



AMCON

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AMCON; End in Sight?

News reports citing the Finance and Coordinating Minister of the Economy Wale Edun say the federal government is working towards ensuring the Asset Management Corporation of Nigeria (AMCON) is wound down as soon as possible. The Minister, however, noted that the ability of the bad bank to be wound down after nearly thirteen years of operation would depend on its ability to offset its huge liabilities estimated at c.N3 trillion. As initially conceived, AMCON was not to remain in perpetuity but was to exist for only 10 years. However, the inability to recover loans bought has led to an extension of the tenor of existence of the corporation.

AMCON was established in 2010 to buy the Non-Performing Loans (NPLs) of Nigerian banks with a view to stabilising the banking system and is currently being funded by a combination of loan recoveries, contributions from the Central Bank of Nigeria (CBN), sale of assets pledged, and a sinking fund levied on the banks. Banks were initially mandated to contribute 0.3% of total assets to the sinking fund. This was further increased to 0.5% of total assets plus total off balance sheet assets. The AMCON 2010 Act was amended in 2021 to increase the tenor of the resolution cost fund and to give the corporation the power to take charge, manage, or sell off assets traced to debtors, even if such assets were not registered as security for the loan in default.

AMCON has made countless efforts to try to recover the bad loans acquired but has not been very successful. The bank had in December 2015 stated that a weak economy was hindering efforts to recover billions of dollars of loans and other assets it took on expected to be paid off in 10 years. The bank had applied several unconventional methods to recover these loans such as the naming and shaming of debtors, the establishment of a presidential inter-agency committee, and amendments to the initial law. While we struggle to see what can be done differently to recover these loans, we note that winding up AMCON would be a relief for banks as AMCON charge over the years has become a significant proportion of total operating expenses, making up an average of 17.4% of operating expenses as of FY 2022.

MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	49,644.92	51,251.06	68,334.68
Naira / US\$	435.68	461.50	744.97
Brent, US\$/bbl	92.83	85.91	89.35
MPR %	14.00	16.50	18.75

Source: Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index

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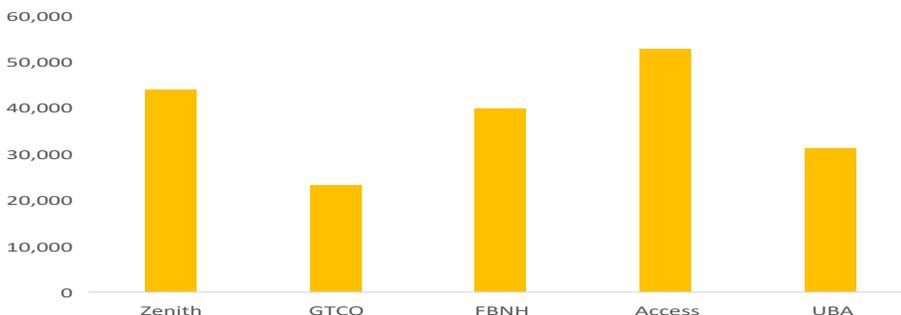
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Tier 1 Banks AMCON Levy FY 2022 (Nm)



source: company reports, CSL Research



News headlines:

Dollar debts: CBN repays banks next week, naira may rebound: The Acting Governor of the Central Bank of Nigeria, Folashodun Shonubi, has said the apex bank will repay banks all outstanding forward contract debts in the next one to two weeks. Although he did not disclose the total amount of the outstanding dollar debts, a report by JPMorgan, a United States-based bank in a recent report put the total amount of forward contract debt owed by the CBN at \$6.84bn. The acting CBN governor who also dismissed the JPMorgan report, however, said the apex bank had been discussing with banks for a while, adding that the forward contract debts would be repaid in one or two weeks. Shonubi, who spoke in Lagos, said, "There is no outstanding \$7bn as claimed by JP Morgan. It was just their opinion that was put on paper, and many people jumped on it. Source: Punchng.com

<https://punchng.com/dollar-debts-cbn-repays-banks-next-week-naira-may-rebound/>

FG Declares Petrol Subsidy Removal Irrevocable, Rallies Banking Sector: Vice President Kashim Shettima, yesterday declared that the decision to end the petrol subsidy regime by the administration of President Bola Tinubu was irrevocable as he rallied the financial sector to support current efforts aimed at returning the economy on the path of inclusive growth. Shettima, said the removal had already increased the amount of monthly revenues distributed among the federal, states and local governments to meet their financial obligations and enable them to serve the people better. He added that the administration was working towards a future where no leader would grumble over the lack of funds to pay salaries or complete projects. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/09/06/fg-declares-petrol-subsidy-removal-irrevocable-rallies-banking-sector>

Forex turnover hit N22tn in seven months on FMDQ: The turnover of foreign exchange on the FMDQ hit N22.98tn (\$44bn) in the period between January and July 2023. This was revealed in the August edition of the FMDQ Spotlight, a monthly publication by the exchange. FMDQ is now the only recognised forex market following harmonisation of the foreign exchange rates by the Central Bank of Nigeria in June. In the newsletter, the exchange revealed that for the 141 business days within the period under review, the average daily turnover stood at N866.21bn (\$1.67bn). The average year-to-date for naira was N519.35 per dollar. Commenting on the turnover, the exchange said, "The total turnover for the January – July 2023 period amounted to N122.14trn. Source: Punchng.com

<https://punchng.com/forex-turnover-hit-n22tn-in-seven-months-on-fmdq/>

FG to deliver Abuja airport's second runway in 12 months: The Federal Government has said it will deliver the second runway of the Nnamdi Azikiwe International Airport (NAIA) within 12 months. Festus Keyamo, the Minister of Aviation and Aerospace Development, who made this known during the inspection of facilities at the NAIA on Tuesday in Abuja, said the government had resolved the lingering issues on community compensation that affected the initiative's commencement. "On the second runway, I have to go and meet the FCT Minister to clear the obstacle. As of today, my report is that the communities have started receiving the money we disbursed. "The Chinese company handling the project said it would clear the place next week and move to the site. So, we will invite Mr. President to come and commission it," he said. Source: businessday.ng

<https://businessday.ng/news/article/fg-to-deliver-abuja-airports-second-runway-in-12-months/>

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Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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