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## CIRCULAR TO ALL OTHER FINANCIAL INSTITUTIONS IN NIGERIA

### **CODES OF CORPORATE GOVERNANCE FOR OTHER FINANCIAL INSTITUTIONS IN NIGERIA**

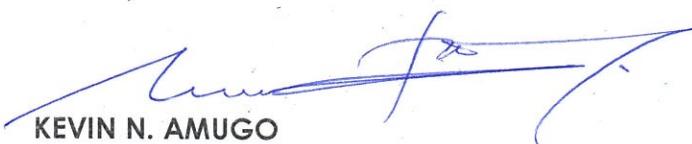
The CBN on February 27, 2017 issued the Exposure Draft on the Codes of Corporate Governance for Other Financial Institutions in Nigeria, and comments received from stakeholders subsequent thereto had been incorporated in the Guidelines as appropriate.

Pursuant to the provisions of Sections 33 subsection (1) (b) of the CBN Act No.7 of 2007; and Sections 57, 61- 63 of the Banks and Other Financial Institutions Act (BOFIA) of 1991 (as amended), the CBN hereby issues the Codes of Corporate Governance in respect of the under-listed six Other Financial Institutions:

1. Microfinance Banks
2. Development Finance Banks
3. Primary Mortgage Banks
4. Mortgage Refinance Companies
5. Finance Companies
6. Bureaux De Change

Relevant institutions are required to ensure strict compliance with their respective sector code. The full implementation of the codes shall come into effect from April 1, 2019.

Thank you.



KEVIN N. AMUGO  
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

# CENTRAL BANK OF NIGERIA



## CODE OF CORPORATE GOVERNANCE FOR MORTGAGE REFINANCE COMPANIES IN NIGERIA

ISSUE DATE: OCTOBER 24, 2018

EFFECTIVE DATE: APRIL 01, 2019

# **CODE OF CORPORATE GOVERNANCE FOR MORTGAGE REFINANCE COMPANIES (MRCs) IN NIGERIA**

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## **1.0 INTRODUCTION**

A mortgage refinance company (MRC) is a specialized, non-deposit taking financial institution established primarily to provide liquidity, medium to long-term funding and/or guarantees to mortgage originators and housing finance lenders. The institution is expected to fund the housing deficit in Nigeria. It is also expected to intermediate between mortgage originators and the capital market through the purchase of eligible mortgages and issuance of bonds to finance the purchases.

To achieve these objectives and the long-term strategic goals of its stakeholders, it is imperative that a MRC operates in an efficient manner based on sound corporate governance and ethical principles consistent with extant laws and regulations and international best practices.

This Code is therefore developed to guide an MRC in its governance arrangement including the duties and responsibilities of its Board of Directors, Board Composition, Tenure, Committees and Appraisal. Other critical governance elements covered in the Code include Disclosure and Transparency, Rights of Shareholders and Other Stakeholders, Whistle Blowing, Code of Conduct and Ethics, Risk Management and Conflict of Interest.

The Code is issued pursuant to the relevant provisions of the Central Bank of Nigeria (CBN) Act 2007, Banks and Other Financial Institutions Act (BOFIA) as amended CAP B3, Laws of the Federation of Nigeria (LFN) 2004, other relevant laws and extant CBN Guidelines and Circulars.

### **1.1 Application**

The code shall apply to all licensed MRCs in Nigeria.

## **2.0 BOARD AND MANAGEMENT**

### **2.1 Responsibility of the Board and Management**

- 2.1.1 The Board shall be accountable and responsible for the performance and affairs of the MRC. Specifically, and in line with the provisions of the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the MRC the duty of care and loyalty to act in the interest of the MRC's shareholders and other stakeholders.
- 2.1.2 Members of the Board are severally and jointly liable for the activities of the MRC.
- 2.1.3 The Board shall define and document the MRC's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.
- 2.1.4 The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.
- 2.1.5 The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the company.
- 2.1.6 The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the MRC, which shall comply with extant regulations issued by the CBN from time to time.
- 2.1.7 The Board shall establish and monitor agreed performance targets for the management.
- 2.1.8 The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.
- 2.1.9 The Board shall ensure that a succession plan is in place for the MD/CEO and other executive Directors and Top Management Staff of the MRC.

2.1.10 The Board shall consider, approve and monitor the implementation of the MRC's budget, including setting expenditure limits for management and Board Committees.

2.1.11 The Board shall approve credit facilities in line with the approved limits of authority of the MRC.

2.1.12 The board shall ensure strict adherence to the CBN Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria.

## **2.2 Composition and Size of the Board**

2.2.1 The number of directors on the board of a MRC shall be a minimum of seven [7] and a maximum of fifteen [15].

2.2.2 Members of the Board shall be persons of proven integrity and shall meet the requirements of the Revised Assessment Criteria of Approved Persons Regime. At least two (2) members of the Board of Directors other than the Executive Directors shall be required to have banking or related financial industry experience.

2.2.3 The Board shall consist of Executive and Non-Executive Directors. The number of Non-executive Directors shall be more than that of Executive Directors.

2.2.4 The Board of MRCs shall consist of a minimum of two (2) Independent Non-Executive Directors (INEDs). An Independent Director is a member of the Board of Directors who has no direct material relationship with the MRC or any of its officers, major shareholders, subsidiaries and affiliates.

## **2.3 Separation of Powers of Board**

2.3.1 The positions of the Board Chairman and the MD/CEO shall be separate. No one person shall combine the two positions in any MRC at the same time. For the avoidance of doubt, no executive Vice Chairman shall be allowed in the Board structure.

- 2.3.2 Not more than two members of a family shall be on the board of an MRC at the same time. The expression 'family' includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces and in-laws.
- 2.3.3 No two members of a family shall occupy the positions of Chairman and MD/CEO or Executive Director of the MRC and Chairman or MD/CEO of an MRC's subsidiary at the same time.

## **2.4 Appointment and Tenure**

- 2.4.1 Members of the Board of Directors shall be appointed by the shareholders and approved by the CBN.
- 2.4.2 To qualify for the position of a Non-Executive Director, it is required that the nominee shall not be an employee of a bank or other financial institution, except where the MRC is promoted by the bank or other financial institution and the proposed director is representing the interest of such an institution.
- 2.4.3 The procedure for appointment to the Board shall be formal, transparent and documented in the Board charter.
- 2.4.4 The appointment to the Board of MRC shall be in accordance with extant regulations issued by the CBN from time to time.
- 2.4.5 The track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with extant CBN guidelines
- 2.4.6 To ensure continuity and injection of fresh ideas, Non-Executive Directors of MRCs shall serve for a maximum of three (3) terms of four (4) years each.

- 2.4.7 The term of office of an Independent Director shall be 4 years for a single term and a maximum of 8 years of two consecutive terms if reelected upon the expiration of the first term.
- 2.4.8 The tenure of the CEO of a MRC shall be in accordance with the terms of engagement with the MRC subject to a maximum period of ten (10) years. Such tenure shall be limited to two (2) terms of 5 years each. Such a CEO shall not be eligible for appointment in that capacity in the MRC or its subsidiaries after the expiration of three (3) years following cessation of the tenure.
- 2.4.9 To enhance their effectiveness, Directors shall have access to corporate information under conditions of confidentiality; undergo training and continuing education and have access to independent professional advice.

## **2.5 Board Committees**

- 2.5.1 The Board shall establish at a minimum the following Committees:
- a) Risk Management Committee
  - b) Audit Committee
  - c) Board Governance and Nominations Committee
  - d) Board Credit Committee
- Each MRC shall have a Risk Officer and Internal Auditor who shall report directly to the Committee(s) responsible for Risk Management and Audit function(s).
- 2.5.2 Where there is a Remuneration Committee in addition to the four Committees prescribed in Section 2.5.1, the membership shall comprise NEDs only. Where both Committees (Remuneration Committee and

Governance & Nominations Committee) are combined, its membership shall be drawn only from NEDs.

- 2.5.3 The Remuneration Committee shall determine the remuneration of Executive Directors and management.
- 2.5.4 The Board and its Committees shall each have a charter to be approved by the CBN. The charter shall be reviewed every three (3) years or as may be determined by the CBN from time to time.
- 2.5.5 The Chairman of the Board shall not be a member of any Board Committee.
- 2.5.6 All Board Committees shall be headed by Non-Executive Directors (NEDs).
- 2.5.7 The Board Audit Committee (BAC) shall have unrestricted access to the financial records of the company including external auditors' reports.
- 2.5.8 The MD/CEO and other Executive Directors (EDs) shall not be members of the BAC.
- 2.5.9 The Board shall not replace members of the BAC and External Auditors at the same time.

## **2.6   Board/Board Committees Meetings**

- 2.6.1 To effectively perform its oversight functions and monitor management's performance, the Board and each of the Board Committees shall meet at least once every quarter.
- 2.6.2 Minutes of meetings of the Board/Board Committees shall be properly written in English language, adopted by the Board/Board Committees and signed off by the Chairman and Secretary, pasted in the minutes book and domiciled at the MRC's Head Office.

- 2.6.3 Every Director shall attend all meetings of the Board, and Board Committees in which he is a member. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings in each financial year.
- 2.6.4 Board/Board Committee meetings shall be deemed to be duly constituted where two-thirds of members are present, provided that a majority of Non-Executive Directors are present at the meeting.
- 2.6.5 The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board and Board Committee meetings held in the financial year and attendance by each Director.

## **2.7 Remuneration**

- 2.7.1 MRCs shall align top management and Board remuneration with the long term interests of their institutions and their shareholders.
- 2.7.2 Levels of remuneration should not be excessive but sufficient to attract, retain and motivate executive officers, management and members of staff of the MRC.
- 2.7.3 Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.
- 2.7.4 Every MRC shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.
- 2.7.5 The MD/CEO and other Executive Directors shall not receive sitting allowances and Directors' fees.
- 2.7.6 Non-Executive Directors' (NEDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and

reimbursable travel and hotel expenses. NEDs shall not receive salaries and benefits whether in cash or in kind, other than those mentioned above.

- 2.7.7 Where share options are adopted as part of executive remuneration or compensation, the Board shall ensure that the share options are not priced at a discount except with the prior authorization of the relevant regulatory agencies.
- 2.7.8 Share options shall be tied to performance and subject to the approval of shareholders at AGMs.
- 2.7.9 Share options shall not be exercisable until one year after the expiration of the tenure of the Director.
- 2.7.10 MRCs shall disclose in their annual reports, details of the shares held by Directors and their related parties.

## **2.8   Board Appraisal**

- 2.8.1 There shall be annual Board and Directors' appraisal covering all aspects of the Board's structure, composition, responsibilities, processes, relationships and performance or as may be prescribed by the CBN.
- 2.8.2 The annual Board appraisal shall be conducted by an independent consultant. The report shall be presented to shareholders at the AGM and a copy forwarded to the CBN by the independent consultant, not later than March 31 of the following year.

### **3.0 SHAREHOLDERS**

#### **3.1 Rights and Functions of Shareholders**

- 3.1.1 Shareholders shall have the right to obtain relevant and material information from the MRC on a timely and regular basis.
- 3.1.2 Shareholders shall have the right to participate actively and vote in general meetings.
- 3.1.3 In addition to the traditional means of communication, MRCs are encouraged to have a website and communicate with shareholders via the website, newsletters Annual General Meetings (AGMs) and/or Extraordinary General Meetings (EGMs). Such information shall include major developments in the MRC, risk management practices, executive compensation, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives including Corporate Social Responsibilities (CSR), and any other relevant information.

#### **3.2 Equity Ownership**

- 3.2.1 Except for investors established by an enabling Act, an equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the company shall apply for a no objection letter from the CBN immediately after the acquisition.
- 3.2.2 Ownership structure shall be in line with the provision of the enabling Act establishing the MRC or as may be specified from time to time by the CBN.

#### **3.3 Protection of Shareholders' Rights**

- 3.3.1 Every shareholder shall be treated fairly.

- 3.3.2 The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.
- 3.3.3 The Board shall ensure that the MRC promptly provides to shareholders documentary evidence of ownership interest in the MRC such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

#### **3.4 General Meetings**

- 3.4.1 Notice of general meetings shall be as prescribed by the Companies and Allied Matters Act (CAMA) 1990 (as amended).
- 3.4.2 The Board shall ensure that all general meetings of the shareholder hold at a convenient and easily accessible venue to the majority of shareholders.
- 3.4.3 The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue.
- 3.4.4 The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

#### **3.5 Shareholders' Associations**

- 3.5.1 The Board shall ensure that dealings of the company with shareholders' associations are in strict adherence with the Code for Shareholders' Associations issued by the Securities and Exchange Commission (SEC). Where an MRC is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

#### **4.0 RIGHTS OF OTHER STAKEHOLDERS**

- 4.1. Stakeholders shall have the right to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to the CBN in accordance with Section 3.4 of the Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria.
- 4.2 Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
- 4.3 MRCs shall demonstrate good Corporate Social Responsibility (CSR) to their stakeholders such as customers, employees, host communities, and the general public.

## **5.0 DISCLOSURE AND TRANSPARENCY**

### **5.1 Disclosure**

- 5.1.1 In order to foster good corporate governance, MRCs are encouraged to make timely, accurate and robust disclosures beyond the statutory requirements in BOFIA 1991 (as amended), CAMA 1990, and other applicable laws and standards.
- 5.1.2 Disclosure in the annual report shall include, but not limited to, material information on:
- (a) Major items that have been estimated in accordance with applicable accounting and auditing standards.
  - (b) Rationale for all material estimates;
  - (c) Details on Directors:
    - i. The company's remuneration policy for members of the Board and executives;
    - ii. Total NEDs remuneration, including 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; and
    - vi. Details of Directors, shareholders and their related parties who own 5% and above of the company's shares as well as other shareholders who, in conjunction with others, control the company.
  - (d) Governance structure:
    - i. Composition of Board Committees including names of chairmen and members of each Committee.

(e) Risk Assets:

- i. Concentration of assets, liabilities and off-balance sheet engagements by sector, geography, and product.
- ii. Loan quality.
- iii. Lending/borrowing to/from subsidiaries and associates.
- iv. Loans and advances/funding or commitment lines from institutions outside Nigeria.
- v. Insider-related credits in accordance with the extant CBN circular.

(f) Risk management:

- i. All significant risks.
- ii. Risk management practices indicating the Board's responsibility for the entire process of risk management as well as a summary of external auditors' observed lapses thereon.

(g) Information on strategic modification to the core business.

(h) All regulatory/supervisory contraventions during the year under review and infractions uncovered through whistleblowing, including regulatory sanctions and penalties.

(i) Capital structure/adequacy.

(j) Any service contracts and other contractual relationships with related parties.

(k) Frauds and Forgeries.

(l) Contingency Planning Framework.

(m) Contingent Assets and Liabilities (off balance sheet engagement)

(n) Any matter not specifically mentioned in this code but which is capable of affecting in a significant form, the financial condition of the company or its status as a going concern.

## **5.2 Transparency and Integrity in Reporting**

- 5.2.1 MRCs shall have a structure to independently verify and safeguard the integrity of their financial reporting, which shall:
- i. entail the review and consideration of the financial statements by the BAC; and
  - ii. Enhance the independence and competence of the Institution's external auditors.
- 5.2.2 The BAC shall be structured in such a way that it:
- i. has at least three members.
  - ii. consists of NEDs only;
  - iii. is chaired by an INED.
- 5.2.3 The BAC shall be independent and possess technical expertise to discharge its mandate effectively.
- 5.2.4 The BAC shall include members who are financially literate (that is, be able to read and understand financial statements). At least one of the members shall have relevant qualifications and experience (that is, shall be a qualified accountant or other finance professional with experience in finance and accounting matters).
- 5.2.5 The BAC shall review the integrity of the company's financial reporting and oversee the independence of the external auditors.
- 5.2.6 The BAC shall meet at least once every quarter. Deliberations shall include at least consideration of the quarterly reports of the internal auditor. All audit queries shall be investigated and resolved promptly.

5.2.7 Every MRC shall have a Chief Compliance Officer (CCO) whose responsibility shall include monitoring compliance with the corporate governance code and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements.

5.2.8 The appointment and removal of the Chief Compliance Officer/ Head of Internal Audit shall be the responsibility of the Board subject to CBN's ratification. The CBN must be notified of any change and reasons thereof, within fourteen (14) days of such change. The Head of Internal Audit shall report directly to the Board Audit Committee.

5.2.9 Appointment of external auditors shall be approved by the CBN.

5.2.10 External auditors shall:

- i. render reports to the CBN on MRC's risk management practices, internal controls and level of compliance with regulatory directives.
- ii. review the work of the internal auditor on each of the MRC's key risk elements to cover risk identification, measurement, monitoring and control.
- iii. review compliance with policies and internal control procedures put in place by the Board to manage and mitigate the institution's risks.
- iv. report on the level of each key risk element as well as the composite risk profile of the MRC and make recommendations to the Board to enhance the effectiveness of risk management processes in the MRC.
- v. forward copies of their report to the CBN, together with the external auditor's management letter on the MRC's audited financial statements.

5.2.11 External auditors of MRC shall not provide client services that shall 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. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
- iii. Actuarial services;
- iv. Internal audit outsourcing services; and
- v. Management or human resource functions including broker or dealer, investment banking services and legal or expert services.

5.2.12 The tenure of auditors in a given MRC shall be for a maximum period of ten (10) cumulative years after which the audit firm shall not be re-appointed in the MRC until after a period of another ten (10) consecutive years.

5.2.13 An audit firm shall not provide audit services to a company if one of the company's top officials (Directors, Chief Finance Officer, Chief Audit Executives) was employed by the firm and worked on the company's audit during the immediate past two (2) years.

5.2.14 The MD/CEO of an MRC shall certify in the statutory returns submitted to the CBN that he/she has reviewed the reports, and that based on his/her knowledge:

- i. The report does not contain any untrue statement of a material fact.
- ii. The financial statements and other financial information in the report, fairly represent, in all material respects the financial condition and results of operations of the MRC as of, and for the periods presented in the report.

5.2.15 Rendition of false information to the CBN shall attract appropriate sanctions including monetary penalties and suspension of the MD/CEO for six (6) months in the first instance and possible removal..

- 5.2.16 There shall be due process in all the procedures of MRCs.
- 5.2.17 All insider credit applications pertaining to directors and management staff and parties related to them, irrespective of size, shall be sent for consideration/approval to the Board Credit Committee.
- 5.2.18 Any director whose facility or that of his/her related interests remains non-performing for more than one year shall cease to be on the board of the MRC and could be blacklisted from sitting on the board of any other financial institution.
- 5.2.19 The practice/use of anticipatory approvals by Board Committees shall be limited strictly to emergency cases only and ratified at the next board meeting.
- 5.2.20 No director-related credit facilities and/or interest thereon shall be written off without CBN prior approval.

### **5.3 Whistle-Blowing**

- 5.3.1 MRCs shall have a whistle-blowing policy made known to employees and other stakeholders.
- 5.3.2 The policy shall contain mechanisms, including assurance of confidentiality, that encourage all stakeholders to report any unethical activity to the company and/or the CBN.
- 5.3.3 MRCs are required to submit returns on the compliance with the whistle-blowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department, not later than 7 days after the end of the relevant period.

## **6.0 RISK MANAGEMENT**

- 6.1 Every MRC shall have a risk management framework specifying the governance architecture, policies, procedures and processes for the identification, measurement, monitoring and control of the risks inherent in its operations.
- 6.2 The Board shall approve the risk management policies of the MRC and ensure their implementation by management.
- 6.3 Risk management policies shall reflect the MRC's risk management mandate, which shall include:
  - a. Clear objectives and enterprise-wide authority for its activities;
  - b. Risk philosophy, appetite, vision and mission;
  - c. Authority to carry out its responsibilities independently;
  - d. Scope of Enterprise Risk Management;
  - e. A requirement for it to be communicated throughout the organization to promote transparency;
  - f. Periodic review to ensure continued appropriateness;
  - g. A requirement for management to report regularly on the effectiveness of the institution's risk management processes and on its aggregate exposures compared to approved limits; and
  - h. Authority to follow-up on action taken by management in response to identified issues and related recommendations.
- 6.4 MRCs shall disclose a summary of the risk management policies in their annual financial statements.

- 6.5 The risk management policy of an MRC shall clearly describe the roles and responsibilities of the Board, Board Risk Management Committee (BRMC), management and internal audit function.
- 6.6 Boards of MRCs shall ensure that the framework provides for regular and independent reviews of the risk management policies and procedures as well as periodic assessment of the adequacy and effectiveness of the risk management function.
- 6.7 The composition of the BRMC shall include at least 2 NEDs and the Executive Director in charge of risk management.

## **7.0 ETHICS, PROFESSIONALISM AND CONFLICT OF INTEREST**

### **7.1 Ethics & Professionalism**

- 7.1.1 To make ethical and responsible decisions, MRCs shall comply with their legal obligations and have regard to the reasonable expectations of their stakeholders.
- 7.1.2 MRCs shall establish a code of business ethics and conduct and disclose in the code or a summary of the code, such information as:
- i. The practices necessary to maintain confidence in the MRC's integrity;
  - ii. The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
  - iii. The responsibility and accountability of individuals reporting and investigating reports of unethical practices.
- 7.1.3 The Code should:
- (a) commit the MRC, its Board and Management (and employees) to the highest standards of professional behaviour, business conduct and sustainable business practices ;
  - (b) Be developed in collaboration with management and employees;
  - (c) Receive commitment for its implementation from the Board and the Managing Director/Chief Executive Officer and individual Directors of the company;
  - (d) Be sufficiently detailed as to give clear guidance to users including advisers, consultants and contractors;
  - (e) Be formally communicated to the persons to whom it applies; and

(f) Be reviewed regularly and updated when necessary.

- 7.1.4 Where applicable, MRCs shall establish and disclose a policy concerning trading in the MRC's securities by directors, senior executives and employees. The trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.
- 7.1.5 Where applicable, the trading policy shall contain appropriate compliance standards and procedures to ensure that the policy is properly implemented. There shall also be an internal review mechanism to assess compliance and effectiveness.
- 7.1.6 MRCs shall publish the policy concerning the issue of Board and employee trading in its securities.

## **7.2 Conflict of Interest**

- 7.2.1 MRC shall have a policy on conflict of interest which shall, at the minimum, cover the following areas:
- a) Approval & Revision date;
  - b) Purpose of the policy;
  - c) Definition of conflict of interest;
  - d) Examples of conflict of interest situations;
  - e) Procedures to follow in situations of conflict of interest.

- 7.2.2 The Board of Directors shall be responsible for managing conflicts of interest.

- 7.2.3 Directors shall promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its Committees.
- 7.2.4 Directors shall abstain from discussions and voting on any matter in which they have or may have a conflict of interest.
- 7.2.5 Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, at the board meeting for consideration by all members.
- 7.2.6 Disclosure by a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists shall be recorded in the minutes of the meeting.

## **8.0 COMPLIANCE**

- 8.1 All MRCs shall comply with the provisions of this Code. External auditors of MRCs shall report annually to the CBN, the extent of the MRCs' compliance with the provisions of this Code.
- 8.2 Returns on the status of each institution's compliance with this code shall be rendered to the CBN semi-annually (30<sup>th</sup> June and 31<sup>st</sup> December every year) or as may be specified by the CBN from time to time. The returns shall be addressed and submitted to the Director, Other Financial Institutions Supervision Department not later than 7 days after the end of the relevant period.

## **9.0 SANCTIONS**

Failure to comply with the code will attract appropriate sanctions in accordance with section 64 BOFIA Cap B3 Laws of the Federation of Nigeria (LFN) 2004 or as may be specified in any applicable legislation or regulation.

## **10.0 EFFECTIVE DATE**

This code shall take effect from April 1, 2019.