



# What CAMA 2020 means for your Professional Practice.

**A Presentation at the Webinar:**

The Nigerian Institute Of Quantity Surveyors

by

Tunji RABIU, FCA, CPA

Operations Director, The Convention on Business Integrity (CBI)



# About Us

Established 25 years ago, the **Convention on Business Integrity (CBI) Nigeria** is a non-governmental organisation was setup to promote ethical business practices, transparency

Our mission is to work with people in zones of weak governance to **build integrity** and **resilience** into the transactions, systems and institutions on which they depend for their growth and survival. So that many more can **sustainably choose integrity over corruption.**



# A Brief about the Presenter



Mr Tunji Rabiou FCA, CPA, CGA, BSc is the Operations Director at CBI. He oversees the operations and finance functions of the organisation. Mr. Rabiou comes with a wealth of experience, having worked the immediate past General Manager Business Operations of Forte Oil Plc, Chief Internal Auditor of Virgin Nigeria Airways and Friggoglass Industries.



# Session Etiquette

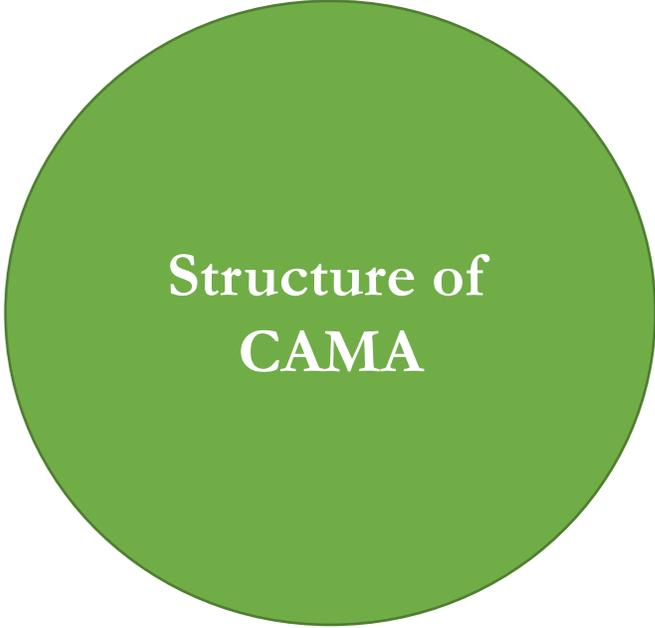
- Introduce yourself
  - Your name
  - Your Role
  - What you hope to gain from this session
- Please **mute** your mic when you are not speaking.
- Please **raise your hand** using the button when you want to ask a question or type in the chat box.
- Your **contribution** makes the session lively, so ensure to **participate actively**





# At the end of this Session...

Participants will understand the:



Structure of  
CAMA

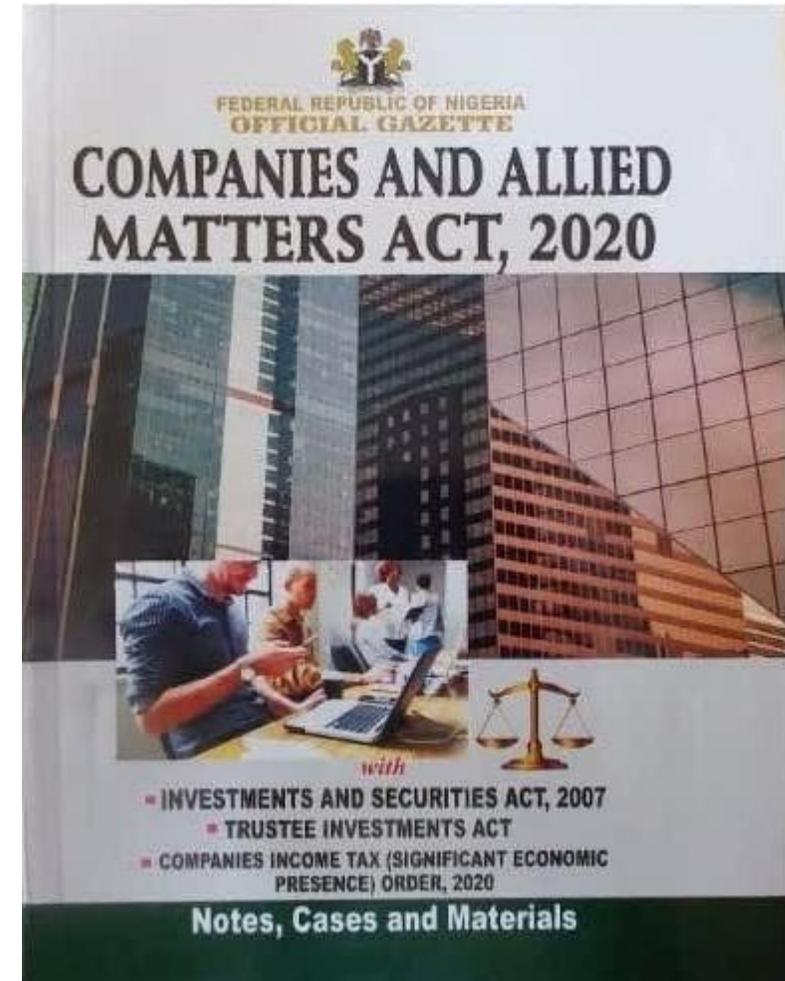


Key Changes  
in CAMA 2020



# Why CAMA Matters?

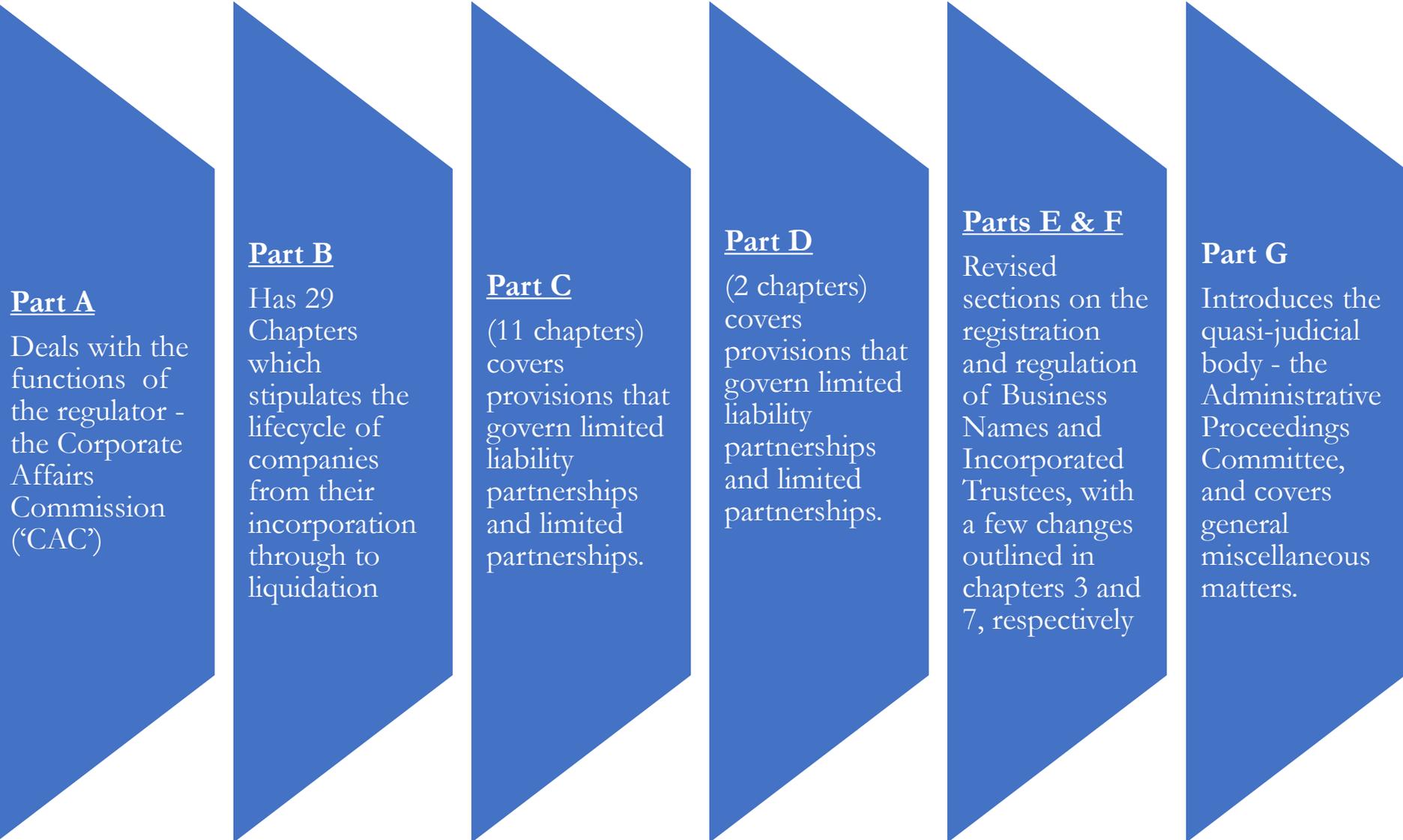
- Overriding Objective is to optimize corporate regulation in Nigeria.
- Minimize the compliance burden of SMEs
- Enhance, transparency and shareholder engagements
- Promote a friendly business climate





The Act has 870 sections classified into parts and chapters

# Structure of CAMIA





# Key Changes to CAMA 2020

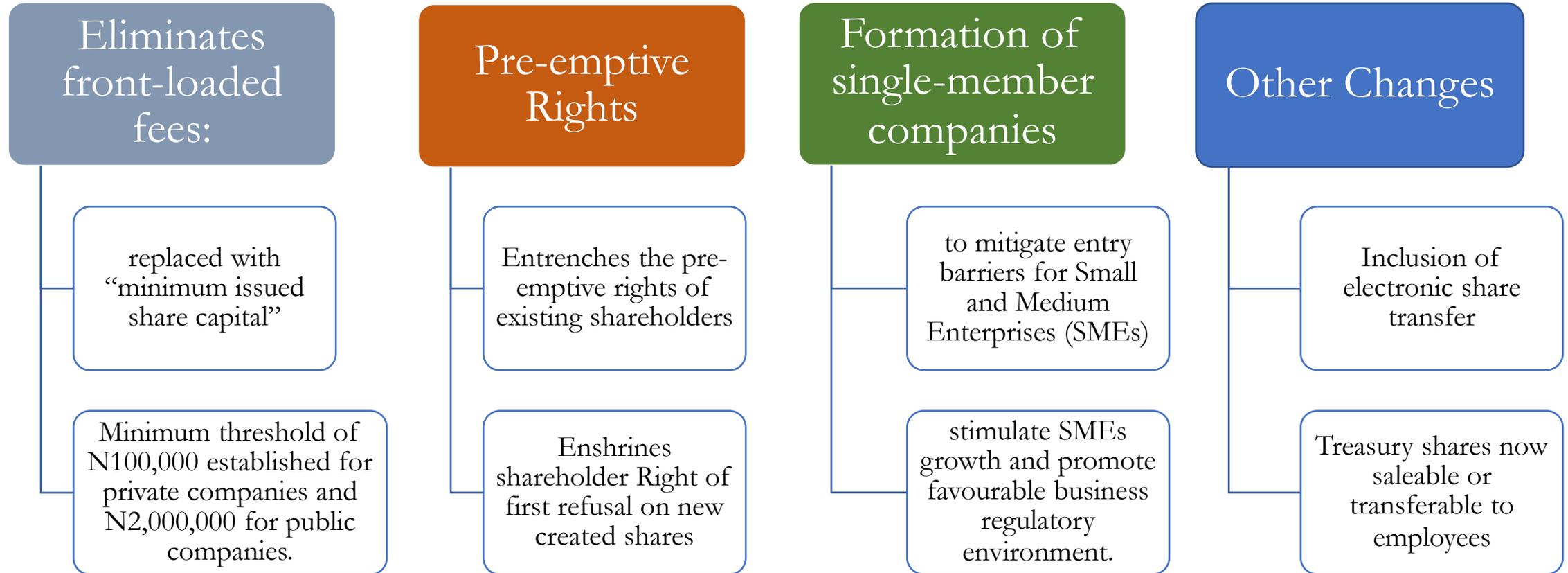


# Business Registration

- Expansion of CAC's oversight powers - conferred quasi-legislative power.
  - Electronic registration and filing
  - Creates a Model Articles of Association
  - Unrestricted business object for incorporated companies, ultra vires rule removed
  - Flexibility on Attorney General's consent for companies limited by guarantee – register intention / call for objections in 3 national dailies.
  - Promoter's statement of compliance (statutory declarations by legal practitioners no longer required)
- Creates a robust framework for Company Registration
    - changing forms from private to public; from limited to unlimited or limited by guarantee, or vice versa.
    - A notable implication includes multi-directional conversions, flexibility and protection of shareholders' rights during conversion process.



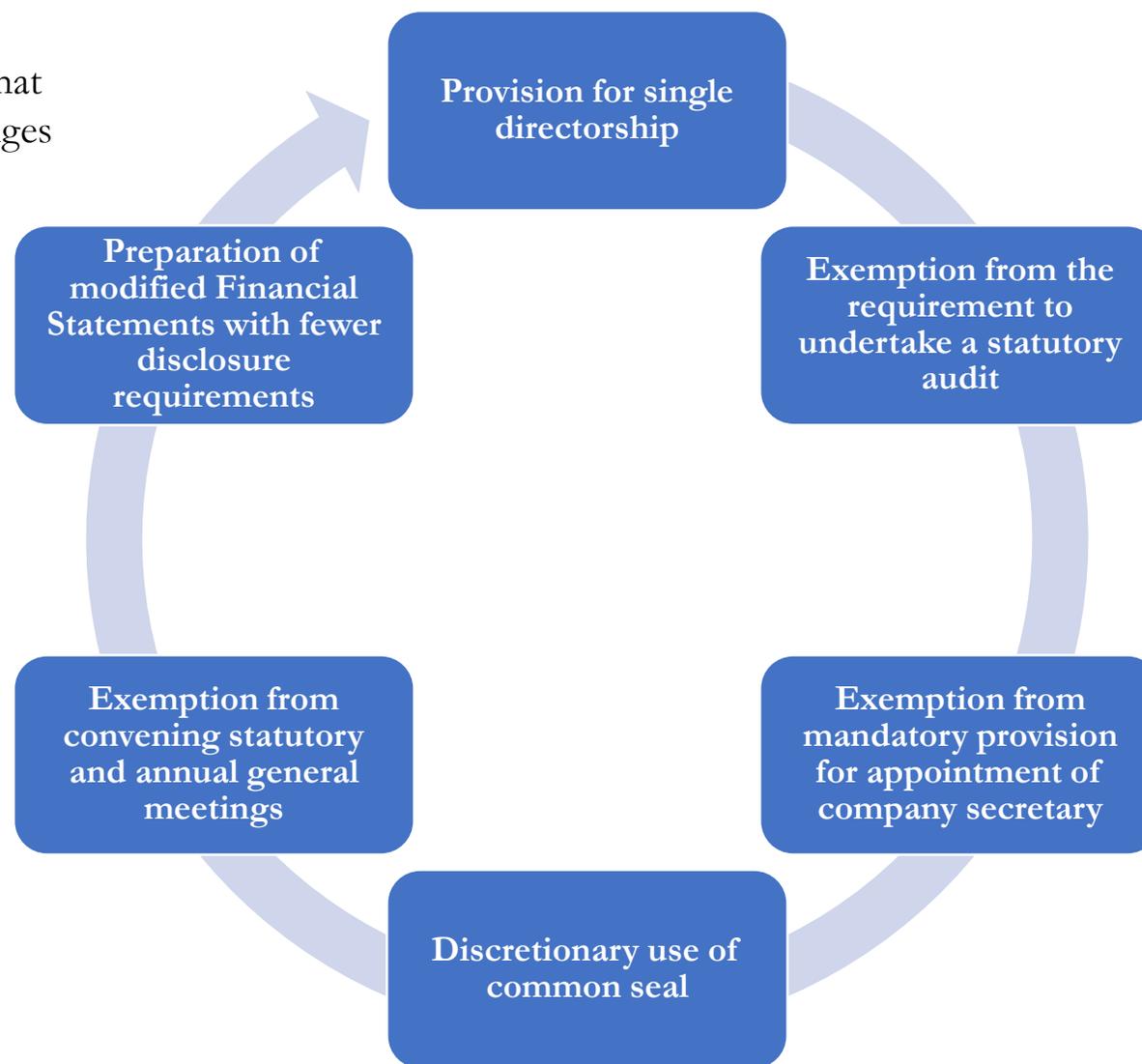
# Share Capital





# Compliance Requirement for MSMEs

CAMA 2020 brought in changes that benefit small companies. Key changes include:



*Note: The tax laws require audited books to assess companies properly to tax.*

# Disclosure of Significant Control and Beneficial Ownership



Shareholders who hold shares in trust for another person are now required to disclose that fact, and to state the identity of the beneficial owner of the shares.

New shareholders to notify and disclose acquisition of substantial shareholding control to all companies.

All companies to file the particulars of their substantial shareholders with the CAC (within a month)

Company must notify the CAC whenever there are any changes in substantial shareholding structure

Companies to include details of substantial shareholders in their annual return.



# Legal Framework for Registering Limited Partnerships (LPs) and Limited Liability Partnerships (LLPs)

Changes to the legislation covers:

- Registration, assignment and transfer of rights, dissolution and other compliance requirements.
- Structures are now available to investors across the entire Federation.

## Limited Partnerships

- Some partners have limited liability (similar to the shareholders of a company)
- At least a general partner (with unlimited liability).

## Foreign limited liability partnerships

- Recognizes LLPs registered outside Nigeria
- Empowers the Minister to exempt a foreign LLP from the requirement to set up a local vehicle.

## Limited Liability Partnerships –

- Ascribes incorporation status to LLP
- Perpetual succession and power to acquire, own, and dispose of property.
- Required at least two designated partners as compliance officers (for administrative purposes only)
- Partners and the LLP have separate legal personalities.
- LLPs able to appropriate benefits of both companies and partnerships –
  - benefits of companies, such as limited liability and benefits of a partnership, such as tax transparency at the LLP level.



# Framework for Handling Insolvency Issues

The legislation expanded the insolvency framework to include tools focused on Business Continuity.

- Where business failure is inevitable, available tools include:

**Administration:** Pursue the best strategy that maximises stakeholders' return. Attempt liquidation only if business continuity is not feasible.

**Board of Directors Voluntary Arrangements:** debt terms renegotiation, scheme of arrangement etc, to drive survival.

**Share Transfer Scheme or Take-overs:** (subject to Scheme and Contract); non violation of 30% threshold.

**Striking off** - (yet to commence business only), CAC removes name rather than going through liquidation process.

**Netting:** for the over-counter derivatives & related instruments; to mitigate risk of credit and settlement (insolvency of one of the parties).



# Corporate Governance Enhancement

## Independent Directors (Public Entities)

- Qualifications, appointments and minimum threshold for Independent Directors (ID) in public companies.
- Three major changes
  - A minimum of three
  - Oblige any shareholder with the power to nominate the majority of the members of the Board to nominate at least three independent directors
  - Qualification excludes (within the past 2 years) nominees or his relatives from:
    - Ownership of more than 30% shares (in conflict with NCCG 0.001% of paid-up share capital).
    - Employee of the company
    - Acted as the auditor
    - Paid or received N20m or have 30% in shares of company that paid or received.



# Corporate Governance Enhancement (cont'd)

## Dual position of Chairman and CEO (Public Entities).

- Reiterates prohibition of the MD/ CEO as the Chairman of the same Company
- Restricts the Chairman from the day-to-day affairs
- Limits; maximum of 5 public entities per a director.

## Responsibility of CEO and CFO for financial statements

- Attestation no longer any 2 directors but only the CEO and CFO, both liable for wrong assertions.

## Minority Shareholders Protection

- Shareholders now have power to bring derivative action against a company and its affiliated entities.
- enhances minority shareholders' rights
- seeks to promote transparency in corporate governance in Nigeria

## Virtual Meetings.

- permit for only private companies

## Financial Assistance Rules

- Permits own shares acquisition, subject to certain conditions
- The conditions include non-reduction of net assets, or where reduced, such assistance should be financed out of distributable profits.
- Further, a special resolution of the shareholders
- a declaration of the directors in a form to be prescribed by the CAC.



# Corporate Governance Enhancement (cont'd)

## Incorporated Trustees - merger provisions and suspension of trustees

- The Act has introduced an avenue for Incorporated Trustees (IT) with similar purposes to merge.
- CAC to suspend Trustees and appoint Interim Managers (suspension in public interest or misconducts)

## Administrative Proceedings Committee (the APC).

An administrative tribunal to:

- act as an arbiter of first instance for resolving disputes or grievances arising from the operations of the Act.
- impose administrative penalties for contraventions of the Act.

APC may however face objections to its jurisdiction because the provisions of Section 251(1)(e) of the 1999 Constitution (as amended) **exclusively** empowers the Federal High Court to adjudicate on any disputes arising from the operation of CAMA.



# Conclusion

- Complement the key objectives of the Presidential Enabling Business Environment Council (PEBEC) in improving the investment climate and business environment in Nigeria.
- To address some of the difficulties faced by businesses (such as administrative bottlenecks, high compliance costs, etc.)
- Lead to significant improvements in the country's Ease of Doing Business rankings.
- Aligns with financial accounting considerations, as evidenced by the definition of net assets and distributable profits available for dividends.
- Seeks to improve the commercial viability of the Nigerian market as an investment destination..... stimulate increased economic activity which would create employment, generate additional wealth and increase tax revenue for the government.
  - introducing additional insolvency mechanisms
  - registration of LLP and LP, etc.

**integrity**

Thank You

[www.cbinigeria.com](http://www.cbinigeria.com)