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CIRCULAR ON THE REVIEW OF THE UNIVERSAL BANKING MODEL

The CBN, in 2002, through the Universal Banking Guidelines, authorized banks to engage in non-core banking financial activities either directly as part of banking operations or indirectly through designated subsidiaries.

As part of the CBN's blueprint for reforming the Nigerian financial system, which includes the enhancement of the quality of banks, financial system stability and evolution of a healthy financial sector, the CBN is implementing strategic imperatives to prevent a re-occurrence of the past events in the Nigerian banking industry.

The primary objectives for the current reforms by the CBN include among others:

- Ensuring the protection of depositor funds by ring fencing “banking” from non-banking business;
- Redefining the licensing model of banks and minimum requirements to guide bank operations going forward;
- Effectively regulating the business of banks without hindering their growth aspirations; and
- Facilitating more effective regulator intervention in public interest entities.

As part of the reform agenda, the CBN conducted a review of the universal banking model and circulated a draft exposure report in March 2010, detailing its intent to modify the current banking model/arrangement and defining a new banking licence regime, going forward. Comments from key industry operators/stakeholders were received, considered, and served as input towards the finalization of the exposure draft document.

Consequently, the CBN intends to fully comply with the statutory provisions in the BOFIA, as amended regarding the conduct of banking business as follows:

- Discontinue the issuance of universal banking licence.
- Licence banks to perform the following types of business:
 - Commercial banking (Regional, National and International authorization).
 - Merchant banking.
 - Specialised banking [Microfinance banking, Mortgage banking, Non-interest banking (Regional and National) and Development Finance Institutions].
- Prohibit banks from undertaking non-banking activities.

Sequel to the exposure draft document, the CBN is issuing the following rules and guidelines:

- Regulation on Scope of Banking Business. This is to repeal the universal banking regime and require banks to divest from all non-banking business. The guideline defines the new types of banking licences, permitted activities and transition timelines for restructuring.
- Special banks/institutions like the Primary Mortgage Institutions, Microfinance Banks, Non-Interest Banks, Development Banks and Discount Houses shall continue to perform their specialized roles within the framework of existing guidelines.

In line with the above, all existing universal banks are required to prepare and submit to the CBN their plans on ensuring compliance with the requirements of the new banking regime not later than 90 days from October 4, 2010.

Banks are advised to note that the overall responsibility for ensuring that banking entities comply with stipulated guidelines lie with their Board and management. The CBN, however reserves the right to stipulate additional requirements covering the organization of banking groups, prior to granting any approval or authorization.

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