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COMPARATIVE ANALYSIS OF BANK RESOLUTION REGIME IN NIGERIA, THE UNITED STATES, AND THE UNITED KINGDOM

Aliyu Hussaini LLB, BL, LLM, PhD
Department of Private and Business Law, Faculty of Law,
Nasarawa State University, Keffi, Nigeria.
aliyuhussaini@nsuk.edu.ng

Abstract
The financial system in Nigeria, much like those in advanced economies, has long grappled with the dual challenges of unstable liquidity flows and the need for prudent fund management mechanisms. The Nigerian banking sector evolved from an unregulated, colonial-era framework that often led to frequent distress and bank failures due to weak legislative oversight. To safeguard public funds from the traditional burdens of state-backed bailouts, modern legislative interventions introduced specialized resolution safety nets, including the Banking Sector Resolution Cost Fund. Prior to recent structural reforms, traditional bank resolution measures including: replacing management, enforcing capital increments, or utilizing public bailouts, proved largely ineffective in preventing severe liquidity crises. Although contemporary legal regimes established viable resolution tools, significant institutional hurdles exist. Resolution authorities face complex modalities in implementing these mechanisms, while bank depositors, shareholders, and creditors struggle to insulate their financial interests during crises. Additionally, the specific operational burden of running through "dual resolution funds" within Nigeria introduces distinct challenges for domestic banks compared to more consolidated international models. The primary aim of this paper is to examine the legal and institutional mechanisms deployed to manage distressed banks and maintain financial stability across global jurisdictions. Specifically, the paper reviewed the harmonized applications of principal statutes such as BOFIA, the AMCON Act, the NDIC Act, the UK Banking Act 2009, and the US Dodd-Frank Wall Street Reform and Consumer Protection Act to determine how these laws protect resolution funds, enhance regulatory independence from external influence, and impact investors and depositors. This paper adopted a strict doctrinal methodology to conduct a systematic analysis of legal rules, statutory provisions, and institutional frameworks. The comparative analysis revealed substantial regulatory gaps, structural weaknesses, and wide-ranging institutional deficiency within the Nigerian framework. Unlike the United States regime where distinct national and regional banking systems are clearly delineated or the United Kingdom's well spelt-out prudential divisions, the Nigerian system suffers from an operational overlap where the CBN exercises both supervisory and resolution powers, thereby limiting independent statutory growth. The study found that while international jurisdictions have streamlined their safety nets, Nigeria uniquely operates a dual-resolution fund framework that places a severe financial burden on domestic financial institutions and their stakeholders. To remedy these structural flaws, the study recommended immediate legislative intervention to amend the AMCON Act 2015 and BOFIA 2020, specifically prescribing a definitive terminal date or statutory tenor for the Resolution Cost Fund to offer banks a predictable financial horizon. Institutional reforms should focus on granting greater statutory autonomy to the CBN's resolution unit to eliminate conflicts of interest between supervisory and enforcement roles. The study concluded that transitioning from a "too big to fail" mindset to a systemic "too big to ignore" approach is vital for long-term economic survival.

Keywords: *Bank Resolution, Resolution Funds, Financial Stability, Banking Distress, Comparative Banking Law, BOFIA, Dodd-Frank Act, Banking Reform.*

INTRODUCTION

Bank resolution funds are pools of money used to finance the orderly resolution of failing banks without relying on taxpayer bailouts. The 3 jurisdictions have different structures, legal bases, and funding mechanisms.This Paper analysed some fundamental similarities and differences in bank resolution mechanisms adopted by the three jurisdictions under consideration. The comparative study was conducted under the following headings; (a) bank stabilisation and recovery plan, (b) funding mechanisms, (c) inter agency collaboration and independence of the regulatory/resolution authorities (d) bail-in approaches of the three Jurisdictions. (e) premium contribution by Banks, and (f) Cross border Collaboration and Cooperation's.

Bank Stabilisation and Recovery Plan

Under the Nigerian bank resolution regime, the stabilisation options and recovery plan available to the NDIC and CBN include; adoption of remedial measures such as directing the failing bank to stop granting loans, suspending the management of the failing bank, injection of capital into the failing bank; Setting up a Bridge bank to take over the management of the failing bank; transfer the bad loans and assets of the bank to AMCON;

transfer the property of the bank to a private purchaser. The NDIC uses financial assistance, technical assistance, purchase and assumption, assisted mergers, bridge bank mechanisms to stabilise failing bank in Nigeria. Liquidation of failing banks is usually a last resort under the Nigerian Bank resolution regime.

NDIC also administers deposit insurance of about ₦500k for commercial banks and ₦200k for Micro Finance Banks.[1]

Under the U S resolution regime, stabilisation tools available to FDIC include; (a) directing the bank to submit periodic resolution plan (b) directing the bank to file risk assessment report (c) setting up Bridge bank (d) transfer of properties and assets to a private purchaser or state owned enterprise (e) Bail-in of the failing bank[2] i.e converting the loans of creditors to shares. (e) Creation of POE (point of entry) a scheme that allows the Orderly Liquidation Authority to manage large holding banks without disrupting the critical function of the subsidiaries.

Under the U S Resolution Regime, the Orderly Liquidation Authority (OLA) enables the FDIC to act as receivers or liquidators, create bridge financial companies, transfer assets/liabilities, and impose losses on shareholders/creditors during resolution of large financial institutions.

As Orderly Liquidation Authority, the FDIC prefers to adopt the Single Point of Entry strategy for Global Systemically Important Banks (GSIBs).[3] The Point of Entry strategy allows the FDIC to assign losses to the Group Holding Banks in resolution instead of redistributing losses to the subsidiary financial institutions.

Under the UK resolution regime, the five stabilisation options include; transfer to a private sector purchaser, transfer to a bridge entity, the asset management vehicle tool, the bail in tool and transfer to temporary public sector ownership.[4]

The Bank of England under the Special Resolution Regime exercises five stabilisation powers including; private sector transfer, bridge bank, asset separation, bail-in, and temporary public ownership.It is pertinent to note that Bank of England adopts transfer of assets for smaller banks in resolution, while bail-in resolution tools is majorly used for large complex financial institutions which have total loss absorbing capacity[5].

FUNDING MECHANISMS

Funding Mechanisms in Nigeria

The Nigerian resolution regime makes provision for three types of funding mechanism including; the deposit insurance fund managed by the NDIC, bank resolution cost fund managed by AMCON, and bank resolution fund managed by CBN. These funds are meant to be applied to ensure the orderly exit of failing bank in Nigeria without disrupting core economic activities in the financial sector.

The Banks and Other Financial Institutions Act (BOFIA) 2020 created the Banking Sector Resolution Fund, while the Assets Management Corporation of Nigeria Act 2015 established the Bank Resolution Cost Fund.

The Nigerian Deposit Insurance Corporation Act 2023 and BOFIA 2020 empower the NDIC and the CBN to control and manage failing banks in Nigeria.

Resolution Fund

The Banking Sector Resolution Fund was established under sections 102-129 of the BOFIAct 2020 while the Banking Sector Resolution Cost Fund was created by AMCON Amendment Act of 2015.
The Deposit Insurance Fund was established by the NDIC Act of 1988 to protect bank customer's deposit.

Source of Funding

All licensed commercial banks are mandated to pay 10 basis points of their total assets annually once the bank resolution fund commences. The CBN is mandated to make initial contribution of ₦10bn by CBN to the bank resolution fund, while the NDIC is mandated to contribute the sum of ₦4bn to the bank resolution fund at commencement.

The CBN is additionally required to contribute the sum of N50bn annually to the Banking Sector Resolution Cost Fund, while eligible banks are mandated to contribute a sum equivalent to 50 basis points of

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[1] How NDIC's prompt resolution saves banking sector from failure Jan 25, 2021 <www.Businessday.ng.>
[2] E. Avgouleas., & C. Goodhart, "A Critical Evaluation of Bail-Ins as Bank Recapitalisation Mechanisms" (2014) Centre for Economic Policy Research Discussion Paper No 10065, <www.academic.oup.com> ; see also <www.eprints.lse.ac.uk> accessed 14 April 2024 10: 30 a. m.
[3] P. L Lee, 'The Future of Financial Institution Resolution,<www.clsbluesky.law.columbia.edu>accessed 5 June 2026 10: 15 a. m.
[4] The UK Banking Act 2009
[5] Maintaining a fit for purpose resolution regime < www.bankofengland.co.uk > accessed 5 June 2026 10:17 a.m.

their total assets annually to the resolution cost fund.

Other sources of the resolution fund include; CBN allocations, investment income, recoveries from resolved bank, and NDIC premium contributions paid by insured banks.

Non-compliant banks are barred from paying dividends or bonuses to their shareholders.[6]

Funding Mechanism in the United States

Under the U S resolution regime, funds available for management of failing banks include, the deposit insurance fund managed by the FDIC, the orderly resolution fund set up by the Dodd Frank Act,[7] as well as the US Treasury emergency relief Fund.

Title II of the Dodd-Frank Act 2010 created the Orderly Liquidation Authority which manages the Orderly Liquidation Fund applicable to Bank Holding Group Companies,[8] while, the Federal Deposit Insurance Act created the Federal Deposit Insurance Corporation which manages the Deposit Insurance Funds applicable to insured depository institutions.[9]

Resolution Fund

Orderly Liquidation Fund (OLF) was established under Title II, to cover administrative costs of liquidating large, complex financial companies when bankruptcy is not viable. Bank Holding Companies with assets amounting to over $ 100,000,000 billion are eligible for resolution under title II of the Dodd Frank Act. This large Bank Holding Companies are regarded as Global Systemic Financial Institutions.[10] The Orderly Liquidation Fund is controlled by the U S Treasury Department.

The Deposit Insurance Fund (DIF) on the hand is managed by the FDIC for the protection of insured depository institutions in resolution. Title II explicitly prohibits using the DIF to assist covered financial companies under OLA, and vice versa.[11]

Source of Funding

Orderly Liquidation Fund (OLF) is funded through assessments on large financial companies and borrowing from Treasury, with mandatory repayment plans to recoup costs from the industry. Large financial institutions are required to submit Bank Recovering and Resolution Plan to the Financial Stability Oversight Council of the Treasury Department.

The Deposit Insurance Fund (DIF) is funded by premiums received from insured banks.[12]

Funding Mechanism in the United Kingdom

Under the UK resolution regime, there is no separate resolution funds established by law however, funds available for resolving failing banks are provided by the Financial Services Compensation Scheme, Bank of England Liquidity Support Framework and the HM Treasury emergency relief support.

The Banking Act 2009 established the Special Resolution Regime (SRR) which provides for bank stabilisation strategy, bank failure administration and bank liquidation.

The Bank Resolution (Recapitalisation) Act[13] was enacted to provide safeguards for shareholders, creditors, and counterparties under the special resolution regime. The Act empowers the Financial Council Authority to use the Financial Services Compensation Scheme (FSCS) funds to recapitalise small banks in resolution.[14]

Resolution Fund

The United Kingdom Special Resolution Regime did not create a standalone “resolution fund” like the US Orderly Liquidation Fund but It relies on the Financial Services Compensation Scheme (FSCS) Industry-funded deposit guarantee scheme to provide financial assistance to banks in resolution. However, the 2025 Act now allows FSCS funds to be used to recapitalise banks in resolution, reducing taxpayer risk.

The Single Resolution Fund (SRF) adopted by the European Union is relevant for UK banks operating in the Eurozone pre-Brexit. The UK satisfied the E U Banking Union’s Bank Recovery and Resolution Directive

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[6] ‘Resolution Fund Act bars non-compliant banks from paying dividends’ 25 January 2021 <www.Newtelegraphng.com> accessed 5 June 2026 10: 45 a. m.

[7] Article II of Dodd Frank Wall Street Reform and Consumer Protection Act 2010

[8] S 165(d) of Dodd Frank Wall Street and Consumer Protection Act 2010

[9] FDIC Act; See also Robert E Fieldman, <www.fdic.gov>accessed 5 June 2026 10: 30 a. m.

[10] Ibid

[11] This was further strengthened by the U S Congress through the enactment of the Economic Growth Regulatory and Consumer Protection Act.

[12] USC title 12.

[13] Bank Resolution (Re-Capitalization) Act 2025

[14]< www.lexisnexis.co.uk >accessed 5 June 2026, 10: 30 a. m.

(BRRD) obligations through the UK bank levy, with double taxation relief for Single Resolution Fund (SRF) contributions. It is observed that Since 2016 European Union member states have been bound by the Bank Recovery and Resolution Directives. One of the key elements of the BRRD is the establishment of a new levy in Euro Zone States to fund a Single Resolution Fund.[15]

Source of Funding

The Financial Services Compensation Scheme (FSCS) is funded by levies charged on insured United Kingdom banks and financial firms.

For larger banks, Minimum Requirement for own funds and Eligible Liabilities (MREL) must be met before they become eligible for resolution. These large banks are required to meet total loss absorbing capacity (TLAC) standard. Hence large banks periodically issue loss-absorbing debt that can be converted to equity during resolution.[16] Under the United Kingdom Resolution Arrangement, the resolution funds are drawn from Treasury borrowing, industry repayment and levies impose on the banking industry by the Financial Services Authority through the Financial Service Compensation Scheme.

The Scope of the Bank Resolution Regime in the United States include: Large, complex financial companies under the Orderly Liquidation Authority; insured banks under Federal Deposits Insurance Corporation. The United Kingdom Bank Resolution Regime covers Banks, building societies, and systemically important investment firms. The Nigerian Bank Resolution Regime covers all eligible Banks and other financial institutions under the management of the Central Bank and the NDIC.

This study observed that the US has the most segmented approach where OLF covers Systemic Important Financial Institutions (SIFIs) while DIF is used for small banks. But both are industry-funded and legally separate. The UK avoids a dedicated fund but expanded FSCS powers to cover resolution costs. This keeps resolution industry-funded while leveraging existing deposit guarantee infrastructure. Nigeria created a dedicated Resolution Fund under BOFIA 2020, funded by annual levies and seed capital from CBN/NDIC. The Nigerian bank resolution fund is newer and aims to reduce reliance on ad-hoc government interventions.

All the three (3) systems aim to implement the FSB's Key Attributes of Effective Resolution Regimes, minimize taxpayer exposure, protect depositors, and maintain financial stability.

BAIL-IN APPROACH

Bail-in means forcing a bank's creditors and shareholders to take losses by writing down their claims or converting debt to equity, so the bank can be recapitalized without taxpayer money.

Bail-in-Approach in the United States

The legal basis for the operation of bail-in method in the US is Title II of the Dodd-Frank Act 2010, Orderly Liquidation Authority.

Procedure; FDIC is appointed receiver of a failing Systemic Important Financial Institution. The FDIC can write down debt, convert debt to equity, and create a bridge company. The hierarchy of loss absorption is shareholders first, then unsecured creditors, then other creditors.

The US prefers Single Point of Entry where losses are directed at the Bank Group Holding Company, not operating subsidiaries, to keep critical functions running.

For example, during the Silicon Valley Bank financial crisis of 2023, the United States Resolution Regime partially applied bail-in method.

The FDIC took over Silicon Valley Bank under the Federal Deposit Insurance Act, and not under Title II of the Act applicable to large banks.[17]

After writing up debts and converting them to shares, Shareholders and some unsecured creditors of the failing bank were wiped out. Then the Management of the Silicon Valley bank was reconstituted.

Although not a full bail-in but the government used a "systemic risk exception" to protect all depositors, including uninsured depositors, funded by a special assessment on banks. Therefore, depositors were not bailed-in, but equity and junior debt holders were.

This is why officials called it "not a bailout" because losses stayed with investors, not taxpayers.

The order of loss absorption under the United State Bail-in Mechanisms as provided by title 11 of the Dodd Frank Act is as follows:

- Shareholders will be wiped out first
- Subordinated debt / junior creditors
- Senior unsecured creditors

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[15] <www.gov.uk > accessed 5 June 2025 10: 14 a. m

[16] Enhancing the special resolution regime consultation 01 January 2024 < www.gov.uk >accessed 5 June 2026 10:40a. m.

[17] Dodd Frank Act 2010

- General unsecured creditors
- Insured deposits are protected by FDIC up to $250k
- Secured creditors are protected to the extent of their collateral

Uninsured depositors sit above senior unsecured debt in the US, and during the resolution of SVB in 2023; uninsured depositors were made whole through systemic risk exception, so losses stopped at shareholders/junior debt.

Bail-in-Approach in the United Kingdom

The application of bail-in method in the United Kingdom finds legal expression in the Banking Act 2009, which provides for Special Resolution Regime.

During bank resolution, the Bank of England uses the bail-in stabilisation power to write down or convert liabilities into equity. The order of loss absorption follows insolvency priority under the Insolvency Law.

The Bank of England sets Minimum Requirement for own funds and Eligible Liabilities (MREL) to ensure banks maintain sufficient equity and subordinated debt to absorb losses and facilitate recapitalisation. Large banks operating in the UK must hold enough loss-absorbing debt so they can be bailed-in. For banks with over £40bn assets, bail-in is the expected strategy.

Under the new guidelines issued in 2025, after writing down or converting debts to equity, instead of immediately issuing shares, creditors get provisional rights that convert to shares later once losses are determined. This is to avoid valuation disputes at the resolution weekend.[18] It is observed that 'under the new approach bondholders whose debt is wiped out or converted as part of a bank resolution process will first receive temporary placeholder rights rather than shares in the rescued bank. These rights are called 'PROPPS' which are provisional entitlements that will later be converted to actual shares in the recapitalised bank once regulators have worked out exactly how much each creditor owed.'[19]

The Bank of England applied the Bail-in method during the PrivatBank of Ukraine crisis between 2016 and 2022.

The National Bank of Ukraine bailed-in $595m of English-law loans facilities granted to PrivatBank in Ukraine. The Bank of England recognized this bail-in arrangement under the UK Banking Act 2009.[20] The loans were mandatorily exchanged for shares in PrivatBank, which was then nationalized by the government of Ukraine as a result of which the UK creditors lost money, but UK courts subsequently upheld the creditors' claim.[21]

The UK has not done a domestic bail-in of a major bank yet. It is observed that 'during the Co-operative Bank financial crisis of 2013, and the Banco Espirito Santo financial crisis of 2014, the Bank of England used liability management exercises close to bail-in, but the first true UK bail-in is still hypothetical. The Bank of England's 2024 operational guide lays out exactly how it would work.'[22]

Order of loss absorption under the United Kingdom Bail-in Mechanism as contained in the Banking Act of 2009.

The order of loss absorption which must conform to the UK insolvency law and MREL rules is as follows:

- Common Equity Tier (CET)1 capital
- Additional Tier 1 (AT1) bonds
- Tier 2 bonds
- Senior non-preferred debt specifically designed for bail-in
- Senior preferred debt
- Eligible deposits above £85k
- Covered deposits below £85k protected by the Financial Services Compensation Scheme (FSCS)
- Secured liabilities are also protected

The Bank of England uses MREL standard to mandate banks to issue sufficient bail-inable debt. The 2024 reform introduced 'PROPPs' which allows creditors to get temporary rights first, then shares once

[18] Ruth Smith planning to fail; what resolution is and why it matters 9/01/2026<www.bankofengland.co.uk> accessed 5 June 2026, 10;15 a. m

[19] ibid

[20] s. 89H Banking Act 2009

[21] Privat bank bail-in; Bank of England Recognises Bail-in by National Bank of Ukraine <www.bankofengland.co.uk> accessed 5 June 2026 11: 16 a. m

[22] Executing bai-in; an operational guide from the Bank of England 22/7/2024 <www.banofengland,.co.uk> accessed 5 June 2026 10: 45 a. m.

valuation is concluded.

Bail-in Approach in Nigeria

The BOFIA 2020 provides for the adoption of bail-in method of bank resolution in Nigeria[23]

Under the Nigerian resolution regime, the CBN and NDIC are empowered to issue "Bail-in Certificates" to write down or convert eligible instruments. Eligible instruments include; subordinated debt, and other unsecured liabilities. Secured liabilities, insured deposits, employee wages, and critical service payments are excluded.[24]

One of the safeguards of the bail-in practice in Nigeria is that the process must comply with "No Creditor Worse Off" principle. Creditors cannot be worse off than they would have been if the bank is resolved through liquidation.

CBN can require banks to put bail-in clauses in contracts so that foreign law does not exclude it application.[25]

Nigerian financial regulators have not executed a public bail-in yet. The closest case was the 2009 banking crisis where the CBN injected over ₦879bn into 8 failing commercial banks through subordinated loans, and AMCON's acquisition of their non-performing loans. The 2009 bank rescue in Nigeria, at best, represented bail-out where public funds were used to mitigate losses suffered by private owned enterprises, and not bail-in where shareholders and investors are meant to absorb losses. The NDIC quarterly report of 2016 use the foregoing AMCON futile intervention to stress the need for Nigeria to adopt bail-in to avoid future taxpayer costs.[26]

Etisalat Nigeria, although not a bank, adopted the 'bail-in' model in 2017, where the CBN and the Nigerian Communication Commission (NCC) intervened to restructure ₦541.8bn debt. The relevant regulators avoided receivership, and kept operations of Etisalat running. A true bank bail-in would follow similar logic but will impose losses on bondholders first.

The NDIC's 2016 paper outlines how bail-in would work in Nigeria through the conversion of eligible liabilities to equity, the use of the Banking Sector Resolution Fund to bridge gaps, and keep critical functions open.[27]

The order of loss absorption under the Nigerian Bail-in Mechanisms per Section 118 of BOFIA 2020 is as follows:

- Shareholders / Common Equity Tier 1
- Additional Tier 1 capital instruments
- Tier 2 capital instruments
- Other subordinated debt
- Eligible liabilities including unsecured or non-deposit liabilities designated by the CBN.
- Eligible deposits above insured limit of ₦500k for commercial banks.
- Insured deposits that are protected by the NDIC
- Secured liabilities, employee wages, critical service payments are excluded from bail-in.

The Nigerian regime excludes wages, taxes, and payments for critical services from bail-in. The 'No Creditor Worse Off' principle means a creditor cannot get less than he/she would have gotten if the bank in liquidation.

The paper observed that while the US uses bail-in but will protect depositors if systemic risk is declared, shifting cost to the banking industry, the UK has built the most detailed bail-in mechanisms and Minimum Requirement for own funds and Eligible Liability (MREL) rules, with PROPPs (provisional rights assigned to bondholders of rescued bank under bail-in mechanism) to solve valuation timing. Nigeria has introduced a legal framework for bail-in, but has not used it yet, and past crises were resolved with public money.

INTER-AGENCY COLLABORATION AND INDEPENDENCE

In some jurisdiction, the resolution powers and the supervisory powers are vested in one Agency while other resolution regimes confer resolution and supervisory powers on separate Agencies. For instance, in the US, the resolution powers are vested in the FDIC which in certain circumstances is regarded as Orderly Resolution Authority, the Treasury Department, The Federal Reserve Bank and The US Congress exercise regulatory powers in banking resolution. Similarly, in the United Kingdom, the resolution powers are vested in the Bank of England and the Financial Council Authority, the supervisory powers are vested in the HM

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[23] BOFIA 2020 ss 102-129

[24] Ibid see also NDIC Act 2023

[25] Harold Balogun Bail-in powers of the Central Bank of Nigeria; Key legal issues for Bank Creditors 31/03/2023 www.mondaq.com > accessed 5 June, 2026 10: 30 a. m

[26] NDIC Quarterly Vol 30 no. 4 2016 <www.nigeriareposit,nln.gov.ng> accessed 5 June 2026 10: 15 a. m.

[27] ibid

Treasury and The UK Parliament. In contrast, the Nigeria Bank Resolution Regime confers both resolution and supervisory powers on the Central Bank.

PREMIUM CONTRIBUTIONS BY BANKS IN THE US, THE UK, AND NIGERIA

Premium Contributions by Banks in the United States

In the United States, banks and financial firms paid annual premium to Federal Deposit Insurance Corporation FDIC at a determined rate.

The rate which is Risk-based stands at about 2.5 to 42 basis points (bps) per year.

For established small banks, the rate is between 2.5 to 18 bps for CAMELS[28] 1-2 while the premium rate for CAMELS 4-5 small banks is between 13 to 32 bps.

For large and highly complex banks, the premium rate is between 2.5 to 42 bps.

The premium rate which is fixed by the FDIC is subject to review as public interests demand. For example, the FDIC increased the rates by 2 bps starting Q1 2023 to restore the Deposit Insurance Fund to 1.35% by Sept 2028.[29]

The premium assessment base is the average consolidated total assets minus average tangible equity.

The Amount of total Deposit Insurance Fund assessments vary yearly. For example, the FDIC projected that the 2 Basis points bps increase would raise ~$7-8bn annually.[30]

Premium Contributions by Banks in the United Kingdom

Under the United Kingdom Regime, banks and financial firms pay premium to the Financial Services Compensation Schemes managed by the Financial Council Authority.

The FSCS levies has 2 parts i.e Management Expenses Levy Limit (MELL) which covers FSCS operating costs, and Compensation Levy which covers actual payouts to customers.

The rate of management expenses levy limit for 2024/25 is £108.1m., while the rate of management expenses levy limit for 2025/26 is £108.6m

The rate of the Compensation levy for 2024/25 is £265m which is the total levy payable by firms. This was down from £270m in 2023/24. The Financial Council Authority projected the sum of £394m for 2025/2026 financial year.[31]

Just like the practice in the US, The FSCS does not charge premium levy at a flat rate but it rather splits firms into 5 funding classes. Deposit-taking class (SA01) pays based on protected deposits. For 2019/2020, SA01 had a tariff base of £1.21tn, and paid £11.38m specific costs and £4.62m compensation costs.[32]

The rate of the levy which is determined by the Financial Council Authority is subject to review. The deposit protection limit rose from £85k to £120k on 1 December, 2025, which increases the levy base over time.[33]

Premium Contributions by Banks in Nigeria

In Nigeria insured financial institutions pay annual Premium to the NDIC. The NDIC maintains a risk-based premium under differentiated premium assessment systems.

The base rate is 35 basis points (bps) for low-risk banks, while high risk banks pay up-to 65 basis points annually.[34] It is pertinent to note that under the old arrangement, insured banks historically paid 0.35% to 0.5% of insured deposits. The Base for charging premium is the assessable deposit liabilities as at 31 December, of preceding year.

It is reported that in the first quarter of 2025 about 10 banks paid ₦93.99bn in NDIC premium which showed an increase of 58% from ₦59.5bn generated in the first quarter of 2024.

The NDIC determines the annual rate of premium to be paid by insured deposit institutions, and such rate is subject to review. For instance, in May 2024, the NDIC raised the coverage for Deposits Money Banks from ₦500k to ₦5m and argued that change in coverage will not affect the prevailing premium rates.[35]

The study observed that the US and the UK use broad asset/deposit bases while Nigeria uses insured deposits only, and rates are higher at 35-65 bps compared to US 2.5-42 bps.

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[28] CAMELS means Capital adequacy, Assets quality, Management, Earnings, Liquidity and Sensitivity rating

[29] <www.fdic.gov> accessed 5 June 2026 11:47 a. m.

[30] Amended Restoration Plan and notice of proposed rule for review of assessment base 2022, < www.fdic.gov> accessed 5 June 2026 10: 34 a. m.

[31] PS4/25 FSCS Management Expenses Ley Limit 2025/26 <www.bankofengland.co.uk> accessed 5 June 2026 10:30am

[32] FSCS confirm annual levy for 2024/25 <www.fscs.org.uk> accessed 5 June 2026 11:30 am

[33] ibid

[34] Dissecting NDIC Maximum deposit <www.ndic.gov.ng> accessed 5 June 2026 10:30am

[35] NDIC Increases Maximum deposit insurance coverage for bank depositors 02/05/2024 <www.ndic.gov.ng> accessed 5 June 2026 11:20am

UK splits costs into administrative Management Expenses Levy Limit (MELL) in addition to actual compensation levy, while the United States and Nigeria use one single insurance fund.

CROSS-BORDER COOPERATION AND CHALLENGES

Cross-border resolution is critical because a bank's assets, liabilities, and legal entities span multiple jurisdictions. Each country seeks to protect its own depositors, but ring-fencing destroys the value of the bank system and impacts everyone.

United States and United Kingdom Bank Resolution Cooperation

The FDIC and the Bank of England have signed Memorandum of Understanding (MoU) in 2010 through Sheila Bair and Mervyn King. The bilateral agreement commits both countries to; share confidential information on cross-border firms' capital, liquidity, or internal controls; jointly form contingency plan for firms operating in both countries; and coordinate resolution strategies to avoid unilateral ring-fencing.[36]

Section 89H of the UK Banking Act[37] empowers the Bank of England to recognize foreign resolution actions. This gives legal certainty that a US Orderly Liquidation Authority's action will have effect in the UK. For instance, during the resolution of Silicon Valley Bank in 2023, the FDIC and the Bank of England coordinated to resolve SVB UK subsidiary. The Bank of England used the share transfer tool to sell SVB UK to HSBC UK over a short period of time and avoided economic disruption.[38]

Similarly, during the crisis of Credit Suisse in 2023, the Bank of England acted as host authority to support Swiss resolution, using Memorandum of Understandings to share information and align timelines.

Challenges of the United States and the United Kingdom Cooperation

The two partners operate under different legal regimes. While the United States bank resolution arrangement is governed by title II of the Dodd-Frank Act, the United Kingdom cross border bank resolution is governed by the Banking Act 2009 which empowers the Bank of England to recognise foreign resolution actions. Similarly, the Bail-in mechanisms and loss absorption plan developed by the two jurisdictions do not align.

The practice of 'ring-fencing' where the host banking authorities try to ring-fence local assets to protect domestic depositors destroys group value. Resolution happens over a short period of time so getting real-time data and legal sign-off across two distinct jurisdictions is hard.

Nigeria-Cross-Border Position

NDIC as a member of the International Association of Deposit Insurers (IADI) participate in IADI's functions to share best practice. The CBN Governor, Mr Cardoso recently called for regional cooperation by urging African financial regulators to adopt shared prudential principles for cross-border risks.[39] The CBN further simplified the KYC (know your customer) and Anti- Money Laundering (AML) for low-value cross-border payments to support the Pan-African Payment and Settlement System. This initiative does not specifically cover cross-border bank resolution action, but it shows cooperation direction.[40]

Challenges of the Nigeria -Cross-Border Cooperation

Nigeria does not have any formal written agreements with the United States or the United Kingdom on cross border bank resolution. Most bank resolution cooperation between Nigeria and other foreign jurisdictions are done through the European Union Financial Stability Board. Nigeria does not have a statutory framework on cross border bank resolution. Nigeria has not adopted the UNCITRAL Model Law on Cross-Border Insolvency. Nigerian Courts lack a clear direction to recognize foreign resolution actions.

CBN reports from 2008-2009 revealed weak consolidated supervision and data integrity as barriers to supervising cross-border banks.

African financial integration is outpacing political or legal coordination. Nigerian banks operate across West Africa, but resolution agreements are bilateral and ad-hoc. Example, Nigerian banks like Access, Zenith, GTCO have subsidiaries in Ghana, Kenya, UK. If one fails, NDIC would need to coordinate with host supervisors, but there is no statutory recognition mechanism like UK s.89H.[41]

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[36] FDIC and Bank of England announced enhanced cooperation in resolving Troubled cross border financial institutions, January 2010 www.bankofengland.co.uk> accessed 5 June 2026 10:14am

[37] Banking Act 2009

[38] Adam Cull 'Recognition of third -country resolution action; Being ready for cross border resolution lessons from Credit Suisse and Silicon Valley Bank- 2026 <www.bankofengland.co.uk> accessed 5 June 2026 11:09am

[39] Collin Nweze, Strengthening cross border payments through financial system integration 27/02/2026 <www.thenationonlineng,net.> accessed 5 June 2026 10:09am

[40] ibid

[41] Banking Act 2009

Common Challenges of Cross-Border Cooperation across the 3 Jurisdictions

Host countries protect local assets, reducing value for global creditors and increasing total cost. Where a bank resolution arrangement is not backed by laws like the UK sec. 89H of the 2009 Banking Act, foreign resolution actions may not be enforceable locally. Bank Resolution needs confidential data fast to be effective but legal barriers and data quality may slow it down. Decisions on bank resolution must be made in 48-72 hours so different time zones, and political pressure may create friction. All the relevant jurisdictions require loss-absorbing debt, but definitions and triggers of such debt differ, complicating bail-in across borders.[42]

Harmonisation Effort

All the three jurisdictions have committed to the European Union Financial Stability Board (FSB)'s principles on cross-border cooperation and crisis management groups for Global systemically Important Banks (G-SIBs).

The US-UK-EU run regular tabletop exercises to test communication and decision-making.

The CBN is strengthening Anti-Money Laundering (AML) / Countering the Financing of Terrorism (CFT) and supervisory frameworks to meet Financial Action Task Force (FATF) standards, which builds trust for future Memorandum of Understandings.

The study observed that while the US and UK have well- established cooperation with binding MoUs, joint exercises, and legal recognition as shown in the case of Silicon Valley Bank (SVB), Nigeria is still building the legal and institutional basis as it only participates in FSB/IADI functions. However, the main barrier everywhere is the tension between global resolution and national ring-fencing incentives.

CONCLUSION

The Paper concludes that true financial stability is not found in the prevention of all bank failures, but in the creation of a legal frame work where a bank can fail and orderly exit the corporate space without disrupting the economy. By adopting a more prescriptive, risk-based, and unified resolution fund model that is inspired by the successes and failures of the US and UK, Nigeria can safeguard its depositors, protect its taxpayers, and ensure the long-term integrity of its financial markets.

RECOMMENDATIONS

The Paper recommends that the AMCON Amendment Act 2015 and the BOFIAct 2020 be amended by the National Assembly to merge the Banking Sector Resolution Fund and the Resolution Cost Fund.

The paper further recommends the amendment of the BOFIA 2020 to introduce a specific clause that will clearly make the imposition of levies risk- based rather than leaving such determination open to legislative discretion as it is currently enshrined in section 77 of BOFIA 2020 and section 60C of the AMCON Act 2015.

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