

**CBN SCOPE, CONDITIONS & MINIMUM STANDARDS FOR
COMMERCIAL BANKS REGULATIONS No. [•] 2010**



ARRANGEMENT OF REGULATIONS

Sections

1. Commencement
2. Application for Commercial Banking Licence
3. Permitted Activities for Commercial Banks
4. Prohibited Activities for Commercial Banks
5. Minimum Standards for Commercial Banks with Regional Authorisation
6. Minimum Standards for Commercial Banks with National Authorisation
7. Minimum Standards for Commercial banks with International Authorisation
8. Interpretation
9. Citation

CBN SCOPE, CONDITIONS & MINIMUM STANDARDS FOR
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Following the recent repeal of the Universal Banking Guidelines, and the imminent exchange of Universal Banking Licences by banks for licenses permissible under the *Banks and Other Financial Institutions Act Cap. B3 Laws of the Federation of Nigeria 2004*, the Central Bank of Nigeria in pursuance of one of its objects to promote a sound financial system in Nigeria has deemed it necessary to expound upon licensing conditions for commercial banks, with the aim of providing clarity to the market on the terms on which commercial banking business may be conducted.

Introduction

In exercise of its powers under *Section 57(1) Banks and Other Financial Institutions Act Cap. B3 Laws of the Federation of Nigeria 2004*, and other enabling powers in that regard, the Governor of the CBN hereby issues the following guidelines with respect to the grant of licenses, authorisations and scope of operations for commercial banks.

Part 1 – Commencement

- 1 These Regulations shall come into force on [●] [●], 2010.

Commencement

Part 2 – Licensing of Commercial Banks

- 2 As from the date hereof:

- 1) A commercial banking licence may be issued by the Governor upon such terms and conditions which authorise the operation of a Commercial Bank on a regional, national or international basis.

*Application for
Commercial
Banking License*

- 2) For the avoidance of doubt:
- a) A Commercial Bank with regional banking authorisation shall be entitled to carry on its banking business operations within a minimum of six (6) and a maximum of twelve (12) contiguous States of the Federation, lying within not more than two (2) Geo-Political Zones of the Federation, as well as within the Federal Capital Territory.
 - b) A Commercial Bank with national banking authorisation shall be entitled to carry on its banking business operations within every State of the Federation.
 - c) A Commercial Bank with international banking authorisation shall be entitled to carry on its banking business operations within all the States of the Federation, as well as to establish and maintain offshore banking operations in jurisdictions of its choice, subject to the approval of the CBN and compliance with regulatory requirements of host country.
- 3 Subject to *Sections 2 & 5(c)* herein, a commercial banking license shall confer on an operator of the license, the authority to undertake the following banking business activities and no other:
- a) Take deposits and maintain current and saving accounts from natural and legal persons;
 - b) Provide retail banking services, including mortgage products;
 - c) Provide finance and credit facilities;

Permitted Activities for Commercial Banks

- d) Deal in foreign exchange and provide foreign exchange services, subject to the requirements of the *Foreign Exchange (Monitoring & Miscellaneous Provisions, etc) Act Cap. F35 Laws of the Federation of Nigeria 2004*, any other law and CBN Regulations made pursuant thereto;
- e) Act as a settlement bank, subject to CBN approval;
- f) Provide treasury management services including the provision of money market, fixed income, and foreign exchange investment on behalf of clients;
- g) Provide custodial services such as bailment and safe-keeping of documents and other valuables in the ordinary course of banking business;
- h) Provide financial advisory services which do not require regulatory filings with the Securities and Exchange Commission such as: advising on financing and business strategies and structures, building financial models, writing business plans, conducting private placements, arranging loan syndications and advising on project structures;
- i) Invest in non-convertible debt instruments;
- j) Undertake fixed income trading, where duly licensed to act as a Primary Dealer/ Market Maker to trade in securities such as Federal Government bonds, treasury bills, treasury certificates and such other debt certificates as may be prescribed by the CBN from time to time;
- k) Provide non-interest banking services subject to CBN approval; and
- l) Such other activities as may be prescribed in writing by the CBN from time to time.

- 4 No Commercial Bank shall be permitted to carry out the following business activities:
- a) Insurance underwriting;
 - b) Loss adjusting services;
 - c) Re-insurance services;
 - d) Asset Management services;
 - e) Issuing House and Capital Market underwriting services;
 - f) Investment in equity or hybrid-equity instruments, save and except for the investments permissible under BOFIA;
 - g) Proprietary trading, save as permitted by these Regulations;
 - h) Provision of financial advisory for a fee; and
 - i) Any other business activities that may be restricted by the CBN from time to time

Prohibited Activities for Commercial Banks

Part 3 – Minimum Standards for Commercial Banks

- 5 A Commercial Bank authorised to conduct business on a regional basis shall as from the date hereof, and as prescribed from time to time by the CBN:

- a) maintain a minimum paid-up share capital of Ten Billion Naira (₦10,000,000,000.00) or such other amount as may be prescribed by the CBN from time to time.
- b) comply with all prudential guidelines and regulations issued by the CBN on the required level of capital adequacy, liquidity and cash reserve.
- c) be precluded from carrying out settlement bank activities

Minimum Standards for Commercial Banks with regional authorisation

- d) observe all applicable corporate governance standards as may be prescribed by the CBN and other relevant financial service sector regulatory authorities in Nigeria.
 - e) design, comply with and implement an internal control framework in accordance with the standard that the CBN may prescribe from time to time;
 - f) through its Board of Directors report on the implementation and effectiveness of its internal control framework to the CBN within four months after the end of its financial year and the auditors of the National Commercial Bank shall be required to include a statement in the annual Audit Report of the National Commercial Bank as to the existence, adequacy and effectiveness or otherwise of such internal control systems;
 - g) design, comply with and implement a risk management framework which ensures that the Regional Commercial Bank has an appropriate reporting structure, quality, procedure and technology to effectively and adequately identify, measure, monitor and report risks to the CBN, in accordance with any guidelines, circulars or regulations as prescribed by the CBN from time to time; and
 - h) maintain its books and financial statements in accordance with the Nigerian GAAP, or as prescribed from time to time by the Nigerian Accounting Standards Board, and the CBN.
- 6 A Commercial Bank authorised to conduct business on a national basis shall:

*Minimum
Standards for
Commercial
Banks with
national
authorisation*

- a) maintain a minimum paid-up share capital of Twenty Five Billion Naira (₦25,000,000,000.00) or such other amount as may be prescribed by the CBN from time to time.
- b) comply with all prudential guidelines and regulations issued by the CBN on the required level of capital adequacy, liquidity and cash reserve..
- c) observe all applicable corporate governance standards as prescribed by the CBN and other financial service sector regulatory authorities in Nigeria.
- d) design, comply with and implement an internal control framework in accordance with the standard that the CBN may prescribe from time to time;
- e) through its Board of Directors report on the implementation and effectiveness of its internal control framework to the CBN within four months after the end of its financial year and the auditors of the National Commercial Bank shall be required to include a statement in the annual Audit Report of the National Commercial Bank as to the existence, adequacy and effectiveness or otherwise of such internal control systems;
- f) design, comply with and implement a risk management framework which ensures that the National Commercial Bank has an appropriate reporting structure, quality, procedure and technology to effectively and adequately identify, measure, monitor and report risks to the CBN, in accordance with any guidelines, circulars or regulations as prescribed by the CBN from time to time; and

- g) without prejudice to the standards prescribed from time to time by the Nigerian Accounting Standards Board, be required to maintain its books and financial statements in accordance with the IFRS accounting standards, subject to the provisions of Section 28 of BOFIA.
- 7 A Commercial Bank authorised to conduct business on an international basis shall:
- a) maintain a minimum paid-up share capital of Fifty Billion Naira (₦50,000,000,000.00) or such other amount as may be prescribed by the CBN from time to time.
 - b) comply with all prudential guidelines and regulations issued by the CBN on the required level of capital adequacy, liquidity and cash reserve.
 - c) observe all applicable corporate governance standards as prescribed by the CBN and other financial service sector regulatory authorities in Nigeria.
 - d) design, comply with and implement an internal control framework in accordance with the standards that the CBN may prescribe from time to time;
 - e) through its Board of Directors report on the implementation and effectiveness of its internal control framework to the CBN within four months after the end of its financial year and its auditors shall be required to include a statement in its Report as to the existence, adequacy and effectiveness or otherwise of such internal control systems;
 - f) be required to design, comply with and implement a risk management framework which ensures that the International Commercial Bank has an appropriate

*Minimum
Standards for
Commercial
Banks with
international
authorisation*

- reporting structure, quality, procedure and technology to effectively and adequately identify, measure, monitor and report risks to the CBN, in accordance with any guidelines, circulars or regulations as prescribed by the CBN from time to time; and
- g) without prejudice to the standards prescribed from time to time by the Nigerian Accounting Standards Board, be required to maintain its books and financial statements in accordance with the IFRS accounting standards.

- 8 In these Regulations, save as otherwise defined hereunder terms used in BOFIA shall have same meaning here, and the following terms shall have the meanings ascribed to them thus:

Interpretation

“**bank**” means an entity licensed to engage in banking business by the CBN pursuant to BOFIA.

“**BOFIA**” means the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004.

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

“**Geo-Political Zones**” mean the following geo-political grouping of States constituting the Federal Republic of Nigeria:

- (a) **North Central Zone** comprising of Benue State, the Federal Capital Territory, Kogi State, Kwara State, Nasarawa State, Niger State, and Plateau States;
- (b) **North East Zone** comprising Adamawa State, Bauchi State, Borno State, Gombe State, Taraba State, and Yobe States;

- (c) **North West Zone** comprising Kaduna State, Katsina State, Kano State, Kebbi State, Sokoto State, Jigawa State, and Zamfara States;
- (d) **South East Zone** comprising Abia State, Anambra State, Ebonyi State, Enugu State, and Imo States; and
- (e) **South West Zone** comprising Ekiti State, Lagos State, Osun State, Ondo State, Ogun State, and Oyo States; and
- (f) **South South Zone** comprising Delta State, Edo State, Rivers State, Bayelsa State, Cross River State, Akwa Ibom State.
- (g) Any other Zone which the CBN may prescribe in writing from time to time.

“IFRS” means the International Financial Reporting Standards as prescribed by the International Accounting Standards Board on the manner in which specific transactions by companies and organisations may be reported in compiling financial statements.

“International Commercial Bank” means a Commercial Bank which is authorised to conduct banking business on an international basis.

“National Commercial Bank” means a Commercial Bank which is authorised to conduct business on a national basis.

“Nigerian GAAP” means generally accepted accounting principles and practices in Nigeria applied on a consistent basis

“Regional Commercial Bank” means a Commercial Bank which is authorised to conduct business on a regional basis, within a specific geographical location in Nigeria.

“Universal Banking Guidelines” means the *Guidelines For The Practice of Universal Banking in Nigeria* issued by the CBN on 22 December, 2000 with reference number BSD/DO/CIR/VOL.1/10/2000.

“Universal Banking Licence” means a banking licence issued by the CBN pursuant to the Universal Banking Guidelines.

- 9 These guidelines may be cited as the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations 2010.

Made at Abuja this [●] day of [●], 2010

MALLAM SANUSI LAMIDO SANUSI

Governor, Central Bank of Nigeria