Prudential guidelines and financial system stability in Nigeria.

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Abstract

Much studies had considered the efficacy of the Central Bank of Nigeria (CBN)'s monetary policy to ensure Deposit Money Banks (DMBs) performance in Nigeria, and the conclusions thereof had been mixed. Also, the need for initiatives that could inform efforts to strengthen the efficacy of CBN's monetary policy (and or macro- and microprudential guidelines) remains, in same vein as there are scanty assertions in literature on other roles that the Asset Management Corporation of Nigeria (AMCON) – an agency aligned to the CBN – could perform to further strengthen the efficacy of the CBN's macro- and microprudential guidelines, besides its statutory role of debt recovery for financial system stability. Thus, this exploratory review (or study) of 50 relevant literature is to examine the activities of AMCON, and its activities' implication(s) on the CBN's macro- and microprudential guidelines' formulation and implementation in Nigeria. The findings thereof include AMCON contributes to DMBs' surveillance which inform macro- and microprudential guidelines' formulation, and that the basis of association between the CBN and AMCON is prominent in respect to macro- and microprudential guidelines' implementation and compliance. Therefore, this study recommends CBN to leverage on AMCON's interface with DMBs in efforts to ensure operational effectiveness of so established macro- and microprudential guidelines.

Keywords: Monetary policy, Deposit Money Banks (DMBs), Central Bank of Nigeria (CBN), Asset Management Corporation of Nigeria (AMCON), Coronavirus (COVID-19)

1.0 Introduction

Central Banks in world economies are purposefully reputed with the mandate to ensure financial sector sanity through monetary policy design (and or macro- and microprudential guidelines' formulation) and implementation in their respective economies, but then also increasingly these days same apex monetary authorities are known to work with certain financial system supervisory units/arms/agencies aligned to them (inclusive of Asset Management Companies - AMCs) to continually demand of Deposit Money Banks (DMBs) to practice prudent management of loan books and compliance to ethical corporate governance conduct among other expectations as a form of proactive stance towards possibility of financial crisis[1] (Mankiw, 2010; Botha and Makina, 2011; Hansen, 2012; Ani, 2013; Osinski, Seal, and Hoogduin, 2013; Shitile, 2013; Boissay and Cappiello, 2014; Ezema, 2015; Faia and Schnabel, 2015; Cerruti and Neyens, 2016; Butaru et al., 2016; Tatliyer, 2017). Besides, it is in line with the foregoing that in Nigeria, the Central Bank of Nigeria (CBN) formulates and seeks to ensure compliance to macroprudential and microprudential guidelines (or regulations) by DMBs, and at the same time function with an agency aligned to her (i.e. the Asset Management Corporation of Nigeria - AMCON) for debt recovery due to defaulting loan obligations and in view to guarantee soundness in the country's financial system (Caruana, 2014; Ezema, 2015).

However, in Nigeria, the history of development of the financial sector make evident that most of the failures (low capital adequacy, low profit before / after tax (PBT or PAT), low earning per share (EPS), low return on equity (ROE), low return on asset (ROA), unfavourable debt-equity ratio, unfavourable loan-deposit ratio, among others) experienced within the sector (and which partly

[1] Schularick and Taylor (2012), in line with previous studies, defines financial crises as events during which a country's banking sector experiences bank runs, sharp increases in default rates accompanied by large losses of capital that result in public intervention, bankruptcy, or forced merger of financial institutions.

led to the eventual merger / buy-off or acquisition / non-existence of some of the (bank) financial institutions) were results of improper lending, rising bad loans / non-performing loans (NPLs), inside-bank 'sharp-practices'/ insider-abuses / unethical corporate governance conducts, asset-maturity and liquidity mismatch, etc. (Fofack, 2005; Olajide, Asaolu and Jegede, 2011; Onaolapo, 2012; Akpan, 2013; Ayodele, 2014; Ezema, 2015; Tarus, 2015; Akinsola and Odhiambo, 2017; Ikpesu, Akinola and Ikpesu, 2020), and the prevalence of these aforementioned not checked continually could undermine the agency functions of AMCON on behalf of the CBN, the overall functions of the CBN for financial sector (or system) surveillance and sanity, and onward profitability of DMBs in the country, Nigeria (Kolapo, Ayeni and Oke, 2012; Ogboi and Unuafe, 2013; Abiola, 2014).

Nevertheless, the (recent) efforts by the CBN to foster lending to real sector activities (CBN, 2019a; 2019b; 2019c; 2019d; 2020a), and now these times to enable recovery of the Nigerian economy from the 'hinges' of the COVID-19 pandemic (CBN, 2020b; 2020c; 2020d; Evans, 2020) duly call for the need for DMBs to comply to: prudent credit proposal analyses, prudent loan request evaluation, and prudent business financing implementation so as to avoid a repeat of (similar) findings from a financial sector-wide stress test for DMBs as implemented in 2009 in the country, Nigeria and evade a systemic panic or bank runs.

The CBN thence is statutorily recognized for monetary policy design (and or macro- and microprudential guidelines' formulation) (Uchendu, 2009; Ojo, 2013; Shitile, 2013; Ezema, 2015) and somewhat assisted in policy instruments implementation by certain financial system supervisory units/arms/agencies aligned to her (one of which is AMCON) (Akpan, 2013; Abata, 2015), but evident in history is the possible 'weak' efficacy of so established monetary policy decisions (and or macro- and microprudential guidelines) (Olajide, Asaolu, and Jegede, 2011;

Caruana, 2014). Hence, still the need thereof for initiatives that could further inform strengthening the efficacy of the CBN's policy instruments, for preserving DMBs' health (and or financial system soundness).

To this end, the purpose of this exploratory review (or study) of 50 relevant literature[2] is to examine the activities of AMCON, and its activities' implication(s) on the CBN's macro- and microprudential guidelines' formulation and implementation in Nigeria, despite the mixed conclusions in literature on the efficacy of the Central Bank of Nigeria (CBN)'s monetary policy to ensure Deposit Money Banks (DMBs) performance in Nigeria for financial system soundness and scanty assertions as to other role(s) the AMCON could perform to further strengthen the efficacy of the CBN's policy instruments (Umoh (1994), Olajide, Asaolu and Jegede (2011), Ayodele (2014), Akomolafe, Danladi, Babalola, and Abah (2015), Ekong and Udonwa (2015), Okorie and Agu (2015), Onoh and Nwachukwu (2017), etc.), in view to proffer opinion that could further inform efforts to strengthen the efficacy of CBN's monetary policy (and or macro- and microprudential guidelines).

The rest of this article continues as follows; Section 2 would entail the stylized facts. Section 3 makes a succinct submission of the literature review. Section 4 provides for the methodology, while Section 5 presents the discussions. Section 6 concludes the discourse.

[2] To quick put, the wealth of relevant literature so considered for this exploratory study include Developed Countries studies (see Schularick et al., 2012; etc.), Developing Countries studies (see Botha and Makina, 2011; Godwin, 2017; etc.), Cross-national studies (see Akinsola and Odhiambo, 2017; Ikpesu, Akinola and Ikpesu, 2020; etc.), and previous studies in Nigeria (see Okhesimi, 2020; Onoh and Nwachukwu, 2017; Okorie and Agu, 2015;etc.).

2.0 Stylized facts

2.1 Overview of AMCON

2.1.1 History of AMCON

Established by the Act of the National Assembly of Nigeria in 2010, the Asset Management Corporation of Nigeria (AMCON) was purposeful to be a Buyer of Banks for the Nigerian Government by acquiring the Non-Performing Loans (NPLs) and such deemed necessary following the wake and aftermath of the 2007 / 2008 global financial crisis and some domestic events. At inception, among 10 banks identified to have asset-quality issues (or serious asset-quality risk), the situation faced by three[3] of these banks necessitated an urgent injection of N736 billion liquidity to buy up their assets which thereby led to AMCON's take over (Temin, 2010; Alford, 2011; Egwuatu, 2012; Eigner and Umlauft, 2015; Makanjuola, 2015; Cerruti and Neyens, 2016; Tatliyer, 2017). Thus, in a way, AMCON could be regarded as a product (or consequence) of circumstance to ensure the affected banks remained a going concern (Ogun, 2012).

Additionally, a feature that preceded AMCON was the monetary authority – the Central Bank of Nigeria (CBN)'s resolve to implement the Nigerian Banking Sector Reform in 2009, and of which such undertaking included the carrying out of stress test on Nigerian Deposit Money Banks (DMBs). Amidst the findings notable, besides some corporate governance issues, etc., was the notice of Non-Performing Loans (NPLs) among the sectoral players in a manner so chronic that selected DMBs were in prudence declared as insolvent. In context, these NPLs accounted for credits or borrowed funds extended by these DMBs, and these (i.e. the NPLs) for at least 90 days

[3] These banks tagged as Bridged Banks: Mainstreet Bank, Keystone Bank, and Enterprise Bank (The Sun, 2015; AMCON, 2019).

did not generate income and or were not re-paid (Alford, 2011; Egwuatu, 2011; Abata, 2015; Cerruti and Neyens, 2016).

Still, some other obvious concerns prevalent in the sector such as non-compliance to minimum capital requirement(s), over-exposure to volatile segments like the oil and gas sector and capital market, at that time in Nigeria made a case for an agency as AMCON to be instituted and to act in place to purchase toxic assets from banks and consequently after the purchase ensure the (assisted) banks maintain a healthy balance sheet (Egwuatu, 2012; Abata, 2015; Cerruti and Neyens, 2016).

2.1.2 Functions of AMCON

The task(s) which faces AMCON from inception notably include the promotion of efforts to ensure a strong legal framework, adherence to ethical corporate governance structure, as well as operational autonomy among players especially banks in the Nigerian financial system. Thence, with a timely intervention to support the restructuring of the banking sub-sector in Nigeria given the growth in NPLs, cases of insolvency, and illiquidity among banks, the mandate assumed by this allied-monetary agency/institution are as follows: (i) acquisition (ii) management and (iii) disposition of assets in accordance to the act upon which her existence was effective (Ani, 2013; Aldor, 2013).

The AMCON duly play a role in assisting especially DMBs in Nigeria to recapitalize, make investment and or acquire/purchase assets from financial houses, raise optimal returns on assets in their custody (inclusive of collection of interest on the principal, principal, and capital gain), manage inflows and mitigate risk on such assets, and dispose of these assets as at when due in compliance to the provisions of the AMCON Act 2010 (Cerruti and Neyens, 2016; Hussaini, 2018). However, the aspect of whether to or not to handle the securitization of loans is still undecided (Ani, 2013).

Though in recent times, there are arguments which recount the need for her i.e. AMCON to be defunct or non-existent, and in a way for the Central Bank of Nigeria / Federal Government of Nigeria to discontinue the 'babysitting' or the assurance of possible bailout of financial institutions (i.e DMBs, etc.) whenever in distress because of the tendency of presently sound financial institutions comprising the Nigerian financial system towards privilege-abuse by same financial institutions (Kuye, Ogundele, and Obaro, 2013; Olutokun, James and Olorunfemi, 2013; Agabi and Onayemi, 2016).

3.0 Literature review

3.1 Conceptual review

3.1.1 Central Bank of Nigeria Policy Instruments

3.1.1.1 Monetary Policy in Nigeria

Monetary policy is acclaimed to influence the level of the money stock and/or interest rate, the value and cost of credit in consonance with the level of economic activity, as well as able play the role to ensuring overall macroeconomic stability. By definition, monetary policy could be referred to as the combination of measures designed to regulate the value, supply, and cost of money in the economy to achieve macroeconomic balance (Oke, 1995; Uchendu, 2009; CBN, 2011; Akomolafe et al., 2015).

In Nigeria, the use of monetary policy as instruments of monetary control dates back to the Central Bank Act of 1958 upon which the Central Bank of Nigeria (CBN) was established with the responsibility of formulating and implementing monetary policy, and over the years these monetary policy instruments had been either direct or indirect. Until 1993, the CBN relied almost exclusively on varying combinations of direct instruments of monetary control such as credit ceilings, sectoral credit allocation, interest rate controls, the imposition of special deposits, moral suasion, stabilization securities, and exchange rate control (Uchendu, 2009; Ojo, 2013).

With the advent of some macroeconomic reforms in the mid-1980s, the CBN started the process of shifting from the use of direct instruments to market-based instruments. The most significant move in the new direction came in June 1993 when the CBN introduced a market-based instrument known as Open Market Operations (OMO), which involves the supply or withdrawal of liquidity from the economy by the Central Bank through secondary market dealings in treasury securities and issuance/purchase of Central Bank securities (Uchendu, 2009).

In other words, OMO entails the sale or purchase of eligible bills or securities in the open market by the CBN to influence deposit money banks' reserves balances, the level of base money, and consequently the overall level of monetary and financial conditions. The transactions carried out in Open Market Operations are outright sales or purchases of securities in the market, repurchase transactions (REPOS), and matched sales purchase transactions (Ojo, 2000).

Other market-based instruments introduced in addition to OMO were: reserve requirement which specifies the proportion of bank's total deposit liabilities that should be kept with the central bank, and discount window operations under which the Central Bank performs the role of lender of last resort to deposit money banks, as well as moral suasion adopted as a means of establishing twoway communication with the banks thereby creating a better environment for the effectiveness of monetary policy (Nnanna, 2001). However, despite the appreciable progress made since the introduction of various financial sector reforms in the 1980s, monetary policy management in Nigeria is still faced with severe challenges as the expected stabilization and growth benefits may sometimes fail to materialize (Onyeiwu, 2012).

3.1.1.2 Macro- and Microprudential Guidelines in Nigeria

There are three cadres, however, of policy instruments in decreasing levels of coverage as used by Central Banks to manage the financial system: (I) Monetary policy instruments, (II) Macroprudential policy instruments, and (III) Microprudential policy instruments. Whereas, monetary policy instruments or tools could be categorized into standard measures (inclusive of key rates, open market operations, standing facilities, and reserve requirements) and non-standard measures, with respective objectives, while prudential policy instruments are preventive measures meant to abort potential problems (Beyer et al., 2017).

Macroprudential policy instruments refer to varied measures for preserving the soundness of the financial system. They are to contribute to the stability of the financial system, thereby safeguarding the financial system against the build-up of systemic risk. Their implementation helps to contain systemic risks by enforcing actions that help keep overall sectoral (or systemic) activities, of all DMBs collectively for example, at certain levels or thresholds. In an analogical perspective, macro-prudential policy instruments focus on the forest (financial system), not the trees (individual financial institutions) with the objective of controlling likelihood of financial system distress and limiting its costs to the economy (Beyer et al., 2017; Shitile, 2013).

In Nigeria, macroprudential policy instruments include: (1) Disclosure Regulations – this is enforced so as to ensure the provision of information that could help proper consideration of impending systemic risks. The Financial Policy and Regulation Department of the CBN is saddled with this responsibility, of preparation and dissemination of Financial Stability Report; (2) Credit growth caps – this is to mitigate and prevent excessive credit growth and leverage in system-wide (lending) activities; (3) Countercyclical capital buffer – this is to enhance financial system stability by reducing the impact of financial cycles, with financial institutions having adequate capital to withstand. Such assistance though is never extended without charges. Nonetheless, its effectiveness will depend on inflationary pressure and the business cycle in the domestic economy; and (4) Accounting Rules – this had been implemented since 2012, to expose the Nigerian banking system to the global best practices in financial reporting and disclosure, with the adoption of the International Financial Reporting Standard (IFRS) in the country's banking system (Shitile, 2013).

By way of implementation, the macroprudential policy instruments remain a work in progress. Some concerns thereof in use of these measures include: the gap in maintaining a system of control between rules and discretionary judgements, and the issue of strengthening the capacity to check for excessive behaviour that may lead to having a full-blown crisis (Shitile, 2013).

On the other hand, microprudential policy instruments relate to varied measures for ensuring the soundness of individual financial institutions (mostly, DMBs). They contribute to the safety and soundness of individual entities, and thereby contribute to the stability of the financial system as a whole. Their implementation helps ensure compliance to regulatory standards on bank capital adequacy, leverage ratios and liquidity. In addition, these measures for individual institution-level financial regulation aid to guarantee solvency, or robust balance sheets of financial institutions to shocks, and ensure consumer protection (Beyer et al., 2017; Ezema, 2015).

For the Nigerian financial system, microprudential policy instruments include: (1) Restrictions on asset holdings and activities – this is to discourage DMBs from taking excessive risks by constraining the category of assets that DMBs could hold, and by directly preventing DMBs from going into risky and non-core business engagements; (2) Limits on competitive activities – these restrictions are set to discourage DMBs from engaging in excessive risk-taking solely for profit motive, and to guide competition in the industry. Examples here include restrictions on entry and exit, restrictions on foreign participations, restrictions on branching; (3) Statutory capital requirements – this is aimed to ensure adequate capital, which act as buffers in hard times. The capital requirements take different forms (including leverage ratios, capital ratios, risk-adjusted ratios, etc.), and they are to compel DMBs to hold additional capital buffers that are easily available in times of financial difficulties, to enable DMBs absorb losses, without hindering their operations. The idea is to increase the amount of capital held by DMBs so that in the event of any unanticipated shock, the DMBs could absorb the shock and be able to remain in business without requiring bail-out; and (4) On-site/Off-site bank examination – the conduct of bank examination by regulators is for them to verify the claim of DMBs in complying with the extant regulation(s), and to determine whether to take enforcement actions where there is no or low compliance. For example, in a case of diverse ownership, an indication is required of the DMB of the shareholding structure, and then restrictions could be on the number (or percentage) of shares held by certain categories of shareholders, so as to prevent such categories of people obtaining absolute control of DMBs (Ezema, 2015).

Lastly, the implementation of microprudential policy instruments also is not devoid of some challenges. One to mention is the inability of microprudential policy instruments to address crosssectional dimension of systemic risks that stem (or arises) directly from inter-bank lending activities (Ezema, 2015).

3.2 Theoretical review

3.2.1 The Public Interest Theory of Financial Regulation

One of the theories that attempt to explain both the origins and practice of banking regulation is the public interest theory, which holds that regulation is supplied in response to the demand of the public for the correction of inefficient or inequitable market practices (Peltzman, 1989). It is therefore not surprising that until the late 1960s, most economists regarded the growth of regulation as an attempt by government to improve upon the allocation of resources which would otherwise occur in unregulated markets (Uche, 2001).

Also, there is the belief or assumption that some forms of activities, business or otherwise, do not always function in the public interest without supervision or control, and this view has a historical antecedent: regulation in the past (and even today) had almost always followed some of crisis or public dissent (Huntington, 1952; Gunningham, 1974; Temin, 1979; Edwards, 1980; Reagan, 1987).

An implicit assumption of the public interest theory is that regulation is, in the main, aimed at protecting the public, and to achieve its aim, regulation based on the above principle would aim at equipping the public with all relevant information necessary for decision making. More so, regulation in the public interest would strive to protect the public from monopolies and industries that generate substantial external costs or benefits, but this does not always happen in practice (Posner, 1974).

However, the image of government as a costless and reliable instrument for altering market behaviour had been extensively questioned (Gerwig, 1962; Posner, 1970; Stigler, 1971), as it is possible for regulation to reduce the reactivity and flexibility of companies to adapt to changing environments, and regulation could also affect management style (Gadener, 1986). In some cases, regulation imposed on the grounds of public interest may end up serving the interest of the regulated group. Regulation therefore serves different purposes for different interest groups on different occasions (Doron, 1979). Consequent to the above, it has been widely claimed that the costs of regulation sometimes are greater than any welfare losses arising from inefficiencies in market-based allocation of wealth (Uche, 2001).

3.2.2 The Twin Peaks Model of Financial Regulation

The basic economic rationale for financial regulation had been that financial market activity could generate externalities that are not easily addressed by private agents, and the problem is that externalities generate social cost in the event of failure, especially when this cost is greater than the private cost and the social cost does not form part of the decision making function of the institutions, especially DMBs (Botha and Makina, 2011). More so, Falkena et al. (2001) assert that when financial systems are left to themselves, they have been found to be prone to spells of instability and contagion. Hence, prudential supervision of DMBs stems from the basis that DMBs through their role in maturity transformation and the provision of liquidity has a special position in the financial system, and the goal of supervision is to prevent potentially excessive risk taking by requiring DMBs to hold larger reserves than they might otherwise do, and to conduct their business with more careful attention to risk, amidst others (Davies and Green, 2008).

However, in practice, consensus prevail for shift from the silos (institutional) or integrated (unified) model of financial regulation – which had been the traditional approach that appropriate financial regulation solely to the Central Bank, and in which the Central Bank takes responsibility for all prudential and systematic regulation of the banking sector, monitoring information disclosure and providing solvency support, as well as being the sole custodian for the regulation of the conduct of day-to-day business in the sector – to the twin peaks (horizontal) model of financial regulation – which is premised on assigning some regulatory activities to some entities external but aligned to the Central Bank, and in which there is a form of regulation by objective, one in which there is somewhat a shared supervisory function with one institution (the Central Bank) performing the overall safety and soundness supervision, and all other supervisory entities complementing the Central Bank's other ad-hoc oversight (or supervision), such as the regulation of the conduct of day-to-day business (inclusive of consumer protection) (Godwin, 2017; Taylor, 1995).

Though an advantage posited of the silos (institutional) or integrated (unified) model of financial regulation, over the twin peaks (horizontal) model of financial regulation, is its unified focus on regulation and supervision without confusion or conflict over jurisdictional lines, but some shortcomings noted include that it could create 'the risk of a single point of regulatory failure', and that in the process of regulating the activities of DMBs, the vertical regulatory role or the single universal regulator status of the Central Bank could provide space for regulatory arbitrage whereby tighter regulation in one or some financial services undertakings is compensated by these same DMBs moving operations to another or some other financial services undertakings where regulation is not too tight (Botha and Makina, 2011).

The twin peaks (horizontal) model of financial regulation is so designed to incorporate the efficiencies and benefits of the silos (institutional) or integrated (unified) model, and also to make provision for conflict that may exist between consumer protection and transparency, safety and soundness regulation objectives. Australia, the Netherlands, Belgium, New Zealand are some of the countries that make use of the twin peak approach, and its merits have been considered by countries such as France, Italy, Spain and the United States (G30, 2008).

3.3 Empirical review

Tables 1 and 2 summarize the published literature (or peer-reviewed / scientific documents) on the efficacy of (Central Bank) monetary policy vis-à-vis DMBs performance, as well as on financial system supervisory institutions and (Central Bank) monetary policy in tabular form as follows:

Table 1: Empirical evidence on Central Bank monetary policy and DMBs performance

Author(s)	Country / Countries	Sample Period	Methodology	Results/Conclusion of the Study
Okheshimi (2020)	Nigeria	2009 to 2018	Panel OLS	The findings showed that the money supply has a significant relationship with the asset quality indicator of commercial banks, while other monetary policy variables did not.
Ogbeifun and Akinola (2019)	Nigeria	1997 to 2016	OLS	The study concluded that monetary policy tools have no significant effect on the financial performance of DMBs.
Onoh and Nwachukwu (2017)	Nigeria	1980 to 2015	OLS	Monetary policy affects commercial banks' credit delivery.
Okorie and Agu (2015)	Nigeria	2002 to 2010	DEA	The study showed improvement in Nigerian banks' performance and efficiency due to the Nigerian banking sector reforms.
Ekong and Udonwa (2015)	Nigeria	1970 to 2012	Co-integration, VECM, and Chow test	The study concluded that banking sector reforms impacted positively on commercial banks' performance.
Akomolafe et al. (2015)	Nigeria	2003 to 2013	Panel OLS	The results show a positive relationship between monetary policy variables (money supply and interest rate) and commercial banks' performance.
Ayodele (2014)	Nigeria	1988 to	VECM	The results concluded the existence of

		2008		a long-run relationship between exchange rate, interest rate, liquidity ratio, money supply, and commercial banks' loans and advances.
Schularick and Taylor (2012)	14 developed countries	1870 to 2008	Panel OLS (Linear) Probability model	The study revealed monetary policy / monetary and regulatory frameworks did not well manage DMBs performance.
Olajide, Asaolu, and Jegede (2011)	Nigeria	1995 to 2004	Pooled panel regression	The results showed financial sector reforms impacted negatively commercial banks' performance.

Notes: OLS-ordinary least squares, VECM-vector error correction model, DEA-data envelopment analysis

Table 2: Reviews on Financial system supervisory institutions and Central Bank monetary policy

Author(s)	Country / Countries	Sample Period	Methodology	Results/Conclusion of the Study
Godwin (2017)	South Africa	1998 to 2017	Thematic and Comparative Review	The study concluded the Twin Peaks model of financial regulation to be of superior benefits, compared to the 'super-regulator' model.
Caruana (2014)	Africa	2009 to 2013	Thematic Review	The study concluded that good macroeconomic policy requires mechanisms that ensure appropriate coordination but avoid a potential conflict of interest and that responsibility for financial stability will almost always be shared with other bodies.
Botha and Makina (2011)	South Africa	1965 to 2010	Thematic and Comparative Review	The study attested to the twin peaks regulatory approach as of more benefits to the silos (institutional) approach to financial regulation and supervision.

In summary, from the literature, it is evident that the relations between monetary policy variable – money supply – and DMBs performance has been mixed, in the same vein as the relations between other monetary policy variables and DMBs performance. But, none of these studies had considered the period beyond 2018, more especially these times of the COVID-19 pandemic.

Nevertheless, in as much as the efficacy of monetary policy had been examined, only a few review articles had considered the role(s) that financial system supervisory units/arms/agencies aligned to a Central Bank perform to help further strengthen the efficacy of the Central Bank's monetary policy, and none considered specifically the Nigerian context, alongside with specific reference to other roles by AMCON. This (exploratory) study (or review article), therefore, adopts the twin peaks model of financial regulation (Botha and Makina,2011; Godwin, 2017) and attests as of the Nigerian environment other role(s) the AMCON could perform to further strengthen the efficacy of the CBN's macro- and microprudential guidelines.

The issues presented in tables 3 and 4 also notably are expressed related, because monetary policy remains not an end in itself, but rather a means to an end, i.e. the instance of certain financial system supervisory units/arms/agencies working with the Central Bank could, in the first place, help strengthen financial system (or banking sector) regulation, and resultantly preserve DMBs' health (or foster DMBs performance / financial system soundness) (Caruana, 2014). While, by extension, to include the (empirical) consideration of the efficacy of monetary policy for DMBs performance in the discourse herein, would be beyond the focus of this study[4].

4.0 Methodology

In order to make this conceptual narrative – a type of literature review (Baumeister and Leary, 1997; Wong, Greenhalgh, Westhorp, Buckingham and Pawson, 2013; Snyder, 2019), efforts in first place was to undertake a Search Strategy for 50 relevant literature amidst others using keywords such as *monetary policy, macro- and microprudential guidelines, financial crisis, Asset Management Companies, and Asset Management Corporation of Nigeria*, and these from reputed databases (or depositories) hosted by the following institutions (Table 3);

[4] Here, one acknowledges that the consideration of specifics in pre-existing empirical published literature could inform a pathway for another empirical investigation (or journey) in face of mixed conclusions as mentioned above.

Table 3: Description of the Search Strategy Implemented

Institutions whom databases / depositories were accessed	Number of relevant articles sourced
Central Bank of Nigeria – CBN, Abuja, Nigeria (and her allied financial agencies)	22
European Central Bank – ECB, Frankfurt, Germany	2
Bank for International Settlements –BIS, Basel, Switzerland	3
International Bank for Reconstruction and Development – IBRD / World Bank, Washington, D. C., United States of America (USA)	2
International Monetary Fund – IMF, Washington, D. C., USA	3
National Bureau for Economic Research – NBER, Cambridge, Massachusetts, USA	1
American Economic Association – AEA, Nashville, Tennessee, USA	3
Oxford University Press - OUP, Oxford, United Kingdom	4
Cambridge University Press, Cambridge, United Kingdom	5
Routledge – Taylor & Francis Group, Informa UK Limited (Taylor & Francis Online), Oxfordshire, United Kingdom	5

Source: Author

Thereafter, an exploration of the 50 relevant literature amidst others was made along salient themes including: *monetary policy in Nigeria, macro- and microprudential guidelines in Nigeria, macro- and microprudential guidelines and global financial crisis, macro- and microprudential guidelines and debt recovery, the CBN-AMCON nexus, and macro- and microprudential guidelines and COVID-19 pandemic*.

Lastly, a snowball (or snowballing) presentation of the survey of the (relevant) literature made, and the consideration and or discussion of the literature were not simply recitation/repetition of the same but echoes of findings of the present review commensurate to answer the research question.

5.0 Discussions

5.1 AMCON and Macro- and Microprudential Guidelines' Formulation and Implementation in Nigerian Economy

The existence of AMCs is noted in literature to be of global practice as well as not of a novel concept, and that they serve as a vehicle to restructure insolvent banks in respective economies alongside to mop up illiquid loans or assets in DMBs comprising partly a country's financial system. More so, they i.e. AMCs are recounted to act in stead to rescue failing DMBs (and or minimize the high cost of public bailouts) and help ensure the government derive value from the rescued financial institutions. Thus, AMCs are recognized purposeful with the main function to facilitate the process of financial system restructuring and enable the recovery of non-performing assets at the same time, a concern which in Nigeria is overseen by the monetary authority – the CBN but the later on her behalf handled or carried out by AMCON (Agabi and Onayemi, 2016; Cerruti and Neyes, 2016; Igbokwe, 2017; AMCON, 2019).

Whereas, AMCs in discharge of four often identified roles of (a) selling, (b) recovering, (c) restructuring, and (d) writing-off of non-performing assets in distressed financial institutions makes them reputed in managing potential (or full-blown) crisis that emerge in world economies' financial system. Meanwhile, their intervention, in distressed DMBs, to separate bad assets from good ones is recounted to allow for a proper evaluation of the health of a bank, and such separation deemed advantageous to free up liquidity and enable banks to engage in new lending (Agabi and Onayemi, 2016; Cerruti and Neyes, 2016; Igbokwe, 2017).

Notably, the Central Bank's mandate to draw up (certain) monetary policy instruments as well as macro – and microprudential guidelines in order to mitigate and or ensure the non-prevalence of systemic panic / bank runs amidst other reasons or objectives ensue as a task that requires or solicits information on the health of especially DMBs (Caruana, 2014), and in Nigeria the foregoing endeavor is vividly brought to bear as 'fruit' or as a result of recurrent monitoring of DMBs' activities of which AMCON in their interface with same financial institutions also contribute to effect such surveillance focused to inform macro – and microprudential guidelines' formulation (see Figure 1) (CBN, 2011; Hussaini, 2018).

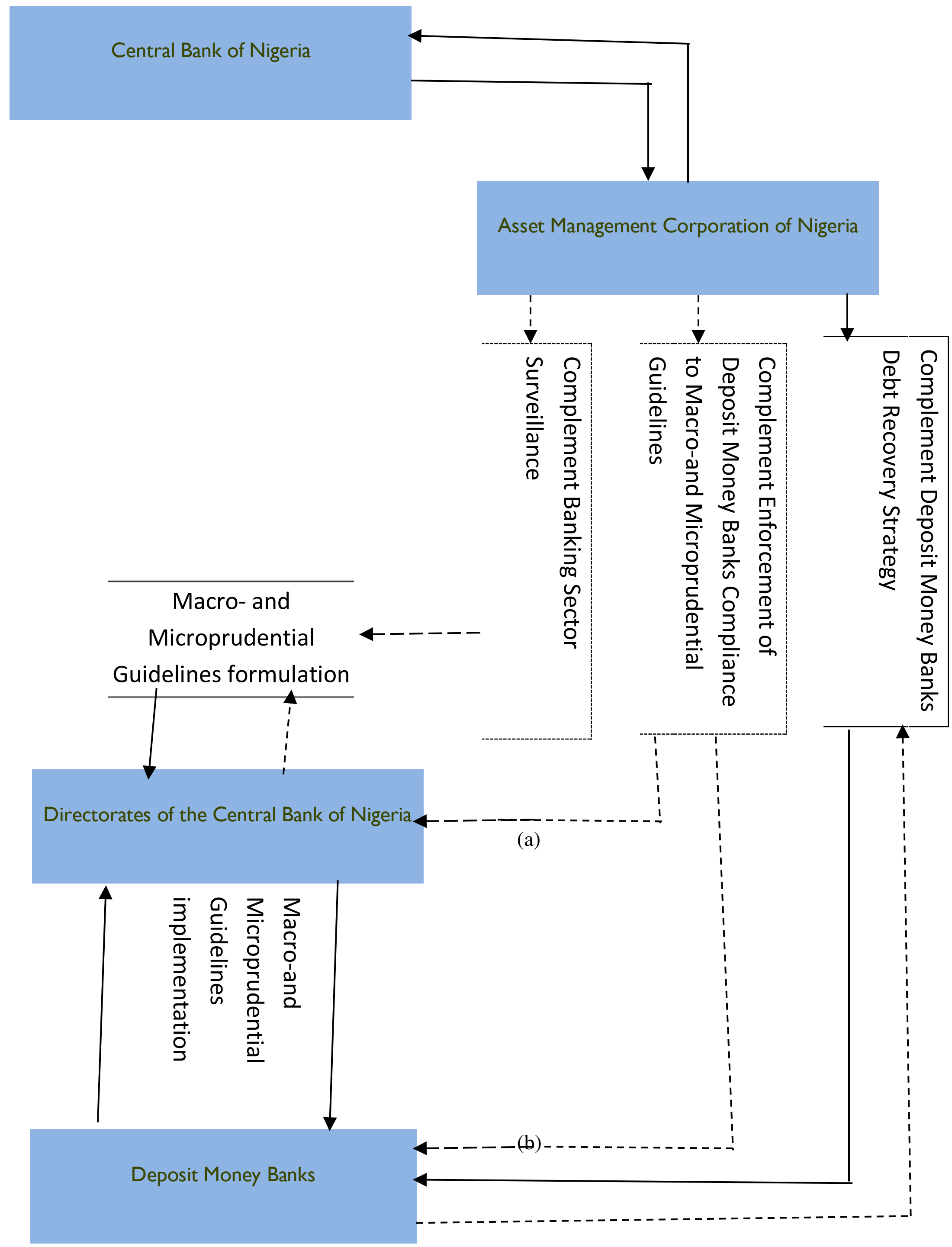
However, macro – and microprudential guidelines' implementation (accompanied with efforts to ensure compliance) stand out prominently as the basis of association between the CBN and AMCON in Nigeria in view to ensure financial system sanity, as such stance or modus operandi envisage correspondence from the financial sector players to the CBN as well as to other financial system regulatory authorities external to the CBN (inclusive of AMCON) (see Figure 1) (Shitile, 2013; Caruana, 2014; Ezema, 2015; Cerruti and Neyes, 2016; Hussaini, 2018).

In sum, the AMCON duly complements the CBN in her procedure to ensure compliance of DMBs, to macro- and microprudential guidelines stipulated from time to time, as they collaboratively follow-up these financial institutions in respect of day-to-day liquidity management, capital adequacy requirements, and undertakings relating to avoidance of asset-maturity / cash withdrawal mismatch amidst others (Akpan, 2013; Ani, 2013; Mmadu, 2010; Aldor, 2013; Cerruti and Neyes, 2016; Hussaini, 2018). In other words, the AMCON supports the CBN in ensuring the stability of the Nigerian Financial System (Igbokwe, 2017).

5.2 COVID-19 Pandemic, Macro- and Microprudential Guidelines and AMCON

Still on the discourse here presented, the recent spate of cases being recorded of the infamous coronavirus, commonly referred to as COVID-19 and documented to have originated in Wuhan,

Figure 1: The CBN – AMCON Nexus



Source: Caruana (2014); CBN (2011); Cerruti and Neyens (2016); Ezema (2015); Hussaini (2018); Shitile (2013); Author

Notes: ---------- indicate non-statutory roles, (a) means indirect complementary enforcement, (b) means direct complementary enforcement.

China with its outbreak in December 2019, has notably thrown the world into a state of panic and while scientists all over the world continually strives to understand the complexity of this aforementioned virus, the ravaging menace of this COVID-19 pandemic has left governments, institutions and people everywhere scampering for any and every solution (CBN, 2020e; Evans, 2020).

Consequently, efforts (and or measures) promoted by the World Health Organization (WHO) as well as federal and municipal / state governments of (or in) world economies to mitigate the spread of the COVID-19 infection had included wearing of face masks, ban of large gatherings / promotion of social distancing, closure of educational institutions, business (or firms') closures, implementation of nationwide / total or regional / local lockdown, etc. (WHO, 2020; NCDC, 2020). Whereas, now after some period of time of putting into effect the foregoing measures, and in view to enable phased return or gradual easing of practice of day-to-day business, possibility of people to go about their varied means of livelihood, and reopening of world economies for business activities, experience has shown there is remarkably the need for world governments (and or institutions) to incentivize businesses (or firms) with fund as bail-out aid or 'soft money' in order to enable their continued operation, prevent further job losses, and foster eventual economy-wide recovery from potential recession that could be caused by the crippling of business activities due to the COVID-19 pandemic (Business Day Newspaper, 2020; CBN, 2020e).

Meanwhile, recent official report from the Chinese National Bureau of Statistics shows China – often scandalized to be the originator of the coronavirus pandemic – to record 3.2% Q2 2020 Gross Domestic Product (GDP) growth, and this is of similar aspiration to other world economies, including Nigeria as the feat is termed attributable to various business support measures consisting increased fiscal spending, tax relief, etc. amid the government (varied) efforts to ease the nation's lockdown (CNBC, 2020).

In the case of Nigeria thereof, to encourage business re-openings (despite the periodic closure in compliance to state lockdown, and risk of non-survival / continuity / profitability in the interim), to enable economy-wide recovery from the 'pangs' of the COVID-19 pandemic, the Nigerian monetary authority - the CBN - had duly launched and sought to implement different business relief packages as some of her monetary policy responses to meet the financing needs of businesses in face of the COVID-19 pandemic realities (CBN, 2020b; 2020c; 2020d). Although since mid-2019, the CBN had remarkably maintained a pronounced stance directing all DMBs in the country to more aggressively support real sector lending activities (CBN, 2019a; 2019b; 2019c; 2019d; 2020a).

But then to recoup these extended facilities to businesses by DMBs on behalf of the CBN (and or in line with the CBN's monetary policy responses and macro- and microprudential guidelines), even in these times of the COVID-19 pandemic (CBN, 2020b; 2020c; 2020d) and post COVID-19 going forward, entertains the services of AMCON in their follow-up correspondence with DMBs due to the need to ensure repayment of the extended loan facilities by businesses assisted, to ensure the continued profitability of DMBs, to avoid a repeat of similar findings of the 2009 financial sector-wide DMBs' stress test in Nigeria, and evade a systemic panic / bank runs (see Figure 1).

6.0 Conclusions and Recommendation

In conclusion, this discourse shows the relationship between CBN and AMCON with respect to macro- and microprudential guidelines. It was established from our review of literature that the agency function of AMCON on behalf of the CBN helps provide wealth of information that goes a long way to inform macro- and microprudential guidelines' formulation as related in Hussaini (2018); whereas also, the collaboration of AMCON with CBN (or CBN with AMCON) in surveillance /monitoring of DMBs duly enable / foster the implementation of macro- and microprudential guidelines (and or enforcement of compliance of DMBs to macro- and microprudential guidelines) in view to ensure financial system sanity as highlighted in Caruana (2014) and Cerruti and Neyes (2016).

Thus, it is recommended that the CBN should leverage on AMCON's recurrent interface with financial institutions, in efforts to ensure the operational effectiveness of so established macro- and microprudential guidelines.

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