

Companies and Allied Matters Act 2020

President Muhammadu Buhari yesterday assented to the Companies and Allied Matters Bill 2020.

The Companies and Allied Matters Act 2020 (CAMA 2020) introduced a number of changes to improve ease of doing business and introduce transparency. The changes include the following:

- One person is allowed to incorporate a private company so long as they comply with the requirements for private companies. This is a change from the previous limitation of two or more members.
- The Act now calls for “minimum issued share capital” instead of “authorised share capital”. Section 27(2)(a) prescribes the minimum issued share capital of a private company as not less than N100,000 while that of a public company is not less than N2,000,000. In the case of a company limited by guarantee, the amount each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year after he ceases to be a member for payment of debts and liabilities of the company, and of the costs of winding up shall not be less than N100,000.

- The Act introduces a statement of compliance to show that an applicant has adhered to the requirements of the Act regarding registration of companies. Section 36(1) of the Act requires that the memorandum of association be delivered to the Corporate Affairs Commission together with an application for registration of the company, requisite incorporation documents and a statement of compliance.
- By virtue of Section 98 CAMA 2020, it is no longer mandatory for a company to have a company seal.
- Section 176(1) of the new Act makes it possible for parties to make use of an electronic instrument of transfer of shares. It also goes further to permit private companies to hold general meetings electronically by virtue of Section 240(2). However, such virtual meetings are to be conducted in accordance with the company's Articles of Association. It can therefore be said that this is a step in the right direction in handling unforeseen circumstances that make physical meetings impossible.
- Small companies are now exempted from having company secretaries by virtue of Section 330(1) of the new Act.
- The new Act allows for the creation of Limited Liability Partnerships (LLP). Under the Act, LLPs are made up of at least two partners and shall have perpetual succession.
- Section 119(1) mandates every person who has significant control over a company to declare such control within seven days of attaining such control. The purpose of this provision is to introduce transparency.
- Section 307(2) of the new Act introduces a restriction to the number of directorships a person can hold in public companies. Persons are no longer allowed to be directors in more than five public companies.
- Section 265(6) of the new Act prevents Chairmen of public companies from also acting as the Chief Executive Officer of the same company.

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