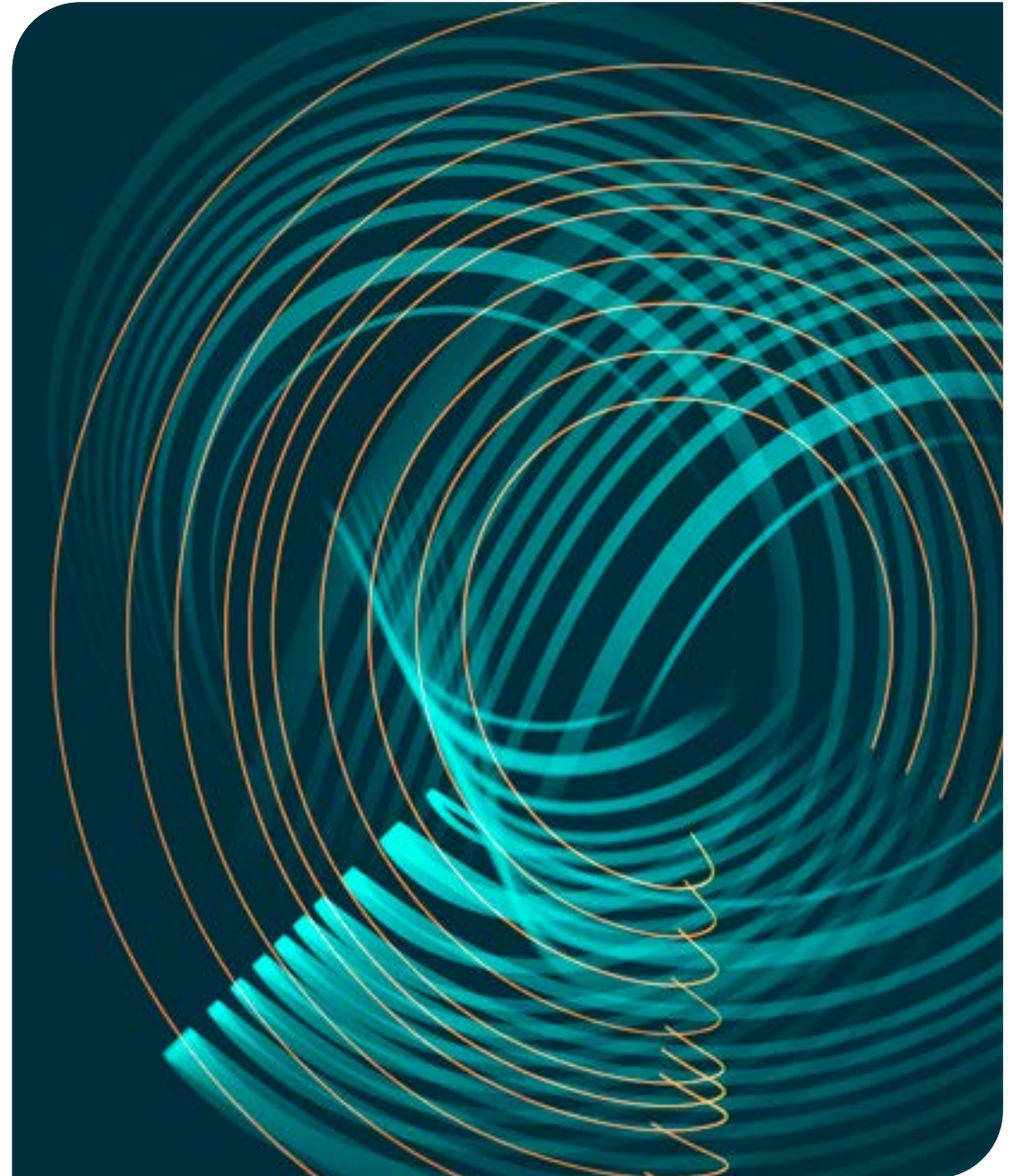




Navigating Change: Central Bank of Nigeria's Revised Minimum Capital Requirements for Banks

Content

Introduction	02
Strategic Options and Implementation Plans for Meeting the New Requirements	02
Implications and Compliance Requirements for Proposed and Existing Banks	03
Conclusion	04



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The Central Bank of Nigeria has raised minimum capital requirements for banks to address economic challenges, effective April 1, 2024. National commercial banks must now hold at least N200 billion, and international banks N500 billion. Banks can comply through capital infusion or mergers, with existing banks given a 24-month transition period. The move aims to bolster the stability and resilience of Nigeria's banking sector for sustainable growth.

In response to prevailing macroeconomic challenges, the Central Bank of Nigeria (CBN) has introduced a substantial adjustment to the minimum capital requirements for commercial banks, merchant banks, and non-interest banks in the country. This strategic initiative underscores

the CBN's dedication to nurturing a secure, resilient, and stable financial system, in line with the provisions of the Banks and Other Financial Institutions Act (BOFIA).

Table: Updated Minimum Capital Requirements for Banks in 2024

Type of Bank	Authorization	Old Minimum Capital (N' Billion) 2010	New Minimum Capital (N' Billion) 2024
Com-mercial	International	50	500
	National	25	200
	Regional	10	50
Merchant	National		50
Non-in-terest	National	10	20
	Regional	5	10

Source: CBN

The CBN had previously implemented a risk-based framework before 2024 to determine the minimum capital requirements for deposit money banks, merchant banks, and non-interest banks. These guidelines defined the tiered structure categorizing banks into

International, National, and Regional licenses based on their capital requirements. The new minimum capital standards, effective from April 1, 2024, entail substantial increments across various bank categories. Specifically, national commercial banks are mandated to maintain at least N200 billion, while international banks are required to hold a minimum of N500 billion. Moreover, merchant banks and non-interest banks face revised thresholds of N50 billion and N20 billion, respectively.

Strategic Options and Implementation Plans for Meeting the New Requirements

To comply with the Central Bank of Nigeria's new minimum capital requirements, banks can explore a variety of strategic options and implementation steps.

For strategic options, banks can consider capital infusion through public offers, rights issues, or private placements. They may also explore mergers and acquisitions with other financial institutions or adjust their licensing status to align with their capital capabilities and business goals.

When it comes to implementation, banks need to start by assessing the gap between their current capital levels and the new requirements. They should then move on to operational execution by engaging stakeholders, preparing

Navigating Change: Central Bank of Nigeria's Revised Minimum Capital Requirements for Banks

necessary documents, and ensuring compliance with regulatory and legal requirements. Market activities, such as carrying out public offerings or mergers and acquisitions, require meticulous planning, execution, and integration. Lastly, reporting and compliance play a crucial role, as banks must submit detailed implementation plans to the CBN by April 30, 2024, and track their progress towards meeting the new capital requirements throughout the transition period.

Implications and Compliance Requirements for Proposed and Existing Banks

Proposed and existing banks must carefully consider the implications and compliance requirements associated with regulatory standards set by the Central Bank of Nigeria and other relevant authorities. Ensuring regulatory compliance is a fundamental aspect for these financial institutions, as it signifies their commitment to financial stability and reliability. By meeting capital requirements, banks can bolster their financial strength and position themselves favorably in the market, potentially leading to increased operational efficiency and competitive advantage.

Compliance entails various facets, including maintaining adequate capital levels, meticulous reporting practices

to showcase financial health and regulatory adherence, robust risk management protocols, undergoing audits and inspections, and continuously monitoring and managing compliance status. These measures not only serve to ensure adherence to regulations but also safeguard the bank's stability, reputation, and competitive standing.

For existing banks, a 24-month transition period has been granted to current banks, running from April 1, 2024, to March 31, 2026, in order for them to meet the new capital requirements. Banks are required to make sure that the minimum capital adequacy ratio (CAR) requirements that are relevant to their license authorization are strictly followed throughout this time. In the event that noncompliance occurs, more funding may be required to address any violations. By April 30, 2024, banks must submit detailed implementation plans outlining their proposed strategy for satisfying the increased capital requirements in addition to the capital injection obligation. To make sure that everyone involved has a smooth transition, the CBN will keep a careful eye on adherence to the deadlines and specifications.

Listed Banks on NGX	Old Share capital plus Premium (N' Million)	New CBN Capital Requirements (N' Million)	Amount to raise (N' Million)
Access Bank	251,811	500,000	248,189
Eco Bank	353,513	500,000	146,487
First Bank	125,340	500,000	374,660
FCMB	125,293	500,000	374,707
Fidelity Bank	129,705	500,000	370,295
GTCO	138,187	500,000	361,813
Stanbic IBTC	109,259	200,000	90,741
Sterling Bank	57,154	200,000	142,846
UBA	116,815	500,000	383,185
Zenith Bank	270,745	500,000	229,255
Wema Bank	15,127	200,000	184,873
Union Bank	148,090	500,000	351,910
Unity Bank	16,331	200,000	183,669

Source: Audited Financial statements

Navigating Change: Central Bank of Nigeria's Revised Minimum Capital Requirements for Banks

The updated minimum capital requirements also apply to potential new entrants into the banking industry. As of April 1, 2024, paid-up capital will be required for all new applications for banking licenses. The CBN will handle pending applications for banking licenses; however, promoters will need to make up the difference between the capital they have deposited with the CBN and the higher capital requirement by March 31, 2026.

Conclusion

The CBN's decision to review minimum capital requirements represents a proactive measure aimed at bolstering the resilience and stability of Nigeria's banking sector amidst evolving economic dynamics. By elevating capital thresholds and providing a structured framework for compliance, the CBN seeks to fortify the financial system's capacity to support sustainable economic growth and development in Nigeria.

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