

CODE OF CORPORATE GOVERNANCE FOR MICROFINANCE BANKS IN NIGERIA

In October 2018, the Central Bank of Nigeria ("CBN") introduced a new Code of Corporate Governance (the "Code") which applies to all licensed Microfinance Banks ("MFBs") in Nigeria. The Code covers issues ranging from members of the board to shareholders and stakeholders of MFBs.

The objectives of the Code are to define minimum acceptable standards and corporate governance requirements for all licensed MFBs in Nigeria, promote high ethical standards among operators, and enhance public confidence in MFBs in Nigeria.

Board of Directors and Management

The Code imposes important responsibilities on the board of MFBs and essentially holds the board accountable for the general affairs and performance of the MFB. Specifically, members of the board are severally and jointly liable for the activities of the MFB.

Whilst the Code empowers the board to act in the interest of the shareholders and other stakeholders towards the attainment of set goals of the MFB, the board is to ensure strict adherence to the Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria. Interestingly, the Code also makes mandatory provisions with regards to the composition and size of the board, rights of stakeholders and risk management amongst others. The CBN acknowledged that poor governance practices and gross insider abuses had been a major factor in some MFBs becoming insolvent in 2014. Thus, the need for the issuance and implementation of the Code. However, whilst we note that the Code is instrumental in strengthening corporate governance practices in MFBs in Nigeria, we are of the view that certain salient provisions of the Code should be clarified by the CBN to aid effective implementation and compliance by the MFBs.

Enforcement and Timeline

The Code takes effect from December 1, 2018 while the full implementation of the Code is to become effective from April 1, 2019.

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To access the Code, please click on

<https://www.cbn.gov.ng/out/2018/fprd/mfb.pdf>

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