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CBN GUIDELINE ON APPROVED REPRESENTATIVE OFFICE OF FOREIGN BANKS IN NIGERIA

JEE REGULATORY UPDATE

INTRODUCTION

On 3rd May 2023, the Central Bank of Nigeria ("CBN") issued a guideline on representative offices of foreign banks in Nigeria. The guideline seeks to regulate the operation of representative offices of foreign banks in Nigeria by clearly setting out the pre and postrequirements for the smooth operation of these representative offices in Nigeria. The guideline defines an Approved Representative Office to mean 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.



Scope of Guideline

The scope and the applicability of the guideline are limited to the following financial institutions:

- A bank licensed under any foreign law and registered head office outside Nigeria.
- Any financial institution licensed under foreign law whose primary business includes receiving deposits, granting loans, and providing current and savings accounts.
- 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.

PERMISSIBLE AND NON-PERMISSIBLE ACTIVITIES

The guideline further provides for permissible and non-permissible activities, limiting the activities an Approved Representative Office may carry out. Part of the permissible activities includes marketing the products and services of its foreign parent or an affiliate of the foreign parent licensed and domiciled outside Nigeria, carrying out research activities in Nigeria on behalf of the foreign parent, connecting banks and other financial institutions to its foreign parent amongst other permissible activities stipulated by the guideline.

The guideline also stipulates the non-permissible to include the following:

- Provision of services designated in Nigeria as banking business.
- Provision of any commercial or trading activity that may lead to issuing invoices for services rendered.

REQUIREMENTS FOR APPROVAL

The approval process under the guideline is divided into two stages (a) Approval-in-Principle (b) Final Approval.

At the Approval-in-Principal phase, Foreign Bank seeking to establish a representative office in Nigeria is to submit a formal application addressed to the Governor of the Central Bank of Nigeria accompanied by the following documents:

- No objection letter (or approval) from the home supervisory authority conveying its consent for establishing the office.
- Evidence of payment of a non-refundable application fee of N5,000,000 to the Central Bank of Nigeria.
- Board resolution supporting the foreign parent's decision to invest in the equity shares of the proposed office
- Evidence of name reservation with the Corporate Affairs Commission (CAC).
- 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.
- Detailed business plan or feasibility report.
- Organizational structure of the Office, showing functional units, responsibilities, reporting relationships and grades of heads of departments/units.
- Names, addresses, curriculum vitae, means of identification, BVN (if applicable), tax clearance certificate and police clearance of proposed directors.
- Schedule of services to be rendered.
- Annual financial statements of the foreign parent for five years.
- Sources of funding for the Office's operations and five years financial projection.
- Details of information technology requirements and facilities.
- Draft copy of the office's Memorandum and Articles of Association (MEMART).
- 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.
- Additionally, there is also a requirement for a Memorandum of Understanding (MOU) between CBN and the applicant's home regulatory supervisor. Before the final issuance of the license, the CBN conducts a pre-licensing inspection to check the office's physical structure, sighting the original copies of the document submitted at the point of application.

The Approved Representative Office is mandated to maintain operational requirements as follows:

- 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.
- 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.
- An Office shall obtain the CBN's prior clearance for its prospective employees.
- An Office shall inform the Bank of its proposed hours of business.
- No Office shall be relocated or closed without the prior written approval of the Bank.
- Any proposal to close an Office must be advised to the Bank at least three months before such closure.
- 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.
- 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.

The guideline also provides for disclosures to be made at a conspicuous part of the physical structure of the Approved representative office such as the name, contact details and logo of the foreign bank it is representing; authorization to operate the office as issued by CBN; the letter of No-Objection from the home country supervisory authority approving the establishment of the office in Nigeria; list of services offered.

COMPLIANCE

Existing representative offices are expected to comply with the updated guideline within 180 days of its release. An effective adherence to the guideline would provide stronger regulation is expected for the operations of approved representative offices in Nigeria. Strict adherence to the provisions of the guidelines is expected as breach of any of the requirement may lead to sanctions that would adversely affect the business of the parent bank.

Key Contacts

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