

CBN DRAWS UP CONTIGENCY PLAN FOR WEAK BANKS

As the deadline for the banking sector consolidation exercise approaches, the Central Bank of Nigeria (CBN) has drawn up a contingency plan to ensure the fusion of those weak banks yet to come up with firm arrangements towards meeting the mandatory N25 billion capital requirements.

This was disclosed by the CBN Governor, Prof. Charles Soludo at a press briefing Monday, November 14, after a meeting with the Chairman/Chief Executives of the affected banks on how to provide necessary safe-landing for the weak banks in the industry.

According to the CBN Governor, the meeting was to evaluate the options available to the banks that have neither been able to comply with the capital requirements on their own nor able to find suitable merger partners.

Prof. Soludo hinted that the Alliance Bank Group, which is made up of nine banks has up till the end of November, 2005 to come up with a resolution to merge, since the banks are expected to submit the final resolution and their licences by December 7, 2005.

The CBN would give a pre-merger consent on November 16, 2005. Also, an extraordinary General Meeting is slated to hold by November 30, while simultaneous submission of Resolution to merge and licences will take place by December 7, 2005 and evaluation of proposals to be conducted by December 14, 2005.

Prof. Charles Soludo further gave assurances that no depositor will lose his or her money, even, if a bank fails to meet the N25 billion capital requirements by December 31, 2005. Elaborating, he stated that the game plan is for CBN to take necessary steps to make sure that depositors get their money as quickly as possible without delay, should any of the banks fail to meet the target.

The Governor also said that two other banks have made proposals aimed at meeting the mandatory capital requirements on their own. The Governor explained that the banks can only recapitalize either by securing some foreign fund or by any of the directors writing a cheque to make up for short fall. By this, the Governor foreclosed the idea of any bank going to the capital market anymore to raise fund.