

MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE
CENTRAL BANK OF NIGERIA (CBN) AND THE DEBT MANAGEMENT
OFFICE (DMO) ON THE MANAGEMENT OF THE DOMESTIC DEBT

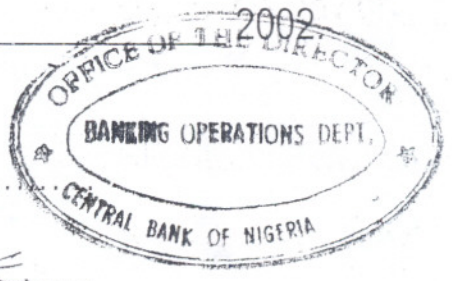
Following the establishment of the Debt Management Office, it has become necessary for the DMO to take over the management of the domestic debt from the CBN. However, due to the unique conditions in the administration of the domestic debt, it is desirable that the take-over be sequenced over a period. Therefore, pursuant to the attainment of the above objective, this MOU prescribes the terms and conditions for the administration of the domestic debt, under the current legislative arrangements.

1. The Debt Management Office, from a date to be mutually agreed with the Central Bank of Nigeria, shall take over the management of the Domestic Debt, either wholly or piecemeal.
2. It is acknowledged that debt management is intimately linked to the operation of monetary policy and that there are some instruments that are of common use to both.
3. The Debt Management Office will cooperate and consult with the Central Bank of Nigeria in the management of Domestic Debt, so as to ensure that its operation complements and does not conflict with the responsibility of the Central Bank of Nigeria in the administration of monetary policy.
4. To facilitate this cooperation, a Joint Domestic Debt Committee comprising representatives of the Central Bank of Nigeria, the Debt Management Office, Office of the Accountant General of the Federation and Federal Ministry of Finance is to be set up to deliberate upon and direct debt policy as well as ensure alignment of Monetary, Fiscal and Debt policies.
5. The Joint Domestic Debt Committee shall meet as and when necessary.

6. The Central Bank of Nigeria shall continue to undertake the underwriting function for all the existing roll over issues of Treasury Bills at the Bank's terms and conditions, until such a time that there are other competent underwriters in the market.
7. A Technical Committee comprising the Central Bank of Nigeria (Banking Operations Department) and the Debt Management Office (Domestic Debt Department) shall be constituted to monitor the weekly auction of Treasury Bills.
8. The Technical Committee shall also perform any other function that may be delegated to it by the Joint Domestic Debt Committee.
9. The Debt Management Office shall collect the "Authority to Issue Warrant" from the Office of the Accountant-General of the Federation, authorizing the issuance of Treasury Instruments during a fiscal year.
10. The Debt Management Office shall have authority to instruct the Central Bank of Nigeria to debit or credit Federal Government account for domestic debt service purposes and other debt management related expenses.
11. The Debt Management Office shall have the authority to open accounts with the Central Bank of Nigeria for the purpose of warehousing funds raised by way of securities issued in the capital market pending their requirements for transfer to the accounts of the Federal Government of Nigeria or for application to the restructuring of existing portfolio of securities.
12. The Joint Domestic Debt Committee shall:
 - (i) Device strategies for liquidation of the Ways and Means Advances within the fiscal year, and without any underwriting by the Central Bank of Nigeria.

- (ii) Explore ways of financing deficits through the development of appropriate, longer term financing instruments reflecting effective asset-liability management.
- 13. The CBN and DMO shall explore ways to develop the nation's government bond market in particular and securities markets in general, to facilitate liquidity management and ultimately lower the cost of government borrowing.
- 14. The DMO shall have access to all pertinent information relating to the nation's domestic debt portfolio on a timely basis.

Dated this day of Tenth April,



SIGNED: [Signature]

NAME: VINCENT OMOIKE

DESIGNATION: DIRECTOR, BANKING OPERATIONS

For and on behalf of CENTRAL BANK OF NIGERIA

SIGNED: [Signature]

NAME: AKIN ARIKAWI

DESIGNATION: DIRECTOR-GENERAL

For and on behalf of DEBT MANAGEMENT OFFICE