



**GUIDELINES ON THE GOVERNANCE OF FINANCIAL REGULATION ADVISORY  
COUNCIL OF EXPERTS FOR NON-INTEREST (ISLAMIC) FINANCIAL  
INSTITUTIONS IN NIGERIA**

## **1.0 INTRODUCTION**

An essential governance structure and element of regulatory oversight for institutions offering non-interest (Islamic) financial services is the establishment of an advisory body at the level of the Central Bank to provide assurance that the strategic direction and conduct of financial transactions of Non-Interest (Islamic) Financial Institutions (NIFIs) are in compliance with the rules and principles underpinning their operations.

Section 9.1 of the CBN Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria provides for the establishment of an advisory body at the CBN on Islamic banking and finance. The body shall be called the Financial Regulation Advisory Council of Experts (FRACE). The Council shall advise the CBN on matters relating to Islamic commercial jurisprudence for the effective regulation and supervision of NIFIs in Nigeria.

Pursuant to that Section, this Guidelines have been developed and issued to guide the operations and activities of the FRACE. It sets out the membership, composition, qualification, duties and responsibilities of the FRACE among others.

## **2.0 OBJECTIVES**

The Guidelines is to:

- a. Set forth the composition of the FRACE and the minimum qualification of its members;
- b. Define the duties and responsibilities of the Council and its members;
- c. Define the working relationship between the FRACE and the individual Advisory Committees of Experts (ACE) of NIFIs; and
- d. Outline a code of conduct for members of the FRACE.

## **3.0 ESTABLISHMENT OF THE FRACE**

- 3.1. The FRACE shall be established as an expert advisory organ to advise the CBN on matters of Islamic commercial jurisprudence as they relate to the operations of NIFIs. Members of the FRACE shall be appointed on a part-time basis.

## **4.0 MEMBERSHIP OF THE FRACE**

### **4.1 Appointment**

The appointment of members of the FRACE shall be for a term of two (2) years, renewable subject to satisfactory performance.

### **4.2 Composition**

The FRACE shall comprise a minimum of five (5) members. The Special Adviser to the Governor on Non-Interest Banking shall be a member, while the Director, Financial Policy and Regulation Department shall serve as the Secretary

### **4.3 Qualification**

4.3.1 A member of the FRACE shall be an individual and not a corporate body or institution;

4.3.2 A member shall at a minimum possess required knowledge, expertise and experience in the field of Islamic Jurisprudence with specialization in the field of Islamic Commercial Jurisprudence.

4.3.3 A member should also demonstrate:

- (i) Knowledge in the philosophy of Islamic law,
- (ii) Knowledge of written and spoken Arabic as well as English languages and
- (iii) Exposure in the field of business, economics or finance especially Islamic Finance.

### **4.4 Disqualification**

A member of the FRACE shall be disqualified and cease to serve as a member if he/she:

- i. Is found to be of unsound mind or is incapable of carrying out his/her duties as a result of ill-health or
- ii. Is declared bankrupt or suspends payments or compounds with his/her creditors including his/her bankers; or
- iii. Is convicted of any offence involving dishonesty or fraud by a court of competent jurisdiction; or
- iv. Commits serious misconduct in relation to his/her duties; or
- v. Fails to attend 75% of the meetings of the FRACE in a year without satisfactory reasons ; or
- vi. Has his/her appointment with a NIFI or any other financial institution terminated or has been dismissed for reason of gross misconduct, fraud or dishonesty;
- vii. Is disqualified or suspended from practicing his profession in Nigeria by the order of any competent authority made in respect of the person where he/she is a member of a professional body.

## **5.0 RESTRICTIONS ON FRACE MEMBERSHIP**

The following restrictions shall apply in respect of membership of the FRACE:

- a. A member of the FRACE shall not be a member of the Advisory Committee of Experts (ACE) of any institution under the regulatory purview of the CBN.
- b. A member of the FRACE shall not be a member of the Board of Directors or Executive Management of any NIFI under the regulatory purview of the CBN.
- c. No member of FRACE shall be a staff of any NIFI under the supervisory purview of the CBN.
- d. A member of FRACE shall not take up appointment as a member of an ACE of a NIFI under the supervisory purview of the CBN within the first two (2) years of his/her ceasing to be a FRACE member.

## **6.0 DUTIES AND RESPONSIBILITIES OF THE FRACE**

6.1 The **FRACE** shall have the following duties and responsibilities:

- i. Give expert opinion and assistance on non interest (Islamic) banking and finance matters referred to it by the CBN;
- ii. Give expert opinion and assistance on non interest (Islamic) banking and finance matters referred to it by other regulatory agencies in the Nigerian financial system, which shall include but not limited to: the Nigeria Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (PENCOM) and Debt Management Office (DMO);
- iii. Endorse and validate application documents for new products and services, advert materials etc from NIFIs to ensure that they comply with the provisions of Islamic commercial jurisprudence;
- iv. Provide written juristic opinion of Islamic jurisprudence in respect of new non-interest (Islamic) financial products and instruments developed by the CBN or referred to it by the CBN or other regulatory bodies in the Nigerian financial system;
- v. Resolve differences of opinion arising between different Advisory Committee of Experts (ACEs) of NIFIs and between members of the same ACE;
- vi. Resolve disputes arising between the Boards of Directors and ACEs of NIFIs;
- vii. Provide final juristic opinion on issues of compliance with the principles of Islamic commercial jurisprudence in the field of economics and finance;
- viii. Shall be responsible and accountable for all juristic decisions, opinions and views provided by it;
- ix. Assist or advise related parties to the Central Bank and other financial regulatory agencies on non-interest (Islamic) banking and finance matters upon request;
- x. Provide support to the Central Bank of Nigeria in respect of questions or queries that may be raised regarding the Shariah compliance of financial products, instruments and institutions;

- xi. Study Islamic jurisprudence-related problems facing relevant institutions and stakeholders of the financial sector and give expert opinion on them;
- xii. Screen prospective ACE members for confirmation of their appointment by the CBN;
- xiii. Represent the Bank in relevant multilateral institutions of which the CBN is a member in committees and working groups that are related to the field of expertise of the FRACE; and
- xiv. Carry out any other duties assigned to it by the Management of the CBN from time to time

6.2 The FRACE shall hold regular meeting based on the exigency of requests from the NIFIs and other regulatory agencies.

## **7.0 RESPONSIBILITIES OF THE CBN TOWARDS THE FRACE**

For the FRACE to effectively discharge its duties and responsibilities, the CBN shall:

- i. Refer issues of Islamic commercial jurisprudence relating to non-interest (Islamic) financial institutions, products and services to the FRACE for advice;
- ii. Ensure that ex-ante approval of new non-interest (Islamic) financial products and services contains due appraisal and validation of the FRACE for compliance with principles of Islamic commercial jurisprudence;
- iii. Provide the FRACE with sufficient support for continuous professional development it requires to perform its duties effectively;
- iv. Provide the FRACE access to all relevant documents and required resources to perform its duties; and
- v. Remunerate members of the FRACE commensurate with their expected duties and responsibilities.

## **8.0 REPORTING RELATIONSHIP**

The FRACE shall report to the Governor through the FRACE Secretariat domiciled in the Financial Policy and Regulation Department.

## **9.0 RELATIONSHIP BETWEEN THE FRACE AND NIFIs' ADVISORY COMMITTEES OF EXPERTS**

As provided by Section 8.2 of the CBN Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest (Islamic) Financial Services in Nigeria, each institution shall establish an Advisory Committee of Experts. The decision of each Committee as regards product validation is subject to ratification by the FRACE

In a situation of divergence of opinion on a matter between an individual ACE and the FRACE, the opinion of the FRACE shall prevail.

## **10.0 FRACE ANNUAL REPORT**

The FRACE shall prepare an annual report of its activities to the Governor before the end of the first quarter of the subsequent year.

## **11.0 CODE OF CONDUCT**

The FRACE shall in the discharge of its duties, be guided by the principles of independence, competence, confidentiality and consistency as outlined in the Islamic Financial Services Board (IFSB) Standard on Guiding Principles of Shariah Governance Systems for Institutions Offering Islamic Financial Services (IFSB-10) and other relevant regulations.

**FINANCIAL POLICY & REGULATION DEPARTMENT  
CENTRAL BANK OF NIGERIA, ABUJA  
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