

REQUIREMENTS FOR NEW BANKING LICENCE

1. PRELIMINARY REQUIREMENTS FOR GRANT OF APPROVAL- IN-PRINCIPLE (AIP)

Need to make a formal application for the grant of a licence to carry on the business of banking in Nigeria. Application should be addressed to the Director of Banking Supervision Department, Central Bank of Nigeria, P.M.B 0187, Garki, Abuja and submitted with the following documents:

- i. Non-refundable *application fee* of N500,000.00.
- ii. Deposit of minimum capital of N 25 billion with Central Bank of Nigeria on application with evidence of deposit by each shareholder. The source of capital contribution by each shareholder/ subscriber would subsequently be verified by Bank Examiners.

iii. FEASIBILITY REPORT/BUSINESS PLAN

The report should contain information on the following:

- a) Minimum *paid-up capital* requirement of =N=25 billion for new banking licence
- b) Ownership structure in columnar format showing name of proposed investor(s), profession/business and percentage shareholding. Detailed bio-data/resume of shareholders should be attached:
 - Fitness and properness of the promoters would be ascertained through security screening and status enquiry from SEC, NDIC, NAICOM, Credit Bureau (CRMS) and reference to CBN's black book maintained by the Bankers Committee.
 - Explanation of the sources of capital contribution by each investor.
 - Where equity is financed by loan, such loans must be

long term (at least of 5 year tenor) and must not be taken from the banking system.

- Undertaking by promoters that the bank will be adequately capitalized for the volume and character of its business at all times.

- Foreign investors should not be companies incorporated in off-shore centres or tax havens such as Gibraltar, The Cayman Islands, etc

For corporate investors, promoters should forward:

- Certificate of Incorporation

 - Board Resolution supporting company's (ies) decision to invest in the equity shares of the proposed bank.

 - Names and addresses (business/residential) of owners/directors and their related companies, if any.

 - Latest 3 years audited accounts & reports of the company and Tax Clearance Certificate.

 - Certified true copy of Memorandum and Articles of Association.

 - Certified true copies of the companies forms CO2 and CO7
- c) Objectives of the bank.
- d) Services to be rendered.
- e) Branch expansion programme
- f) Organizational structure, showing functional units, reporting relationships and grade (status) of heads of departments/units.
- g) Staff Training Programme

- h) I. T. Programme requirements/facilities.
- i) Five (5) year financial projection. The assumptions underlying the projections must be stated.

iv. **BOARD & MANAGEMENT**

a) **Board**

- Board composition should not be unwieldy (10-20 directors)
- Roles and responsibilities of the Board & its sub-committees must be spelt out in the business plan.
- Criteria for selecting board members should be stated in Business Plan. This must be proportional to shareholding.
- List of proposed directors and their detailed resume should be submitted

b) **Management Team**

List of identified top / senior management staff (AGM and above) and detailed curriculum vitae stating their qualification and experience, track records etc should be submitted.

* See Circular ref. BSD/DO/CIR/VOL.I/01/2001 dated January 4, 2001 on the "pre-qualification for appointments into the Board and top management positions in Nigerian banks."

- c) Organizational structure, showing functional units, responsibilities, reporting relationships and grade (status) of heads of department/unit.

d) **Internal Controls**

- Delegation of functions

- Need for involvement of four eyes (i.e. at least two officers to be involved in all major decisions) in running the bank.

Dual Control. No sole signatory powers

- Succession plan for key officers
- Corporate planing

v. **MEMORANDUM AND ARTICLES OF ASSOCIATION (MEMART)**

Relevant issues to be addressed in the draft MEMART include, but are NOT limited to:

- a. Name of proposed bank.
- b. Object clauses
- c. Subscribers to the MEMART
- d. Procedure for amendment
- e. Procedure for share transfer/disposal
- f. Appointment of directors

vi. **OTHER DOCUMENTS**

- a. Shareholders Agreement providing for Disposal/transfer of shares as well as authorization, amendments, waivers, reimbursement of expenses etc.
- b. Statement of intent to invest in the bank.
- c. Technical Services Agreement (where applicable).
- a. Any other documents/information that may be demanded from time to time.

2. **REQUIREMENTS FOR GRANT OF FINAL LICENCE**

Not later than six (6) months after the grant of A.I.P, the promoters of a proposed bank must submit application for the grant of a final banking license to the DBS with following documents:

- Non-refundable *licensing fee* of N5,000,000 in bank draft payable to CBN.
- 3 copies each of:
 - Certified true copy (CTC) of Certificate of Incorporation of the bank.
 - CTC of MEMART
 - CTC of Forms CO2 (Allotment of shares) and CO7 (particulars of directors).
- Evidence of location of Head Office/Branch Building (rented or owned) for the take-off of banking business.
- Changes (if any) in the Board, Management and Shareholding should be clearly stated for necessary appraisal.
- Evidence of strongroom, loading bay and Banking Hall Facilities.
- Bullion lorries with necessary security gadgets.
- Evidence of installation I.T. facilities/computerization.
- Copies of letters of offer and acceptance of employment in respect of the Management Team.

3. **PRE-COMMENCEMENT OF OPERATION REQUIREMENTS**

Letter informing CBN of its readiness to commence operation with

the following:

- Evidence of admission into the clearing house.
- Copy of shareholders register
- Copy of share certificate issued to each investor.
- Draft copy of opening statement of affairs signed by directors and auditors.
- Evidence of insurance coverage for cash such as Cash-In-Transit (CIT), Cash on Counter, Strongroom/ Vault, etc, insurance policies.
- Manual of Operation.
- Evidence of readiness of cheques and other security documents.
- Minutes of Pre-Commencement Board Meeting.
- Evidence of adequate security arrangements - physical and logical such as:
 - a Uniformed and/or plain cloth policemen
 - b Uniformed security guards
 - c CCTV especially in the banking hall, strongroom and loading bay areas
 - d Raid alarm (especially foot operated type) inside the teller cubicles, and fire alarms at strategic points within the premises
 - e Regiscope camera
 - f Cash movement & escort vans fitted with communication equipment