Central Bank Of Nigeria
Financial Policy and Regulation Department
Central Business District, Cadastral Zone,
P.M.B 0187, Garki, Abuja
Telephone: +234 (0) 9 462 37401
E-mail: fprd@cbn.gov.ng
Website: www.cbn.gov.ng

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CIRCULAR TO ALL COMMERCIAL, MERCHANT, NON-INTEREST AND PAYMENT SERVICE BANKS, AND FINANCIAL HOLDING COMPANIES

CORPORATE GOVERNANCE GUIDELINES

In exercise of powers conferred by the Central Bank of Nigeria (CBN) Act 2007 and the Banks and Other Financial Institutions Act 2020, the Central Bank of Nigeria (CBN) hereby issues the Corporate Governance Guidelines for Commercial, Merchant, Non-Interest, and Payment Services Banks in Nigeria; and the Corporate Governance Guidelines for Financial Holding Companies in Nigeria.

In developing these Guidelines, the CBN adapted relevant principles and recommended practices of the Nigerian Code of Corporate Governance issued by the Financial Reporting Council in 2018, global corporate governance practices as well as other related governance codes, circulars and directives made by the CBN.

Banks and financial holding companies are invited to note the responsibilities imposed on their boards by these guidelines, and especially on the Executive Compliance Officers (where applicable).

These Guidelines supercede all previous codes, circulars and related directives on corporate governance issued by the CBN.

The effective date of these Guidelines is **August 1, 2023.**

CHIBUZO A. EFOBI
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

CORPORATE GOVERNANCE GUIDELINES FOR COMMERCIAL, MERCHANT, NON-INTEREST AND PAYMENT SERVICE BANKS IN NIGERIA

Central Bank of Nigeria
July 13, 2023

TABLE OF CONTENTS

INTRODUCTION 4

OBJECTIVES 4

APPLICATION 4

1.0 BOARD STRUCTURE AND COMPOSITION 5

2.0 ROLES AND RESPONSIBILITIES OF THE BOARD 8

3.0 OFFICERS OF THE BOARD 12

3.1 Chairman 12

3.2 Managing Director/Chief Executive Officer (MD/CEO) 12

3.3 Deputy Managing Director (DMD) and Executive Director (ED) 12

3.4 Non-Executive Directors (NEDs) 12

3.5 Independent Non-Executive Directors 13

3.6 Company Secretary 15

4.0 ACCESS TO INDEPENDENT PROFESSIONAL ADVICE 16

5.0 MEETINGS OF THE BOARD AND ITS COMMITTEES 17

6.0 BOARD COMMITTEES 18

7.0 COOL-OFF PERIOD 21

8.0 CUMMULATIVE TENURE 23

9.0 INDUCTION AND CONTINUING EDUCATION 24

10.0 BOARD EVALUATION 25

11.0 REMUNERATION 26

12.0 RISK MANAGEMENT FUNCTION 27

13.0 INTERNAL AUDIT FUNCTION 28

14.0 INTERNAL SHARIAH AUDIT 29

15.0 COMPLIANCE FUNCTION 30

16.0 SHARI'AH COMPLIANCE FUNCTION 31

17.0 WHISTLE-BLOWING 32

18.0 EXTERNAL AUDITORS 33

19.0 GENERAL MEETINGS 35

20.0 TREATMENT OF SHAREHOLDERS 36

20.1 Shareholders Engagement 36

20.2 Protection of Shareholders Rights 36

21.0 BUSINESS CONDUCT AND ETHICS 37

22.0 RELATED PARTY TRANSACTIONS 38

23.0	**CONFLICT OF INTEREST**	40
24.0	**SUSTAINABILITY**	41
25.0	**STAKEHOLDER COMMUNICATION**	42
26.0	**DISCLOSURES**	43
27.0	**RETURNS**	46
28.0	**SANCTIONS**	47
29.0	**EFFECTIVE DATE**	48
30.0	**GLOSSARY OF TERMS**	49

CORPORATE GOVERNANCE GUIDELINES FOR COMMERCIAL, MERCHANT, NON-INTEREST AND PAYMENT SERVICE BANKS IN NIGERIA

INTRODUCTION

The Financial Reporting Council (FRC) of Nigeria in 2019 issued the Nigerian Code of Corporate Governance (hereinafter referred to as "NCCG 2018") as the single Corporate Governance Code for the country.

NCCG 2018 replaced all sectoral codes in Nigeria including the extant Code of Corporate Governance for Banks and Discount Houses in Nigeria issued by the Central Bank of Nigeria (CBN) in May 2014.

Following the pronouncement of the FRC, for sector regulators to issue sector-specific guidelines on corporate governance for institutions under their regulatory purview, the CBN has adapted the Principles and Recommended Practices of NCCG 2018 in developing this Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks (hereinafter referred to as "bank(s)"), taking into account, the peculiarities of the sub-sectors.

The CBN, pursuant to the provisions of Section 2(d) of the CBN Act 2007, and Sections 56(2) and 67(1) of the Banks and Other Financial Institutions Act (BOFIA 2020), hereby issues this regulation to be cited as the "Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks in Nigeria".

OBJECTIVES

The objectives of the Guidelines are to:

a. provide additional guidance on the Principles, Recommended Practices and Responsibilities contained in NCCG 2018;
b. outline industry-specific corporate governance standards for banks; and
c. promote high ethical standards amongst operators, whilst enhancing public confidence.

APPLICATION

NCCG 2018 as well as this Guidelines shall apply to Commercial, Merchant, Payment Service and Non-Interest Banks in Nigeria.

1.0 BOARD STRUCTURE AND COMPOSITION

1.1 The procedure for appointment to the Board shall be formal, transparent, and documented in the Board Charter.

1.2 Members of the Board shall be appointed by the shareholders of the bank and approved by the CBN.

1.3 The minimum and maximum number of directors on the Boards of Commercial, Merchant and Non-Interest Banks (CMNIBs) shall be seven (7) and fifteen (15) respectively.

For a Payment Service Bank (PSB), the minimum and maximum number of directors on the board shall be seven (7) and thirteen (13).

1.4 The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than Executive Directors on the Board and its Committees.

1.5 The number of Independent Non-Executive Directors (INEDs) shall be at least:

1.5.1 Three for:

i. commercial banks with international and national authorization
ii. merchant banks
iii. Non-Interest Banks (NIBs) with national authorization.

1.5.2 Two for:

i. PSBs
ii. commercial banks with regional authorization; and
iii. NIBs with regional authorization.

1.6 In the case of publicly listed banks, the provisions of Companies and Allied Matters Act (CAMA) 2020, on the number of INEDs shall apply.

1.7 At least two Non- Executive Directors (NEDs), one of whom shall be an INED, shall have requisite knowledge and experience in innovative financial technology, Information Communication Technology (ICT) and/or cyber security.

1.8 In line with NCCG 2018, no Board of a bank shall consist of only one gender.

1.9 To achieve gender diversity and promote a gender inclusive board, banks shall take a practical approach to women's economic empowerment in line with Principle 4 of the Nigerian Sustainable Banking Principles.

1.10 Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business and financial matters, in accordance with extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

1.11 Track record of appointees to the Board shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

1.12 Not more than two members of an extended family shall be on the Board of a bank.

The expression 'extended family' in this Guidelines includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces, in-laws and any other construed relationship as may be determined by the CBN.

1.13 Only one member of an extended family can occupy the position of Managing Director/Chief Executive Officer (MD/CEO), Chairman or Executive Director (ED) at any point in time.

1.14 Prospective and current directors on the Board of a bank are required to disclose potential and existing board memberships on boards of other organisations, as applicable, subject to CBN's approval.

1.15 In the case of a bank that is a subsidiary of a Financial Holding Company (FHC), the aggregate number of directors from the subsidiaries shall not exceed thirty per cent (30%) of the members of the Board of the FHC and the number of directors on the Board of the FHC in the board of a subsidiary shall not exceed thirty per cent (30%).

1.16 Interlocking or concurrent directorship by a director of a bank within its FHC or Group structure shall be limited to two institutions only.

1.17 The position of an Executive Chairman or Vice Chairman shall not be recognised in the Board structure of any bank.

1.18 In the event a director elects to resign his appointment on the Board of a bank, such director shall submit a written notice of resignation addressed to the Chairman of the board, ninety (90) days before the effective date of resignation.

1.19 In addition to section 1.18 above, where an INED elects to resign, and such resignation would result in non-compliance with the minimum required number of INEDs, the Board shall within the ninety (90) days' notice period appoint a replacement.

1.20 Where a director elects to resign from the Board on account of unresolved concerns pertaining to the running of the bank, such director shall detail the concerns in a written statement to the Chairman for circulation to members of the Board.

Such director shall within seven days of the notice of resignation forward to the CBN, a copy of the written statement.

1.21 Where a NED resigns from the Board, and such resignation results in NEDs not being in the majority, the Board shall within the ninety (90) notice period appoint a replacement.

1.22 In the event that the Chairman of the Board elects to resign, the Chairman shall forward the notices specified in 1.18 and 1.20 (as may be applicable) to the Chairman, Board Nomination and Governance Committee (BNGC), who shall circulate to members of the Board and the CBN within seven days of receipt of the notice of resignation.

1.23 In the case of NIBs, a member of the Advisory Committee of Experts (ACE) and the Financial Regulation Advisory Council of Experts (FRACE) shall not be a member of the Board, senior management and/or staff of any Non-Interest Financial Institutions (NIFIs) under the regulatory purview of the CBN.

1.24 Where a merger, acquisition, take-over, or any form of business combination involves the appointment of a director from the Board of the legacy institution, the length of service of such director shall include both the periods served pre and post combination.

2.0 ROLES AND RESPONSIBILITIES OF THE BOARD

2.1 The Board is accountable and responsible for the performance and affairs of the bank. Specifically, and in line with the provisions in the CAMA 2020, directors owe the bank the duty of care and loyalty and shall act in the interest of its employees and other stakeholders.

2.2 Members of the Board are jointly and severally liable for the activities of the bank.

2.3 The Board and its Committees shall each have a Charter to be approved by the CBN. These Charters shall be reviewed at least once every three years and upon any such review, the Board-approved copies shall be submitted to the CBN for its "No Objection" within thirty (30) days of approval by the Board and prior to its implementation.

2.4 The Board shall define and approve the bank's strategic goals, its short, medium and long-term strategies and monitor implementation by management.

2.5 The Board shall ensure a review of the investment policies and strategies of the bank at least once every three years, and submit same to the Director, Banking Supervision Department (BSD), CBN.

2.6 The Board shall have oversight of the bank's Anti-Money Laundering/Combating the Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF) policies and procedures.

2.7 The Board shall approve an Enterprise Risk Management (ERM) Framework specifying the bank's risk appetite, risk culture, governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

2.8 The Board shall ensure that there is a Business Continuity Plan (BCP) for the bank.

2.9 The Board shall develop and implement an Information Technology (IT) Framework that at a minimum covers data confidentiality, network security, third party connections, incidence response and reporting.

2.10 The Board shall determine the skills, knowledge and experience that its members require to work effectively as a team to achieve the bank's objectives in line with extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

Provided that where a director transmutes to a different role in the Board of the same bank, he/she shall meet the eligibility requirements of the new role as prescribed in extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

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

2.12 The Board, subject to CBN's approval, shall appoint the MD/CEO, Executive Directors as well as senior management staff.

2.13 The Board shall specifically designate one of the Executive Directors as the Executive Compliance Officer (ECO) and notify the CBN of such appointment.

2.14 The Board shall approve a succession plan for the MD/CEO, other EDs and senior management staff, which shall be reviewed at least once every two years.

2.15 The Board shall ensure the establishment and monitoring of agreed performance targets for the directors and senior management of the bank.

2.16 The Board shall ensure that management implements an efficient internal control system.

2.17 The Board shall establish a framework for the delegation of authority in the bank, and set and approve limits of authority, specifying the threshold for all transactions.

2.18 The Board shall establish a structure to independently verify and safeguard the integrity of financial reporting.

2.19 The Board shall establish a Code of Business Conduct and Ethics for all employees, setting out the bank's values, standards, and ethical culture.

2.20 The Board shall ensure strict adherence to the Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria issued by the CBN.

2.21 The Board shall ensure that the bank practices good Corporate Social Responsibility (CSR).

2.22 The Board of a CMNIB, on the recommendation of the Board Credit Committee (BCC) shall approve all insider credit applications, irrespective of the amount.

2.23 In addition to compliance with the sections above, the Board of a Non-Interest Bank (NIB) shall:

2.23.1 institutionalize a robust Shariah governance mechanism that is commensurate with the size and complexity of the NIB.

2.23.2 subject to the approval of the CBN, appoint an ACE, in line with the provisions of the extant Guidelines for the Governance of the Advisory Committee of Experts in Nigeria.

2.23.3 oversee the implementation of the resolutions of the FRACE and the rulings of the NIB's ACE.

2.23.4 ensure that strategic objectives, risk strategy, and corporate values of the bank, adhere to the principles underpinning the operations of non-interest banking.

2.23.5 ensure that the funds of Profit-Sharing Investment Account Holders' (PSIAHs') are invested and managed in their best interest in line with the provisions of the extant Guidelines on the Management of Investment Account Holders for Non- Interest Financial Institutions in Nigeria.

2.23.6 collaborate with the ACE to establish a policy on income smoothing towards returns paid to PSIAHs in line with the provisions of the extant Guidelines on the Practice of Smoothing, the Profit Pay-out to Investment Account Holders for Non-Interest Financial Institutions (NIFI) in Nigeria.

2.23.7 ensure compliance with additional and complimentary disclosure requirements as specified in the extant Guidance Notes on Disclosure Requirements to Promote Transparency & Market Discipline for Non-Interest Financial Institutions in Nigeria.

2.23.8 in collaboration with the ACE, establish policies for the determination and disposal to charity of Non-Permissible Income (NPI) in all its operations, subject to CBN approval.

2.23.9 ensure that the nature and manner of the NIB's CSR is in line with principles underpinning the operations of NIBs, provided that the activities related to the disposal of the bank's NPI shall not be construed as part of its CSR.

2.23.10 ensure that the ACE is free from any undue influence, is independent of the day-to-day management of the bank, and has direct access to the Board, senior management and officers in key control functions.

3.0 OFFICERS OF THE BOARD

3.1 Chairman

3.1.1 The qualifications and experience of the Chairman of the Board of a bank shall be as stated in extant Guidelines on competency and fit and proper persons for the Nigerian banking sector.

3.1.2 The Chairman shall meet formally with the NEDs at least once every year.

3.1.3 Where a bank is a member of a Financial Holding Company (FHC), the Chairman of the bank shall not sit on the Board of the FHC in any capacity and vice versa.

3.2 Managing Director/Chief Executive Officer (MD/CEO)

The tenure of the MD/CEO of a bank shall be in accordance with the terms of engagement with the bank but subject to a maximum period of twelve (12) years.

3.3 Deputy Managing Director (DMD) and Executive Director (ED)

3.3.1 The tenure of a DMD/ED of a bank shall be in accordance with the terms of engagement with the bank but subject to a maximum period of twelve (12) years.

3.3.2 Where an ED becomes a DMD, a cumulative tenure of twelve (12) years applies and shall not be extended.

3.3.3 Where a DMD/ED becomes an MD/CEO of the same bank, his/her previous tenure as DMD/ED is not included in computing his/her tenure as MD/CEO. However, this is subject to a cumulative tenure limit as stated in Section 8 of this Guidelines.

3.4 Non-Executive Directors (NEDs)

3.4.1 NEDs shall have unfettered access to corporate information from the MD/CEO, DMD, EDs, Company Secretary, Internal Auditor and Heads of other control functions with direct/indirect reporting lines to the Board, while access to other senior management shall be through the MD/CEO.

3.4.2 NEDS (with the exception of INEDs) of a bank shall serve for a maximum of twelve (12) years comprising three terms of four years each.

3.4.3 To qualify as a NED in a bank, the proposed NED shall not be an employee of a financial institution except where the bank is promoted by that financial institution and the proposed NED is representing the interest of that financial institution.

3.4.4 In the case of a commercial bank with an NIB window, at least one NED shall be knowledgeable and/or have experience in the field of Islamic finance or Islamic Commercial Jurisprudence.

3.5 Independent Non-Executive Directors

3.5.1 An INED shall have sound knowledge of the operations, relevant laws and regulations guiding the banking sector. The INED shall also have proven skills and competencies in his/her field.

3.5.2 The tenure for INEDs shall not exceed two terms of four years each.

3.5.3 In addition to the requirements of Recommended Practice 7 of NCCG 2018, an INED on the Board of a bank shall not:

i. be a former director or employee who has served in the bank at a senior management level.

ii. be a former employee below senior management level, within the last five years;

iii. have any immediate family member as a current employee in senior management position;

iv. have an immediate family member as a former employee of the bank who has served at senior management level in the preceding five years;

v. have material relationship with the bank or any of its officers, ACE members (in the case of an NIB), major shareholders, subsidiaries and affiliates; a relationship which may impair the director's ability to make independent judgments or compromise the director's objectivity in line with corporate governance best practices;

vi. provide financial, legal or consulting services to the bank or its subsidiaries/affiliates or has done so in the past five years;

vii. borrow funds from the bank, its officers, subsidiaries and affiliates;

viii. be part of management, executive committee or board of trustees of an institution, charitable or otherwise, supported by the bank; and

ix. have served previously on the Board of its FHC, subsidiary or related entity within the banking group.

3.5.4 It shall be the responsibility of an INED to notify the Board of any circumstance, event, transaction or relationship, which may impair the INED's continued independence, as soon as such occurs.

3.5.5 The Board shall annually ascertain and confirm the continued independence of each INED. Where the assessment reveals that the independence of an INED has been impaired, such INED shall vacate his seat on the Board.

3.5.6 The transmutation of an ED or NED to an INED in the same bank or its group structure is not allowed. Similarly, An INED shall not transmute into any other capacity in the same bank or its group structure.

3.5.7 All INEDs shall hold a formal meeting at least once in a year without the other directors being present.

3.5.8 In the case of an NIB:

3.5.8.1 At least one INED shall be knowledgeable and/or have experience in the field of Islamic finance or Islamic Commercial Jurisprudence.

3.5.8.2 No person who has served as a member of the ACE in any bank shall transmute into an INED of the same bank.

3.6 Company Secretary

3.6.1 The qualifications and experience of a Company Secretary of a bank shall be in accordance with the extant Guidelines on competency and fit and proper persons in the Nigerian banking sector.

3.6.2 The functions of a company secretary shall not be outsourced by banks.

3.6.3 The role of the Company Secretary in a CMNIB, shall not be combined with that of the Head Legal/Legal Adviser, without the approval of the CBN.

In the case of PSBs, the function of the Company Secretary may be combined with that of the Head Legal/Legal Adviser.

3.6.4 The Company Secretary shall ensure that all board-related compliance matters are made available to the Executive Compliance Officer (ECO) in a timely manner.

3.6.5 The appointment and removal of the Company Secretary shall be a matter for the Board, subject to CBN's ratification.

3.6.6 The Company Secretary shall report directly to the Board and have an indirect reporting line to the MD/CEO.

4.0 ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

4.1 The bank shall facilitate access to relevant independent professional advice for its directors and/or Board Committees.

4.2 Requests for independent professional advice by directors and/or Board Committees shall be a matter for Board consideration and approval. The Board shall keep proper records of its decisions on such requests.

4.3 The Board shall also keep detailed records of the professional advice provided to the concerned director(s) where the request is granted.

5.0 MEETINGS OF THE BOARD AND ITS COMMITTEES

5.1 The schedule of meetings of the Board and its Committees shall be approved by the Board ahead of each financial year.

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

Provided that where the Remuneration Committee is a stand-alone committee, it should meet on need basis, but at least once a year.

5.3 In the case of an NIB, the Board shall meet formally with the ACE at least once every quarter while for a commercial bank with an NIB window, the Board shall meet formally with the ACE at least twice in a year.

5.4 The meeting of the Board and its Committees shall be held at a specified location or virtually if physical meetings cannot be held.

5.5 The quorum for the meetings of the Board and its committees shall be two-thirds of members, majority of whom shall be NEDs.

5.6 Every Director is required to attend all meetings of the Board and its Committees that he or she is a member. In order to qualify for reappointment, a Director must have attended at least two-thirds of all Board and its Committee meetings.

5.7 Minutes of meetings of the Board and its Committees shall be properly written in English language, adopted by members and signed off by the Board/Board Committee Chairman and Company Secretary, pasted in the minutes book and domiciled at the bank's Head Office.

6.0 BOARD COMMITTEES

6.1 The terms of reference and composition of Board Committees shall be set out in the board-approved charter for each committee.

6.2 The membership of Board committees shall be reviewed and refreshed at least once every three years.

6.3 All Board committees shall be chaired by NEDs. However, the Board Audit Committee (BAC), Board Nomination and Governance Committee (BNGC) and the Board Remuneration Committee (BRC) shall be chaired by INEDs.

6.4 The Chairman of the BNGC of an NIB shall be knowledgeable and experienced in Islamic Finance or Islamic Commercial Jurisprudence

6.5 In addition to the mandatory Committees listed in Recommended Practice 11.1.6 of NCCG 2018, the Board of any CMNIB shall also establish a Board Credit Committee (BCC) with oversight responsibility on credit matters.

6.6 In the case of a PSB, the Board shall in addition to the mandatory Committees listed in Recommended Practice 11.1.6 of NCCG 2018, establish a Board Committee responsible for Information & Communication Technology (ICT) and Cybersecurity.

6.7 Banks shall maintain the exact names of each of the mandatory Committees stated in Recommended Practice 11.1.6 of NCCG 2018 and in this Guidelines, and where the functions of two or more Committees are combined in a single Committee as approved by CBN, the name of such committee shall reflect the roles or functions combined.

6.8 The Chairman of the Board shall not be in attendance by invitation or otherwise in any of the Board Committee meetings

6.9 The MD/CEO, DMD and EDs shall not be in attendance either by invitation or otherwise, at any meeting of the Board or its Committees, where the remuneration of EDs will be discussed.

6.10 The functions of the Board Risk Management Committee (BRMC) and the Board Audit Committee (BAC) shall not be combined for CMNIBs.

Provided however, that at least one NED on the Board of the bank shall be a member of both Committees concurrently.

6.11 Members of each of the Board Committees shall appoint one of its members as Chairman**.**

6.12 The establishment of sub-committees of Board committees is prohibited.

6.13 Board Audit Committee

a. The BAC shall consist of NEDs only.

b. All members of the BAC of a bank shall be able to read and understand financial statements. At least one member of the BAC shall have relevant professional qualifications and experience in financial and accounting matters.

c. At least one member of the BAC of a CMNIB shall be knowledgeable in innovative technology, ICT and/or cybersecurity. In the case of a PSB, majority of the BAC shall be knowledgeable in innovative technology, ICT and/or cybersecurity.

d. In the case of the BAC for an NIB, at least one member shall be an INED, who shall possess relevant qualification, knowledge and experience in Islamic finance or Islamic commercial jurisprudence.

e. The BAC shall have unrestricted access to the financial records of the bank including the External Auditors' reports.

f. The Board of a bank shall not replace members of the BAC and External Auditors at the same time.

g. The BAC shall review the integrity of the bank's financial reporting and ensure the independence of the External Auditors.

6.14 Board Risk Management Committee

a. The BRMC of a bank shall be chaired by a NED and its composition shall include at least two NEDs and the ED in charge of risk management.

b. In the case of an NIB:

i. The BRMC shall be chaired by a NED and at least one of the NEDs shall have relevant qualification and experience in Islamic finance or Islamic Commercial Jurisprudence.

ii. In the case of a commercial bank with an NIB window, at least one NED in the BRMC shall have relevant qualification and experience in Islamic finance or Islamic Commercial Jurisprudence.

6.15 The Head of the NIB window of a commercial bank shall be a senior management staff with knowledge and experience in the field of Islamic finance or Islamic Commercial Jurisprudence.

7.0 COOL-OFF PERIOD

7.1 An Executive (ED, DMD or MD/CEO) who exits from the Board of a bank either upon or prior to the expiration of his/her maximum tenure, shall serve out a cooling period of two (2) years before being eligible for appointment as a NED in the same bank, subject to applicable cumulative tenure limits.

7.2 Where an Executive (ED, DMD or MD/CEO) of a bank is appointed to the Board of its FHC in any role, a cooling-off period of two years shall apply.

7.3 Transmutation of an INED or an ACE (in the case of an NIB) into any role in the same bank is not permitted.

7.4 A NED shall serve out a cooling period of two (2) years before being eligible for appointment in any executive role in the same bank.

7.5 No cooling-off period shall apply when any director in a bank is appointed to the Board of another bank or an FHC outside the bank's group.

7.6 Cooling-off period of two (2) years shall apply, where a director from a bank transition to a sister subsidiary and it results in a change of role. However, cooling-off period shall not apply where there is no change of role.

7.7 A member of FRACE shall not take up appointment as a director or a member of an ACE of any NIFI under the supervisory purview of the CBN, until after a cool-off period of three years.

7.8 The tenure of auditors in a bank shall be a maximum period of ten (10) consecutive years, subject to the rotation of audit engagement partner at least once every five years. For an audit firm to be reappointed by the same bank, a cooling-off period of ten (10) consecutive years shall be observed.

7.9 Subject to the approval of the CBN, there shall be a cooling-off period of three (3) years between the retirement of a partner from an audit firm currently auditing a bank and the appointment of such partner to the Board of the same bank.

7.10 A cool-off period of three years shall be observed prior to a:

(a) member of an audit team who participated in auditing a bank being employed by the same bank.

(b) staff of a bank being engaged by an audit firm to join the team to audit the same bank.

7.11 An audit firm shall not provide audit services to a bank if one of the bank's senior/top management was employed by the firm and worked on the bank's audit during the immediate past three (3) years.

7.12 The Governor and Deputy Governors of the CBN, the MD/CEO and Executive Directors of the Nigeria Deposit Insurance Corporation (NDIC) and the departmental directors of the CBN and the NDIC, shall not be eligible for appointment in any capacity in a bank, until after a cooling-off period as may prescribed by the Board of the CBN or NDIC (as applicable).

8.0 CUMMULATIVE TENURE

8.1 The cumulative tenure limit of directors (ED, DMD, MD and NEDs) on the Board of the same bank is twenty-four (24) years.

8.2 The cumulative period is calculated from the date of first appointment to the Board of the bank.

9.0 INDUCTION AND CONTINUING EDUCATION

9.1 A formal induction programme for new directors shall be conducted within three months of their appointment. The details of such training shall be availed to examiners upon request.

9.2 The Board shall approve an annual budget for the training and continuing education for directors and ensure its proper implementation.

10.0 BOARD EVALUATION

10.1 There shall be an annual appraisal of the Board, its Committees, Chairman and individual directors covering all aspects of the Board's structure, composition, responsibilities, processes and relationships, as may be prescribed by the CBN from time to time.

10.2 In the case of NIBs, there shall be an annual appraisal of the ACE covering all aspects of its responsibilities, processes, meetings and overall functions.

10.3 The appraisals in Sections 10.1 and 10.2 shall be conducted by an independent external consultant with adequate experience, knowledge and competence in corporate governance and performance management. Additionally, for NIBs, such independent consultant shall also possess knowledge and experience in Islamic Finance or Islamic Commercial Jurisprudence.

10.4 The Board Evaluation exercise shall, at a minimum, cover the scope described in the extant CBN Guidelines for Annual Board Evaluation by External Consultants of Banks and Other Financial Institutions in Nigeria.

10.5 Banks shall forward to the Director, Financial Policy and Regulation Department (FPRD), CBN, the report of the annual evaluation of the Board and ACE by the independent external consultant latest by May 31st following the end of every financial year or before the Annual General Meeting at which the report for the period/year is to be considered, whichever comes first.

10.6 The continuous unsatisfactory performance by a director shall be a basis for non-renewal of such a director's tenure.

11.0 REMUNERATION

11.1 The Board shall develop a remuneration policy, which shall be disclosed in the annual report.

11.2 Banks shall align executive and Board remuneration to its long-term interests and that of its shareholders.

11.3 Remuneration by banks shall be sufficient to attract, retain and motivate staff. This shall be balanced against the bank's interest to avoid paying excessive remuneration.

11.4 The Board shall approve the remuneration of MD/CEO, DMD, EDs, Senior Management and other employees, while the fees and allowances for the NEDs shall be fixed by the Board and approved by shareholders at a General Meeting.

11.5 NEDs remuneration shall be limited to Director's fees, sitting allowances for Board and its Committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive benefits, salaries or any other allowances whether in cash or in kind other than those mentioned above.

11.6 Remuneration of MD/CEO, DMD, and EDs shall be linked to performance and structured to prevent excessive risk taking.

11.7 Where stock options are adopted as part of executive remuneration or compensation, the Board shall ensure that they are not priced at a discount.

11.8 Share options shall be tied to performance and subject to the approval of the shareholders at an AGM.

11.9 Share options shall not be exercisable until one year after the expiration of the tenure of the director.

11.10 The Board shall at the end of each financial year, confirm that the implementation and execution of the remuneration policy achieved its objectives.

12.0 RISK MANAGEMENT FUNCTION

12.1 The approved Enterprise Risk Management (ERM) Framework of a bank shall clearly describe the roles and responsibilities of the Board, BRMC, ED Risk, Chief Risk Officer (CRO), senior management and internal control function.

12.2 The qualification and experience of the head of the risk management function shall be in accordance with the extant Guidelines on competency and fit and proper persons for the Nigerian banking sector.

12.3 The Board shall ensure that the risk management function is headed by an ED.

In the case of NIBs with regional authorization and PSBs, the risk management function shall be headed by a senior management officer with relevant qualification, competence and experience.

12.4 The CRO, who shall not be below the grade of an Assistant General Manager, shall report to the ED Risk who reports to the Board.

12.5 The Board shall review the effectiveness of the implementation of risk management policies and procedures at least annually.

12.6 The Board shall review the ERM Framework at least once in three years.

12.7 Banks shall disclose a summary of their risk management policies in their annual financial statements. In the case of a publicly quoted bank, such summary shall be hosted on its website.

13.0 INTERNAL AUDIT FUNCTION

13.1 A bank shall not outsource its internal audit/compliance functions.

13.2 The qualification and experience of the head of internal audit shall be in accordance with the provisions of the extant Guidelines on competency and fit and proper persons for the Nigerian banking sector.

13.3 The appointment and removal of the head of internal audit shall be the responsibility of the Board, subject to CBN’s approval.

13.4 The head of internal audit, who shall not be below the rank of an Assistant General Manager, shall report directly to the BAC.

13.5 An independent external assessment of the effectiveness of the internal audit function as provided in Recommended Practice18.6 of NCCG 2018 shall be carried out annually and the report submitted to the Director, Banking Supervision Department, latest May 31st following the end of every accounting year.

14.0 INTERNAL SHARIAH AUDIT

14.1 NIBs shall have an internal shariah audit function headed by an Internal Shariah Auditor (ISA) not below the rank of an Assistant General Manager. In the case of commercial banks with NIB window, the head of the internal shariah audit function shall not be below the rank of a Manager.

14.2 The head of the internal shariah audit function shall provide an independent assessment on the quality and effectiveness of the NIB's internal control, risk management systems and governance processes as well as the overall compliance of the NIB's operations with the principles of non-interest banking.

14.3 The ISA in consultation with the ACE, shall determine the scope of the shariah audit and is required to produce internal shariah compliant reports which shall be submitted quarterly to the ACE and the BAC.

14.4 The ISA shall:

a. be responsible for determining NPI (if any) and shall ensure its disbursement to charity under the supervision of the bank's ACE.

b. ensure that a quarterly report on the disposal of the NPI, is duly endorsed by the ACE, and forwarded to the Director, BSD, not later than seven days after the end of each quarter.

c. report directly to the BAC, and indirectly to the ACE.

14.5 Appointment and removal of the ISA shall be the responsibility of the Board in consultation with the ACE, subject to CBN's ratification.

15.0 COMPLIANCE FUNCTION

15.1 The Executive Compliance Officer (ECO) shall not combine his/her responsibility with income generating activity.

15.2 The ECO shall primarily be responsible for:

a. cascading regulatory requirements and expectations (including accountability and responsibility) along control and operational functions such as audit, risk management finance, foreign exchange transactions, AML/CFT/CPF, IT and cyber-security etc.

b. presenting to the Board all regulatory infractions and concerns.

15.3 Banks shall have a Chief Compliance Officer (CCO) who shall not be below the rank of a General Manager for commercial and non-interest banks with national and international authorization, an Assistant General Manager for merchant banks and commercial and non-interest banks with regional authorization.

15.4 The CCO shall have the primary responsibility of monitoring and coordinating the implementation of regulatory requirements as cascaded by the ECO.

15.5 The qualification and experience of the CCO shall be in accordance with the provisions of the extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

15.6 The appointment and removal of the CCO shall be the responsibility of the Board subject to CBN's approval.

15.7 The CCO shall report to the Board through the ECO.

16.0 SHARI'AH COMPLIANCE FUNCTION

16.1 NIBs shall establish a Shariah Review/Compliance (SRC) function that conducts regular assessment of the compliance of the NIB's operations and activities in line with shariah requirements.

16.2 The Internal Shariah Compliance Officer (ISCO) shall:

a. at a minimum, identify, measure, monitor and report on Shariah Non-Compliance Risks (SNCR) in the operations of the NIBs on a daily basis.

b. be responsible for reviewing all financing requests before disbursement to avoid SNCR.

c. report directly to the CCO and indirectly to the ACE.

d. not be below the rank of a Manager or a lower rank in the case of a commercial bank with an NIB window.

16.3 The appointment and removal of the ISCO shall be the responsibility of the Board in consultation with the ACE, subject to CBN's ratification.

17.0 WHISTLE-BLOWING

Banks shall comply with Recommended Practice 19 of NCCG 2018, as well as the provisions of the extant CBN Guidelines for Whistleblowing for Banks and Other Financial Institutions in Nigeria.

18.0 EXTERNAL AUDITORS

18.1 The appointment and removal of the external auditor shall be the responsibility of the Board, subject to CBN's approval.

18.2 The external auditor shall report annually in the financial statements, the extent of the bank's compliance with the provisions of NCCG 2018 and this Guidelines.

18.3 The external auditor shall render annual reports to the Director, BSD on the bank's risk management practices, internal controls and level of compliance with regulatory directives.

18.4 The report stated in Section 18.3 shall, in the case of an NIB, include an assessment of the process of identification and disposal of NPI, the treatment of PSIAHs and income smoothing (if any).

18.5 In addition to the requirements in this Section, the external auditor of an NIB shall review the:

i. compliance of the bank with the decisions of the ACE and FRACE;

ii. work of the ISA and the ISCO.

18.6 The external auditor shall forward copies of the report together with its management letter on the bank's audited financial statements, to the Director, Banking Supervision Department, latest March 31st following the end of every accounting year.

18.7 Banks are required to publish their annual audited financial statements in two (2) national daily newspapers and on their websites.

18.8 External auditor of banks shall not provide client services that could 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. 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;

vi. Board evaluation and appraisal services;

vii. IT and system audit; and

viii. Software sales, consultancy, and management.

18.9 Where the CBN is satisfied that an external auditor of a bank has engaged in any unethical practice or illegal activity, the CBN shall request the Board of the bank to remove the external auditors, or it may impose any other sanction on the bank in line with the provisions of extant laws and regulations.

19.0 GENERAL MEETINGS

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

19.2 The Board may consider rotating the venue of general meetings where it will promote better access to the majority of shareholders.

19.3 Banks may hold their general meetings virtually, where physical meetings are not feasible.

20.0 TREATMENT OF SHAREHOLDERS

20.1 Shareholders Engagement

a. The Board of a bank with institutional investors shall ensure that such investors carry out the responsibilities detailed in Recommended Practice 22.3 of NCCG 2018.

b. The Board shall ensure that dealings of publicly listed banks with shareholders' associations are in strict adherence with the Code of Conduct for Shareholders' Associations issued by the Securities and Exchange Commission (SEC).

c. Where a bank is not publicly quoted, its dealings with shareholders shall be transparent and in line with best practices.

20.2 Protection of Shareholders Rights

a. Except where prior approval of the CBN is granted, no individual, group of individuals, their proxies or corporate entities shall own controlling interest in more than one bank.

b. CBN's prior approval and No Objection shall be sought and obtained before any acquisition of shares of a bank (including through the capital market), that would result in equity holding of five per cent (5%) and above, by any investor.

c. Where the CBN has an objection on any acquisition as stated in Section 20.2.b above, notice of the objection shall be communicated to the bank, and the bank shall notify such investor(s) within forty-eight (48) hours.

d. Government's direct and indirect equity holding in a bank shall not be more than ten per cent (10%), which shall be divested to private investors within a maximum period of five years from the date of investment.

For existing investments above five years, the bank shall within two years from the effective date of this Guidelines, comply with the provision.

21.0 BUSINESS CONDUCT AND ETHICS

21.1 Banks shall establish a Code of Business Conduct and Ethics and disclose in the code, such information and practices necessary to maintain confidence in the bank's integrity.

21.2 The Code referred to in Section 21.1 shall take into account the legal obligations and reasonable expectations of the banks' stakeholders, as well as the responsibility and accountability of individuals reporting on issues of unethical practices.

21.3 The Code shall be reviewed at least once every three years.

22.0 RELATED PARTY TRANSACTIONS

22.1 Banks shall establish a policy concerning insider trading and related party transactions by directors, senior executives, and employees, as well as publish the policy or a summary of that policy on their website.

22.2 The policy shall contain appropriate standards and procedures to ensure it is effectively implemented.

22.3 In addition to the requirements in Section 22.2, there shall be an internal review mechanism carried out by the internal audit function of the bank, to assess the compliance and effectiveness of the policy.

22.4 Any director whose facility or that of his/her related interests remains non-performing in any financial institution for more than one year shall cease to be on the Board of the bank and shall be blacklisted from sitting on the Board of such bank and that of any other financial institution under the purview of the CBN.

22.5 No director-related loans and/or interest thereon shall be written off without the CBN's prior approval.

22.6 In the case of a PSB:

a. Where a PSB is a related company to an existing infrastructure provider which provides services to other financial institutions, the PSB shall ensure that its dealings with the infrastructure provider are at arms-length.

b. The following conditions shall guide business conduct between PSBs, their parent companies and other related entities (where applicable):

i. A parent company or any other related entity of a PSB, which renders services to the PSB may extend similar services to other entities that so desire on the same terms and conditions.

ii. A parent company or any other related entity of a PSB is prohibited from giving any preferential treatment to the PSB.

iii. Preferential treatment by a parent company or any other related entity shall, among others, include:

i. Precluding its subsidiary's competitor from using its infrastructure or services.

ii. Offering lower quality of service to its subsidiary's competitors.

iii. Offering such infrastructure or services at differential pricing.

c. Failure of any PSB to abide by these fair competition clauses may lead to revocation of its license.

d. All services between the parent company and its PSB shall be guided by Service Level Agreements (SLAs) and/or shared services arrangements in line with the CBN Guidelines for Shared Services Arrangements for Banks and Other Financial Institutions.

e. A PSB shall submit the SLAs referred to in Section 22.6(d) to the CBN for approval, prior to implementation.

23.0 CONFLICT OF INTEREST

23.1 Banks shall develop and adopt a policy to guide the Board and individual directors in conflict-of-interest situations, which shall, at the minimum, cover the following areas:

I. Approval & revision date;
II. Definition of conflict of interest;
III. Purpose of the policy; and
IV. Procedures to follow in situations of conflict of interest.

23.2 The Board shall be responsible for managing conflicts of interest of directors and senior management in a bank.

23.3 Any concern raised by a director on the activities of his/her FHC and all discussions on conflict of interest shall be recorded in the minutes of the Board/Board Committee meetings.

24.0 SUSTAINABILITY

Banks shall comply with the provisions of Recommended Practice 26 of NCCG 2018 as well as the requirements of the Nigerian Sustainable Banking Principles.

25.0 STAKEHOLDER COMMUNICATION

25.1 In addition to the traditional means of communication, banks shall have a website and are encouraged to communicate with stakeholders via the website and other official channels.

25.2 The Board shall develop stakeholder communication policy host same on its website.

25.3 The Board shall ensure that stakeholders have the freedom to communicate their concerns on illegal or unethical practices to the Board. Where the concerns relate to the activities of the Board, such individuals may present a complaint to the CBN.

26.0 DISCLOSURES

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

A. Directors, including:

i. Remuneration policy for members of the Board and executives;

ii. Total remuneration of NEDs (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. Shares held by Directors and their related parties; and

vii. Details of directors, shareholders and their related parties who own five per cent and above of the banks' shares as well as other beneficial owners who, in concert with others, control the bank.

B. Corporate Governance Structure:

i. Appointment and tenure of directors;

ii. Composition of Board Committees including names of chairmen and members of each Committee;

iii. Total number of Board and its Committees meetings held in the financial year and attendance by each director;

iv. A summary of details of training and induction for directors; and

v. In addition to (i) – (iv) above, for NIBs:

a. Shariah governance mechanism;

b. Statement on compliance with Internal Shariah Review Mechanism;

c. Composition of the ACE and the number of meetings attended by each member;

d. ACE certification of compliance with principles of Islamic finance.

C. Risk management:

i. All significant risks including risks specific to NIBs; and

ii. Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of the lapses observed by external auditors, if any.

D. Information on strategic modification to the core business of the bank.

E. All regulatory/supervisory contraventions, sanctions and penalties during the year under review and infractions uncovered through whistle blowing.

F. Capital Structure/Adequacy

G. Opening and closing of branches/outlets.

H. Any service contracts and other contractual relationships with related parties.

I. Frauds and Forgeries.

J. Contingency Planning Framework

K. Contingent Assets and Liabilities (off balance sheet items)

L. The details of parent/holding institutions, subsidiaries, affiliates, joint ventures and Special Purpose Enterprises/Vehicles (SPEs/SPVs), where applicable.

M. Any matter not specifically mentioned in this Guidelines, but which may materially affect the financial position or going concern status of the bank.

N. NIBs in addition to all the above shall make disclosures on:

a. Returns paid to PSIAHs and amount of income smoothing (if any);

b. NPI and its disposal (where applicable).

26.2 To foster good corporate governance, banks are encouraged to make robust disclosures beyond the statutory requirements in BOFIA 2020 and other applicable laws and regulations.

26.3 Annual reports of NIBs are required to contain certification of the ACE that the operations of the NIB are in line with the principles of Islamic finance.

27.0 RETURNS

27.1 Banks shall submit to the Director Banking Supervision Department, CBN, periodic returns as specified in the extant Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria.

27.2 When required, every bank shall render electronic submission of each of these regulatory returns to a dedicated web portal as may be prescribed by the FRC.

28.0 SANCTIONS

28.1 Failure of a bank to comply with any of the requirements under this Guidelines and the Recommended Practices in NCCG 2018, constitutes a regulatory breach and shall attract a penalty as may be prescribed by the CBN.

28.2 Rendition of false, misleading and/or incomplete information to the CBN shall attract appropriate sanctions including monetary penalties and administrative sanctions on the individual and the bank.

28.3 Breach of any of the provisions of this Guidelines by a director, manager or officer shall attract appropriate sanctions including monetary penalties and administrative sanctions on the individual responsible for the breach.

28.4 In addition to the provision of Section 28.3, such director, manager or officer of the bank shall be suspended for six months in the first instance and possible removal from the Board of the bank in the event of continued reoccurrence of the breach.

29.0 EFFECTIVE DATE

This Guidelines shall take effect from August 1, 2023

30.0 GLOSSARY OF TERMS

ACRONYMS	DEFINITION
ACE	ADVISORY COMMITTEE OF EXPERTS
AGM	ANNUAL GENERAL MEETING
AML/CFT/CPF	ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM AND COUNTERING PROLIFERATION FINANCING
BAC	BOARD AUDIT COMMITTEE
BANK(s)	COMMERCIAL BANKS, MERCHANT BANKS, NON-INTEREST BANKS AND PAYMENT SERVICE BANKS
BCC	BOARD CREDIT COMMITTEE
BCP	BUSINESS CONTINUITY PLAN
BNGC	BOARD NOMINATION AND GOVERNANCE COMMITTEE
BOFIA	BANKS AND OTHER FINANCIAL INSTITUTIONS ACT
BRMC	BOARD RISK MANAGEMENT COMMITTEE
BSD	BANKING SUPERVISION DEPARTMENT
CAMA	COMPANIES AND ALLIED MATTERS ACT
CBN	CENTRAL BANK OF NIGERIA
CCO	CHIEF COMPLIANCE OFFICER
CMNIB	COMMERCIAL, MERCHANT OR NON-INTEREST BANK
CRO	CHIEF RISK OFFICER
CSR	CORPORATE SOCIAL RESPONSIBILITY
DMD	DEPUTY MANAGING DIRECTOR
ECO	EXECUTIVE COMPLIANCE OFFICER
ED	EXECUTIVE DIRECTOR
ERM	ENTERPRISE RISK MANAGEMENT
FHC	FINANCIAL HOLDING COMPANY

ACRONYMS	DEFINITION
FPRD	FINANCIAL POLICY AND REGULATION DEPARTMENT
FRACE	FINANCIAL REGULATION ADVISORY COUNCIL OF EXPERTS
FRC	FINANCIAL REPORTING COUNCIL OF NIGERIA
IT	INFORMATION TECHNOLOGY
INED	INDEPENDENT NON-EXECUTIVE DIRECTOR
ISA	INTERNAL SHARIAH AUDITOR
ISCO	INTERNAL SHARIAH COMPLIANCE OFFICER
ICT	INFORMATION AND COMMUNICATIONS TECHNOLOGY
MD/CEO	MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
NCCG	NIGERIA CODE OF CORPORATE GOVERNANCE
NDIC	NIGERIA DEPOSIT INSURANCE CORPORATION
NED	NON-EXECUTIVE DIRECTOR
NIB	NON-INTEREST BANK
NIFI	NON-INTEREST FINANCIAL INSTITUTIONS
NPI	NON-PERMISSIBLE INCOME
PSB	PAYMENT SERVICE BANK
PSIAH	PROFIT-SHARING INVESTMENT ACCOUNT HOLDERS
SEC	SECURITIES AND EXCHANGE COMMISSION
SLA	SERVICE LEVEL AGREEMENT
SPE	SPECIAL PURPOSE ENTERPRISES
SPV	SPECIAL PURPOSE VEHICLES
SRC	SHARIAH REVIEW AND COMPLIANCE

CORPORATE GOVERNANCE GUIDELINES FOR FINANCIAL HOLDING COMPANIES IN NIGERIA

Central Bank of Nigeria
July 13, 2023

TABLE OF CONTENTS

INTRODUCTION 4
OBJECTIVES 4
APPLICATION 4
1.0 BOARD STRUCTURE AND COMPOSITION 5
2.0 ROLES AND RESPONSIBILITIES OF THE BOARD 8
3.0 OFFICERS OF THE BOARD 10
3.1 Chairman 10
3.2 Managing Director/Chief Executive Officer (MD/CEO) 10
3.3 Non-Executive Directors 10
3.4 Independent Non-Executive Directors 11
3.5 Company Secretary 12
4.0 TRANSMUTATION BY DIRECTORS 14
5.0 COOLING OFF PERIOD 15
6.0 INTERLOCKING/CONCURRENT DIRECTORSHIP 17
7.0 BOARD COMMITTEES 18
8.0 MEETINGS OF THE BOARD AND ITS COMMITTEES 20
9.0 GENERAL MEETINGS 21
10.0 ACCESS TO INDEPENDENT PROFESSIONAL ADVICE 22
11.0 INDUCTION AND CONTINUING EDUCATION 23
12.0 BOARD EVALUATION 24
13.0 REMUNERATION 25
14.0 RISK MANAGEMENT FUNCTION 26
15.0 INTERNAL AUDIT FUNCTION 27
16.0 COMPLIANCE FUNCTION 28
17.0 WHISTLE-BLOWING 29
18.0 EXTERNAL AUDITORS 30
19.0 TREATMENT OF SHAREHOLDERS 32
19.1 Shareholders Engagement 32
19.2 Protection of Shareholders Rights 32
20.0 BUSINESS CONDUCT AND ETHICS 34
21.0 RELATED PARTY TRANSACTIONS 35
22.0 CONFLICT OF INTEREST 36
23.0 SUSTAINABILITY 37

24.0 STAKEHOLDER COMMUNICATION 38

25.0 DISCLOSURES 39

26.0 RETURNS 41

27.0 SANCTIONS 42

28.0 EFFECTIVE DATE 43

29.0 GLOSSARY OF TERMS 44

CORPORATE GOVERNANCE GUIDELINES FOR FINANCIAL HOLDING COMPANIES IN NIGERIA

INTRODUCTION

The Financial Reporting Council (FRC) of Nigeria in 2019 issued the Nigerian Code of Corporate Governance (hereinafter referred to as “NCCG 2018”) as the single Corporate Governance Code for the country. NCCG 2018 replaced all sectoral codes in Nigeria.

Following the pronouncement of the FRC, for sector regulators to issue sector-specific guidelines on corporate governance for institutions under their regulatory purview, the CBN has adapted the Principles and Recommended Practices of NCCG 2018 in developing this Guidelines for Financial Holding Companies (hereinafter referred to as “FHCs”), taking into account, the peculiarities of the institution.

The CBN, pursuant to the provisions of Section 2(d) of the CBN Act 2007, and Sections 56(2) and 67(1) of the FHCs and Other Financial Institutions Act (BOFIA 2020), hereby issues this regulation to be cited as the “Corporate Governance Guidelines for Financial Holding Companies in Nigeria”.

OBJECTIVES

The objectives of the Guidelines are to:

a. provide additional guidance on the Principles, Recommended Practices and Responsibilities contained in NCCG 2018;
b. outline industry-specific corporate governance standards for FHCs; and
c. promote high ethical standards amongst operators, whilst enhancing public confidence.

APPLICATION

This Guidelines shall apply to Financial Holding Companies in Nigeria. In addition to the provisions stated in this Guidelines, FHCs and their subsidiaries shall comply with the provisions of the Nigerian Code of Corporate Governance (NCCG), 2018 and other relevant sector guidelines on Corporate Governance issued by the CBN (in the case of CBN-regulated subsidiaries) and/or other regulators for entities under their respective purview**.**

1.0 BOARD STRUCTURE AND COMPOSITION

1.1 The procedure for appointment to the Board shall be formal, transparent and documented in the Board Charter.

1.2 Members of the Board shall be appointed by the shareholders of the FHC and approved by the CBN.

1.3 FHCs shall in constituting its Board of Directors, consider core competencies in the areas of operation of its subsidiaries. The minimum and maximum number of directors on the Board of an FHC shall be seven (7) and nine (9) respectively.

1.4 The Board shall consist of Executive and Non-Executive (including Independent Non-Executive) Directors. The number of Non-Executive Directors (NEDs) shall be more than Executive Directors (EDs) on the Board and its Committees.

1.5 The number of Independent Non-Executive Directors (INEDs) shall be at least three or as prescribed by the Companies and Allied Matters Act (CAMA), 2020.

1.6 In line with NCCG 2018, no Board of an FHC shall consist of only one gender.

1.7 To achieve gender diversity and promote a gender inclusive board, FHCs shall take a practical approach to women's economic empowerment in line with Principle 4 of the Nigerian Sustainable Banking Principles.

1.8 Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business and financial matters, in accordance with extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

1.9 Track record of appointees to the Board shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant Guidelines on competency and fit and proper persons for the Nigerian banking industry.

1.10 At least one director on the Board of an FHC shall be knowledgeable and/or have experience in the relevant business of the subsidiaries within the Group structure.

1.11 Not more than two members of an extended family shall be on the Board of an FHC and its subsidiaries at the same time.

The expression 'extended family' in this Guidelines includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces, in-laws and any other construed relationship as may be determined by the CBN.

1.12 Only one member of an extended family can occupy the position of Managing Director/Chief Executive Officer (MD/CEO), Chairman or ED on the board of an FHC and any of its subsidiaries at the same time.

1.13 Prospective and current directors on the Board of an FHC are required to disclose potential and existing Board memberships on Boards of other organisations, as applicable, subject to CBN's approval.

1.14 The position of an Executive Chairman, Vice Chairman or Deputy Managing Director (DMD) shall not be recognised in the Board structure of any FHC.

1.15 In the event a director elects to resign his appointment on the Board of an FHC, such director shall submit a written notice of resignation addressed to the Chairman of the Board, ninety (90) days before the effective date of resignation.

1.16 In addition to section 1.15 above, where an INED elects to resign, and such resignation would result in non-compliance with the minimum required number of INEDs, the Board shall within the ninety (90) days' notice period appoint a replacement.

1.17 Where a director elects to resign from the Board on account of unresolved concerns pertaining to the running of the FHC, such director shall detail the concerns in a written statement to the Chairman for circulation to members of the Board.

The director resigning shall, within seven days of the notice of resignation, forward a copy of the statement to the CBN.

1.18 Where a NED resigns from the Board, and such resignation results in NEDs not being in the majority, the Board shall within ninety (90) days from the date of the resignation, appoint a replacement.

1.19 In the event that the Chairman of the Board elects to resign, the Chairman shall forward the notices specified in 1.15 and 1.17 (as may be applicable) to the Chairman, Board Nomination and Governance Committee (BNGC), who shall circulate to members of the Board and the CBN within seven days of receipt of the notice of resignation.

2.0 ROLES AND RESPONSIBILITIES OF THE BOARD

2.1 The Board is accountable and responsible for the performance and affairs of the FHC. Specifically, and in line with the provisions in CAMA, directors owe the FHC the duty of care and loyalty and shall act in the interest of its employees and other stakeholders.

2.2 Members of the Board are jointly and severally liable for the activities of the FHC.

2.3 The Board and its Committees shall each have a Charter to be approved by the CBN. These Charters shall be reviewed at least once every three years and upon any such review, the board-approved copies shall be submitted to the CBN for its “No Objection” within thirty (30) days of approval by the Board and prior to implementation.

2.4 The Board shall define and approve the FHC’s strategic goals, its short, medium and long-term strategies and monitor implementation by management.

2.5 The Board shall ensure a review of the investment policies and strategies of the FHC at least once every three (3) years and submit same to the Director, Banking Supervision Department (BSD), CBN.

2.6 The Board shall have oversight of the FHC’s Anti-Money Laundering/Combating the Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF) policies and procedures.

2.7 The Board shall approve an Enterprise Risk Management (ERM) Framework specifying the FHC’s risk appetite, risk culture, governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.

2.8 The Board shall ensure that there is a Business Continuity Plan (BCP) for the FHC.

2.9 The Board shall develop and implement an Enterprise Information Technology (IT) Framework that, at a minimum, covers data confidentiality, network security, third party connections, incidence response and reporting amongst the entities within the Group.

2.10 The Board shall determine the skills, knowledge and experience that its members require to work effectively as a team to achieve the FHC’s objectives in line with extant Guidelines on competency and fit and proper persons.

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

2.12 The Board, subject to CBN's approval, shall appoint the MD/CEO, Executive Directors (where approved) as well as senior management staff of the FHC.

2.13 The Board shall approve a succession plan for directors and senior management staff, which shall be reviewed at least every two (2) years.

2.14 The Board shall ensure the establishment and monitoring of agreed performance targets for directors and senior management of the FHC.

2.15 The Board shall ensure that management implements an efficient internal control system.

2.16 The Board shall establish a structure to independently verify and safeguard the integrity of financial reporting.

2.17 The Board shall establish a framework for the delegation of authority in the FHC and set and approve limits of authority, specifying the threshold for all transactions.

2.18 The Board shall establish a Code of Business Conduct and Ethics for all employees, setting out the FHC's values, standards, and ethical culture.

2.19 The Board shall ensure strict adherence to the Code of Conduct for directors of Other Financial Institutions in Nigeria issued by the CBN.

2.20 The Board shall ensure that the FHC practices good Corporate Social Responsibility (CSR).

3.0 OFFICERS OF THE BOARD

3.1 Chairman

3.1.1 A Chairman of the Board of an FHC shall be a person that has served either as MD/CEO or Chairman of a Commercial, Merchant or Non-Interest Bank (CMNIB) or any reputable entity acceptable to the CBN.

3.1.2 The qualifications and experience of the Chairman of the Board of an FHC shall be as stated in extant Guidelines on competency and fit and proper persons.

3.1.3 The Chairman shall meet formally with the NEDs at least once every year.

3.1.4 The Chairman of an FHC shall not sit on the Board of any of its subsidiaries in any capacity and vice versa.

3.2 Managing Director/Chief Executive Officer (MD/CEO)

3.2.1 A Managing Director/Chief Executive Officer (MD/CEO) of an FHC shall be a person who has previously served as MD/CEO, DMD or ED of a CMNIB for a minimum period of seven (7) years.

3.2.2 Except where the CBN exceptionally approves the appointment of an Executive Director, as Chief Financial Officer (CFO), an FHC shall have the MD/CEO as the only ED.

3.2.3 The tenure of an MD/CEO (ED where approved) in an FHC shall be in accordance with the terms of engagement with the FHC, subject to a maximum tenure of ten (10) years.

3.2.4 The MD/CEO, prior to or upon the expiration of his/her maximum tenure, shall not be eligible for re-appointment in an executive capacity in the same FHC.

3.2.5 In the exceptional case that an ED is appointed MD/CEO in an FHC, his cumulative tenure as ED and MD/CEO shall not exceed ten (10) years.

3.3 Non-Executive Directors

3.3.1 To qualify as a NED in an FHC, the proposed NED shall not be an employee of a financial institution except where the FHC is promoted by that financial institution and the proposed NED is representing the interest of that financial institution

3.3.2 NEDs inclusive of the Chairman (excluding INEDs) of an FHC shall serve a maximum tenure of three (3) terms of four (4) years each. Consequently, the cumulative tenure limit of a NED in an FHC or any other FHC shall be twelve (12) years.

3.3.3 NEDs shall have unfettered access to corporate information from the MD/CEO, Company Secretary, Internal Auditor and Heads of other control functions with direct/indirect reporting lines to the Board, while access to other senior management shall be through the MD/CEO.

3.4 Independent Non-Executive Directors

3.4.1 An INED in an FHC shall have sound knowledge of the operations, relevant laws and regulations guiding the business of its subsidiaries in the relevant sub-sectors. The INED shall also have proven skills and competencies in his/her field.

3.4.2 The term of office of an INED shall be four (4) years and may be renewable only once for another consecutive term of four (4) years.

3.4.3 In addition to the requirements of Recommended Practice 7 of NCCG 2018, an INED on the Board of an FHC shall not:

i. be a former director or employee who has served in the FHC or its subsidiaries at a senior management level.

ii. be a former employee in the FHC or its subsidiaries below senior management level, within the last five years;

iii. have any immediate family member as a current employee in the FHC or its subsidiaries in senior management position;

iv. have an immediate family member as a former employee of the FHC or its subsidiaries who has served at senior management level in the preceding five years;

v. have material relationship with the FHC or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the director’s ability to make independent judgments or compromise the director’s objectivity in line with corporate governance best practices;

vi. provide financial, legal or consulting services to the FHC or its subsidiaries/affiliates or has done so in the past five years;

vii. borrow funds from the FHC, its officers, subsidiaries and affiliates;

viii. be part of management, executive committee or board of trustees of an institution, charitable or otherwise, supported by the FHC or any of its subsidiaries; and

ix. have worked or served previously on the Board of a related entity within the FHC's Group.

3.4.4 It shall be the responsibility of an INED to notify the Board of any circumstance, event, transaction or relationship, which may impair the INED's continued independence, as soon as such occurs.

3.4.5 The Board shall annually ascertain and confirm the continued independence of each INED. Where the assessment reveals that the independence of such INED has been impaired, the INED shall vacate his seat on the Board.

3.4.6 All INEDs shall hold a formal meeting at least once in a year without the other directors being present.

3.5 Company Secretary

3.5.1 The qualifications and experience of a Company Secretary of an FHC shall be in accordance with the extant Guidelines on competency and fit and proper persons.

3.5.2 The functions of a company secretary shall not be outsourced by FHCs.

3.5.3 The role of the Company Secretary in an FHC may be combined with that of the Head Legal/Legal Adviser

3.5.4 The Company Secretary shall ensure that all board-related compliance matters are made available to the Chief Compliance Officer (CCO) in a timely manner.

3.5.5 The appointment and removal of the Company Secretary shall be a matter for the Board, subject to CBN's ratification.

3.5.6 The Company Secretary shall report directly to the Board and have an indirect reporting line to the MD/CEO.

4.0 TRANSMUTATION BY DIRECTORS

4.1 An executive in an FHC shall not be eligible for appointment as a NED in the same FHC and vice versa.

4.2 An INED on the Board of an FHC or its subsidiary shall not transmute into any other role in the FHC or any of its subsidiaries.

4.3 An INED shall not sit concurrently on the Board of an FHC and its subsidiary.

5.0 COOLING OFF PERIOD

5.1 MD/CEO or an ED (where applicable) who exits from the Board of a bank, either upon or prior to the expiration of his/her maximum tenure, shall serve a cooling-off period of two (2) years before being eligible for appointment in any role on the Board of its FHC.

5.2 A NED (excluding INED) who exits the Board of a bank, either upon or prior to the expiration of his/her maximum tenure, shall not serve a cooling off period before being eligible for appointment to the Board of its FHC as a NED.

5.3 A director whose first appointment was in the banking subsidiary shall not be eligible to serve as an interlocking director in the same banking subsidiary or any other CBN regulated subsidiary, while serving on the Board of the FHC.

5.4 No cooling off shall apply where a director of an FHC is appointed to the Board of another FHC.

5.5 The tenure of auditors in an FHC shall be a maximum period of ten (10) consecutive years, subject to the rotation of audit engagement partner at least once every five (5) years. For an audit firm to be reappointed by the same FHC, a cooling-off period of ten (10) consecutive years shall be observed.

5.6 An audit firm shall not provide audit services to an FHC if one of the FHC's senior/top management was employed by the firm and worked on the FHC's audit during the immediate past three (3) years.

5.7 Subject to the approval of the CBN, there shall be a cool-off period of three (3) years between the retirement of a partner from an audit firm currently auditing an FHC and the appointment of such partner to the Board of the same FHC.

5.8 A cool-off period of three (3) years shall be observed prior to a member of an audit team who participated in auditing an FHC being employed by the same FHC or a staff of an FHC being engaged by an audit firm to join the team to audit the same FHC.

5.9 The Governor and Deputy Governors of the CBN, the MD/CEO and Executive Directors of the Nigeria Deposit Insurance Corporation (NDIC) and the departmental directors of the CBN and the NDIC, shall not be eligible for appointment in any capacity in an FHC, until after a cooling-off period as may prescribed by the Board of the CBN or NDIC (as applicable).

6.0 INTERLOCKING/CONCURRENT DIRECTORSHIP

6.1 A director (except an INED) of an FHC may be appointed a NED on the Board of entities within its Group structure, provided the aggregate number of directors from the subsidiaries shall not exceed thirty per cent (30%) of the Board of the FHC and the number of the directors of the FHC on the Board of a subsidiary shall not exceed thirty per cent (30%) of the Board of the subsidiary.

6.2 Interlocking or concurrent directorship by a director of an FHC within its Group structure shall be limited to a maximum of two institutions only.

6.3 Notwithstanding 6.1 and 6.2 above, the tenure of interlocking directors on the Board of FHCs/subsidiaries within the Group shall not extend beyond their tenure on the Board of their initial appointment within the Group.

6.4 Members of the Board of an FHC are not permitted to sit on the Board of a sub-subsidiary (second level / indirect subsidiary) within its group structure.

6.5 The Chairman of the Board of an FHC shall not sit in any capacity on the Board of any of the subsidiaries within its group. Additionally, the Chairman of the Board of a subsidiary shall not sit in any capacity on the Board of the FHC and any of the other entities within its group.

6.6 Where an eligible director of an FHC sits concurrently on the Board of a subsidiary as a NED and vice-versa, such director shall be entitled to reimbursable travel and hotel expenses only. Such reimbursable expenses shall be borne by the entity convening the meetings.

7.0 BOARD COMMITTEES

7.1 The Board of every FHC shall establish the Board Committees listed in the Nigeria Code of Corporate Governance (NCCG), 2018. The roles of two or more committees may be combined taking into consideration the size, needs and other requirements of the FHC, subject to CBN approval.

7.2 The terms of reference and composition of Board Committees shall be set out in the board-approved charter for each committee.

7.3 The membership of Board Committees shall be reviewed and refreshed at least once every three (3) years.

7.4 All Board Committees shall be chaired by NEDs. However, the Board Audit Committee (BAC), Board Nomination and Governance Committee (BNGC) and the Board Remuneration Committee (BRC), which shall comprise of NEDs only, shall be chaired by INEDs.

7.5 In addition to the mandatory Committees listed in Recommended Practice 11.1.6 of NCCG 2018, the Board of a FHC shall also establish a Board Investment Committee (BIC) with oversight responsibility on investment-related matters of the FHC.

7.6 FHCs shall maintain the exact names of each of the mandatory Committees stated in Recommended Practice 11.1.6 of NCCG 2018 and in this Guidelines, and where the functions of two or more Committees are combined in a single Committee as approved by CBN, the name of such committee shall reflect the roles or functions combined.

7.7 The Chairman of the Board shall not be in attendance by invitation or otherwise in any of the Board Committee meetings for the FHC or any of the Board Committee meetings of its subsidiaries.

7.8 The MD/CEO and ED (where approved) shall not be in attendance either by invitation or otherwise, at any meeting of the Board or its Committees, where the remuneration of Executives will be discussed.

7.9 The functions of the Board Risk Management Committee (BRMC) and the Board Audit Committee (BAC) shall not be combined for FHCs. Provided however, that at least one NED on the Board of the FHC shall be a member of both Committees concurrently.

7.10 Members of each of the Board Committees shall appoint one of its members as Chairman**.**

7.11 The creation of sub-committees of Board committees is prohibited.

7.12 All members of the BAC of an FHC shall be able to read and understand financial statements. At least one member of the BAC shall have relevant professional qualifications and experience in financial and accounting matters.

7.13 The BAC shall have unrestricted access to the financial records of the FHC including the External Auditors' reports.

7.14 The Board of an FHC shall not replace members of the BAC and External Auditors at the same time.

7.15 The BAC shall review the integrity of the FHC's financial reporting and ensure the independence of the External Auditors.

7.16 The BRMC of an FHC shall be chaired by a NED and its composition shall include at least two (2) NEDs and the MD/CEO of the FHC.

8.0 MEETINGS OF THE BOARD AND ITS COMMITTEES

8.1 The schedule of meetings of the Board and its committees shall be approved by the Board ahead of each financial year.

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

Provided that where the BRC or BIC are stand-alone committees, the committee should meet on a need basis, but at least once a year.

8.3 The meeting of the Board and its Committees shall be held at a specified location or virtually if physical meetings cannot be held.

8.4 The quorum for the meetings of the Board and its committees shall be two-thirds of members, majority of whom shall be NEDs.

8.5 Every Director is required to attend all meetings of the Board and its committees that he or she is a member. In order to qualify for reappointment, a Director must have attended at least two-thirds of all Board and its committee meetings.

8.6 Minutes of meetings of the Board and its Committees shall be properly written in English language, adopted by members and signed off by the Board/Board Committee Chairman and Company Secretary, pasted in the minutes book and domiciled at the FHC's Office.

9.0 GENERAL MEETINGS

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

9.2 The Board may consider rotating the venue of general meetings where it will promote better access to the majority of shareholders.

9.3 FHCs may hold their general meetings virtually, where physical meetings are not feasible.

10.0 ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

10.1 The FHC shall facilitate access to relevant independent professional advice for its directors and/or Board committees.

10.2 Requests for independent professional advice by directors and/or Board committees shall be a matter for Board consideration and approval. The Board shall keep proper records of its decisions on such requests.

10.3 The Board shall also keep detailed records of the professional advice provided to the concerned director(s)/Board committee where the request is granted.

11.0 INDUCTION AND CONTINUING EDUCATION

11.1 A formal induction programme for new directors shall be conducted within three months of their appointment. The details of such training shall be availed to examiners upon request.

11.2 The Board shall approve an annual budget for the training and continuing education for directors of the FHC and ensure its proper implementation.

12.0 BOARD EVALUATION

12.1 There shall be an annual appraisal of the Board, its Committees, Chairman and individual directors covering all aspects of the Boards' structure, composition, responsibilities, processes and relationships, as may be prescribed by the CBN from time to time.

12.2 The annual appraisal shall be conducted by an independent external consultant with adequate experience, knowledge and competence in corporate governance and performance management.

12.3 The Board Evaluation exercise shall, at a minimum, cover the scope described in the extant CBN Guidelines for Annual Board Evaluation by External Consultants of Banks and Other Financial Institutions in Nigeria.

12.4 FHCs shall forward to the Director, Financial Policy and Regulation Department (FPRD), CBN, the report of the annual evaluation of the Board by the independent external consultant as prescribed in the CBN Guidelines for Annual Board Evaluation by External Consultants of Banks and Other Financial Institutions in Nigeria.

12.5 The continuous unsatisfactory performance of a director shall be a basis for non-renewal of such a director's tenure.

13.0 REMUNERATION

13.1 The Board shall develop a remuneration policy, which shall be disclosed in the annual report.

13.2 FHCs shall align executive and Board remuneration to its long-term interests and that of its shareholders.

13.3 Remuneration by FHCs shall be sufficient to attract, retain and motivate staff. This shall be balanced against the FHC's interest to avoid paying excessive remuneration.

13.4 The Board shall approve the remuneration of MD/CEO, ED (where approved), Senior Management and other employees, while the fees and allowances for the NEDs shall be fixed by the Board and approved by shareholders at a General Meeting.

13.5 Remuneration for NEDs on the Board of an FHC shall be limited to director's fees, sitting allowances for Board and its committee meetings and reimbursable travel and hotel expenses. NEDs shall not receive benefits, salaries or any other allowances whether in cash or in kind other than those mentioned above.

13.6 MD/CEO and ED (where approved) remuneration shall be linked to performance and structured to prevent excessive risk taking.

13.7 Where stock options are adopted as part of executive remuneration or compensation, the Board shall ensure that they are not priced at a discount.

13.8 Share options shall be tied to performance and subject to the approval of the shareholders at an AGM.

13.9 Share options shall not be exercisable until one year after the expiration of the tenure of the director.

13.10 The Board shall at the end of each financial year, confirm that the implementation and execution of the remuneration policy achieved its objectives.

14.0 RISK MANAGEMENT FUNCTION

14.1 The approved Enterprise Risk Management (ERM) Framework of an FHC shall clearly describe the roles and responsibilities of the Board, BRMC, Chief Risk Officer (CRO), senior management and internal control function.

14.2 The qualification and experience of the CRO shall be in accordance with the extant Guidelines on competency and fit and proper persons.

14.3 The CRO, who shall not be below the grade of an Assistant General Manager, shall report to the Board of the FHC.

14.4 The Board shall review the effectiveness of the implementation of risk management policies and procedures at least once annually.

14.5 The Board shall review the ERM Framework at least once in three (3) years.

14.6 FHCs shall disclose a summary of their risk management policies in their annual financial statements. In the case of a publicly quoted FHC, such summary shall be hosted on its website.

15.0 INTERNAL AUDIT FUNCTION

15.1 An FHC shall not outsource its internal audit/compliance functions.

15.2 The qualification and experience of the head of internal audit shall be in accordance with the provisions of the extant Guidelines on competency and fit and proper persons.

15.3 The appointment and removal of the head of internal audit shall be the responsibility of the Board, subject to CBN's approval.

15.4 The Head of Internal Audit, who shall not be below the rank of an Assistant General Manager, shall report directly to the BAC.

15.5 An independent external assessment of the effectiveness of the internal audit function as provided in Recommended Practice18.6 of NCCG 2018 shall be carried out annually and the report submitted to the Director, Banking Supervision Department, latest May 31st following the end of every accounting year.

16.0 COMPLIANCE FUNCTION

16.1 FHCs shall have a Chief Compliance Officer (CCO) who shall not be below the rank of a General Manager or as may be prescribed from time to time by the CBN.

16.2 The qualification and experience of the CCO shall be in accordance with the provisions of the extant Guidelines on competency and fit and proper persons.

16.3 The appointment and removal of the CCO shall be the responsibility of the Board subject to CBN's approval.

16.4 The CCO shall, in addition to monitoring compliance with AML/CFT/CPF, requirements, also monitor the implementation of NCCG 2018, this Guidelines, and other laws and regulations.

16.5 The CCO shall report to the Board.

17.0 WHISTLE-BLOWING

FHCs shall comply with Recommended Practice 19 of NCCG 2018, as well as the provisions of the extant CBN Guidelines for Whistleblowing for Banks and Other Financial Institutions in Nigeria.

18.0 EXTERNAL AUDITORS

18.1 The appointment and removal of the external auditor of an FHC shall be the responsibility of the Board, subject to CBN's approval.

18.2 The external auditor shall report annually in the financial statements, the extent of the FHC's compliance with the provisions of NCCG 2018 and this Guidelines.

18.3 The external auditor shall render annual reports to the CBN, on the FHC's risk management practices, internal controls and level of compliance with regulatory directives.

18.4 The external auditor shall forward copies of the report together with its management letter on the FHC's audited financial statements, to the Director, Banking Supervision Department, CBN, latest March 31st following the end of every accounting year.

18.5 FHCs are required to publish their annual audited financial statements in two (2) national daily newspapers and on their websites.

18.6 External auditor of FHCs shall not provide client services that may amount to conflict of interest, including the following:

i. Book-keeping or other services related to the accounting records or financial statements of the audit client;

ii. 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;

vi. Board evaluation and appraisal services;

vii. IT and system audit; and

viii. Software sales, consultancy, and management.

18.7 Where the CBN is satisfied that an external auditor of an FHC has engaged in any unethical practice or illegal activity, the CBN shall request the Board of the FHC to remove the external auditors, or it may impose any other sanction on the FHC, in line with the provisions of extant laws and regulations.

19.0 TREATMENT OF SHAREHOLDERS

19.1 Shareholders Engagement

19.1.1 The Board of an FHC with institutional investors shall ensure that such investors carry out the responsibilities detailed in Recommended Practice 22.3 of NCCG 2018.

19.1.2 The Board shall ensure that dealings of publicly listed FHCs with shareholders' associations are in strict adherence with the Code of Conduct for Shareholders' Associations issued by the SEC.

19.1.3 Where an FHC is not publicly quoted, its dealings with shareholders shall be transparent and in line with best practices.

19.2 Protection of Shareholders Rights

19.2.1 Except where prior approval of the CBN is granted, no individual, group of individuals, their proxies or corporate entities shall own controlling interest in more than one FHC.

19.2.2 Except with the prior written approval of the CBN, no FHC or any of its director, shareholder or agent shall enter into an agreement which results in:

i. a change in the control of the FHC, the transfer of shareholding of five per cent (5%) and above in the FHC; and/or an increase in shareholding to five per cent (5%) or more in the FHC.

   Provided that CBN's prior approval and No Objection shall be sought and obtained, before any acquisition of shares of an FHC by an investor (including through the capital market), that would result in equity holding of five per cent (5%) and above.

ii. the sale, disposal or transfer of the whole or any part of the business of the FHC;

iii. the acquisition or merger of the FHC;

iv. the reconstruction of the FHC; or

v. the employment of a management agent, management by or transfer of its business to any such agent.

19.2.3 Where the CBN has an objection on any acquisition in furtherance of Section 19.2.2(i) above, notice of the objection shall be communicated to the FHC and the FHC shall notify such investor(s) within forty-eight (48) hours.

19.2.4 Subsidiaries of an FHC are prohibited from acquiring shares in its FHC and/or other subsidiaries within the Group. For the purposes of this section, subsidiaries include the subsidiaries of intermediate holding companies within the FHC.

20.0 BUSINESS CONDUCT AND ETHICS

20.1 FHCs shall establish a Code of Business Conduct and Ethics and disclose in the code, such information and practices necessary to maintain confidence in the FHC's integrity.

20.2 The Code referred to in Section 20.1 shall take into account the legal obligations and reasonable expectations of the FHCs' stakeholders, as well as the responsibility and accountability of individuals reporting on issues of unethical practices.

20.3 The Code shall mandate a director to report to the Board for consideration:

i. any circumstance that may impair the external auditor's independence and objectivity;

ii. any violation of this Guidelines, extant laws and regulations;

iii. any disregard for accounting and auditing standards or financial reporting requirements;

iv. the impairment of the independence of the Board or any of its committees;

v. suspected cases of insider trading, fraud, illegal activities and unreported related party transactions; and

vi. any other unethical behaviour or conduct in the FHC.

20.4 The Code shall be reviewed at least once every three (3) years.

21.0 RELATED PARTY TRANSACTIONS

21.1 FHCs shall establish a policy concerning insider trading and related party transactions by directors, senior executives, and employees, as well as publish the policy or a summary of that policy on their website.

21.2 The policy shall contain appropriate standards and procedures to ensure it is effectively implemented.

21.3 In addition to the requirements in Section 21.2 above, there shall be an internal review mechanism carried out by the internal audit function of the FHC, to assess the compliance and effectiveness of the policy.

21.4 Any director whose credit facility or that of his/her related interests remains non-performing in the banking subsidiary of an FHC, for more than one (1) year, shall cease to be on the Board of the FHC and shall be blacklisted from sitting on the Board of such banking subsidiary or that of any other financial institution under the purview of the CBN.

21.5 No loan/advance and interest thereon to a director of an FHC by the banking subsidiary shall be written-off without the prior approval of the CBN.

21.6 A subsidiary of the FHC, which renders services to the FHC may extend similar services to other entities within the Group that so desire, on the same terms and conditions.

21.7 All intra-group transactions shall be conducted at arm's length and in compliance with the extant laws and regulations guiding the operations of the entities

21.8 All services between an FHC and its subsidiaries shall be guided by Service Level Agreements (SLAs) and/or shared services arrangements in line with the CBN Guidelines for Shared Services Arrangements for Banks and Other Financial Institutions.

22.0 CONFLICT OF INTEREST

22.1 FHCs shall develop and adopt a policy to guide the Board and individual directors in conflict of interest situations, which shall, at the minimum, cover the following areas:

i. Approval & revision date;
ii. Definition of conflict of interest;
iii. Purpose of the policy; and
iv. Procedures to follow in situations of conflict of interest.

22.2 The Board shall be responsible for managing conflicts of interest of directors and senior management in an FHC.

22.3 A director shall promptly report suspected cases of conflict of interest to the Board for consideration.

22.4 Any concern raised by a director on the activities of his/her FHC and all discussions on conflict of interest shall be recorded in the minutes of the Board/Board Committee meetings.

23.0 SUSTAINABILITY

FHCs shall comply with the provisions of Recommended Practice 26 of NCCG 2018 as well as the requirements of the Nigerian Sustainable Banking Principles.

24.0 STAKEHOLDER COMMUNICATION

24.1 In addition to the traditional means of communication, FHCs shall have a website and are encouraged to communicate with stakeholders through the website and other official channels.

24.2 The Board shall develop a stakeholder communication policy and host same on its website.

24.3 The Board shall ensure that stakeholders have the freedom to communicate their concerns on illegal or unethical practices to the Board. Where the concerns relate to the activities of the Board, such individuals may present a complaint to the CBN.

25.0 DISCLOSURES

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

A. Directors, including:

i. Remuneration policy for members of the Board and executives;

ii. Total NEDs' remuneration (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. Shares held by directors and their related parties; and

vii. Details of shareholders, directors and their related parties who own five per cent and above of the FHCs' shares as well as other beneficial owners who, in concert with others, control the FHC.

B. Board Structure:

i. Appointment and tenure of directors;

ii. Composition of Board committees including names of chairmen and members of each committee;

iii. Total number of Board and its committees meetings held in the financial year and attendance by each director; and

iv. A summary of details of training and induction for directors.

C. Risk management:

i. Summary of their risk management policies;

ii. All significant risks including risks specific to its subsidiaries; and

iii. Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of the lapses observed by external auditors, if any.

D. Information on strategic modification to the core business of the FHC.

E. All regulatory/supervisory contraventions, sanctions and penalties during the year under review and infractions uncovered through whistle blowing, including regulatory sanctions and penalties.

F. Capital Structure/Adequacy

G. Any service contracts and other contractual relationships with related parties.

H. Frauds and Forgeries.

I. Contingency Planning Framework

J. Contingent Assets and Liabilities (off balance sheet items)

K. The details of parent/holding institutions, subsidiaries, affiliates, joint ventures and Special Purpose Enterprises/Vehicles (SPEs/SPVs), where applicable.

L. Any matter not specifically mentioned in this Guidelines, but which may materially affect the financial position or going concern status of the FHC.

25.2 To foster good corporate governance, FHCs are encouraged to make robust disclosures beyond the statutory requirements in BOFIA and other applicable laws and regulations.

26.0 RETURNS

26.1 FHCs shall submit to the Director Banking Supervision Department, CBN, periodic returns as specified in the extant Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria.

26.2 When required, every FHC shall render electronic submission of each of these regulatory returns to a dedicated web portal as may be prescribed by the CBN or the FRC.

27.0 SANCTIONS

27.1 Failure of an FHC to comply with any of the requirements under this Guidelines and the Recommended Practices in NCCG 2018, constitutes a regulatory breach and shall attract a penalty as may be prescribed by the CBN.

27.2 Rendition of false, misleading and/or incomplete information to the CBN shall attract appropriate sanctions including monetary penalties and administrative sanctions on the FHC and/or its directors.

27.3 Breach of any of the provisions of this Guidelines by a director, manager or officer of the FHC shall attract appropriate sanctions including monetary penalties and administrative sanctions on the individual responsible for the breach.

27.4 In addition to the provision of Section 27.3, such director, manager or officer of the FHC shall be suspended for six months in the first instance and possible removal from the Board or employment of the FHC in the event of continued reoccurrence.

28.0 EFFECTIVE DATE

This Guidelines shall take effect from August 1, 2023

29.0 GLOSSARY OF TERMS

ACRONYMS	DEFINITION
AGM	ANNUAL GENERAL MEETING
AML/CFT/CPF	ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM AND COUNTERING PROLIFERATION FINANCING
BAC	BOARD AUDIT COMMITTEE
BANK(s)	COMMERCIAL BANKS, MERCHANT BANKS, NON-INTEREST BANKS AND PAYMENT SERVICE BANKS
BCC	BOARD CREDIT COMMITTEE
BCP	BUSINESS CONTINUITY PLAN
BNGC	BOARD NOMINATION AND GOVERNANCE COMMITTEE
BOFIA	BANKS AND OTHER FINANCIAL INSTITUTIONS ACT
BRMC	BOARD RISK MANAGEMENT COMMITTEE
BSD	BANKING SUPERVISION DEPARTMENT
CAMA	COMPANIES AND ALLIED MATTERS ACT
CBN	CENTRAL BANK OF NIGERIA
CCO	CHIEF COMPLIANCE OFFICER
CMNIB	COMMERCIAL, MERCHANT OR NON-INTEREST BANK
CRO	CHIEF RISK OFFICER
CSR	CORPORATE SOCIAL RESPONSIBILITY
DMD	DEPUTY MANAGING DIRECTOR
ED	EXECUTIVE DIRECTOR
ERM	ENTERPRISE RISK MANAGEMENT
FHC	FINANCIAL HOLDING COMPANY
FPRD	FINANCIAL POLICY AND REGULATION DEPARTMENT
FRC	FINANCIAL REPORTING COUNCIL OF NIGERIA

ACRONYMS	**DEFINITION**
IT	INFORMATION TECHNOLOGY
INED	INDEPENDENT NON-EXECUTIVE DIRECTOR
ICT	INFORMATION AND COMMUNICATIONS TECHNOLOGY
MD/CEO	MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
NCCG	NIGERIA CODE OF CORPORATE GOVERNANCE
NDIC	NIGERIA DEPOSIT INSURANCE CORPORATION
NED	NON-EXECUTIVE DIRECTOR
SEC	SECURITIES AND EXCHANGE COMMISSION
SLA	SERVICE LEVEL AGREEMENT
SPE	SPECIAL PURPOSE ENTERPRISES
SPV	SPECIAL PURPOSE VEHICLES