**The management of banks and the right of shareholders under the assets management corporation of Nigeria**

ABSTRACT

The Asset management corporation of Nigeria Act seeks to establish the Asset Management Corporation of Nigeria for the purpose of efficiently resolving the non – performing loan assets of banks in Nigeria and for related matters. Within the years under review of this study, the banking industry, as well as Nigeria economy was characterized by unprecedented financial and economic crisis, which led to the effect of the crisis of the stock market collapsed by 70 percent in 2008 – 2009 and many Nigerian banks sustained huge losses, particularly as a result of their exposure to the capital market and down – stream oil and gas sector. Based on these problems in the banking industry and the effect of globalization it influence the interest in this study. The general objective of the study is to determine the present state of the law on Asset Management of bank and the right of shareholders. The research is interdisciplinary in scope and addresses both legal and socio-economic issues. To ascertain information for this research work, doctrinaire research methodology was used, while the secondary data element of empirical research where data from Assets Management Corporation of Nigeria (AMCON) was used as source of information to illustrate the work. The findings stated that the right of shareholders depended largely on provisions in a corporation charter and by-law; that shareholders in a corporation are shielded from personal liability for debts and obligations of the corporation, and also, that the consolidation programme were necessitated by the need to strengthen the banks, thereby playing pivotal roles in driving development across the sector of the economy. The study recommended adequate practices of banking laws and regulations within the industry, risk – focused and rule based regulatory framework, strict enforcement of corporate governance principles in banking, expeditions process for rendition of returns by banks and other financial institutions through – efass and finally the revision and updating of relevant laws for effective corporate governance and ensuring greater transparency and accountability in the implementation of banking laws and regulations.

**CHAPTER ONE**

**INTRODUCTION**

**BACKGROUND TO STUDY**

Investors who purchase corporate stocks enjoy a number of rights pertaining to their ownership the rights of shareholders depends largely on provisions in a corporation charter and by- laws. These are the first document which a share holder should consult when determining his or her rights in a corporation.

The recent experience from the global financial crisis has further underscored the imperatives of countries to embark on banking reforms on a regular basis. As we are all aware the world economy was hit by an unprecedented financial and economic crisis in 2007-2009 that resulted in a global recession. This crisis led to the collapse of many world-renowned financial institutions and even caused an entire nation to be rendered bankrupt.

Therefore, it is on this background that a painstaking surgery will be made on this dissertation, the Management of Banks and the Right of Shareholders under the Asset Management Corporation of Nigeria which is designed to take care of current development in the law of banking so as to meet the challenges of the 21st century and to help to stimulate the recovery of the financial system from the recent crisis by boosting the liquidity of troubled banks in which the central bank of Nigeria was forced to intervene and increase access to restructuring/ refinancing opportunities for borrowers.

**1.2 STATEMENT OF PROBLEM**

The recent experience from the global financial crisis has further underscored the imperatives of countries to embark on banking reforms on a regular basis. As we are all aware, the world economy was hit by an unprecedented financial and economic crisis in 2007-2009 that resulted in a global recession. This crisis led to the collapse of many world-renowned financial institutions and even caused an entire nation to be rendered bankrupt.

In Nigeria, the economy faltered and was hit by the second round effect of the crisis of the stock market collapsed by 70 percent in 2008-2009 and many Nigerian banks sustained huge losses, particularly as a result of their exposure to the capital market and down-stream oil and gas sector.

Therefore, the Central Bank of Nigeria (C.B.N) had to rescue 8 of the banks through capital and liquidity injections, as well as removal of their top executives and consequent prosecution of those who committed some infraction. These actions became necessary to restore confidence and security in the banking system.

**1.3 AIMS AND OBJECTIVES**

The objective of this dissertation, the Management of Banks and the Right of Shareholders under the Asset Management Corporation of Nigeria is to examine the present state of the law on Asset management of banks and the right of shareholders.

The law of the above management of banks and the right of shareholders is to be found in the statutory law, reported decisions and dicta of judges, articles and journals and reports from the internet facilities.

This dissertation also aims at helping to stimulate the recovery of the financial system from recent crisis by boosting the liquidity of troubled banks through buying their non- performing loans, helping in the recapitalization of banks in which the CBN was forced to intervene and increase access to restructuring/refinancing opportunities for borrowers.

Banking reforms in Nigeria is an integral part of the country wide reform programme undertaken to reposition the Nigerian economy to achieve the objective of becoming one of the twenty (20) largest economies by the year 2020.

**The Scope of Study**

The research work seeks to look at Asset management corporation of Nigeria Act seeks to establish the Asset Management Corporation of Nigeria for the purpose of efficiently resolving the non – performing loan assets of banks in Nigeria and for related matters.

**Research Methodology**

This research used the doctrinal research method, which is library oriented. The materials used are primary documents such as legislations (legislative enactment), decision of superior courts of records (case law) and secondary documents such as discussions, analysis and criticisms made by legal luminaries in textbooks and periodicals, articles and journals.It also used the Empirical method, which is field oriented research through collection of facts and data through interview.

**Literature review**

Kosmidou Kyriaki and Zopounidis have stated that Asset Liability Management is an important dimension of risk management, where the exposure to various risks is minimised while maintaining the appropriate combination of asset and liability, in order to satisfy goals of the firm or the financial institution. The authors have discussed in brief models that were developed regarding the optimal management of the assets of the firms, the risk, the return and the liquidity namely Stochastic

Programming.

**Subrahmanyam Ganti (Dr.)** has observed in article “Asset Liability Management for Banks in a Deregulated Environment” that Asset Liability Management (ALM) is a philosophy under which banks can target asset growth by adjusting liabilities to suit their needs. The focus of ALM should be the bank profitability and long term operating viability. The author has contended that a large size bank using interest sensitive funds should aim at an equally interest sensitive asset structure to ensure a stable flow of net interest income whereas a small sized bank with a predominantly retail deposit mix of fixed nature needs to aim at fixed-rate earning assets.

**Sinkey Joseph (Jr.)** 19 referred to Asset Liability Management (ALM) as coordinated management of a bank’s balance sheet to allow for alternative interest-rate and Liquidity Scenarios. The total variable of ALM in the short run is Net Interest Income (Nil) or its ratio form Net Interest Margin (NIM=NII/Earning Assets). This accounting approach determines the change in a bank’s Nil as the product of unexpected changes in interest rates and its dollar gap (i.e. the difference between rate sensitive assets (RSAs) and rate-sensitive liabilities (RSLs