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**LETTER TO ALL CREDIT BUREAUX AND OTHER STAKEHOLDERS**

**EXPOSURE DRAFT OF THE GUIDELINE FOR THE LICENSING, OPERATIONS AND REGULATION OF CREDIT BUREAUX AND CREDIT BUREAUX RELATED TRANSACTIONS IN NIGERIA**

The Central Bank of Nigeria, in exercise of its duties under the CBN Act 2007, No.7 has revised the Guidelines for Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux related transactions in Nigeria.

We hereby, attach the Exposure Draft of the Guidelines for comments from stakeholders to enable us finalize the document and issue same subsequently.

Hard copies of responses on the document should be sent to the Director of Banking Supervision Department, Abuja, while soft copies should be e-mailed to [abarau@cbn.gov.ng](mailto:abarau@cbn.gov.ng) or [iimusa@cbn.gov.ng](mailto:iimusa@cbn.gov.ng).

Thank you

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**FOR: DIRECTOR OF BANKING SUPERVISION**

**DRAFT**

**GUIDELINE FOR THE LICENSING,  
OPERATIONS AND REGULATION OF  
CREDIT BUREAUX AND CREDIT  
BUREAUX RELATED TRANSACTIONS IN  
NIGERIA**

**BY**

**CENTRAL BANK OF NIGERIA  
ABUJA**

**DECEMBER 2012**

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## **TITLE**

### **Guideline for the Licensing, Operations and Regulation of Credit Bureaus and Credit Bureau Related Transactions in Nigeria.**

## **SECTION 1 - INTRODUCTION**

### **1.1 BACKGROUND**

In the exercise of the powers conferred on the Central Bank of Nigeria by Section 57 of the CBN Act 2007, No.7, the provisions herein are made as guidelines to the licensing, operations and regulation of all Credit Bureaus in Nigeria.

**1.2** The guideline shall apply to all Central Bank of Nigeria licensed Credit Bureaus and Credit Bureau related transactions.

**1.3** The objective of the guideline is to define the licensing, operational and regulatory requirements for a privately owned Credit Bureau under the CBN Act 2007, No. 7.

## **SECTION 2 - DEFINITION OF TERMS**

**2.1** “Act” - means the Central Bank of Nigeria Act, 2007.

**2.2** “Board of Directors”- means the Board of Directors of a Credit Bureau.

**2.3** “CBN” – means the Central Bank of Nigeria.

**2.4** “Consent” – means a signed written authorization by the Holder/Data Subject, his/her legal representative or authorized agent indicating his/her approval to either inquire about his/her data and/or forward his/her data to Credit Bureaus.

**2.5** “Credit Bureau” (CB)/Credit Reference Company - means an institution that collects information from creditors and available public sources on borrowers’ credit history.

**2.6** “Credit Bureau Association” – means an association registered with the Corporate Affairs Commission for the sole purpose of promoting the activities of Credit Bureau operations in Nigeria.

**2.7** “Credit File” – means an electronic or physical docket containing the Holder/Data Subject’s personal and credit data that are collected, processed and maintained with the Credit Bureau.

**2.8** “Credit Information” – means the history of a Holder/Data Subject with regard to credit and financial obligations that a Credit Bureau may collect from Data Providers.

**2.9** “Credit Report” – means information issued by a Credit Bureau, containing all or part of the holder's/data subject’s information and data available in the credit file or a summary thereof.

**2.10** “Credit Scoring” – refers to a measure of default probability.

**2.11** “Database” - means a set of information administered by a Credit Bureau.

**2.12** “Data Provider” – means entities that are allowed under this guideline to furnish data to a Credit Bureau and includes Banks and Other Financial Institutions and such other institutions that provide any form of credit and entities that have personal or credit or any information and data related to holder’s/data subject’s payment habits, credit worthiness and furnish them to the Credit Bureaus as per this guideline.

**2.13** “Debt” - means direct, indirect and contingent obligations incurred by an individual or entity with third parties including interest / profit thereon.

**2.14** “Holder/Data Subject” - means any person or entity whose credit information is administered by the Credit Bureau.

**2.15** “Reputation collateral” - means a good payment record which may be used in applying for new credit.

**2.16** “User” – means any lending institution or person or entity that is entitled to request information from a Credit Bureau.

**2.2.1** “Banks” and “Other Financial Institutions” shall have the same meaning as defined in the Banks and Other Financial Institutions Act, 1991 as amended.

**2.2.2** “Adverse action” shall include, but not limited to, actions taken by a User resulting from the denial of credit, cancellation of credit, reduction of value of credit line, denial of employment or denial of any advantage to which a holder or data subject would otherwise be entitled.

## **SECTION 3 - OWNERSHIP AND MANAGEMENT OF A CREDIT BUREAU**

### **3.1 OWNERSHIP OF A CREDIT BUREAU**

(i) Individuals/entities are at liberty to invest in a Credit Bureau subject to CBN approval.

(ii) Investment by a bank and its subsidiaries in a Credit Bureau shall not exceed 10% of the total paid-up capital of the Credit Bureau.

(iii) Banks shall not invest in more than one (1) Credit Bureau.

### **3.2 MANAGEMENT**

#### **3.2.1 DIRECTORS**

(a) The maximum number of directors [including executive directors] on the Board of a Credit Bureau shall be eleven [11] (one of which must be an independent director), while the minimum shall be five [5]. The non-executive directors should comprise the majority of the members of the Board at any point in time.

(b) No individual shall be a director in more than one [1] Credit Bureau.

(c) The appointment/upgrade of a new director/ management staff shall be approved by CBN.

### **3.3 QUALIFICATION FOR DIRECTORS AND TOP MANAGEMENT APPOINTMENT IN A CREDIT BUREAU**

The following minimum qualifications and experience are mandatory for officers who may occupy top management positions in the Credit Bureau:

(i) Managing Director/Chief Executive - a recognized university degree or its equivalent with at least ten (10) years relevant post-qualification experience.

(ii) Executive Director - a recognized university degree or its equivalent with at least eight (8) years relevant post-qualification experience.

(iii) Departmental/Unit Head - a recognized university degree or its equivalent with at least seven (7) years post-qualification experience.

(iv) Non-Executive Director – A Non-Executive Director must possess a minimum of first degree or its equivalent and appreciable experience/ exposure in a reputable organization.

## **SECTION 4 - LICENSING REQUIREMENTS OF CREDIT BUREAUS**

An individual or a group shall not operate a Credit Bureau in Nigeria unless licensed to do so by the Central Bank of Nigeria.

The process of licensing a Credit Bureau shall be in three (3) stages:

(1) Receipt and appraisal of application.

(2) Issuance of Approval-in-Principle (AIP).

(3) Issuance of Final Operating Licence.

## **4.1 APPLICATION**

A Promoter(s) seeking to operate a Credit Bureau in Nigeria shall apply in writing to the Governor of CBN. Such application for a Credit Bureau licence shall be accompanied with the following:

- a. Non-refundable Application fee of ~~N~~250,000 (Two hundred and fifty thousand Naira only) made payable to the CBN.
- b. Minimum capital requirement of ~~N~~500,000,000.00 (Five Hundred Million Naira only) made payable to the CBN, fifty percent (50%) of which would be released upon the grant of Approval-in-Principle, while the balance would be released with the accrued interest on the grant of final licence.
- c. Memorandum and Article of Association of the proposed Credit Bureau.
- d. Detailed feasibility report on the proposed Credit Bureau which shall include:
  - i. The objectives and aims of the proposed Credit Bureau.
  - ii. A detailed and comprehensive business plan of the Credit Bureau.
  - iii. A three (3) year financial projection for the operation of the Credit Bureau indicating its expected growth and profitability.
  - iv. Details of the assumptions upon which the financial projections have been made.
  - v. The organizational structure of the proposed Credit Bureau, setting out in details: functions, relationships and responsibilities of Board, Management and staff.
  - vi. The composition of the Board of Directors and the curriculum vitae (CV) of each member including information on positions held by them in other organizations.
  - vii. Proposed Management Information Systems, internal controls and procedures, including operational manual.



viii. A table of the list of Promoters, Shareholders showing their residential address, their businesses/companies and addresses, amount invested as well as addresses of their bankers.

ix. Copy of the management or service level agreement, if any, which have been concluded with other parties or any Memorandum of Understanding in that regard.

x. Sworn declaration of the promoters and directors attesting to their willingness to adhere to any code(s) of proper conduct and integrity as may be issued by the CBN.

xi. The conclusions based on the assumptions made in the feasibility report.

## **4.2 Approval in Principle (AIP)**

a. The CBN having satisfied itself with 4.1 above, shall issue an AIP to the Credit Bureau which will stipulate the conditions for granting of final licence.

b. An AIP granted to a proposed Credit Bureau shall be for a period of one hundred and eighty days (180 days) within which the proposed Credit Bureau must comply with all the conditions specified in the AIP, at the end of which period the AIP shall be deemed to have lapsed.

c. Should the promoters of a lapsed AIP wish to continue with the establishment of the Credit Bureau, they will be required to submit fresh application.

d. Where the application for a Credit Bureau licence is declined, the CBN shall communicate the decision in writing to the applicant.

e. Submission of specimen copies of credit status reports as well as the proposed charges for such reports.

## **4.3 Final Operating Licence**

The CBN shall grant final Licence to a Credit Bureau subject to the following:

- a. The Credit Bureau has satisfied all conditions as specified in the AIP.
- b. The CBN has conducted on-site verification to ascertain its readiness to commence operations.

**4.4** The Credit Bureau so licensed shall comply with the provisions of the guidelines, regulations and circulars as may be issued by the CBN from time to time.

**4.5** A licence shall automatically expire if a Credit Bureau has not commenced business during the first six (6) months immediately after the date of issue of the licence.

**4.6** All licensed Credit Bureaux shall be required to add “Credit Bureau” to their names e.g. XYZ Company limited (Credit Bureau).

**4.7** Except with the written consent of the Governor of CBN, no Credit Bureau shall be registered or incorporated with a name which includes the words “Central”, “ Federal”, “Federation”, “National”, “Nigeria”, “Reserve”, “State”, “Christian”, “Islamic”, “Moslem”, “Quranic” or “Biblical”.

## **SECTION 5 - OPERATIONAL PROCEDURES OF CREDIT BUREAU**

### **5.1 (a) Functions of Credit Bureaus**

In addition to the dissemination of credit information under the circumstances listed in 5.1(b) below, Credit Bureaus may also:

- (i) investigate an application for credit on behalf of any person or entity to whom an application for credit has been made;
- (ii) Furnish non-credit information to Users.
- (iii) Carry out such other services and functions as are compatible with the nature of its business provided that the confidentiality of credit information, as protected in this guideline, shall be maintained at all times.

## **5.1 (b) Permissible Purpose**

To access any credit information from a Credit Bureau, the user (lending institution, person or entity) should have a permissible purpose.

The permissible purpose is represented in the following:

- i. Application for credit by a borrower.
- ii. Reviewing and monitoring of existing credit facilities.
- iii. Opening of new accounts (as part of KYC principle).
- iv. Funds transfer of N1,000,000 (One Million Naira) and above.
- v. Prospective/current employee/non-executive directors' checks.
- vi. Tenancy contracts (for identification purposes).
- vii. Grant/review of insurance policies.
- viii. Acceptance of guarantee(s).
- ix. Application for contracts/post-paid services (telephone etc).
- x. Court judgments.
- xi. Credit scoring of the client by Credit Bureau.
- xii. A written consent from the client.
- xiii. Legislation, where a person is required by law to provide credit information.

**5.2** A licensed Credit Bureau shall collect information on the background and credit history relating to the commitment of persons, enterprises and other organizations, in order to determine their identity, banking relationships, overall debt exposure, repayment behaviour and other contractual obligations.

**5.2.1** Credit Bureau shall collect data from any of the following sources:

- i. Banks operating in Nigeria.
- ii. CBN Credit Risk Management System (CRMS).
- iii. Mortgage finance companies.
- iv. Finance/operating leasing companies.
- v. Insurance companies.
- vi. Institutions that offer credit to medium, small and micro enterprises.
- vii. Asset management companies.
- viii. Courts.
- ix. Suppliers of goods and providers of services on a post-paid or instalment payment basis e.g. telecommunication, water, health, energy etc.
- x. Other Credit Bureaus licensed by the Central Bank of Nigeria.
- xi. Other entities that have data and information that serves the purposes of the company.

**5.2.2** At the time of receiving information on a Holder/Data Subject, a Credit Bureau shall adopt reasonable procedures to ensure that all available relevant information on the Holder/Data Subject is obtained.

**5.2.3** A Credit Bureau may consult other sources of information, provided that the confidentiality of the Holder/ Data Subject shall be maintained.

### **5.3 Information dissemination and Consent of Data/Holder Subjects**

**5.3.1** i. A Data Provider shall be required to give notice to all its customers of its duty to report positive and negative information to licensed Credit Bureaus.

**5.3.1 ii.** Every User shall be required to obtain the consent of a Data Subject before requesting for the credit report of that Data Subject from licensed Credit Bureaus. If the credit report is required by law, then the Data Subject's consent is not required.

## **5.4 Responsibilities and Duties of Banks, Other Financial Institutions and other Users**

**5.4.1** All Banks and Other Financial Institutions must have data exchange agreements with at least two (2) licensed Credit Bureaus

**5.4.2** All Banks and Other Financial Institutions must obtain credit reports from at least two (2) licensed Credit Bureaus before granting any facility to their customers.

**5.4.3** All banks shall obtain credit reports for quarterly credit review from at least two licensed Credit Bureaus.

**5.4.4** All Banks and Other Financial Institutions shall upload data on all its credit customers to the licensed Credit Bureaus with which it has executed data exchange agreements. The data uploaded shall include names, addresses, photographs, existing loan/credit facilities, existing overdraft arrangements, schedule of loan repayments, details of loan repayments, loan value and/or authorized credit limit, the outstanding balances, type of facility or product, maturity date, outstanding installments due and types of collaterals offered in addition to any other information that meet the requirements of the Credit Bureau.

**5.4.5** All Banks and Other Financial Institutions shall update any change in the data submitted to a Credit Bureau pursuant to clause 5.4.4 above every 30 days or more frequently or in accordance with a schedule provided by the Credit Bureau.

**5.4.6** All Users shall adopt reasonable procedures to ensure that all copies of credit reports received from Credit Bureaus are kept confidential and accessible only to its officials on a strict need-to-know basis.

## **5.5 Responsibilities and Duties of Credit Bureaus**

A Credit Bureau shall –

(a) Implement strict quality control procedures in order to ensure the quality of its database and the continuity of its services.

(b) Utilize the information collected solely for the purposes set out in this guideline.

(c) Adopt reasonable procedures to ensure that Data Providers can update data regularly and at least once in every calendar month.

(d) Adopt reasonable procedures to allow Data Providers to correct data and re-submit data found to be inaccurate or invalid.

(e) Provide to the CBN, unrestricted access to all the information managed by the Credit Bureau, either through access to its systems or in a manner stipulated by the CBN, for the purpose of supervision.

(f) Observe, through its shareholders, directors and officers, a perpetual duty of confidentiality with regard to the information in its database.

(g) Not transfer, directly or indirectly, any database containing information to any person other than the CBN or its nominated recipient. Where the Credit Bureau needs to give access to its database to consultants and technical partners for the purpose of creating or designing products, such consultants and technical partners shall be contractually bound to observe the duties of confidentiality imposed on the Credit Bureau under this guideline.

(h) Ensure that all Users and Data Providers that are not statutorily under the regulatory purview of the CBN contractually assume the duties and responsibilities of Data Providers and Users specified in this guideline.

**A breach of items a – h above shall constitute a contravention of this guideline.**

## **5.6 Nature of Data Collected by Credit Bureaus and Data**

### **Retention Period:**

**5.6.1** A Credit Bureau must maintain a credit file on each Holder/Data Subject which, if available, should contain the clients' personal and credit data including:

#### **a. Personal History Data:**

i. **Natural Person:** They include the name, nationality, photograph, date and place of birth, identification documents, present and past addresses in the last three years, profession, details of present and past jobs in the past three years, spouse name in addition to any other data that meet the requirements of the Credit Bureau.

**5.6.2 (1)** A Credit Bureau shall maintain a historical database covering a five (5) year period for the purpose of providing detailed credit information, and shall keep the database for a period of not less than ten (10) years after which it shall be archived.

(2) A Credit Bureau shall implement procedures and systems that ensure that the information registered in its database is updated on an on-going basis.

(3) A Credit Bureau shall update its database as and when information is provided by the lending institution. The information shall be updated on a regular basis and as often as may be required in standardised formats /procedures.

## **5.7 Maintenance of Data Integrity & Security**

(1) A Credit Bureau shall take the necessary security and control measures in order to avoid unauthorized/improper use or mismanagement of information in its database.

(2) A Credit Bureau shall not request, collect or grant information, other than as permitted in this Guideline.

(3) All data collected by a Credit Bureau on a Holder/Data Subject must be aggregated and the resulting information made available on request to contributing/lending institutions or authorized users.

## **5.8 FEES AND CHARGES**

(1) A Credit Bureau may charge fees for its services. Such charges shall continue to be approved by CBN pending the issuance of the Guide to Credit Bureau Charges.

(2) The Holder/Data Subject shall have access, free of charge, to a copy of the credit report on which an adverse action was based or proposed to be based from the person or entity who took or is seeking to take the adverse action.

## **SECTION 6 - RIGHTS OF DATA HOLDER/SUBJECT**

**6.1** A Holder/Data Subject shall, upon production of satisfactory identification and payment of stipulated fee, have unhindered access to inspect his or her credit information at any Credit Bureau.

**6.2** Where the Holder/Data Subject believes that the information contained in the database is inaccurate he or she may request a review.

**6.3** Any inaccuracy identified or observed shall be remedied within fifteen working days by the Data Provider.

## **SECTION 7 - DISPUTE RESOLUTION**

**7.1** All Credit Bureaus shall establish a complaint resolution unit to handle all complaints/disputes in respect of its operations.

**7.2** For the duration of the investigation, the credit information in the Credit Bureau must indicate that the information is under dispute.



**7.3** Where there are legal liabilities or cost arising from the inaccurate data, the data provider shall be liable.

**7.4** All parties to a Credit Bureau related dispute may have recourse to the CBN.

**7.5** The Credit Bureau shall render monthly returns on all disputes and complaints to the CBN.

**7.6** Any dispute, contrary, claim arising out of, or relating to Credit Bureau related transaction, shall be settled between the parties and if settlement is not reached, the dispute shall be referred to arbitration in accordance with the Arbitration and Conciliation Act, Cap A18, Laws of the Federation of Nigeria, 2004.

**7.7** (i) A Credit Bureau may file a claim against the information provider whenever it is held liable for any incorrect information.

(ii) Users of risk information provided by a Credit Bureau shall be held liable in the event of wrongful or fraudulent use of the information, or if the users cause damage to the Holder/Data Subject.

**7.8** A Credit Bureau shall have a customer claims and inquiry service section to attend to customers who may be affected by the information contained in the database and who may be contesting the information from the Credit Bureau.

**7.9** The CBN may request, at any time, information it may require in order to evaluate complaints, accusations or inconsistencies detected related to the operations of a Credit Bureau.

## **SECTION 8 - OPENING AND CLOSURE OF CREDIT BUREAU OFFICES**

**8.1** A Credit Bureau must obtain the approval of the CBN before opening, relocating or closing its offices.

**8.2** Such opening or closure of offices by a Credit Bureau must be approved by the Board of Directors in accordance with its business plan.

## **SECTION 9 - SUBMISSION OF RETURNS AND AUDITED ACCOUNTS TO THE CBN**

**9.1** Every Credit Bureau shall submit to the CBN on monthly basis details of its activities as specified by CBN ten (10) working days into the following month.

**9.2** All Credit Bureaus shall submit their audited financial statements not later than three (3) months after their year-end for approval by CBN for publication.

**9.3** CBN shall conduct yearly or as the need arises, the examination of the activities of the licensed Credit Bureaus.

**9.4** The CBN as part of its supervisory functions of the activities of Credit Bureaus in Nigeria shall have unrestricted access to the database and records of all licensed Credit Bureaus.

## **SECTION 10 - THE ROLE OF CBN CREDIT RISK MANAGEMENT SYSTEM (CRMS)**

**10.1** The CBN Credit Risk Management System (CRMS) shall continue to serve its regulatory functions.

**10.2** Banks and other financial institutions shall continue to render the mandatory returns and comply with all relevant circulars and guidelines relating to the operation of CRMS.

**10.3** The CRMS shall operate as a public registry and would therefore share its information with the licensed Credit Bureaus. Credit Bureaus may, from time to time request information from the CRMS and include information obtained from the CRMS in credit reports issued to Users.

**10.4** The CBN shall not be liable or joined in any dispute(s) arising from wrong information given in respect of a credit report on a Holder/Data Subject.

## **SECTION 11 - COMPLIANCE WITH THE GUIDELINE**

**11.0** Credit Bureaus are expected to comply strictly with the provisions of this guideline. However in case of confirmed contravention, CBN shall apply appropriate sanctions on the Credit Bureau.

**11.1** Where a Credit Bureau, through its shareholders, directors or officers illegally discloses any information in its database, before or after its dissolution, the responsible party is liable to pay a penalty of Five Hundred Thousand Naira only (~~N~~500,000.00) and, in the case of a continuing offence, an additional fine, not exceeding Ten Thousand Naira only (~~N~~10,000.00) each day for which the offence continues.

**11.2** All the officers who are directly involved in the commission of the offence shall also be blacklisted by the CBN.

**11.3** In the attainment of its corporate purpose and the performance of its activities, a Credit Bureau shall comply with any directives issued by the CBN.

**11.4** The Board of Directors of a Credit Bureau is responsible for ensuring compliance and internal dissemination of this guideline.

## **SECTION 12 - DISSOLUTION, LIQUIDATION AND REVOCATION OF LICENSE**

**12.1** Where a Credit Bureau is to be dissolved and liquidated, it shall notify CBN in writing accompanied by the following documents:

(a) A copy of the minutes of the special meeting of shareholders in which the agreement to dissolve was recorded.

(b) Financial statements as at the date the agreement to dissolve was made, as well as a report from the auditor appointed by the CBN for that purpose.

(c) A sworn statement from the Chief Executive Officer specifying outstanding obligations (if any).

(d) Evidence of appointment of a liquidator.

The CBN shall on receipt of notice of dissolution or liquidation conduct an investigation of the Credit Bureau.

**12.2** A Credit Bureau shall comply with the decision of the CBN with regards to the management and control of its database on dissolution.

**12.3** (i) A Credit Bureau shall deliver its/any database containing information to the CBN in the form, terms and conditions stipulated by the CBN.

**12.4** A Credit Bureau licence is valid until revoked by the CBN. The CBN may revoke a Credit Bureau licence if it is satisfied that:

- i. there have been substantial unaddressed violations of this guideline,
- ii. the Credit Bureau is insolvent
- iii. it is in the public interest to do so.