Alsec Nominees Limited

Guidelines for Recapitalisation

of banks and other financial institutions

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Background

In a circular dated 28 March 2024, the Central Bank of Nigeria (“CBN” or “Apex Bank”) announced an upward review of the minimum capital requirement for commercial, merchant, and non-interest banks.

The Apex Bank had directed commercial banks with international authorisation to increase their capital base to ₦500 billion and national banks to ₦200 billion. It also directed commercial banks with national licences to meet a ₦200 billion threshold, while those with regional authorisation are expected to meet a ₦50 billion capital threshold.

The CBN explained that the increase was warranted considering prevailing macroeconomic challenges and the effects of both external and domestic shocks. The move aims to strengthen the stability of the financial system, ensure that banks maintain a resilient capital base capable of absorbing unforeseen losses, and enhance their ability to support the growth and development of the Nigerian economy.

CAC's Guidelines for the Recapitalisation of Banks and Other Financial Institutions

On 26 July 2024, the Corporate Affairs Commission ("CAC"/ "the Commission"), pursuant to its powers under Section 8 (1) (e) of the Companies and Allied Matters Act ("CAMA") 2020, issued fresh guidelines for the recapitalisation of Banks and Other Financial Institutions.

The CAC stated that the new guidelines were issued to guide proper filing for the new incorporations, increases in share capital, mergers, and upgrades or downgrades of licence authorisation.

1. **New Incorporations**
   For new incorporations, the CAC stated that intending applicants must submit documentary requirements, including:

a. Approved Name Reservation or Availability;
b. Approval-in-Principle from the Sector Regulator;
c. Duly completed online incorporation form; and
d. Payment of stamp duty and filing fees for the category of license authorisation.

It added that a Certificate of Incorporation will be issued within 24 hours for applications that satisfy all requirements for incorporation of companies prescribed in the Commission's operations checklists, which are available on their website resources.

2. **Increase in Share Capital (via Private Placements, Rights Issues or Offers for subscription)**
   The CAC stated that banking institutions seeking to increase their share capital through private placements, rights issues and/or offers for subscription are required to submit the following documents:

a. Duly signed company resolution;
b. Return of allotment;
c. Statutory declaration by the directors verifying that the issued share capital is fully paid-up;
d. Notice of the fact that regulatory approval is required;
e. Affidavit deposed to by a director of the company to the effect that regulatory approval is required for the increase;
f. Amended memorandum of association reflecting the new share capital;
g. Payment of stamp duties and filing fees;
h. Issuance of a letter acknowledging notice of increase and the requirement of regulatory approval;
i. Filing of regulatory approval; and
j. Issuance of a certificate of increase.

According to the Commission, under this category, notice of the fact that regulatory approval is required must be filed in accordance with Section 127 (3), (4), and (5) of CAMA.
The Commission added that annual returns and information on persons with significant control for the concerned entity must be filed up to date.
Additionally, the CAC will issue a certificate of share capital increase within 24 hours of filing regulatory approval.

3. **Mergers**
   For small and medium banking institutions seeking to merge, the CAC noted that the entity must submit the following documents:

a. Duly signed special resolution for the merger by each of the merging companies;
b. Scheme of Merger duly approved by the Securities and Exchange Commission (SEC);
c. Certified True Copy (CTC) of the Court order authorising the convening of an Extraordinary General Meeting (EGM) of each of the merging companies;
d. Evidence of publication of Court-ordered meeting in two newspapers and the Federal Gazette; and
e. CTC of the Court order sanctioning the Scheme of Merger.
   The annual returns and information on persons with significant control must also be filed up to date for the concerned entity.

4. **Upgrades or Downgrades of Licence Authorisation**
   The CAC stated that there are no consequential filings required.

Conclusion

Given the technicalities involved in navigating these regulatory requirements, it is essential for affected institutions to approach the recapitalisation process with diligence, accuracy, and legal precision.

At Alsec Nominees Limited, we bring extensive expertise in corporate governance and regulatory compliance, positioning us as a trusted partner to guide your institution through every phase of the recapitalisation process. Whether it involves name reservation, incorporation filings, share capital increases, our experienced team is committed to ensuring that all regulatory filings are prepared and submitted accurately, promptly, and in full compliance with the requirements of both the CBN and the CAC.