its returns as at when due and action could be taken, more quickly, to ensure compliance.

Considering the effects of the black market on the economy, the CBN backed by the judicial and executive arms of the government, should come up with coersive laws banning the operators from our streets, air and sea ports. However, such legislation depends on the political will and readiness of the government to damn the consequences of such action.

On the whole massive campaign through the media should be launched by operators of Bureaux De Change and their association on one hand and the Central Bank of Nigeria on the other, against the evil inherent in the black market and the consequences of those patronizing them.

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APPENDIX A

Structure for database: C:\BUREAU\MASTER.DBF
Number of data records: 2
Date of last update : 05/03/98

Field	Field Name	Type	Width	Dec	Index
1	CCODE	Character	4		N
2	UNITP1	Numeric	6		N
3	AMTP1	Numeric	10	2	N
4	UNITS1	Numeric	6		N
5	AMTS1	Numeric	10	2	N
6	CB1	Numeric	11	2	N
7	UNITP2	Numeric	6		N
8	AMTP2	Numeric	10	2	N
9	CB2	Numeric	11	2	N
10	UNITS2	Numeric	6		N
11	AMTS2	Numeric	10	2	N
12	UNITP3	Numeric	6		N
13	AMTP3	Numeric	10	2	N
14	UNITS3	Numeric	6		N
15	AMTS3	Numeric	10	2	N
16	CB3	Numeric	11	2	N
17	UNITP4	Numeric	6		N
18	AMTP4	Numeric	10	2	N
19	UNITS4	Numeric	6		N
20	AMTS4	Numeric	10	2	N
21	CB4	Numeric	11	2	N
22	UNITP5	Numeric	6		N
23	AMTP5	Numeric	10	2	N
24	UNITS5	Numeric	6		N
25	AMTS5	Numeric	10	2	N
26	CB5	Numeric	11	2	N
27	UNITP6	Numeric	6		N
28	AMTP6	Numeric	10	2	N
29	UNITS6	Numeric	6		N
30	AMTS6	Numeric	10	2	N
31	CB6	Numeric	11	2	N
32	UNITP7	Numeric	6		N
33	AMTP7	Numeric	10	2	N
34	UNITS7	Numeric	6		N
35	AMTS7	Numeric	10	2	N
36	CB7	Numeric	11	2	N
37	UNITP8	Numeric	6		N
38	AMTP8	Numeric	10	2	N
39	UNITS8	Numeric	6		N
40	AMTS8	Numeric	10	2	N
41	CB8	Numeric	11	2	N
42	UNITP9	Numeric	6		N
43	AMTP9	Numeric	10	2	N
44	UNITS9	Numeric	6		N
45	AMTS9	Numeric	10	2	N
46	CB9	Numeric	11	2	N
47	UNITP10	Numeric	6		N
48	AMTP10	Numeric	10	2	N
49	UNITS10	Numeric	6		N
50	AMTS10	Numeric	10	2	N
51	CB10	Numeric	11	2	N
** Total **			435		

FIG 1

APPENDIX A

Structure for database: C:\BUREAU\BUREAU.DBF
Number of data records: 6
Date of last update : 05/03/98

Field	Field Name	Type	Width	Dec	Index
1	BCODE	Character	3		N
2	BDESC	Character	40		N
3	BAL1	Numeric	13	2	N
4	BAL2	Numeric	13	2	N
5	BAL3	Numeric	13	2	N
6	BAL4	Numeric	13	2	N
7	BAL5	Numeric	13	2	N
8	BAL6	Numeric	13	2	N
9	BAL7	Numeric	13	2	N
10	BAL8	Numeric	13	2	N
11	BAL9	Numeric	13	2	N
12	BAL10	Numeric	13	2	N
** Total **			174		

FIG 2

Structure for database: C:\BUREAU\CURRENCY.DBF
Number of data records: 10
Date of last update : 05/03/98

Field	Field Name	Type	Width	Dec	Index
1	CCODE	Character	4		N
2	CDESR	Character	20		N
3	VALUE	Numeric	15	2	N
** Total **			40		

FIG 3

APPENDIX B

COMPUTERISED BUREAU DE CHANGE OPERATIONS

MAIN MENU

CODE	TASK
A	RETURNS ENTRY
B	ENQUIRY ON RETURNS
C	REGISTRATION PROCESS
D	GENERATING REPORT
E	SYSTEMS EXIT

PICK CHOICE [A,B,C,D or E]:

FIG 1

Enter BUREAU CODE (Press "999" To Exit):

FIG 2

APPENDIX B

BUREAU CODE: 502 BUREAU NAME: ABECO BUREAU DE CHANGE LTD

S/NO	CURR CODE	CURRENCY DESCRIP.	PURCHASE UNIT	PURCHASE AMOUNT	SALES UNIT	SALES AMOUNT	CLOSING BALANCE
1	C001	POUND	20,000	165.00	15,000	180.00	7,500.0
2	C002	DOLLAR	35,000	75.00	32,000	85.50	3,000.0
3	C003	D. MARK	12,000	1.30	11,000	1.45	2,000.0
4	C004	D. GUILDER	50,000	0.80	50,000	1.00	0.0
5	C005	N. GUILDER	12,000	0.50	15,000	0.95	200.0
6	C006	S. FRANC	5,000	1.48	2,500	1.80	2,500.0
7	C007	F. FRANC	8,500	1.75	8,000	2.00	500.0
8	C008	S. CRONER	3,000	3.45	3,000	3.70	0.0
9	C009	J. YEN	35,000	2.50	33,000	2.95	2,500.0
10	C010	I. LIRA	23,000	2.30	20,000	2.50	3,000.0

TO SAVE DATA (Y/N) :

FIG 3

LIST OF CURRENCY BALANCES

S/NO	CODE	CURRENCY DESCRIPTION	CURRENT BALANCE
1	C001	POUND STERLING	500,000.00
2	C002	DOLLARS	1,000,500.00
3	C003	DUTCH MARK	350,000.00
4	C004	DUTCH GUILDER	240,000.00
5	C005	NETHERLANDS GUILDER	245,000.00
6	C006	SWISS FRANC	350,000.00
7	C007	FRENCH FRANC	450,000.00
8	COO8	SWEDISH CRONER	200,000.00
9	C009	JAPANESE YEN	150,000.00
10	C010	ITALIAN LIRA	320,000.00

PRESS ANY KEY TO CONTINUE

FIG 4

APPENDIX B

REGISTRATION OF NEW FIRM

Enter BUREAU CODE (or "999" To Exit): 506

BUREAU NAME: NIGER BUREAU DE CHANGE LIMITED

TO SAVE DATA (Y/N):

FIG 5

REPORT MENU

CODE	TASK
A	MONTHLY RETURNS REPORT
B	CURRENCY BALANCES
C	DAILY TRANSACTION REPORT
D	SYSTEM EXIT

PICK CHOICE [A,B,C or D]:

FIG 6

APPENDIX C

```
set talk off
set stat off
set scor off
set bell off
set date brit
set proc to bureau
do whil .t.
 clea
 @ 0,18 to 2,61 doub
 @ 1,20 say 'COMPUTERISED BUREAU DE CHANGE OPERATIONS'
 @ 3,18 to 22,61 doub
 @ 20,19 to 20,60 doub
 @ 4,33 to 6,45 doub
 @ 5,35 say 'MAIN MENU'
 @ 8,20 say 'CODE'
 @ 8,43 say 'TASK'
 @ 10,21 say 'A'+spac(17)+'RETURNS ENTRY'
 @ 12,21 say 'B'+spac(17)+'ENQUIRY ON RETURNS'
 @ 14,21 say 'C'+spac(17)+'REGISTRATION PROCESS'
 @ 16,21 say 'D'+spac(17)+'GENERATING REPORT'
 @ 18,21 say 'E'+spac(17)+'SYSTEMS EXIT'
 @ 21,25 say 'PICK CHOICE [A,B,C,D or E]:'
 do whil .t.
  sub1=' '
  @ 21,53 get sub1 pict '!'
  read
  if sub1 $ 'ABCDE'
   exit
  endi
 endd
 do case
  case sub1='A'
   do returns
  case sub1='B'
   do enquiry
  case sub1='C'
```

```
    do register
   case sub1='D'
    do report
   othe
    exit
 endc
endd
clea
retu
```

PROC RETURNS

```
sele 1
 use bureau
sele 2
 use master
sno=0
do whil .t.
 sele 1
 sno=sno+1
 go top
 clea
 @ 5,16 to 9,64 doub
 mbcode='   '
 @ 7,18 say 'Enter BUREAU CODE (Press "999" To Exit):' get mbcode
 read
 if mbcode='999'
  exit
 endi
 loca for bcode=mbcode
 mbdesc=bdesc
 mbal1=bal1
 mbal2=bal2
 mbal3=bal3
 mbal4=bal4
 mbal5=bal5
 mbal6=bal6
 mbal7=bal7
 mbal8=bal8
```

```
mbal9=bal9
mbal10=bal10
clea
@ 0,1 say 'BUREAU CODE:' get mbcode
@ 0,25 say 'BUREAU NAME:' get mbdesc
clea gets
@ 1,1 to 24,78 doub
@ 2,2 say 'S/NO'
@ 2,7 say 'CURR'
@ 2,12 say ' CURRENCY '
@ 2,25 say 'PURCHASE'
@ 2,48 say 'SALES'
@ 2,68 say 'CLOSING'
@ 3,7 say 'CODE'
@ 3,12 say ' DESCRIP. '
@ 3,24 say 'UNIT'
@ 3,33 say 'AMOUNT'
@ 3,45 say 'UNIT'
@ 3,53 say 'AMOUNT'
@ 3,68 say 'BALANCE'
@ 4,2 to 4,77 doub
@ 2,6 to 23,6
@ 2,11 to 23,11
@ 2,22 to 23,22
@ 3,30 to 23,30
@ 2,43 to 23,43
@ 3,51 to 23,51
@ 2,64 to 23,64
stor 0 to munitp1,munitp2,munitp3,munitp4,munitp5
stor 0 to munitp6,munitp7,munitp8,munitp9,munitp10
stor 0 to mamtp1,mamtp2,mamtp3,mamtp4,mamtp5
stor 0 to mamtp6,mamtp7,mamtp8,mamtp9,mamtp10
stor 0 to munits1,munits2,munits3,munits4,munits5
stor 0 to munits6,munits7,munits8,munits9,munits10
stor 0 to mamts1,mamts2,mamts3,mamts4,mamts5
stor 0 to mamts6,mamts7,mamts8,mamts9,mamts10
@ 5,3 say sno pict '99'
@ 5,7 say 'C001'
@ 5,12 say 'POUND'
@ 5,23 get munitp1 pict '999,999'
```

```
@ 5,31 get mamtp1 pict '9,999,999.99'
@ 5,44 get munits1 pict '999,999'
@ 5,52 get mamts1 pict '9,999,999.99'
@ 5,65 get mbal1 pict '99,999,999.99'
sno=sno+1
@ 7,3 say sno pict '99'
@ 7,7 say 'C002'
@ 7,12 say 'DOLLAR'
@ 7,23 get munitp2 pict '999,999'
@ 7,31 get mamtp2 pict '9,999,999.99'
@ 7,44 get munits2 pict '999,999'
@ 7,52 get mamts2 pict '9,999,999.99'
@ 7,65 get mbal2 pict '99,999,999.99'
sno=sno+1
@ 9,3 say sno pict '99'
@ 9,7 say 'C003'
@ 9,12 say 'D. MARK'
@ 9,23 get munitp3 pict '999,999'
@ 9,31 get mamtp3 pict '9,999,999.99'
@ 9,44 get munits3 pict '999,999'
@ 9,52 get mamts3 pict '9,999,999.99'
@ 9,65 get mbal3 pict '99,999,999.99'
sno=sno+1
@ 11,3 say sno pict '99'
@ 11,7 say 'C004'
@ 11,12 say 'D. GUILDER'
@ 11,23 get munitp4 pict '999,999'
@ 11,31 get mamtp4 pict '9,999,999.99'
@ 11,44 get munits4 pict '999,999'
@ 11,52 get mamts4 pict '9,999,999.99'
@ 11,65 get mbal4 pict '99,999,999.99'
sno=sno+1
@ 13,3 say sno pict '99'
@ 13,7 say 'C005'
@ 13,12 say 'N. GUILDER'
@ 13,23 get munitp5 pict '999,999'
@ 13,31 get mamtp5 pict '9,999,999.99'
@ 13,44 get munits5 pict '999,999'
@ 13,52 get mamts5 pict '9,999,999.99'
@ 13,65 get mbal5 pict '99,999,999.99'
```

```
sno=sno+1
@ 15,3 say sno pict '99'
@ 15,7 say 'C006'
@ 15,12 say 'S. FRANC'
@ 15,23 get munitp6 pict '999,999'
@ 15,31 get mamtp6 pict '9,999,999.99'
@ 15,44 get munits6 pict '999,999'
@ 15,52 get mamts6 pict '9,999,999.99'
@ 15,65 get mbal6 pict '99,999,999.99'
sno=sno+1
@ 17,3 say sno pict '99'
@ 17,7 say 'C007'
@ 17,12 say 'F. FRANC'
@ 17,23 get munitp7 pict '999,999'
@ 17,31 get mamtp7 pict '9,999,999.99'
@ 17,44 get munits7 pict '999,999'
@ 17,52 get mamts7 pict '9,999,999.99'
@ 17,65 get mbal7 pict '99,999,999.99'
sno=sno+1
@ 19,3 say sno pict '99'
@ 19,7 say 'C008'
@ 19,12 say 'S. CRONER'
@ 19,23 get munitp8 pict '999,999'
@ 19,31 get mamtp8 pict '9,999,999.99'
@ 19,44 get munits8 pict '999,999'
@ 19,52 get mamts8 pict '9,999,999.99'
@ 19,65 get mbal8 pict '99,999,999.99'
sno=sno+1
@ 21,3 say sno pict '99'
@ 21,7 say 'C009'
@ 21,12 say 'J. YEN'
@ 21,23 get munitp9 pict '999,999'
@ 21,31 get mamtp9 pict '9,999,999.99'
@ 21,44 get munits9 pict '999,999'
@ 21,52 get mamts9 pict '9,999,999.99'
@ 21,65 get mbal9 pict '99,999,999.99'
sno=sno+1
@ 23,3 say sno pict '99'
@ 23,7 say 'C010'
@ 23,12 say 'I. LIRA'
```

```
@ 23,23 get munitp10 pict '999,999'
@ 23,31 get mamtp10 pict '9,999,999.99'
@ 23,44 get munits10 pict '999,999'
@ 23,52 get mamts10 pict '9,999,999.99'
@ 23,65 get mbal10 pict '99,999,999.99'
read
@ 24,29 say 'TO SAVE DATA (Y/N): '
do whil .t.
 sub1=' '
 @ 24,49 get sub1 pict '!'
 read
 if sub1 $ 'YN'
  exit
 endi
endd
if sub1='Y'
 sele 2
 appe blan
 repl unitp1 with munitp1,unitp2 with munitp2,unitp3 with munitp3
 repl unitp4 with munitp4,unitp5 with munitp5
 repl unitp6 with munitp6,unitp7 with munitp7,unitp8 with munitp8
 repl unitp9 with munitp9,unitp10 with munitp10
 repl amtp1 with mamtp1,amtp2 with mamtp2,amtp3 with mamtp3
 repl amtp4 with mamtp4,amtp5 with mamtp5
 repl amtp6 with mamtp6,amtp7 with mamtp7,amtp8 with mamtp8
 repl amtp9 with mamtp9,amtp10 with mamtp10
 repl units1 with munits1,units2 with munits2,units3 with munits3
 repl units4 with munits4,units5 with munits5
 repl units6 with munits6,units7 with munits7,units8 with munits8
 repl units9 with munits9,units10 with munits10
 repl amts1 with mamts1,amts2 with mamts2,amts3 with mamts3
 repl amts4 with mamts4,amts5 with mamts5
 repl amts6 with mamts6,amts7 with mamts7,amts8 with mamts8
 repl amts9 with mamts9,amts10 with mamts10
endi
sno=0
endd
clos all
clea
retu
```

```
PROC REGISTER

do whil .t.
 clea
 @ 3,11 to 20,68 doub
 @ 4,26 to 6,53 doub
 @ 5,28 say 'REGISTRATION OF NEW FIRM'
 mbcode=spac(3)
 mbdesr=spac(40)
 @ 9,13 say 'Enter BUREAU CODE (or "999" To Exit):' get mbcode
 read
 if mbcode='999'
  exit
 endi
 @ 12,13 say 'BUREAU NAME:' get mbdesr pict '@!'
 read
 @ 15,27 to 17,52
 @ 16,29 say 'TO SAVE DATA (Y/N):'
 do whil .t.
  sub1=' '
  @ 16,50 get sub1 pict '!'
  read
  if sub1 $ 'YN'
   exit
  endi
 endd
endd
use
clea
retu


PROC ENQUIRY

clea
@ 0,32 say 'LIST OF CURRENCY BALANCES'
@ 1,32 to 1,56 doub
@ 2,11 to 24,67 doub
@ 3,13 say 'S/NO'
```

```
@ 3,20 say 'CODE'
@ 3,28 say 'CURRENCY DESCRIPTION'
@ 3,50 say 'CURRENT BALANCE'
@ 4,12 TO 4,66
use currency
@ 3,18 to 23,18
@ 3,25 to 23,25
@ 3,48 to 23,48
sno=0
r=5
go top
do whil .not. eof()
 mvalue=value
 mccode=ccode
 mdesr=cdesr
 sno=sno+1
 @ r,13 say sno pict '99'
 @ r,20 say mccode
 @ r,27 say mdesr
 @ r,49 say mvalue pict '9,999,999,999.99'
 r=r+2
 skip
endd
@ 24,27 say 'PRESS ANY KEY TO CONTINUE'
set cons off
wait
set cons on
use
clea
retu


PROC REPORT

do whil .t.
 clea
 @ 3,18 to 22,61 doub
 @ 20,19 to 20,60 doub
 @ 4,33 to 6,45 doub
 @ 5,34 say 'REPORT MENU'
```

```
  @ 8,20 say 'CODE'
  @ 8,43 say 'TASK'
  @ 10,21 say 'A'+spac(13)+'MONTHLY RETURNS REPORT'
  @ 12,21 say 'B'+spac(13)+'CURRENCY BALANCES'
  @ 14,21 say 'C'+spac(13)+'DAILY TRANSACTION REPORT'
  @ 16,21 say 'D'+spac(13)+'SYSTEM EXIT'
  @ 21,26 say 'PICK CHOICE [A,B,C or D]:'
  do whil .t.
   sub1=' '
   @ 21,52 get sub1 pict '!'
   read
   if sub1 $ 'ABCD'
     exit
   endi
  endd
  do case
   case sub1='A'
     do rep1
   case sub1='B'
     do rep2
   case sub1='C'
     do rep3
   othe
     exit
  endc
endd
clea
retu
```