



Capital Surge: CBN's Recapitalization Drive for Nigerian Banks

On March 28, 2024, the Central Bank of Nigeria (CBN) announced a significant upward revision to the capital requirements for banks within Nigeria. This revision, rooted in the Banks and Other Financial Institutions Act (BOFIA), aims to enhance the financial stability and solvency of banks, thereby contributing to the broader economic growth of the country.

What You Need to Know About the CBN Announcement:

- **Purpose:** The recapitalization drive seeks to enhance banks' capital base, equipping them to absorb financial shocks and improve the overall health of the financial ecosystem. This initiative is

geared towards building strong banks that can support Nigeria's economic needs through increased lending capabilities.

- **Who It Affects:** It affects commercial, merchant, and non-interest banks, with each category facing tailored capital requirements to reflect their operational risks and scope.
- **New Capital Requirements:** For commercial banks, the CBN has set differentiated minimum capital requirements based on the license scope - N500 billion for international licenses, N200 billion for national, and N50 billion for regional operations. Merchant banks must meet a N50 billion threshold, while non-interest banks require N20



billion and N10 billion for national and regional licenses, respectively.

- **Compliance Period:** Banks have a two-year window, from April 1, 2024, to March 31, 2026, to align with these new requirements.
- **Pathways for Capital Increase:** Banks may need to pursue various strategies to meet the capital increase, including public offerings, private placements and investments, rights issues, mergers or acquisitions, asset sales, upgrade or downgrade of license authorization and strategic business model adjustments.
- **Exclusions and Requirements:** The directive clarifies that Shareholders’ Fund and Additional Tier 1 Capital do not count towards meeting the minimum capital, highlighting the push for genuine capital growth.
- **Impact on Current Applications:** The CBN will continue to process existing bank applications, provided the capital meets the revised requirements by March 2026.
- **Service Continuity:** Despite these changes, banks’ service delivery is expected to remain

uninterrupted, ensuring consumer banking activities proceed as usual.

Strategic Considerations for Banks:

This capital adjustment period is more than a compliance checkpoint; it is an opportunity for strategic realignment and enhancement of competitive edge. Banks are encouraged to rethink their business models, possibly leading to sector consolidation and heightened innovation.

Moving Forward

As the banking sector navigates these changes, SimmonsCooper Partners is ready to provide clients with expert legal advisory services. Whether it is banking, investments, mergers, acquisitions, capital markets, or regulatory compliance, our team is equipped to guide you through the evolving landscape.

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For insights into leveraging the CBN’s recapitalization requirements to your advantage or any other legal advisory needs, please reach out to us at www.scp-law.com or via email at info@scp-law.com.