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### CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS (OFIs)

#### GUIDELINES FOR THE REGULATION OF REPRESENTATIVE OFFICES OF FOREIGN BANKS IN NIGERIA

The Central Bank of Nigeria, in its furtherance of its mandate to promote financial system stability, hereby issues the Guidelines for the Regulation of Representative Offices of Foreign Banks in Nigeria to facilitate the understanding of regulatory requirements for operations of representative offices of foreign banks in Nigeria.

Furthermore, the issuance of the Guidelines is in pursuant to Sections 6(1) and 8 (1) of the Banks and Other Financial Institutions Act 2020 (BOFIA) respectively which states that "no foreign bank shall operate in Nigeria without prior approval of the CBN". Both sections have necessitated the development of the Guidelines for the Regulation of Representative Offices of Foreign Banks in Nigeria.

Consequently, all already approved/existing representative offices of foreign banks operating in Nigeria are required to ensure strict compliance with the Guidelines within 6 months from the date of this circular.

A handwritten signature in blue ink, appearing to read "MHM".

MUHAMMAD HAMISU MUSA

For: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



# CENTRAL BANK OF NIGERIA

## GUIDELINES FOR THE REGULATION OF REPRESENTATIVE OFFICES OF FOREIGN BANKS IN NIGERIA

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## **DEFINITION OF TERMS**

For clarity, the following terms and definitions shall be used in the applicable sections of this Guidelines:

**“Banking Business”** means the business of receiving deposits on current account, savings deposit account or other similar account, paying or collecting cheques, drawn by or paid in by customers; provision of finance consultancy and advisory services relating to corporate and investment matters, making or managing investments on behalf of any person whether such businesses are conducted digitally, virtually or electronically only or such other business as the Governor may, by order published in the Gazette, designate as banking business.

**“CBN”** represents the Central Bank of Nigeria.

**“Foreign Bank”** means a bank licensed under any foreign law, whose registered head office is outside Nigeria.

**“Financial Institution”** for the purpose of this guidelines, a financial institution refers to a licensed company engaged in the provision of financial services to the general public.

**“Financial Holding Company”** means 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.

**“Financial Transaction”** relates to any activity that culminates in payment for goods and services.

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**These revised guidelines are issued by the Central Bank of Nigeria [hereinafter referred to as “the CBN” or “the Bank”] in exercise of the powers conferred on it by the Central Bank of Nigeria Act CAP C4 LFN 2010 and the Banks and Other Financial Institutions Act LFN 2020 [hereinafter referred to as “BOFIA”].**

## **1.0 INTRODUCTION**

Representative Offices of foreign banks serve an important purpose of showcasing the brand and services of its parent company. It can also stimulate foreign direct investment to the host country by connecting capital to various investment opportunities.

It is in view of these that the Central Bank of Nigeria issues this guideline, to specify the requirements for the licensing and operations of approved representative offices of foreign banks in Nigeria.

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, Laws of the Federation of Nigeria, 2020 (BOFIA), complements the CBN's Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010. It covers the scope and applicability of the guidelines, permissible and non-permissible activities for representative offices as well as its licensing, governance, reporting and operational requirements.

Representative Offices currently operating in Nigeria (including those with formal approvals from CBN) are required to comply with the requirements of this Guidelines within 180 days from the date of its release.

### **1.1 Scope and Applicability of the Guidelines**

This Guidelines shall apply to the following categories of institutions:

- (a) A bank licensed under any foreign law, whose registered head office is outside Nigeria.
- (b) Any financial institution licensed under foreign law, whose primary business includes the receipt of deposits, granting of loans and/or provision of current and savings accounts.
- (c) Any foreign-owned operating bank/financial holding company that is foreign-based, that owns controlling interest in one or more banks or institutions whose primary business includes the receipt of deposits, granting of loans and provision of current and savings accounts.

## **1.2 Related Legal Instruments and Policy Documents**

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 OF AN APPROVED REPRESENTATIVE OFFICE**

For the purpose of this guidelines, an approved Representative Office of a Foreign Bank in Nigeria is a liaison office of the foreign bank licensed by the Central Bank of Nigeria, whose sole object is to market the products and services of its foreign parent as well as serve as liaison between its foreign parent and local banks, an affiliate of the foreign parent, other financial institutions, private companies and the general public.

An approved representative office is barred from carrying out banking business or any other regulated activity in Nigeria.

## **3.0 PERMISSIBLE AND NON-PERMISSIBLE ACTIVITIES**

### **3.1 Permissible Activities**

Approved Representative Offices (Office) are permitted to carry out the following activities:

- (i) Marketing the products and services of its foreign parent or an affiliate of the foreign parent licensed and domiciled outside Nigeria.
- (ii) Carrying out research activities in Nigeria on behalf of the foreign parent.
- (iii) Serving as a liaison between the foreign parent and local banks, private institutions within Nigeria and other customers of the foreign parent based in Nigeria.
- (iv) Pursuing business opportunities for the foreign parent or affiliated institutions regarding the availing and/or syndication of foreign currency denominated loans.
- (v) Connecting banks and other financial institutions to its foreign parent.

- (vi) Assisting exporters in Nigeria with information related to the laws and markets of target countries in which the foreign parent or any of the Group's affiliates has a subsidiary.
- (vii) Facilitating seminars, forums and other activities within Nigeria through which a foreign parent may meet with and hold further discussions with existing or potential customers in Nigeria.
- (viii) Collating and distributing economic and financial information or country reports to its foreign parent for use by customers of the foreign parent; and assisting customers of the foreign parents that desire to invest in Nigeria or do business with Nigerian companies subject to the extant Data Protection Regulations.
- (ix) Connecting exporters in Nigeria with potential customers in jurisdictions where the parent company operates; and assisting Nigerian exporters with finding new markets through its international offices.
- (x) Representative offices are permitted to record revenue, in so far as such revenue does not relate to non-permissible activities as set out in section 3.2 below and emanates from intra-group services rendered to the parent company with such revenue taxed in accordance with transfer-pricing regulations. Revenue in this provision is limited to line items such as staff costs and business premises leasing fees.

The scope of activities for Representative Offices shall include the above and other businesses as the CBN may, from time to time, define.

### **3.2 Non-Permissible Activities**

Approved Offices shall not engage in the following services/activities:

- (i) Provision of services designated in Nigeria as banking business.
- (ii) Provision of any commercial or trading activity that may lead to the issuance of invoices for services rendered.
- (iii) Engage directly in any financial transaction, save for those transactions that are related to (3.1) above.

(iv) Any other activity that may be specified by the CBN from time to time.

## **4.0 LICENSING REQUIREMENTS**

### **4.1 Requirements for Approval-in-Principle (AIP) of a Representative Office**

Foreign banks and other financial institutions seeking to establish an approved office in Nigeria shall submit a formal application to the Governor of the Central Bank of Nigeria, accompanied with the following:

- (a) No-objection letter (or approval) from the home supervisory authority, conveying its consent for the establishment of the office.
- (b) Evidence of payment of non-refundable application fee of ₦5,000,000 to the Central Bank of Nigeria.
- (c) Board resolution supporting the foreign parent's decision to invest in the equity shares of the proposed office.
- (d) Evidence of name reservation with the Corporate Affairs Commission (CAC).
- (e) The promoters of the proposed Office shall be required to attend an interview session and make a presentation (with its logo, branding, etc) to the CBN.
- (f) Detailed business plan or feasibility report which shall, at a minimum, include:
  - (i) The purpose of establishing the Office;
  - (ii) Justification for the application;
  - (iii) Ownership structure of the foreign parent in a tabular form indicating the name of proposed investor(s), profession/business and percentage shareholdings;
  - (iv) Current organogram, business lines and historical background of the foreign parent.
  - (v) List of branches, subsidiaries and countries in which the foreign parent operates from or has a presence.

- (g) Organizational structure of the Office, showing functional units, responsibilities, reporting relationships and grade of heads of departments/units.
- (h) Names, addresses, curriculum vitae, means of identification, BVN (if applicable), tax clearance certificate and police clearance of proposed directors.
- (i) Schedule of services to be rendered.
- (j) Annual financial statements of the foreign parent for a period of five years.
- (k) Sources of funding for the Office's operations and five years financial projection.
- (l) Details of information technology requirements and facilities.
- (m) Draft copy of the office's Memorandum and Articles of Association (MEMART). At a minimum, the MEMART shall contain the following information:
  - (i) Proposed name of the office.
  - (ii) Objects clause.
  - (iii) Subscribers to the MEMART.
  - (iv) Procedure for amendment.
  - (v) Procedure for share transfer/disposal.
  - (vi) Appointment of directors.
- (n) A written and duly executed undertaking/statement by the foreign parent that its office shall comply with all applicable laws, rules and regulations of Nigeria.

Notwithstanding item 4.1(a) and for effective regulatory supervision, a Memorandum of Understanding (MOU) between the CBN and the applicant's home regulatory supervisor is essential. Where such an MOU is non-existent, the CBN will work with the home regulatory agency to establish/execute an MOU as soon as possible.

## **4.2 Requirements for Final Approval of a Representative Office**

Not later than three (3) months after obtaining the AIP, the promoters of a proposed office shall submit application for the grant of a final license to the CBN. The application shall be accompanied by the following:

- (i) Evidence of payment of non-refundable licensing fee of ₦10,000,000 to the Central Bank of Nigeria.
- (ii) Certified true copy (CTC) of Certificate of Incorporation of the business.
- (iii) CTC of MEMART.
- (iv) CTC of Form CAC 1.1.
- (v) Evidence of location of the Office (rented or owned) for the take-off of the business.
- (vi) Names, addresses, BVN (if any), means of identification and curricular vitae of Management staff.
- (vii) Schedule of changes, if any, in the Board and Shareholding after the grant of AIP.
- (viii) Copies of letters of offer and acceptance of employment in respect of the management team.

## **4.3 Conduct of Pre-Licencing Inspection**

As a requirement for the grant of final licence, the CBN shall conduct an inspection of the premises and facilities of the proposed office to, amongst others:

- (i) Check the physical structure of the office building and infrastructure provided for take-off of the office.
- (ii) Sight the original copies of the documents submitted in support of the application for license.
- (iii) Meet with the Board and Management team whose CVs had earlier been submitted to the CBN.

## **4.4 Post-commencement Requirements**

An approved office shall:

- (i) Comply with all guidelines and regulations issued by the CBN and other

sector regulators.

- (ii) Maintain adequate accounting system and keep records that capture information which reflect its financial state of affairs.
- (iii) Always comply with the requirements incidental to its authorization.

#### **4.5 Financial Requirements**

- a. The financial requirements for Representative Offices in Nigeria are as follows:

	₦
Non-refundable Application fee	5,000,000
Non-refundable Licensing fee	10,000,000

- b. The fees prescribed above may be reviewed from time to time by the CBN.

### **5.0 REPORTING AND OPERATIONAL REQUIREMENTS**

#### **5.1 Reporting requirements**

- (a) Approved Offices are required to submit the following information and documents to the Director, Banking Supervision Department of the Central Bank of Nigeria:
  - (i) A certificate from a recognized audit firm affirming the revenue recorded during the year or evidence of no income was earned or accrued to the Nigeria office. Such certificate shall be submitted not later than 28 February of each year.
  - (ii) A written confirmation by the Head of the office, that the approved Office has complied with all the requirements in its approval document and this policy document which shall be submitted before 31st January of the following year.
  - (iii) A quarterly report which summarizes the activities undertaken by the office, including information on credit facilities granted by its parent or its related parties to Nigerian borrowers. Such report should be

submitted within 14 days from the end of the quarter. A nil return should be submitted where there are no activities.

- (iv) The Bank shall have the power to request any information from or issue instructions to an Office at any time it may deem necessary.
- (v) An Office shall submit information in such form and medium as may be prescribed by the Bank from time to time.
- (vi) An Office shall forthwith inform the Bank of any incidents of fraud, theft or robbery.

## **5.2 Operational Requirements**

- (a) An Office shall use the parent's name only in conjunction with the description "representative office" in its documents and correspondences, including office signage, letterheads and business cards.
- (b) The Head of the Office shall not be below the grade of an Assistant General Manager (AGM) having the requirements prescribed in the Revised Assessment Criteria for Approved Persons' Regime for Banks and Other Financial Institutions. The appointment of the officer shall be subject to the prior approval of the CBN.
- (c) An Office shall obtain the CBN's prior clearance for its prospective employees.
- (d) An Office shall inform the Bank of its proposed hours of business.
- (e) No Office shall be relocated or closed without the prior written approval of the Bank.
- (f) Any proposal to close a Office must be advised to the Bank at least three months before such closure.
- (g) Adequate notice of the relocation or closure of the Office shall be given to members of the public for a period of not less than one month prior to the date of relocation and two months before closure.

- (h) The Bank must be informed immediately of any change in the arrangements for the foreign bank's oversight of its Office in Nigeria.
- (i) An Office shall immediately or in any other case within seven (7) days notify the Bank in writing if there is any variation to the shareholding structure that changes the control and/or majority ownership in its parent foreign institution.

### **5.3 Other Matters**

#### **(a) Powers to Supervise**

- (i) The CBN shall have free, full, unfettered and timely access to the internal systems, documents, reports, records, staff and premises of the office and shall exercise such powers as it may deem necessary.
- (ii) The CBN may cause an examination of the operations and affairs of the office to be made by its officers or such other duly qualified person as it may appoint, to assess whether the office is complying with the banking laws and any guidelines or instructions issued by the Bank.

#### **(b) Disclosures**

An Office shall display the following information in a conspicuous place on its premises:

- (i) The name, contact details and logo of the foreign bank it is representing.
- (ii) Its authorization to operate a Office as issued by the CBN.
- (iii) The no-objection letter from the home country supervisory authority approving the establishment of the Office in Nigeria.
- (iv) A list of the services offered by the Office.

#### **(c) Examination**

- (i) The examination of an Office, to be carried out periodically and risk-based, would include but not limited to:
  - a review of the activities conducted.
  - a general assessment of its management and supervision.

- a review of whether the office is complying with applicable laws and regulations, including any conditions placed on its operations or activities as part of the Bank's approval of its establishment.
- (ii) In addition, Management accounts are to be reviewed by examiners to reveal, amongst other items, the number of individuals employed by the office and its expenses for the relevant period.
- (iii) A brief examination report shall be prepared highlighting any significant supervisory concerns. A brief letter to management of the Representative Office would be sufficient.

## **6.0 SANCTIONS**

Any CBN regulated entity found to be assisting, supporting, harboring or facilitating the presence and/or operations of an unlicensed international financial institution in Nigeria shall be liable to severe sanctions including suspension or revocation of their banking licence.

**FINANCIAL POLICY & REGULATION DEPARTMENT**

**May 2023**