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CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

RELEASE OF GUIDELINES FOR LICENSING AND REGULATION OF FINANCIAL HOLDING COMPANIES IN NIGERIA

The CBN in 2010 introduced a new banking model, which requires banking groups with non-core banking activities to incorporate a holding company structure.

To facilitate the establishment and operation of holding companies, the Bank, in collaboration with stakeholders, developed guidelines for setting up, regulating and supervising financial holding companies in Nigeria. The guidelines stipulate minimum licensing, governance and prudential requirements for prospective holding companies. It also prescribes procedures for the conversion of existing institutions to a holding company structure.

It is expected that the guidelines forwarded herewith shall ensure adequate ring-fencing of financial institutions under the purview of the CBN. The guidelines should be read in conjunction with other relevant CBN Regulations on the subject.


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CENTRAL BANK OF NIGERIA

GUIDELINES FOR LICENSING AND REGULATION OF FINANCIAL HOLDING COMPANIES IN NIGERIA

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1.0 INTRODUCTION

The Central Bank of Nigeria (CBN) repealed the Universal Banking Guidelines and introduced a New Banking Model in 2010 as part of strategic initiatives to reposition the Nigerian banking system on the path of sustainable viability.

The New Banking Model permits banks/banking groups to retain non-core banking businesses by evolving into a non-operating Holding Company (HoldCo) structure. Under this Model, a non-operating HoldCo is expected to hold equity investment in banks and non-core banking businesses in a subsidiary arrangement. This arrangement seeks to ring-fence depositors' funds from risks inherent in non-core banking businesses.

A financial holding company shall be a source of financial strength to the subsidiaries. In serving as a source of financial strength to its subsidiaries, a financial holding company shall maintain financial flexibility and capital-raising capabilities for supporting its subsidiaries. It shall also stand ready to use available resources to augment capital funds of its subsidiaries in periods of financial stress or adversity.

This Guidelines, issued in exercise of the powers conferred on the CBN under the Central Bank of Nigeria Act, 2007(CBN Act) and the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 (BOFIA), complements CBN Regulation on the Scope of Banking Activities and Ancillary Matters, No 3, 2010 and is intended to facilitate understanding of the requirements for the adoption and operations of a financial holding company in Nigeria. It covers the definition and structure of a financial holding company, licensing requirements, ownership and control, corporate governance, permissible and non-permissible activities, prudential regulation, as well as supervision.

The Guidelines shall be read in conjunction with the provisions of the CBN Act, the BOFIA, other subsidiary legislations made under the Acts, as well as written directives, notices, circulars, frameworks and other guidelines that the CBN and other regulators in the financial services sector have issued or may issue from time to time.

2.0 DEFINITION AND STRUCTURE OF FINANCIAL HOLDING COMPANY

2.1 Definition

Pursuant to Extraordinary Gazette No. 38 of December 29, 2011, a financial holding company is a company whose principal object includes the business of a holding company set up for the purpose of making and managing (for its own account) equity investment in two or more companies, being its subsidiaries, engaged in the provision of financial services, one of which must be a bank.

For the purpose of this Guidelines, 'bank' means commercial, merchant or specialized bank.

2.2 Non-Operating

A financial holding company is non-operating where it exists solely to carry out investment in approved subsidiaries without engaging in the day-to-day management of same.

- 2.2.1 A financial holding company shall be a body corporate registered with the Corporate Affairs Commission (CAC) as a company and licensed by the Central Bank of Nigeria. It shall have a board size of between 7 and 12 directors.

2.3 Structure

- 2.3.1 For any financial holding company structure to emerge, there shall be at least, two subsidiaries and the focus of the conglomerate shall be in the financial services sector.
- 2.3.2 The type of HoldCo permitted under the new banking model is the financial holding company (FHC) structure as defined in Section 2.1 of this Guidelines.
- 2.3.3 A financial holding company is permitted to have only two hierarchies (parent and intermediate financial holding companies). Given the permissible level of hierarchies, a Nigerian financial holding company may have a subsidiary

which is a parent to another subsidiary (intermediate financial holding company). Where such subsidiary is locally based, the relevant regulator shall have responsibility for its supervision. Where the subsidiary is overseas, the relevant regulator shall seek a Memorandum of Understanding (MoU) with the host regulator for its joint supervision.

- 2.3.4 A financial holding company may acquire controlling interest in any permissible financial institution, subject to prior approval of the CBN. Where the target company is outside the supervisory purview of CBN, the prior approval of the relevant regulator will also be required.
- 2.3.5 Where a subsidiary of the financial holding company outside the purview of the CBN is acquiring another subsidiary similarly outside the purview of the CBN, the Holdco shall notify the CBN before the acquisition is consummated. Evidence of prior approval of the relevant sector regulator shall accompany the notification.
- 2.3.6 A financial holding company that elects to change to mono-line commercial or merchant banking shall seek the prior approval of the CBN.

Such financial holding company shall submit along with its request for approval the following:

- Annual audited financial statements of the immediate past three years under the arrangement/structure it seeks to discontinue;
- Divestment plan from subsidiaries; and
- Any other requirements as may be determined by the CBN from time to time.

- 2.3.7 Where an institution elects to adopt a financial holding company or any other structure under the new Banking Model, such a structure shall not be reversible until that institution has operated under the approved structure for a minimum of three years.

2.4 Excise of a Banking Subsidiary from a financial holding company Group

The CBN may, by order, direct a financial holding company to divest from its banking subsidiary where, in the opinion of the CBN, the financial holding company is being run in a manner that is detrimental to the interest of depositors and/or other stakeholders of the banking subsidiary.

3.0 LICENSING REQUIREMENTS

The promoters of financial holding company shall be required to submit a formal application for the grant of a financial holding company licence addressed to the Governor of the Central Bank of Nigeria. Licensing process shall be in two phases: Approval-in-Principle and Final Licence.

Financial Holding Companies that had been licensed prior to the issuance of this Guidelines need not apply for a new licence.

3.1 Requirements for grant of Approval-In-Principle (AIP)

The application shall be accompanied with the following:

- 3.1.1 A non-refundable application fee of ₦2,000,000 (Two Million Naira Only) or such other amount that the CBN may specify from time to time; payable to the Central Bank of Nigeria by bank draft or through electronic transfer;
- 3.1.2 Evidence of meeting the prescribed minimum paid-up capital as defined in Section 7.1 of the Guidelines subject to the satisfaction of the CBN;
- 3.1.3 Detailed business plan or feasibility report which shall, at a minimum, include:
 - a. Objectives of the financial holding company and those of the subsidiaries it intends to establish/acquire;
 - b. Justification for applying for the financial holding company;
 - c. Ownership structure in a tabular form indicating the name of proposed investor(s), profession/business and their percentage shareholdings;
 - d. Bio-data/resume of proposed investors;
 - e. Indication of sources of funding of the proposed equity contribution for each investor;
 - f. Where the source of funding the equity contribution is a loan, it shall be a long-term facility of, at least, a 7-year tenor, and shall not be obtained from the Nigerian banking system;

- g. Corporate Governance Charter of the financial holding company stating the roles and responsibilities of the board and its sub-committees, among other things;
 - h. Criteria for selecting board membership;
 - i. Detailed resumes of directors and Board composition;
 - j. Fit and Propriety Questionnaire and Declaration executed by the prospective investors, directors and management personnel;
 - k. List of identified top/senior management staff (AGM and above) and detailed resumes stating their qualifications, experiences, records of accomplishment, amongst others;
 - l. A schedule of services to be rendered by the financial holding company;
 - m. Five-year financial projection on the operations of the financial holding company indicating expected growth and profitability, and details of the assumptions that form the basis of the financial projection;
 - n. Details of Information Technology (IT) facilities proposed to be deployed; and
 - o. A corporate group structure with shareholding percentage by the financial holding company in each of the subsidiaries and their principal businesses and registered Head offices.
- 3.1.4 A written and duly executed undertaking by the promoters that the financial holding company will be adequately capitalized for the volume and character of its business at all times, and that the financial holding company shall always submit itself to the supervisory authority of the CBN as an OFI.
- 3.1.5 For regulated foreign institutional investors, the CBN shall require a 'no objection letter' from the regulatory body of the home country.
- 3.1.6 Shareholders agreement providing for disposal/transfer of shares as

well as authorization, amendments, waivers, reimbursement of expenses, etc.

3.1.7 Statement of intent to invest in the financial holding company.

3.1.8 Technical Services Agreement (TSA), where applicable.

3.1.9 Draft copy of the company's Memorandum and Articles of Association (MEMART). At a minimum, the MEMART shall contain the following information:

- a) Proposed name of the financial holding company
- b) Object clause
- c) Subscribers to the MEMART
- d) Procedure for amendment
- e) Procedure for share transfer or disposal
- f) Appointment of directors

3.1.10 Where the promoters of a financial holding company are corporate investors, the CBN shall require them to forward the following additional documents:

- a) Certificate of Incorporation;
- b) Board resolution supporting the company's decision to invest in the equity shares of the proposed financial holding company;
- c) Names and addresses (business and residential) of owners, directors and their related companies, if any;
- d) Audited financial statements & reports of the company and Tax Clearance Certificate for the immediate past 3 years; and
- e) Certified true copies of the company's forms CAC2 and CAC7.

3.1.11 Any other document/information that the CBN may require from time to time.

If satisfied with the application of the promoter(s), the CBN shall grant an Approval in Principle (A.I.P)

3.2 Requirements for granting a final licence

Not later than six (6) months after obtaining the A.I.P, the promoters of a proposed financial holding company shall submit an application to the CBN for the grant of a final licence. The application shall be accompanied with the following:

- 3.2.1 Non-refundable licensing fee of ₦10,000,000.00 (Ten Million Naira only), or such other amount that the CBN may specify from time to time, payable to the Central Bank of Nigeria by bank draft or by electronic transfer.
- 3.2.2 Evidence of payment of capital contribution by each shareholder.
- 3.2.3 Certified true copy (CTC) of Certificate of Incorporation of the financial holding company.
- 3.2.4 CTC of MEMART.
- 3.2.5 CTC of Form CAC2 -Allotment of shares.
- 3.2.6 CTC of Form CAC7 - particulars of directors.
- 3.2.7 Evidence of location of Head Office (rented or owned) for the take-off of the financial holding company business.
- 3.2.8 Schedule of changes, if any, in the Board, Management and significant shareholding since the grant of AIP.
- 3.2.9 Evidence of ability to meet technical requirements and modern infrastructural facilities such as office equipment, computers, telecommunications, etc to perform financial holding company operations and meet CBN and other regulatory requirements.
- 3.2.10 Copies of letters of offer and acceptance of employment in respect of the top management team.
- 3.2.11 Organizational structure, showing functional units, responsibilities, reporting relationships and grade (status) of heads of departments/units; and

3.2.12 Board and staff training programme.

3.3 Requirements for commencement of operations

The financial holding company shall inform the CBN of its readiness to commence operations and such information shall be accompanied with one copy of each of the following:

- i. Shareholders' Register;
- ii. Share certificate issued to each investor;
- iii. Enterprise Risk Management Framework (ERMF);
- iv. Internal control policy;
- v. Minutes of pre-commencement board meeting;
- vi. Opening statement of affairs signed by directors and auditors; and
- vii. Date of commencement of operations.

3.4 Post commencement requirements

A financial holding company shall:

- 3.4.1 Comply with all guidelines and regulations issued by the CBN, other sector regulators and relevant extant laws.
- 3.4.2 Maintain adequate accounting system and keep records that capture all information which reflect the financial condition of the financial holding company.
- 3.4.3 Ensure that it and all its subsidiaries are adequately capitalised at all times.

4.0 CORPORATE GOVERNANCE

The following provisions are designed to strengthen the governance structure of financial holding company:

- a. The board shall include at least an individual who is well-versed in the practice and theory of each segment of the companies within the Group.
- b. Appointment to the board and management positions shall be in line with the requirements of the Approved Persons Regime or any other regulation issued by the CBN from time to time.
- c. Regulations on the disqualification of board and management currently applicable to banks shall, also, apply to financial holding companies.
- d. A financial holding company shall:
 - i. Comply with the provisions of any code of corporate governance issued by the CBN for institutions under its purview and demonstrate evidence of the existence of competent and independent board with capacity to provide oversight on internal controls and risk management practices.
 - ii. Comply with the provisions of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies and Listed Entities in Nigeria.
 - iii. Include its audited financial statements among the contents of its website.

4.1 Ownership and Control

- a. Prior approval of the CBN shall be obtained for any shareholding of 5.0 per cent and above or any change in ownership which results in change in control of a financial holding company. Provided that where such shares are acquired through the secondary market, the financial holding

company shall apply for approval from the CBN within seven (7) days of the acquisition.

- b. Subsidiaries of a financial holding company are prohibited from acquiring shares in the financial holding company.
- c. Subsidiaries are prohibited from acquiring shares of other subsidiaries of their parent holding company. For the purpose of sub-sections (b) and (c) of this section, “subsidiaries” include those of intermediate holding companies.
- d. Notwithstanding the provisions of 4.1 (b) & (c), a subsidiary acting as a nominee is at liberty to invest in any financial holding company on behalf of its clients.
- e. Where a financial holding company loses control in the only, or all the banking subsidiaries in the group for a period exceeding six consecutive months, the financial holding company shall cease to be a financial holding company and will be required to return its licence to the Central Bank of Nigeria for cancellation.
- f. Where a financial holding company that has only two subsidiaries loses its controlling interest in either of the subsidiaries, for a period that exceeds six consecutive months, the financial holding company shall cease to be a financial holding company and will be required to return its licence to the Central Bank of Nigeria for cancellation.
- g. Where a financial holding company loses controlling interest in a subsidiary under 4.1 (e) or (f), it shall divest wholly from that subsidiary within a period of six (6) months or any other period as may be determined by the CBN.

For the purpose of this Guidelines, ‘control’ is as defined by IFRS 10 i.e.:

- i. Power over the investee, where the investor has existing rights that gives it the ability to direct activities that significantly affect the investee’s returns;
- ii. Exposure, or rights to variable returns from involvement in the investee; and

- iii. The current ability to use power over the investee to affect the amount of the investor's returns.

5.0 PERMISSIBLE ACTIVITIES

- 5.1 Except as listed in (5.2) the activities of the financial holding company shall be restricted to the holding of equities in its subsidiaries.
- 5.2 The financial holding company shall provide broad policy direction in the following areas:
 - i. Human Resources policy;
 - ii. Risk Management policy;
 - iii. Internal Control policy;
 - iv. Compliance policy; and
 - v. Any other services as may be approved by the CBN from time to time.
- 5.3 A financial holding company or any of its subsidiaries may, with the prior written approval of the CBN, provide shared services to the group in respect of:
 - i. Information and Communication Technology;
 - ii. Facilities (Office Accommodation including Electricity, Security and Cleaning Services in that accommodation); and
 - iii. Legal services.
 - iv. Any other services as may be approved by the CBN from time to time.
- 5.4 Shared services shall be provided at arm's length. Transactions in respect of such services shall require the consent of the Board of Directors of the subsidiary.

6.0 NON-PERMISSIBLE ACTIVITIES

A financial holding company is prohibited from undertaking the following activities:

- i. Investment in non-financial firms.
- ii. Establishment, divestment and closure of subsidiaries without the prior written approval of the CBN and/or any other relevant regulatory or supervisory authority, as the case may be.
- iii. Deriving or receiving income from sources other than as listed herein:
 - a) Dividend Income from its subsidiaries/associates;
 - b) Income from shared services, where applicable;
 - c) Interest earned from idle funds invested in government securities or placement with banks/discount houses;
 - d) Profit on divestment from subsidiaries/associates; and
 - e) Any other source as may be approved by the CBN.

6.1 Internal Management of Subsidiaries

No financial holding company shall:

- i. Arrogate to itself any of the powers or functions of the Board of Directors, or internal management responsibilities and obligations of any of its subsidiaries or associates of any such subsidiary;
- ii. Interfere in the day-to-day activities of the subsidiaries;
- iii. Be involved in credit administration and approval process of its subsidiaries;
- iv. Require its subsidiaries (including any organ, servant, employee, staff, manager, officer or director thereof) to take directives or act on the instructions of the financial holding company in its decision making process, or in relation to the conduct of its business in any way whatsoever.
- v. Have any of its officers or employees, while in the employment of the financial holding company, work for any subsidiary, except employees engaged in shared services arrangements;
- vi. Engage the services of any employee of any of its subsidiaries;

- vii. Enter into any technical or management service contract with any of its subsidiaries except as stipulated in Section 5.2 of this Guidelines;
- viii. Purchase/dispose assets from/to its subsidiaries without the prior written approval of the CBN and any other relevant regulator;

6.2 Intra-Group Transactions

6.2.1 No financial holding company shall:

- i. Engage in any transaction or maintain any business relationship with any of its subsidiaries, except such transaction is conducted at arm's length;
- ii. Borrow from the Nigerian banking system for the purpose of capitalizing itself or any of its subsidiaries;
- iii. Obtain a loan based on the guarantee of its banking subsidiary, except where the loan is secured by dividend income or Service Level Agreements by the financial holding company for services to its banking subsidiaries. However, where the subsidiary fails to declare the expected level of dividend or redeem its obligations arising from the Service Level Agreement, the loan shall be deemed to be a reduction in the capital of the subsidiary in computing its capital adequacy ratio.

6.2.2 Credit by a banking subsidiary to its holding company would be regarded as a return of capital and deducted from the capital of the bank in computing the bank's capital adequacy ratio;

6.2.3 Any bank lending to subsidiaries within its financial holding company group would attract 100 per cent risk weight (if it is fully secured) otherwise it would be removed from the capital of the bank when computing capital adequacy ratio.

6.3 Change in ownership structure

Except with the prior written approval of the CBN, no financial holding company or any director, shareholder, agent or instrumentality of such an entity or its shareholders shall enter into an agreement or arrangement:

- i. Which results in:
 - a) a change in the control of the financial holding company; and
 - b) the transfer of shareholding of 5 per cent and above in the financial holding company;
Provided that where such change in control or transfer of shares is effected through the secondary market, the financial holding company shall notify the CBN not later than 5 days after the transfer.
- ii. For the sale, disposal or transfer howsoever of the whole or any part of the business of the financial holding company;
- iii. For the amalgamation or merger or takeover of the financial holding company with any other person;
- iv. For the reconstruction of the financial holding company; or
- v. To employ a management agent or to be managed by or to transfer its business to any such agent.

6.4 Appointment of Directors and Top Management

- a. No financial holding company shall appoint:
 - i. As director, any person who at the relevant time is a director of any of its subsidiaries, except with the prior written approval of the CBN. Where such an appointment is approved, the aggregate number of directors from the subsidiaries and associates at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of the financial holding company.
 - ii. A person who has served as a director (executive or non-executive) for the maximum allowable period as stipulated by the relevant

industry regulator into any subsidiary, or an associate of such a subsidiary until after a minimum period of three (3) years after the expiration of the tenure of such director, and vice versa.

- b. Notwithstanding the provisions of Section 2.4.6 of the Code of Corporate Governance for Banks and Discount Houses in Nigeria issued in May 2014, no financial holding company shall appoint any member of its board to serve on the board of its subsidiaries, except with the prior written approval of the CBN. Where such an appointment is approved, the number of directors from the financial holding company at any point in time shall not exceed 30 per cent of the membership of the Board of Directors of each of the subsidiaries.

6.5 Intra-Group Transfer of Properties, Plants and Equipment

Intra-group transfer of properties, plants and equipment shall be carried out in a transparent manner and at arm's length.

7.0 PRUDENTIAL REGULATION OF FINANCIAL HOLDING COMPANY GROUPS

7.1 Minimum Paid-up Capital and Capital Reserves

A financial holding company shall have a minimum paid up capital which shall exceed the sum of the minimum paid up capital of all its subsidiaries, as may be prescribed from time to time by the sector regulators (Where the financial holding company owns 100 per cent of the subsidiaries).

Where the financial holding company owns less than 100 per cent of the subsidiaries, its minimum paid up capital shall exceed the summation of its proportionate holding in the subsidiaries.

NB: It is the capital of the Holdco that is applied to the subsidiaries. Excess capital in one subsidiary shall not be used to make up a shortfall in another subsidiary.

7.2 Payment of Dividend

A financial holding company shall not pay dividend on its shares except:

- i. All its preliminary expenses; organisational expenses; share selling commission; brokerage; losses incurred and other capitalised expenses not represented by tangible assets (excluding goodwill) have been completely written off.
- ii. Adequate provisions have been made to the satisfaction of the CBN for actual and contingent losses.
- iii. It has complied with any capital ratio requirements as stipulated in Sections 3.5.3 and 7.1 of this Guidelines.

7.3 Capital Adequacy Ratio

A financial holding company shall ensure that its subsidiaries comply with the Capital Adequacy Ratio (CAR) prescribed by their respective sector regulators.

7.4 Acquisition of Subsidiaries

In determining the acquisition of subsidiaries, the CBN shall be satisfied that a financial holding company has adequate capital resources by way of free-fund to carry out the acquisition. In all cases, the consideration for the acquisition of subsidiaries shall be on cash basis only or any other arrangement proposed by the financial holding company and approved by the CBN.

7.5 Investment in Fixed Assets

A financial holding company shall ensure that it has adequate free funds to support any acquisition of fixed assets (property, plant and equipment).

7.6 Limits on Insider-Related Transactions:

In addition to regulations issued by relevant sector regulators on exposure to directors/insiders:

- a. A director or an insider-related party shall not borrow more than 10 per cent of the financial holding company's paid up capital from the subsidiaries within the group, except with the prior approval of the CBN.
- b. The maximum loan to all insider-related parties shall not exceed 1 per cent of the financial holding company's shareholders' funds.

The requirements of Sections 7.6 (a & b) above do not apply to credits to employees under their employment scheme of service, or to companies where one or more of the financial holding company's directors jointly or severally maintain shareholding of less than five per cent either directly or indirectly.

7.7 Limit on Contingent Liabilities

A financial holding company's total exposure on contingent liabilities on behalf of its subsidiaries shall not exceed 20% of the financial holding company's shareholders' funds unimpaired by losses.

8.0 SUPERVISION

8.1 Responsibility for Supervision of Financial Holding Companies

Financial holding companies shall be supervised by the Central Bank of Nigeria. The subsidiaries within the group shall be supervised by relevant financial sector supervisors.

8.2 Consolidated Supervision of Financial Holding Companies

- 8.2.1 Consolidated supervision of financial holding companies shall be in accordance with the Framework for Consolidated Supervision of Financial Institutions in Nigeria and Guidelines for the Implementation of Consolidated Supervision issued by the Financial Services Regulation Co-ordinating Committee (FSRCC).
- 8.2.2 Financial holding companies shall be required to render returns to the Banking Supervision Department in a format as may be prescribed by the CBN from time to time.

9.0 GUIDE NOTES

- i. Fitness and propriety of the promoters shall be ascertained through security screening and status enquiry.
- ii. Promoters of a proposed financial holding company shall not incorporate the company until an approval-in-principle has been obtained from the CBN, a copy of which shall be presented to the Corporate Affairs Commission for that purpose.
- iii. The CBN may interview the promoters, proposed directors and senior management personnel in the course of processing the application.
- iv. The CBN may also inspect the books and records of a proposed financial holding company to satisfy itself about the representations made or information furnished by the promoters.
- v. The approval-in-principle is not an authority for the promoters to commence operations or perform any of the activities stated in Section 5.0.
- vi. Subsequent to the issuance of the approval-in-principle, the promoters may proceed to carry out the activities stated in the approval-in-principle.
- vii. The CBN shall issue a financial holding company licence where it is satisfied with the promoters' status of compliance with the conditions stated in Section 3.2 of this Guidelines, as well as the organizational, security, infrastructural, risk management and internal control arrangements.
- viii. The CBN may, at any time and without recourse, vary or review any condition of a licence or impose additional conditions.
- ix. Where a licence is granted subject to conditions subsequent, the promoters of a financial holding company shall, within such period, comply with those conditions to the satisfaction of the CBN, as the latter may deem appropriate in the circumstance(s). Any financial holding

company that fails to comply with such conditions shall be deemed to be in contravention of this Guidelines.

- x. In constituting the Board of Directors of a financial holding company, consideration shall be given to core competencies in the areas of operation of the subsidiaries.
- xi. Financial holding company licences shall be granted for an indefinite period of time or such period as the CBN deems necessary and shall not be transferable.
- xii. Financial Holding Company (FHC) is an “other financial institution” licensed and regulated by the CBN for the purpose of making and managing (for its own account) equity investment in companies engaged in the provision of financial services.
- xiii. An affiliate is an organization, business entity or individual that is related to and often controlled by another entity.
- xiv. Control is the direct or indirect authority to influence or direct the management and policies of an entity whether through ownership, voting rights or by contract. A person who controls an entity is deemed to control any entity that is controlled, or deemed to be controlled, by the entity. Control is defined by IFRS 10 as the sole basis for consolidation and comprises the following three elements:
 - Power over the investee, where the investor has existing rights that gives it the ability to direct activities that significantly affect the investee's returns;
 - Exposure, or rights to variable returns from involvement in the investee; and
 - The current ability to use power over the investee to affect the amount of the investor's returns.
- xv. Financial Services, for the purpose of this Guidelines, includes activities carried out by financial institutions under the purview of the CBN, SEC (with the exception of Registrar business), NAICOM and PENCOM.

- xvi. Intra-Group Transactions refer to direct and indirect claims which entities within the financial conglomerate hold on each other, such as lines of credit.
- xvii. Free funds are shareholders' funds less investment in fixed assets, equities in other financial institutions and unaudited losses.
- xviii. Relevant Regulator refers to the agency statutorily authorized to regulate and supervise a sector of the Nigerian financial system.
- xix. This Guidelines supersedes our circular on "Definition and Structure of Holding Companies in Pursuance of the New Banking Model" dated December 30, 2011 and referenced FPR/CIR/GEN/01/024.

FINANCIAL POLICY AND REGULATION DEPARTMENT
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