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CIRCULAR TO ALL BANKS, DISCOUNT HOUSES AND OTHER FINANCIAL INSTITUTIONS (OFIs) ON APPROVED PERSONS' REGIME

Further to the on-going reforms in the banking system and the CBN's determination to ensure that only "fit and proper persons" are considered for appointment to top management positions in banks, discount houses and other financial institutions as well as serve as significant shareholders (5% and above), the Bank has reviewed its circular referenced BSD/DO/CIR/VOL.1/01/2001, dated January 4, 2001, which specified criteria for board and top management appointments in Nigerian banks. The circular has been replaced with the "**Assessment Criteria for Approved Person's Regime for Financial Institutions**" in Nigeria.

Details are contained in the attached guidelines, which stipulate appropriate criteria for such appointments as well as the assessment of significant shareholders for your information and necessary compliance.

The guidelines, which take immediate effect, supersede those earlier issued on the same subject.

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**ASSESSMENT CRITERIA FOR APPROVED PERSONS' REGIME
FOR FINANCIAL INSTITUTIONS**

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1.0 INTRODUCTION

The CBN in its determination to ensure that only “fit and proper persons” are approved for appointment to board, top management/executive and critical operational positions in banks, discount houses and other financial institutions reviewed its circular referenced BSD/DO/CIR/VOL.1/01/2001 dated January 4, 2001 on the criteria for board and top management positions in Nigerian banks.

In the light of the above, the minimum conditions specified in these guidelines will be required (as appropriate) for candidates occupying or intending to occupy the under listed top management and board positions in Nigerian banks, discount houses and other financial institutions.

1.1 OBJECTIVE

The objective is to provide a broad framework for assessing a person’s capacity as “fit and proper” for the position for which he is being considered.

1.2 APPLICABILITY

These Guidelines supersedes our circular referenced BSD/DO/CIR/VOL.1/01/2001 dated January 4, 2001 and applies to banks (Regional, National and International), Specialized financial institutions, Discount Houses and other financial institutions.

2.0 CRITERIA FOR ASSESSING PROPRIETY

Fitness tests assess the competence of candidates for Board, top management and critical operational positions and their capacity to fulfill the responsibilities of their positions while propriety tests assess their integrity and suitability.

In assessing a candidate’s integrity and suitability, elements to be considered include:

1. Breach of Sections 19 (1)(a) and 44 of BOFIA 1991 (as amended), where such a person is or has been:
 - a. of unsound mind or as a result of ill- health is incapable of carrying out his duties; or

- b. declared bankrupt or suspends payments or compounds with his creditors including his bankers; or
- c. convicted of any offence involving dishonesty or fraud; or
- d. guilty of serious misconduct in relation to his duties; or
- e. disqualified or suspended from practicing a profession; or
- f. a director of or directly involved in the management of a bank which has been wound up by the Federal High Court;

And whether:

- 2. the candidate is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or any investigation, which might lead to such proceedings;
- 3. such appointment would result in conflict of interest thus contravening the provisions of sections 19 (2) and (3) of BOFIA 1991 (as amended);
- 4. the candidate, or any business in which he has controlling interest or exercises significant influence, has been investigated, disciplined, suspended or criticized by a regulatory or professional body, a court or tribunal, whether publicly or privately;
- 5. the person has been the subject of any justified complaint relating to regulated activities;
- 6. the person has been dismissed, asked to resign from employment or from a position of trust, fiduciary appointment or similar position because of questions about his honesty and integrity;
- 7. the person has ever been disqualified under BOFIA or CAMA or any other legislation or regulation, from acting as a director or serving in a managerial capacity;
- 8. the person deliberately misled (or attempts to mislead) by act or omission a client, the institution and/or the regulators;
- 9. the person deliberately falsified documents to mislead a client, the institution and/or regulators;

10. the person has deliberately failed to inform the client, institution and/or regulator, without reasonable cause, of the fact that their understanding of a material issue is incorrect, despite being aware of their misunderstanding;
11. the person had deliberately failed to disclose the existence of falsified documents;
12. the person has deliberately prepared inaccurate or inappropriate records or returns.

3.0 CRITERIA FOR ASSESSING FITNESS (COMPETENCE AND CAPABILITY)

To assess competence of candidates for Board and top management positions, their capacity to fulfill the responsibilities of their positions and their ability to understand the technical requirements of the business, the CBN shall take into account all relevant considerations, including but not limited to factors listed against each of the positions.

Performance on the job is an integral part of this assessment, thus candidates shall be subjected to a continuous fitness and propriety test every 2 years or any other period as may be specified by the CBN.

3.1 GENERAL GUIDELINES FOR ALL FINANCIAL INSTITUTIONS

Candidates will be expected to meet the following general guidelines:

- complete an "Approved Persons Regime" questionnaire to be administered by the CBN;
- provide a satisfactory status report from the last place of work, court (records), security agencies, CBN and other regulatory agencies in the financial services sector;
- satisfy the CBN that he/she is able to meet personal financial obligations/commitments on a continuous basis and demonstrate satisfactory discharge of fiduciary responsibilities; and
- provide three reference letters, two of which must be from the last place of work, in the last five years and from persons not below the rank of a director.

3.2 FITNESS REQUIREMENTS FOR BANKS AND DISCOUNT HOUSES

The fitness requirements for appointment of candidates to the under-listed Board and top management positions in banks and discount houses are as stated below:

3.2 A MANAGING DIRECTOR/DEPUTY MANAGING DIRECTOR/EXECUTIVE DIRECTOR

- A minimum of first degree or its equivalent in any discipline (additional qualification or degree in any business related discipline may be an advantage);
- A minimum of fifteen (15) years post qualification experience out of which, at least, ten (10) must be in management and leadership positions; and
- The bank must provide evidence that the candidates possess proven skills and competences.

3.2 B GENERAL MANAGER/DEPUTY GENERAL MANAGER/ASSISTANT GENERAL MANAGER

- A minimum of first degree or its equivalent in any discipline (additional qualification or degree in any business related discipline would be an advantage);
- A minimum of ten (10) years post qualification experience out of which, at least, seven (7) must have been in the relevant areas of job role;
- The bank must provide evidence that the candidates possess proven skills and competencies in their field.

3.2 C NON-EXECUTIVE DIRECTORS

Without prejudice to the provisions of the Code of Corporate Governance, candidates must possess:

- A first degree or its equivalent in any discipline;
- Proven skills and competencies in their fields;

- Knowledge of the operations of banks/discount houses and relevant laws and regulations guiding the financial services industry;
- Ability to make meaningful contributions to board deliberations.; and

All the conditions stipulated in the propriety principles shall apply;

Non-Executive Directors shall, in addition, be required to:

- Undergo directors' training at the institution's expense, aimed at acquiring or having the prerequisite knowledge of their responsibilities and duties as non-executive directors;
- Provide three reference letters from individuals of reputable standing in the country.

In considering nominees with limited industry experience, the CBN shall take into account the following:

- i. The size, scope and complexity of the institution;
- ii. The relevant experience and qualifications of other Board members;
- iii. The existence and number of Independent Directors on the Board;
- iv. An assurance that the proposed director(s) would be exposed to accelerated training over a short period of time;
- v. Assignment of responsibilities commensurate with their experiences.

Notwithstanding the requirements stated above, the CBN may at its discretion, consider and approve the appointments of candidates under special circumstances.

3.2 D COMPANY SECRETARY/CHIEF LEGAL OFFICER

For Company Secretary, candidate must possess a minimum of first degree in any discipline in addition to membership of any one of Chartered Institute of Secretaries and Administrators (CISA), Institute of Chartered Accountants of Nigeria (ICAN) or any other body statutorily recognized for this purpose.

For Chief Legal Officer or a combination of both, candidates must possess a minimum of first degree in law (BL) from a recognized university and membership of the Nigerian Bar Association (NBA).

In addition, candidates for the above positions shall possess;

- Knowledge of the rules, regulations and practices of banking ;
and
- Knowledge of alternative dispute resolution mechanism.

The CBN may also exercise regulatory interest in the following positions in banks and discount houses and issue regulations at the appropriate time.

- Currency traders;
- Heads of products development;
- Head, customer service;
- Investment advisers;
- Mortgage advisers.

4.0 FITNESS REQUIREMENTS FOR OTHER FINANCIAL INSTITUTIONS (OFIs)

The fitness requirements for appointment of the under-listed Board and top management positions in other financial institutions are as stated below:

4.1 A MANAGING DIRECTOR/EXECUTIVE DIRECTOR

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline may be an advantage);
- For Primary Mortgage Institutions, a minimum of 10 years post-qualification experience out of which, at least, 5 must have been in financial services industry and at least, 3 at the senior management level;
- For Finance Companies and Micro-Finance Banks, a minimum of 8 years post-qualification experience out of which, at least, 5 must have been in financial services industry and at least, 3 at the senior management level;
- The institution must provide evidence that the candidates possess proven skills and competences.

4.1 B TOP MANAGEMENT (DEPARTMENTAL HEADS)

- A minimum of first degree or its equivalent in any discipline (additional qualification in any business related discipline may be an advantage);
- A minimum of 5 years post-qualification experience out of which, at least, 4 must have been in financial services industry and at least, 2 at the senior management level.

4.1 C NON-EXECUTIVE DIRECTORS

Without prejudice to the provisions of the Code of Corporate Governance, candidates must possess:

- A first degree or its equivalent in any discipline;
- A minimum of 5 years post qualification experience;

- Proven skills and competencies in their fields;
- Knowledge of the operations of the financial institution and relevant laws and regulations guiding the financial industry;
- Ability to make meaningful contributions to board deliberations; and

All the conditions stipulated in the propriety principles shall apply.

Non-Executive Directors shall, in addition, be required to:

- Undergo directors' training at the institution's expense; aimed at acquiring or having the prerequisite knowledge of their responsibilities and duties as the institution's non-executive directors;
- Provide three reference letters from individuals of reputable standing in the country.

Notwithstanding the requirements stated above, the CBN may at its discretion, consider and approve the appointments of candidates under special circumstances.

5.0 SIGNIFICANT SHAREHOLDERS FOR ALL FINANCIAL INSTITUTIONS

Any investor with significant shareholding of 5% and above in any Financial Institution in Nigeria shall:

- be of good character, honest, reputable and reliable;
- have financial resources sufficient to meet commitments on a continuing basis;
- be able to meet and has been meeting outstanding obligations as they become due;
- ensure adequate control of financial risks on a continuing basis;
- certify that the funds used in the acquisition of the shares were not borrowed from within the banking system or are the

proceeds from money laundering and/or any criminal activity;

- not have been indicted in the failure or mismanagement of any financial institution;
- fulfill all the conditions stipulated in the propriety principles;
- attend an oral interview with the CBN;
- complete an "Approved Persons Regime" questionnaire to be administered by the CBN;
- provide three reference letters from individuals of reputable standing in the country;

The CBN at its discretion may use any available information in addition to those provided by financial institutions and/or candidates, to assess the fitness or propriety of a person.