CIRCULAR TO ALL OTHER FINANCIAL INSTITUTIONS IN NIGERIA

CODES OF CORPORATE GOVERNANCE FOR OTHER FINANCIAL INSTITUTIONS IN NIGERIA

The CBN on February 27, 2017 issued the Exposure Draft on the Codes of Corporate Governance for Other Financial Institutions in Nigeria, and comments received from stakeholders subsequent thereto had been incorporated in the Guidelines as appropriate.

Pursuant to the provisions of Sections 33 subsection (1) (b) of the CBN Act No.7 of 2007; and Sections 57, 61- 63 of the Banks and Other Financial Institutions Act (BOFIA) of 1991 (as amended), the CBN hereby issues the Codes of Corporate Governance in respect of the under-listed six Other Financial Institutions:

1. Microfinance Banks
2. Development Finance Banks
3. Primary Mortgage Banks
4. Mortgage Refinance Companies
5. Finance Companies
6. Bureaux De Change

Relevant institutions are required to ensure strict compliance with their respective sector code. The full implementation of the codes shall come into effect from April 1, 2019.

Thank you.

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT
CODE OF CORPORATE GOVERNANCE FOR DEVELOPMENT FINANCE INSTITUTIONS IN NIGERIA

CONTENTS
1.0 INTRODUCTION ................................................................................................. 2
1.1 Application ........................................................................................................ 2

2.0 BOARD AND MANAGEMENT ........................................................................... 3
2.1 Responsibilities of the Board ........................................................................... 3
2.2 Size and Composition ....................................................................................... 4
2.3 Appointment ...................................................................................................... 5
2.4 Tenure ................................................................................................................ 5
2.5 Separation of Powers of the Board ................................................................. 6
2.6 Board Committees ............................................................................................ 7
2.7 Board Meetings .................................................................................................. 8
2.8 Remuneration .................................................................................................... 8
2.9 Board Appraisal ................................................................................................. 10

3.0 SHAREHOLDERS ............................................................................................... 11
3.1 Rights and Functions of Shareholders ........................................................... 11
3.2 Equity Ownership .............................................................................................. 11
3.3 Protection of Shareholders’ Rights ................................................................... 11
3.4 General Meetings ............................................................................................. 12
3.5 Shareholders’ Associations ............................................................................. 12

4.0 RIGHTS OF OTHER STAKEHOLDERS ............................................................ 13

5.0 DISCLOSURE AND TRANSPARENCY ............................................................ 14
5.1 Disclosure .......................................................................................................... 14
5.2 Transparency and Integrity in Reporting ....................................................... 15
5.3 Whistle Blowing ............................................................................................... 18

6.0 RISK MANAGEMENT ......................................................................................... 19

7.0 ETHICS & PROFESSIONALISM AND CONFLICT OF INTEREST ............. 21
7.1 Ethics & Professionalism ................................................................................ 21
7.2 Conflict of Interest ........................................................................................... 22

8.0 COMPLIANCE .................................................................................................... 23

9.0 SANCTIONS ....................................................................................................... 23

10.0 EFFECTIVE DATE .......................................................................................... 23
1.0 INTRODUCTION

Development Finance Institutions (DFIs) are specialized financial institutions with specific mandate established to support the critical sectors of the economy such as agriculture and manufacturing as well as micro, small and medium scale enterprises (MSMEs) in Nigeria. The objective is to provide funds for MSMEs and large enterprises for economic development.

In an environment where there is constant pressure for management of DFIs to deliver on its objective of meeting socio-economic development and financial system stability, strong corporate governance becomes critical safeguards against unethical practices.

To achieve their mandates, DFIs need to adhere to accepted governance standards, code of ethics and best practices as well as formal laws and extant regulations. This Code is developed to guide licensed DFIs towards entrenching good corporate governance standards and practices to ensure that they are managed safely and soundly where risk-taking activities and business prudence are appropriately balanced so as to protect the interests of all stakeholders.

1.1 Application

The code shall apply to DFIs in Nigeria.
2.0 BOARD AND MANAGEMENT

2.1 Responsibilities of the Board

2.1.1 The Board of Directors shall have the ultimate responsibility for the management of a DFI. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 1990 as amended, Directors owe the DFI a duty of care and loyalty and shall act in the interest of the DFI and its stakeholders.

2.1.2 Members of the Board are severally and jointly liable for the activities of the DFI.

2.1.3 The Board shall define and document the DFI’s strategic goals, approve its long and short-term business strategies and monitor their implementation by management.

2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.

2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of the goals of the DFI.

2.1.6 Except as prescribed in the enabling Act, the Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the DFI, which shall comply with extant regulations issued by the CBN from time to time.

2.1.7 The Board shall establish and monitor agreed performance targets for the management.

2.1.8 Except as prescribed in the enabling Act, the Board shall ensure that a succession plan is in place for the MD/CEO and other Executive Directors.
2.1.9 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.

2.1.10 Members of the Board are severally and jointly liable for the activities of the institution.

2.1.11 The Board shall ensure strict adherence to the Code of Conduct for Directors of Banks and OFIs as well as compliance with extant laws and regulations.

2.1.12 The Board shall consider, approve and monitor the implementation of the DFI’s budget, including setting expenditure limits for management and Board Committees.

2.1.13 The Board shall approve credit facilities in line with the approved limits of authority of the DFI.

2.1.14 The Board shall have in place a charter.

2.2 Size and Composition

2.2.1 The number of Directors on the Board of a DFI shall be a minimum of seven (7) and a maximum of eleven (11) or in accordance with the Act establishing the institution.

2.2.2 Not more than two members of a family shall be on the board of an DFI at the same time. The expression ‘family’ includes director’s spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.2.3 The Board shall consist of Executive Directors (EDs) and Non-Executive Directors (NEDs) with more than fifty per cent comprising of NEDs.

2.2.4 Except as prescribed in the enabling Act, the Board of a DFI shall consist of two (2) independent directors as stipulated in the CBN guidelines on the Appointment of Independent Directors.
2.2.5 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.3 Appointment

2.3.1 Procedure for appointment to the Board shall be formal, transparent and documented in the board charter.

2.3.2 Existing CBN guidelines on appointment to the Board of financial institutions shall continue to be applied to DFIs or as provided in the enabling Act establishing the institution.

2.3.3 Track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.

2.3.4 To enhance the effectiveness of Directors, the Directors shall have access to corporate information under conditions of confidentiality; provide training and continuing education and facilitate access to independent professional advice.

2.4 Tenure

2.4.1 Except as prescribed as the enabling Act, the tenure of the MD/CEO of the DFI shall be in accordance with the terms of engagement subject to a maximum period of ten (10) years. Such tenure shall be broken down into periods not exceeding five (5) years at a time. Any person who has served as MD/CEO for the maximum tenure (of ten years) in a DFI shall not qualify for appointment in any capacity in the same DFI or its subsidiaries until after a period of three years after the expiration of his tenure as MD/CEO.
2.4.2 To ensure continuity and injection of fresh ideas, NEDs of DFIs shall serve for a maximum of three (3) terms of four (4) years each.

2.4.3 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.

2.4.4 In the event that the Board of Directors of a DFI is dissolved, a transition period of not more than ninety (90) days shall be permitted for the reconstitution of a new Board of Directors.

2.4.5 Where the DFI is a member of a Group or is owned by another financial institution, a director in the DFI may be allowed to serve on the Boards of the DFI and its holding company at the same time, provided the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the holding company.

2.4.6 To enhance effectiveness, all Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

2.5 Separation of Powers of the Board

2.5.1 The positions of the Board Chairman and the Managing Director/Chief Executive Officer (MD/CEO) shall be separate except otherwise prescribed by the enabling Act of the DFI. No one person shall combine the two positions in any DFI at the same time. For the avoidance of doubt, no executive Vice Chairman shall be recognized in the Board structure.
2.5.2 Not more than two members of a family shall be on the board of a DFI at the same time. The expression ‘family’ includes director’s spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.

2.5.3 Where the DFI is a member of a holding company, not more than two family members shall be allowed to serve on the Boards of the DFI and the holding company.

2.5.4 No two members of the same family shall occupy the positions of Chairman and MD/CEO or Executive Director of the DFI.

2.6 Board Committees

2.6.1 The Board of a DFI shall establish the following Committees to assist in the discharge of its responsibilities:

i) A Committee, responsible for the oversight of Risk Management and Audit functions. These functions may be carried out by one committee, depending on the size and complexity of the institution. This is without prejudice to the requirements of the Companies and Allied Matters Act (CAMA), 1990, as amended on the Statutory Audit Committee which is not a board committee. Each DFI shall have a Risk Officer and Internal Auditor who shall report directly to the board Committee(s) responsible for Risk Management and Audit function(s).

ii) Board Governance and Nominations Committee

iii) Board Credit Committee

2.6.2 All Board Committees shall each have a charter to be approved by the CBN.

2.6.3 The Chairman of the Board shall not be a member of any Board Committee.
2.6.4 All Board Committees shall be headed by Non-Executive Directors.

2.6.5 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the DFI, including external auditors’ reports.

2.6.6 The MD/CEO shall not be a member of the BAC.

2.7 **Board Meetings**

2.7.1 To effectively perform its oversight function and monitor management’s performance, the Board shall meet at least once every quarter.

2.7.2 Every Director is required to attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings.

2.7.3 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted by the Board/Board Committees and signed off by the Chairman and Secretary, pasted in the minutes book and domiciled at the DFI’s Head Office.

2.7.4 Board/Board Committee meetings shall be deemed to be duly constituted where two-thirds of members are present, provided that a majority of directors at the meeting are Non-Executive Directors’ (NEDs).

2.7.5 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

2.8 **Remuneration**

2.8.1 DFIs shall align Board and top management remuneration with the long term interests of their institutions and those of their shareholders.
2.8.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the DFI.

2.8.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

2.8.4 Every DFIs shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

2.8.5 A Committee of Non-Executive Directors shall determine the remuneration of executive Directors.

2.8.6 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors’ fees.

2.8.7 Non-Executive Directors’ (NEDs) remuneration shall be limited to Directors’ fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

2.8.8 Where stock options are adopted as part of executive remuneration or compensation, the Board shall ensure that the stock options are not priced at a discount except with the prior authorization of the relevant regulatory agencies.

2.8.9 Stock options shall be tied to performance and subject to the approval of the shareholders at AGMs.

2.8.10 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.
2.8.11 DFIs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

2.8.12 Where there is a Remuneration Committee in addition to the three Committees prescribed in Section 2.6.1, the membership shall comprise NEDs only while the Board Governance and Nomination Committee shall have a combination of EDs and NEDs. However, where both Committees are combined, its membership shall be drawn only from NEDs.

2.9 Board Appraisal

2.9.1 There shall be annual Board and Directors’ review/appraisal covering all aspects of the Board’s structure, composition, responsibilities, processes and relationships, as may be prescribed by the CBN.

2.9.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN.
3.0 SHAREHOLDERS

3.1 Rights and Functions of Shareholders

3.1.1 Shareholders shall have the right to obtain relevant and material information from the DFI on a timely and regular basis.

3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.

3.1.3 In addition to the traditional means of communication, DFIs are encouraged to have a website and communicate with shareholders via the website, newsletters, village meetings and regular Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the institution, risk management practices, executive compensation, local branch expansion, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives and practices, and any other relevant information.

3.2 Equity Ownership

3.2.1 Except for DFIs established by an enabling Act, an equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the DFI shall apply for a no objection letter from the CBN immediately after the acquisition.

3.2.2 Ownership structure shall be in line with the provisions of the enabling Act establishing the DFI or as may be specified from time to time by the CBN.

3.3 Protection of Shareholders’ Rights

3.3.1 Every shareholder shall be treated fairly.
3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.

3.3.3 The Board shall ensure that the DFI promptly provides to shareholders documentary evidence of ownership interest in the DFIs such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

3.4 General Meetings

3.4.1 Notice of general meetings shall be as prescribed by the enabling Act or the Companies and Allied Matters Act (CAMA) 1990 as amended.

3.4.2 The Board shall ensure that the venue of a general meeting shall be convenient and easily accessible to the majority of shareholders.

3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.

3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

3.5 Shareholders' Associations

The Board shall ensure that dealings of the DFIs with shareholders' associations are in strict adherence with the Code for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where a DFI is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.
4.0 **RIGHTS OF OTHER STAKEHOLDERS**

4.1 Employees, customers and other stakeholders of DFIs shall have the right to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

4.2 Where such stakeholders’ interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

4.3 DFIs shall demonstrate good sense of Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.
5.0 DISCLOSURE AND TRANSPARENCY

5.1 Disclosure

5.1.1 In order to foster good corporate governance, DFIs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 as amended, CAMA 1990, other applicable laws and standards.

5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:

   (a) Major items that have been estimated in accordance with applicable accounting and auditing standards;

   (b) Rationale for all material estimates;

   (c) Corporate governance:

      i. The DFI’s remuneration policy for members of the Board and executives;
      ii. Total NED’s remuneration, including fees and allowances;
      iii. Total Executive compensation, including bonuses paid/payable;
      iv. Details and reasons for share buy-backs, if any, during the period under review;
      v. Board of Directors’ performance evaluation;
      vi. Details of Directors, shareholders and their related parties who own 5% and above of the DFI’s shares as well as other shareholders who, in concert with others, control the DFI;
      vii. Governance structure;
      viii. Composition of Board Committees including names of chairmen and members of each Committee;
(d) Risk Assets:
   i. Concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product.
   ii. Loan quality.
   iii. Lending/borrowing to/from subsidiaries and associates.
   iv. Loans and advances/funding or commitment lines from institutions outside Nigeria.
   v. Related party transactions.
   vi. Insider-related credits in accordance with the extant CBN circular.

(e) Risk management:
   i. All significant risks.
   ii. Risk management practices indicating the Board’s responsibility for the entire process of risk management as well as a summary of external auditors’ observed lapses thereon.

(f) Information on strategic modification to the core business.
(g) All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistle blowing, including regulatory sanctions and penalties.
(h) Capital Structure/Adequacy.
(i) Any service contracts and other contractual relationships with related parties.
(j) Frauds and Forgeries.
(k) Contingency Planning Framework.
(l) Contingent Assets and Liabilities (off balance sheet engagement)

5.2 Transparency and Integrity in Reporting
5.2.1 DFIs shall have a structure in place to independently verify and safeguard the integrity of their financial reporting, which shall:
i) entail the review and consideration of the financial statements by the BAC/Board; and

ii) enhance the independence and competence of the DFIs internal and external auditors.

5.2.2 The BAC shall be structured in such a way that it:
   i) consists only of Non-EDs;
   ii) is chaired by an Independent director;
   iii) has at least three members.

5.2.3 The BAC shall be of sufficient size, independence and technical expertise to discharge its mandate effectively.

5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience in banking, financial and accounting matters).

5.2.5 The BAC shall review the integrity of the DFI’s financial reporting and oversee the independence of the internal and external auditors.

5.2.6 The BAC shall meet at least once every quarter.

5.2.7 The appointment and removal of the Chief Compliance Officer/ Head of Internal Audit shall be the responsibility of the Board subject to CBN’s ratification.
   The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change.

5.2.8 The qualification and experience of the Chief Compliance Officer/ Head of Internal Audit shall be in accordance with the provisions of the CBN’s Competency Framework for the Banking Industry.
The office of the Chief Compliance Officer (CCO) and that of Internal Auditor may be combined depending on the size and complexity of the DFI’s business.

The Internal Auditor shall, in addition to ensuring the internal control in the DFI, monitoring compliance with Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements, monitor the implementation of the corporate governance code.

5.2.9 Appointment of external auditors shall be approved by the CBN.

5.2.10 External auditors shall:
   i. render reports to the CBN on DFI’s risk management practices, internal controls and level of compliance with regulatory directives.
   ii. review the work of the internal auditor on each of the DFI’s key risk elements to cover risk identification, measurement, monitoring and control.
   iii. review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution’s risks.
   iv. report on the level of each key risk element as well as the composite risk profile of the DFI and make recommendations to the Board to enhance the effectiveness of risk management processes in the DFI.
   v. forward copies of their report to the CBN, together with the external auditor’s management letter on the DFI’s audited financial statements.

5.2.11 External auditors of DFIs shall not provide client services that shall amount to conflict of interest including the following:
   i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
ii. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;

iii. Actuarial services;

iv. Internal audit outsourcing services;

v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.

5.2.12 The tenure of auditors in a given DFI shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be reappointed in the DFI until after a period of another ten (10) consecutive years.

5.2.13 An audit firm shall not provide audit services to a DFI if one of the DFI’s top officials (Directors, Chief Finance Officer, Chief Audit Officer, etc) was employed by the firm and worked on the DFI’s audit during the immediate past two (2) years.

5.2.14 There shall be due process in all the procedures of DFIs.

5.2.15. All insider credit applications pertaining to directors and management staff and parties related to them, irrespective of size, shall be sent for consideration/approval to the Board Credit Committee.

5.2.16 Any director whose facility or that of his/her related interests remains non-performing for more than one year shall cease to be on the board of the DFI and could be blacklisted from sitting on the board of any other financial institution.

5.3 Whistle Blowing

5.3.1 DFIs shall have a whistle-blowing policy made known to employees, customers and other stakeholders.

5.3.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the DFI and/or the CBN.
5.3.3 DFIs are required to submit returns to the CBN on the compliance with the whistle-blowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department not later than 7 days after the end of the relevant period.

6.0 RISK MANAGEMENT

6.1 Every DFIs shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

6.2 The Board shall approve the risk management policies of the DFI and ensure their implementation by management.

6.3 Risk management policies shall reflect the DFI’s risk management mandate, which shall include:

   a. Clear objectives and enterprise-wide authority for its activities;
   b. Risk philosophy, vision and mission;
   c. Authority to carry out its responsibilities independently;
   d. Scope of Enterprise Risk Management (ERM);
   e. A requirement for it to be communicated throughout the organization to promote transparency;
   f. Periodic review to ensure continued appropriateness;
   g. A requirement for management to report regularly on the effectiveness of the institution’s risk management processes and on its aggregate exposures compared to approved limits; and
   h. Authority to follow-up on action taken by management in response to identified issues and related recommendations.

6.4 DFIs shall disclose a summary of its risk management policies in their annual financial statements.
6.5 DFIs’ risk management policies shall clearly describe the roles and responsibilities of the Board, BRMC, management and internal audit function.

6.6 Boards of DFIs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.

6.7 The composition of a DFI’s BRMC shall include at least 2 non-EDs and the executive Director in charge of risk management but chaired by a non-ED.
7.0 ETHICS & PROFESSIONALISM AND CONFLICT OF INTEREST

7.1 Ethics & Professionalism

7.1.1 To make ethical and responsible decisions, DFIs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.

7.1.2 DFIs shall establish a code of conduct and disclose in the code or a summary of the code such information as:

a. the practices necessary to maintain confidence in the institution’s integrity;

b. the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and

c. the responsibility and accountability of individuals reporting and investigating reports of unethical practices.

7.1.3 The Code should:

a) commit the DFI, its Board and management (and employees) to the highest standards of professional behavior, business conduct and sustainable business practices;

b) be developed in collaboration with management and employees;

c) receive commitment for its implementation from the Board, the Managing Director/Chief Executive Officer and individual Directors of the company;

d) be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;

e) be formally communicated to the persons to whom it applies; and

f) be reviewed regularly and updated when necessary.

7.1.4 Where applicable, DFIs shall establish and disclose a policy concerning trading in its securities by Directors, senior executives and employees.
7.1.5 Where applicable, the trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.

7.2 Conflict of Interest

7.2.1 Every DFI shall have in place an approved Conflict of Interest Policy. The policy shall, at the minimum, cover the following areas:

a) Approval & Revision date;

b) Definition of conflict of interest;

c) Purpose of the Policy;

d) Examples of conflict of interest situations;

e) Procedures to follow in situations of conflict of interest.

7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.

7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.

7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, either with the Director concerned or with the Chairman of the Board.
7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

8.0 COMPLIANCE
8.1.1 Compliance with the code is mandatory for all DFIs.

8.1.2 Returns on the status of each DFI’s compliance with this code shall be rendered to the CBN semi-annually or as may be specified by the CBN from time to time.

8.1.3 Failure to comply with the code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

9.0 SANCTIONS
Failure to comply with the Code will attract appropriate sanctions in accordance with BOFIA or as may be specified in any applicable legislation or regulation.

10.0 EFFECTIVE DATE
This code shall take effect from December 1, 2018.