

The Role of Regulators in Banking, Finance and Allied Institutions: The Nigerian Perspective

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Abstract: Regulation is necessary for an efficient and healthy financial system. The absence of regulation or poor regulatory functions has been adduced as the primary cause of financial crisis globally, and in many jurisdictions. This paper aims at reviewing the role of regulators in banking, finance and allied institutions in Nigeria. We concluded that effective on-sight and off-sight regulatory function of the respective regulatory bodies in ensures sound and well functioning financial system. And for regulation to be effective, regulators must possess both will and capacity.

Key Words: Regulators, Financial Institution, Nigeria.

1. INTRODUCTION:

We believe a good starting point for this paper is our understanding of (or, better still, our agreement on) who a regulator is. The Oxford Advanced Learner's Dictionary defines a regulator as "a person or an organisation that officially controls an area of business or industry and makes sure that it is operating fairly" (Hornby, 2006:1227). These "controls" are effected by the enactment and subsequent implementation/ enforcement of laws, rules and regulations by the government and any of its agencies so established and authorised.

To this end, governments, all over the world, have established institutions/ bodies to control the activities and operations of various sectors of the economy in line with government's desires and expectations at that point in time and in the foreseeable future.

The financial sector to which banking, finance and allied institutions belong is not exempted from these controls, more so, by reason of its complexity and importance to the general economies in which it operates, and so governments have created elaborate systems of regulation of varying degrees.

The terms: banking institutions, finance institutions, allied institutions (insurance, pension, etc.), financial market, financial system and financial sector will be used interchangeably in this paper to "capture" the financial industry and to eliminate the need to separate banking, finance and allied institutions since they all tend to perform the same functions, broadly speaking, and, among others, actually constitute the financial system which has been defined as consisting of financial markets, financial intermediaries, rules, conventions and norms that facilitate and regulate the flow of funds through the macro-economy.....and is controlled by the government through the agency of the central bank which supervises the activities of financial intermediaries and monitors adherence to the government's monetary and fiscal policies (Nwude, 2004:134).

2. JUSTIFICATION FOR REGULATION:

The justification for regulation of the financial system stems from its perceived importance to the economy, as an enhancer of economic growth and development - a role that has been established since the days of Bagehot (1873) and since the work of Schumpeter (1934:102).

While enhancing economic growth and development, the financial system is distinctive in the way its markets, prices, institutions and policies affect other sectors of the economy (Mullei and Ng'elu, 1990). This influence is captured in the National Planning Commission (2004) NEEDS document:

"Over the last decade and half, the financial sector (banks, insurance companies, development finance institutions, etc.) has witnessed substantial fluctuations in fortunes. These developments have highlighted the strategic role of these institutions in the country's development process... The shift in emphasis to private sector-led economy deepens the significance of the financial sector in the overall development of the country. There is, therefore, a strong case to ensure the efficiency of the financial system and reduce the contradiction as represented by the continuing high level of profit in the sector with no proven catalytic role in development of industries.

This "strong case" may have caused Economic theorists to contend that regulation becomes necessary because independent agents in the economy, in their drive for economic wealth, do produce socially undesirable consequences called externalities which create detrimental effects that that are passed on to the larger society (Nwude, 2003: 49).

Governments, as controllers (regulators), attempt to minimize, if they cannot eliminate these “externalities.” In this process, governments have greatly influenced the development and evolution of the financial markets and institutions, and it is important to realise that governments, financial markets and institutions tend to behave interactively and affect one another’s actions such that a market’s reaction to regulations often prompt a new response by the government, which can cause the institutions participating in a market to change their behaviour further, and so on.

A shorthand expression apostles of regulation use to describe the reasons of regulation is “market failure”- the inability of a competitive market to remain so without government’s help or the inability of an uncompetitive market to become competitive without government’s aid (Fabozzi, 2002: 52).

Simply put, a market is regulated because, left to itself, the market will not produce its particular goods or services in an efficient manner and at the lowest possible costs- both hallmarks of a perfectly competitive market.

3. FORMS OF REGULATION:

Okoro-Okoro (2004: 44) elucidates government's purpose for regulation of financial markets:

- i. to avoid such fraudulent practices as concealment of relevant information pertaining to issues by issuers of securities from investors;
 - ii. to promote fair-trading and competition in the market;
 - iii. to stabilize the financial institutions;
 - iv. to control the level of activities within the organisation and the economy;
- Fabozzi (2002:39) adds a fifth:
- v. to restrict the activities of foreign concerns in domestic markets and institutions;
- and proceeds to discuss the forms of regulation corresponding to each of these purposes/ categories.

3.1 Disclosure Regulation

This is of two types: disclosure to the public through publication of operating results while the second requires issuers of securities to make full disclosure of financial information to regulators and supervisors in order to prevent asymmetric information and reduce agency problem. In this way, stakeholders have adequate information about the institution's performance/condition without jeopardizing client’s secrecy/interests (Balogun, 2011: 11).

3.2 Financial Activity Regulation

This consists of rules about traders of securities and trading on financial markets, such as those meant to guard against insider trading as well as those regarding the structure and operations of securities exchanges to forestall exchange members’ collusion to defraud investors.

3.3 Financial Institutions’ Regulation

This involves governmental monitoring restricting these institutions’ activities in the vital areas of lending, borrowing and funding.

3.4 Banking and Monetary Regulation

This involves controlling changes in a country's money supply which is used to control the level of economic activity.

3.5 Foreign Participants’ Regulation

This form of regulation limits the involvement of foreign firms in domestic markets and their ownership control of financial institutions.

4. REGULATION OF THE FINANCIAL SYSTEM:

In most countries, regulatory structures are largely the result of financial crises. Most regulations, also, are products of the stock market crash of 1929 and the Great Depression of the 1930s (Fabozzi,2002:40) and, according to Uche (2009:1,2), the origins of the recent global financial crisis have been linked to failure of regulators to learn from these crises.

This crisis underscored the importance of the regulation of global financial markets and has rekindled the debate on the necessity of rethinking the entire financial system architecture and regulation. Regulators have been accused of complacency, collusion and even outright ignorance of the nature of the financial services and products in their domain as a result of the technological advancements, unrestricted capital flows and increasing globalisation of financial businesses which have made the financial system more dynamic and seamless.

Consequently, financial system regulation, too, must become international in nature, and it has become imperative for regulators to look beyond their borders and be proactive - jettisoning obsolete, counter-productive reforms and embracing new ones timely.

Financial institutions, banks and insurance companies especially, have extended their tentacles beyond their shores, not just from developed to developing economies as was the tradition, but also within emerging economies and from developing to developed countries with some of them operating not just on branch level as was the case but on full scale in Western European countries and U.S.A. This has necessitated stronger internal regulation of the activities of these institutions in their home countries in order to instill sound corporate governance and international best practices, to promote internal financial stability, thereby preventing financial crisis and contagion. It has also made external regulation of the activities of local financial institutions in foreign countries imperative. This is because most of the host countries' economies are relatively small and has weak regulatory structures that may not withstand serious infringements by foreign financial institutions and imported financial instability, which could engender huge financial and economic crisis. Such regulations of markets have yielded some gains. For example, since 1986, the U. S. SEC has permitted certain foreign firms that meet their home country regulations to be active in the U. S. markets without having to prove compliance with U. S. rules and, since 1987, it began to permit institutional investors to purchase unregistered shares of foreign firms (Fabozzi,2002).

Nigeria's regulatory authorities, too, have opened Nigeria's borders to publicly quoted firms wishing to participate in foreign markets upon fulfilment of listing requirements to that effect, thus giving birth to the dual listings of Oando Plc (Nigeria's biggest operator in the downstream sector of the oil industry) in the Johannesburg Stock Exchange (JSE) - the biggest bourse on the continent, and GTB Plc (one of the "Big Four" banks in the country) and SEPLAT Plc (the only local exploration and production firm in the oil industry) on the London Stock Exchange (LSE).

The CBN Act 2007 empowers the CBN to control and administer the federal government's banking policies within and outside Nigeria, and BOFIA Act 2004 also empowers the CBN to regulate the operations of banks and other financial institutions (Ajumogobia and Okeke, 2010: 281). These, coupled with the banking consolidation of 2005 which raised bank capitalisation from ₦2billion to ₦25billion, saw Nigerian banks expanding their operations to other African, and even Western European countries, opening branches and subsidiaries.

Cognisant of the threats weaknesses in a country's banking system could pose to financial stability within that country and internationally, the Basel Committee on Banking Supervision, in 1997, drew up the Core Principles and the Methodology, as its contribution to strengthen the global financial system. According to this committee, implementation of these Core Principles by all countries would be a significant step towards improving domestic and international financial stability, and also provide a sound basis for further development of effective supervisory systems. These Core Principles constitute a framework of minimum standards for sound supervisory practices, and are considered universally acceptable (BIS, 2006).

The main aim of regulation/supervision is to ensure that banks and other financial institutions are established, operated and restructured in a safe, transparent and efficient manner (Iyade, 2006). Financial regulation is conducted by means of legislation. In Nigeria, it is by Acts of the National Assembly, Edicts of State Assemblies, rules and regulations by government and its agencies, and by self-regulatory organisations (SROs) within the financial system. To this end, different legislations that define the roles of these regulators have been enacted at different points in time (Balogun, 2011), beginning with the Banking Ordinance Act of 1952 and the CBN Act of 1958 which heralded the birth of the "Nigerian financial system" and established its apex regulator, the CBN.

Legislations guiding activities in the Nigerian financial system, presently, include:

- Companies and Allied Matters Act (CAMA) 2004
- Central Bank of Nigeria (CBN) Act 2007
- Banks and Other Financial Institutions Act (BOFIA) 2004
- Nigerian Deposit Insurance Corporation (NDIC) Act No. 16 of 2006
- Investments and Securities Act (ISA) No. 29 of 2007
- National Insurance Commission (NAICOM) Act 2007
- National Pension Reform Commission (PENCOM) Act 2004
- Failed Banks Act
- Money Laundering Act 2003
- Asset Management Commission (AMCON) Act 2010

These Acts established, re-established or empowered the various institutions/bodies to administer the provisions of these Acts, enforcement and sanctions of breaches, inclusive.

5. REGULATORS OF THE NIGERIAN FINANCIAL SYSTEM AND THEIR ROLES:

To ensure the maintenance of good standards by the operators in the financial system, to check operators' excesses and ensure a well-functioning and safe system, the federal government established certain institutions to regulate and oversee their activities (Anyanwaokoro, 1999:79).

This stance was supported by Rzehak and Zyla (www.ifc.org) that a financial system is only as strong as the governing practices and institutions of its participants. The challenge to build efficient and accountable financial institutions that promote confidence is a problem that financial sector executives and policy makers confront together - a position supported by Okafor (2011:5) that reforms are not exclusive to regulators alone, such that as regulators originate and implement reforms (referred to as external, imposed or mandated reforms), so also do operators (referred to as self-imposed reforms). The difference is that regulatory reforms are more problematic because they may take the operators unawares (where they are not included in the arrangement) and may be less palatable while, according to Balogun (2011:11), self-imposed reforms are supposed to be more effective because they are borne out of self-conviction, industry norms and self-discipline. For her, the stigma of non-compliance by peers and competitors is enough to compel compliance.

The CBN, in a bid to ensure some form of coordination in the activities of all the financial regulatory agencies for effective oversight of the sector and to reduce arbitrage opportunities usually created by differing regulation and supervision standards among supervising authorities, established the Financial Services Regulation and Coordinating Committee (FSRCC) in 1994 with the following member-institutions:

- Central Bank of Nigeria (CBN) - Chairman
- Corporate Affairs Commission (CAC)
- Securities and Exchange Commission (SEC)
- Federal Ministry of Finance (FMF)
- Nigeria Insurance Commission (NAICOM)

Other regulators of the financial system include:

- The Nigerian Deposit Insurance Corporation (NDIC)
- The Nigerian Stock Exchange (NSE)
- The National Pension Reform Commission (PENCOM)
- The Federal Mortgage Bank of Nigeria (FMBN)

5.1 The Central Bank of Nigeria (CBN)

The CBN is the apex regulator of the Nigerian financial system, and its role can be categorised into two: traditional and developmental.

The traditional role of central banks is to conduct monetary policy on government's behalf through the use of appropriate instruments. This is expected to influence the levels of monetary and credit aggregates, and achieve desirable or acceptable level of inflation, economic growth and balance of payments.

The developmental role, undertaken by central banks in developing countries, involves engaging in activities that accelerate economic development and also create enabling environment for the attainment of set objectives.

The principal objects of the CBN, as stated in the CBN Act 2007, are:

- Promotion of monetary and price stability;
- Issuance of legal tender currency;
- Maintenance of external reserves to safeguard the international value of the legal tender currency;
- Promotion of a sound financial system;
- Acting as a banker's bank (or lender of last resort); and
- Acting as banker and economic and financial adviser to the federal government.

(Sanusi, 2011:11)

The Central Bank of Lesotho (CBL) defines the role of regulators as that of ensuring smooth operations of the financial system: development of rules, regulations and acts governing the activities of operators (CBL, 2009:5).

BOFIA 2004 provides conditions for the establishment and operations of banks in Nigeria, regulates banking and other financing institutions and prohibits anyone from carrying on the business of banking unless under licence. It also empowers the CBN to regulate the operations of banks and other financial institutions. This control is exercised mainly through CBN's use of its powers to issue directives on tax reserves, power of supervision and examination, official management and control of failing banks, power to sanction infringements, approval and removal of boards, and the ultimate power to grant and revoke banking licences. The CBN supervises and regulates the activities of these financial institutions and prescribes the minimum paid-up capital requirements (Ajumogobia and Okeke, 2010:281).

In fulfilment of its regulatory role, the CBN, since 1990, has been issuing Prudential Guidelines periodically to address key aspects of banking operations such as provisioning for loan loss, risk management, know your customer (KYC) directives, corporate governance, specialised financing operations, anti-money laundering and terrorism financing, etc.(Okafor, 2011:47).

In 2006, CBN released its Code of Corporate Governance for Banks. It also has in place such committees as the Monetary Policy Committee, Bankers' Committee, etc. and such sub-committees as the Ethics and Regulations Sub-Committee to address grievances against banks by customers and between banks.

The 2005 banking consolidation exercise engendered mergers and acquisitions, and sourcing of funds from the capital market which helped improve market fundamentals, led to international expansion by opening of foreign branches and subsidiaries, increased number and sophistication of financial products, and increased the credit capacity of banks, such that banks were able to contribute \$5billion to acquisition of assets by the exploration sector of the oil industry (Akpenyi, 2015), a highly capital- and high technology-intensive sector - an unimaginable feat, pre-consolidation. This exercise also brought its down-sides: banks' reckless increase in margin lending [to ₦1trillion (\$6.78billion) or 13.3% of all lending], non-performing loans (toxic assets) with a large portion going to financial speculators thereby making access to financing difficult for manufacturers as well as SMEs and salaried retail customers, which led CBN to sack the management of 8 banks, establish the AMCON to absorb these toxic assets, make public the names of the most indebted borrowers in the belief that the shame will compel them to fulfil their obligations and it did. Furthermore, in order to reduce lending risks, CBN issued guidelines in 2009 for the establishment of credit bureaux which will improve transparency in the lending community (Ajumogobia and Okeke, 2010:60).

In 2010, a new regime of bank recapitalisation was embarked upon based on categorisation: Bank with regional mandate ₦10billion, national mandate ₦25billion and international mandate ₦50billion. In its regulatory capacity, the CBN has also approved mobile banking in order to bring some lower income Nigerians into the Banking system thereby increasing bank penetration (Aderinokun, 2010). In 2000, the CBN had issued the Universal Banking Guidelines authorising banks to engage in non-core banking financial activities, either directly as part of banking operations or indirectly through designated subsidiaries. In a policy reversal consequent upon its conviction that these guidelines were inimical to its objective of promoting a sound financial system in Nigeria, having

- exposed the banks to higher operating risks; and
- increased the propensity to put depositors' funds into risky non-banking business, and consequently heightened the risk of financial system instability, the CBN Governor, as empowered by BOFIA 2004 and others, repealed the guidelines and revoked the licences, effectively ending universal banking in Nigeria, and, in its stead, invoked BOFIA 2004, limiting banking business to:

- i. commercial banks;
- ii. merchant banks; and
- iii. specialised banks, which include non-interest banks, microfinance banks, development banks and mortgage banks (CBN,2010:2).

In 2010, the CBN introduced non-interest banking and issued guidelines for its operations. The first of such bank, JAIZ Bank, was licenced in June, 2011. In the same year, the CBN also introduced a new cash policy designated to reduce the level of cash-based banking transactions, expand the market share of e-banking, and substantially reduce the high cost of cash management (Okafor, 2011:25), thus building the foundation for a cashless economy and its benefits.

5.2 Corporate Affairs Commission (CAC)

Formerly known as the Registrar of Companies, a Department in the Federal Ministry of Trade, the CAC, by virtue of CAMA 2004 which replaced the Companies and Allied Matters Decree (CAMD) 1990 and its amendments, is empowered to administer the Act- to provide guidelines for the registration of, and register all forms of businesses operating and intending to operate in Nigeria, including all forms of business combinations by existing firms, as well as register all financial products. To underscore its importance in the financial sector, the CAC is represented on the Boards of financial system regulators by an official not below the position of a Director.

5.3 Securities and Exchange Commission (SEC)

SEC was formerly known as the Capital Issues Commission (CIC), a Department of the CBN, until the SEC Decree No. 71 of 1979 which made it a separate entity but still under the control of CBN until the SEC Decree of 1988 which established it at the apex of the Nigerian securities market and ISA No. 45 of 1999 which further established it as the market regulator with wider powers, as also enshrined in ISA No. 29 of 2007. SEC is empowered to administer the Act which contains rules and regulations guiding the market, and mandated, primarily, to protect

investors from unfair and improper practices, ensure orderly and sustainable development of the market, and avoid systemic failure (Ajumogobia and Okeke, 2010:281).

SEC's areas of statutory responsibilities and functions include:

- Regulation of securities and market intermediaries;
- Approval of the prices of new issues determined by issuing houses and stockbrokers;
- Ensuring the integrity of market operators;
- Inspect and demand for information from operators at regular intervals;
- Monitor exchanges and trading systems against breaches of market rules and also deter/detect manipulations and trading practices that could result in market disruptions (frauds, etc.);
- Investigation of alleged breaches of laws and regulations governing the market;
- Enforcement of sanctions, where appropriate, against erring operators;
- To make and review rules in view of the specialised and dynamic nature of the market;
- Collaboration with relevant stakeholders to introduce new products and processes;
- Encouragement of improved investor participation in the market.

The ISA also established the Investment and Securities Tribunal (IST), of parallel jurisdiction with the Federal High Court and having exclusive jurisdiction in respect of specific capital market issues (ISA 2007), and confers on SEC the power to register and issue licences to operators (exchanges, issuing houses, registrars, stockbrokers, auditors, etc.), try market breaches, and sanction convicted operators including suspension and revocation of licences. The Nigerian capital market was the "toast" of investors, worldwide, and peaked in 2007 as the market with the highest return on investments, but slumped in August, 2008 after the recent global financial crisis, attributed to regulatory failure.

5.4 Federal Ministry of Finance (FMF)

The FMF was the regulator and overseer of the "financial system" pre-independence and until the 1980s/1990s, and was responsible for the formulation and implementation of the government's monetary and fiscal policies, licensing of banks, foreign exchange management, supervision of insurance companies and their operations, etc. Presently, it has been stripped of handling monetary policy matters, etc., (powers vested in CBN and NAICOM) but it continues to handle the government's fiscal policy and other finance-related functions as directed by the Presidency (Anyanwokoro, 1999:82). The FMF represents the government on the Board of the regulatory agencies, and is the "parent" body of SEC (SEC) and NAICOM.

5.5 National Insurance Commission (NAICOM)

The NAICOM Act of 2007 which replaced the National Insurance Commission (NIC) Act of 1997 established NAICOM as the regulator of the insurance sector, answerable directly to the Presidency, with the following objects and functions.

Objects:

- To ensure effective administration, supervision, regulation and control of insurance business in Nigeria.

Functions include;

- To establish standards for conduct of insurance business in Nigeria;
- To approve rates of commissions to be paid in respect;
- To ensure adequate protection of strategic government assets and other properties;
- To regulate transactions between insurers and reinsurers in Nigeria;
- To act as adviser to the federal government on all insurance-related matters;
- To approve standards, conditions and warranties applicable to classes of insurance business;
- To protect insurance policy holders and beneficiaries and third parties to insurance contracts;
- To publish, for sale and distribute to the public annual reports and statistics on the insurance industry to the public.

➤ NAICOM

In exercising its powers as the regulator of the insurance industry, NAICOM is authorised to issue licences to all the operators (Underwriters and Brokers) and to suspend or revoke same upon infractions. Like the CBN, NAICOM also engineered a consolidation exercise from 2005 to 2007 in order to place the industry on firm footing for sustained growth. This was to efficiently mobilise capital and in response to industry reproach for lacking the capacity to underwrite large scale risks in the energy sector, particularly, and low public confidence arising from allegations of underwriters pocketing premiums and failing to provide coverage to the insured. It also launched a Corporate

Governance Code for industry practitioners. Industry linkage has engendered collaboration among regulators. The CBN Act 2000 (Universal Banking Act) allowed banks to invest in insurance directly (a practice referred to as Bankassurance). This, according to Ajumogobia and Okeke (2010:146), has complicated the regulatory system. According to Daniel (2010), “the major regulatory challenge in this cross-business transaction is investment arbitrage. The dividing line between the funds of an insurance company and the banks that own them can be very thin. This is a headache for us, but it is also the subject of good collaborative efforts between the various regulatory authorities.” Industry experiences have also resulted in identical responses. There had been increased competition between insurance underwriters and brokers which led to "spectacular" loss ratios on certain policies by way of excessive discounts on premium, timely remittance to underwriters and treatment of unremitted premiums in the underwriter's books. NAICOM subsequently passed new regulations in December, 2008 to promptly identify and sanction faulty brokers because “we want to bring the same transparency and accountability that has taken hold in the banking sector to the insurance industry to increase investor and client confidence” (Daniel, 2010).

In enforcing compliance with NAICOM provisions, the Lagos State Government has made it mandatory for workers on construction sites to be insured. Telecom providers have also joined in the drive to extend insurance services to the poor by providing health insurance to subscribers.

5.6 Nigerian Deposit Insurance Corporation (NDIC)

The deregulation of the financial sector in 1986 consequent upon the federal government's adoption of the Structural Adjustment Programme (SAP) led to the proliferation of banks from 40 in 1986 to 120 in 1992, culminating in:

- Increased competition among the banks which led to unethical practices;
- Bank promotion/ownership becoming an all-comers affair with little or no regard for integrity on which the practice of banking stands;
- Inadequate skilled manpower which led to poaching and mind-boggling compensation. (NDIC and Balogun, 2011).

The aftermath: bank failures and financial system instability. Consequently, the federal government enacted the NDIC Decree No. 22 of 1988 and its amendments which were repealed and replaced by the current NDIC Act No. 16 of 2006, which empowered the NDIC to perform the following functions, among others:

- Administration of the Deposit Insurance System (DIS) in Nigeria;
- Protection of small uninformed investors and less financially sophisticated depositors by provision of orderly means of compensation in the event of failure of any of the mandatorily-insured deposit taking institutions- Deposit Money Banks (DMBs), Microfinance Banks (MFBs), and Primary Mortgage Institutions (PMIs);
- Inculcate healthy banking habits;
- Prevent incidence of bank runs;
- Enhancement of public confidence and systemic stability by providing a framework for the resolution of, and orderly exit mechanisms for failing and failed financial institutions;
- Assist monetary authorities in the formulation and implementation of banking policy, thereby helping to ensure and promote stability in the Nigerian banking system, and overall financial system stability.

Overall, the Act provides incentives for sound risk management in the Nigerian banking system. (NDIC; Uche and Osho, 1997:240 and other sources). Consequent upon persistent public complaints on the inadequacy of the insurance coverage limit, it was increased from ₦50,000 to ₦500,000 (principal + interest) per depositor per insured bank and ₦200,000 (principal + interest) per depositor per PMI/MFB.

NDIC covers majority of the deposits received by deposit-taking institutions in their normal course of business- savings, current, time, and foreign currency deposits but interbank placements, insider deposits (by staff, directors and other connected parties), and deposits held as collateral for loans are not covered. Also, stocks, bonds, mutual funds, annuities, commercial papers and debentures as well as federal government Treasury bills (TBs), bonds and notes are not insured.

In response to cries by strong banks of being made to bear the burdens of weak banks when all banks paid equal premiums as provided in the repealed Act, the new Act provides that annual premiums paid by insured banks be assessed on the basis of participating institutions' total assessable deposit liabilities (defined by the Act) as at the preceding financial year end. The Act also empowers NDIC to adopt any premium assessment system to reflect developments in the industry, in particular, and the economy in general. NDIC protects the Deposit Insurance Fund (DIF) by investing in such safe instruments as TBs, FG bonds, etc. (NDIC and You).

5.7 Nigerian Stock Exchange (NSE)

The NSE was established in 1960 as the Lagos Stock Exchange and completes the SEC as a capital market regulator. It is a self-regulatory organisation (SRO) and supervises the operations and activities of its members. It also regulates transactions on the Exchange, in collaboration with SEC (NSE FACTBOOK, 2010/11:20). It enforces trading rules and sanctions malefactions in the market.

The NSE functions through a number of committees, the quotations and surveillance committees being among the most important. The former is responsible for analysis and scrutiny of applications for listing, and ensures companies' compliance with the Exchange's disclosure requirements as well as adherence to international accounting standards in the preparation of their financial statements while the latter performs oversight functions as it monitors market operations for compliance with operating guidelines (Lecture materials BAF 504).

5.8 National Pension Reform Commission (PENCOM)

Regulatory oversight of the pensions system was vested in a tripartite commission of NAICOM, SEC and the JTB (Joint Tax Board) but it has been integrated under a new organism called PENCOM with the enactment of the PENCOM Act No. 2 of 2004, which has streamlined the regulatory structure and made it more efficient (Ajumogobia and Okeke, 2010:138).

According to the Act, the primary objects of PENCOM are:

- To enforce and administer the provisions of the Act;
- To coordinate and enforce all other laws on pension and retirement benefits;
- To regulate, supervise and ensure administration of pension matters and retirement benefits in Nigeria.

Its functions and powers include:

- Regulation and supervision of the scheme established under this Act and other pension schemes in Nigeria;
- Issuance of guidelines, rules and regulations for the investment and administration of pension funds
- Approval, licencing, regulation and supervision of pension funds administrators (PFAs), custodians and other institutions relating to pension matters.

The primary objective of the pension reform is to have a free-funded scheme, long-term funds for investments is a secondary objective (Ahmad, 2010).

5.9 Federal Mortgage Bank of Nigeria (FMBN)

The FMBN was established by the FMBN Decree No. 7 of 1977 to regulate the activities of mortgage finance institutions (MFIs). It replaced the Nigerian Building Society (NBS) and took over its assets and liabilities.

The federal government's 1990 National Housing Policy empowered the FMBN to licence and regulate PMIs and to act as the apex regulator of the mortgage finance industry.

FMBN provides banking and advisory services, and also undertakes research activities pertaining to housing in Nigeria (Anyanwokoro, 1999 and Balogun, 2011).

6. CONCLUSION:

Regulators have been accused of refusal to learn from previous crises. The extent to which they have imbibed lessons from the recent global crisis was captured by Sanusi: "We learned from the collapse of Lehman Brothers that regulators cannot afford to base judgement of the banks on publicly available information..." and, in heeding to the "too big to fail" damage, that a single bank accounting for "20% of the market will be too risky, too big" (Sanusi, 2010:60, 62). They also need to be proactive, "go into the institutions, audit them and find out what is going on before they collapse" (Sanusi, 2010:60). Not too comforting, though, when we recall that CBN and NDIC had on-site and off-site Examiners in the banks that failed. Integrity is the word. To be effective, regulators must possess will and capacity.

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