

# CENTRAL BANK OF NIGERIA, ABUJA



## Revocation of the Operating Licence of Express Discount Limited

Gentlemen of the Press,

Distinguished Ladies and Gentlemen,

I welcome you all to this very important briefing.

Section 2 paragraph (d) of the Central Bank of Nigeria (CBN) Act, 2007 confers on the CBN, the responsibility of promoting a sound financial system in Nigeria. Under this mandate, the Banks and Other Financial Institutions Act (BOFIA) 2004, further confers on the CBN, the powers to supervise and regulate the banks and other financial institutions in Nigeria.

Pursuant to the foregoing, the CBN wishes to make the following statement with regard to Express Discount Limited (EDL):

Express Discount Limited (EDL), with headquarters at Marine Plaza View, 60 Marina, Lagos Island, was incorporated on the 25th of November, 1992, as a private limited liability company and was licensed by the Central Bank of Nigeria (CBN) on the 22<sup>nd</sup> of July, 1993 to carry on business as a discount house. It commenced operations on the 23rd of July, 1993.

### **MAJOR ISSUES IDENTIFIED WITH THE MANAGEMENT OF EDL**

In 2006, the licences of some financial institutions, which were shareholders of EDL, were revoked due to their inability to meet the prescribed capital requirements. Furthermore, some other shareholders which held about 42% of the company's shares had their operating licences revoked in 2011 and their assets acquired after

being adjudged to be in grave financial condition. Over time, this led to the deterioration of EDL's financial position. In addition to the foregoing, the shareholders failed to exercise the necessary due diligence and oversight over the activities of the Management of EDL.

CBN's examination of EDL's operations revealed that the company:

- i. maintained false and misleading books of account
- ii. had huge exposure to Margin Loans
- iii. engaged in activities in contravention of Discount House guidelines
- iv. indulged in distress borrowing by sourcing funds at rates higher than it could earn by investing the funds
- v. had negative shareholders' funds and required a minimum capital injection of N21 billion if the company was to continue operation.

In the light of these findings, the Board of EDL, in November 2011, relieved the Managing Director/Chief Executive Officer of his appointment.

Following the removal of the MD/CEO, the CBN directed the Board to take necessary steps towards ameliorating the situation, and this included the injection of fresh capital. However, the shareholders foreclosed any injection of fresh capital into EDL's operation but rather predicated their recapitalisation plan upon a bail-out possibility from the CBN. The CBN, however, did not see any justification for the injection of funds to rescue the discount house as its total assets constituted only 0.3% of the banking industry assets. Therefore, its failure would not in any way precipitate or constitute a systemic crisis.

Mindful of the fact that EDL no longer had sufficient assets to meet its liabilities, and the shareholders had been unable to inject the capital required for the continuation of its operations, the CBN, in exercise of its powers, revoked the operating licence of Express Discount Limited, with effect from 18<sup>th</sup> July, 2013 as contained in the Federal Government Official Gazette No. 49 Vol. 100 of 19<sup>th</sup> July, 2013. A liquidator

will be appointed for the company as required by extant laws to resolve its assets and liabilities.

Thank you.

**TOKUNBO A. MARTINS**  
**DIRECTOR OF BANKING SUPERVISION**  
**CENTRAL BANK OF NIGERIA**

**ABUJA**

**26<sup>th</sup> July, 2013**