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March 13, 2014

LETTER TO ALL BANKS

TRANSMUTATION OF EXECUTIVE DIRECTORS TO NON-EXECUTIVE DIRECTORS OF DEPOSIT MONEY BANKS

You will recall that in furtherance of our efforts in strengthening corporate governance practices in banks, we issued two Circulars referenced BSD/DIR/GEN/NED/003/019 dated August 27, 2010 titled, "Re: Compliance with the Provisions of Paragraph 5.3.10 of the CBN Code of Corporate Governance" and BSD/DIR/GEN/EXA/003/026 dated September 08, 2010 titled, "Compliance with the Provisions of Paragraph 8.2.3 of the CBN Code of Corporate Governance". These Circulars reminded banks on the need to ensure compliance with the provision of the CBN Code of Corporate Governance as it relates to the delimitation of tenures of their non-executive directors and external auditors, respectively. We also issued another Circular referenced BSD/DIR/GEN/CCG/003/074 dated December 29, 2010 titled, "Re: Compliance with the Provisions of Paragraph 5.3.10 and 8.2.3 of the CBN Code of Corporate Governance", in response to enquiries from banks on the interpretation of these policies.

The above policy documents were, however, silent on possible transmutation of executive directors to non-executive directors upon the expiration of their tenures. Following recent developments in the system leading to concerns over the ability of the aforementioned individuals to effectively function with the independence and objectivity required by the tenets of good corporate governance and in line with global best practices, it has become imperative to issue this circular. In this regard,

banks are required to extend the provision in our regulation of January 19, 2010, titled, "Guidelines for Tenure of Managing Directors of Deposit Money Banks and Related Matters" to cover transmutation from executive director to non-executive director. In other words, executive directors aspiring to take up non-executive directorship positions in their banks or its subsidiaries, which are under the supervision of the Central Bank of Nigeria or the Nigeria Deposit Insurance Corporation, are required to serve out a minimum "cooling-off" period of 3 years.

Please note that this requirement shall apply notwithstanding the terms of any contract of engagement or the provisions of the Memorandum and Articles of Association of the institution.

Banks are advised to be guided accordingly.

Yours faithfully,

**'TOKUNBO MARTINS (MRS)
DIRECTOR OF BANKING SUPERVISION**