

TIT-BITS Vol. 8

HIGHLIGHTS OF THE BANKS  
AND OTHER FINANCIAL  
INSTITUTIONS ACT 2020

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AFRICA | LONDON | NEW YORK | SYDNEY

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On November 12, 2020, President Muhammadu Buhari signed the Banks and Other Financial Institutions Bill 2020 into law. The Banks and Other Financial Institutions Act 2020 (the “**Act**”) repeals the Banks and Other Financial Institutions Act Cap. B3 Laws of the Federation of Nigeria 2004.

The Act prohibits the carrying on of any banking businesses in Nigeria except by a company incorporated in Nigeria and holding a valid licence issued by the Central Bank of Nigeria (“**CBN**”).<sup>1</sup>

Some of the major highlights of the Act are as follows:

1. The requirement that every Bank must maintain at all times, capital funds unimpaired by losses, in such ratio to all or any assets or to all or any liabilities of the Bank and all its offices in and outside Nigeria as may be specified by the CBN, failing which such Bank may (amongst others) be prohibited from paying cash dividends to its shareholders;<sup>2</sup>
2. The imposition of conditions for payment of dividends by Bank such as adequate provision to the satisfaction of the CBN, for actual and contingent losses on assets, liabilities, off balance sheet commitments and such unearned incomes as are derivable therefrom;<sup>3</sup> and
3. The introduction of a special credit tribunal for the enforcement and recovery of eligible loans by financial services Banks, specialized Banks or other financial institutions.<sup>4</sup>

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<sup>1</sup> Section 2(1).

<sup>2</sup> Section 13(1) and (5).

<sup>3</sup> Section 16(1)(b).

<sup>4</sup> Section 102 and 115.

