

FINANCE UPDATE

**HIGHLIGHTS OF THE
CIRCULARS ISSUED IN
THE FINANCE INDUSTRY
IN JANUARY AND FEBRUARY 2023**

10584,	30.58,	88987
London	1000,0	(50.68%)
10584,	30.58,	88987
Tokyo	1014,0	(30.68%)



LAGOS | ABUJA



Dear Esteemed Client,

Introduction

The Central Bank of Nigeria (CBN) and Security Exchange Commission (SEC) issued the following Circulars in January and February 2023. We hope that you find some of the information useful in your operations.

- **FPR/DIR/PUB/CIR/001/064 - GUIDANCE ON ULTIMATE BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND LEGAL ARRANGEMENTS**
- **BSD/DIR/PUB/LAB/15/022 - CIRCULAR TO ALL DEPOSIT MONEY BANKS (DMBs), MOBILE MONEY OPERATORS (MMOs), SUPER AGENTS AND AGENTS Naira Redesign Policy: CBN Launches Cash Swap Programme in Rural/Underserved**
- **FPR/DIR/PUB/CIR/001/070 - REVIEW OF TENURE OF EXECUTIVE MANAGEMENT AND NON-EXECUTIVE DIRECTORS OF DEPOSIT MONEY BANKS IN NIGERIA**
- **SEC Approves NGX Technology Board Listing Rules**

1. **FPR/DIR/PUB/CIR/001/064 - GUIDANCE ON ULTIMATE BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND LEGAL ARRANGEMENTS**



The global money laundering and terrorist financing watchdog, the Financial Action Task Force requires that all countries ensure that adequate, accurate and timely information is available with respect to the beneficial ownership of companies, trusts, foundations and other corporate structures to prevent the abuse of corporate vehicles as a means for money laundering and financing terrorism. In compliance with this requirement, the CBN issued this guideline to guide Nigerian financial institutions in identifying the ultimate beneficial owners of corporate bodies to forestall the abuse of the Nigerian Financial System through laundering of proceeds of crime and financing

terrorism. The guideline defines beneficial owners (BO) as natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or legal arrangement. In line with the recommendations of the Financial Action Task Force consideration must be given to the natural persons who have ultimate (actual) ownership and control over the corporate vehicle not necessarily the legal owner, or the person(s) entitled on paper to do so, but natural person(s) who exert effective control over the corporate vehicle, or on whose behalf the transaction is being conducted. To determine a beneficial owner the following is to be considered by Financial Institutions (FIs):

- i. Any natural person who owns at least 5% of the issued shares in a corporate entity directly or indirectly.*
- ii. Any natural person who has 5% of the voting rights in a legal entity or any person who exercises the right to appoint or remove majority of the directors or any similar position in a corporate entity directly or indirectly.*
- iii. Any natural person on whose behalf a transaction is being conducted.*

- iv. Any natural person who exercises significant influence or control over directly or indirectly over a legal entity.**

Financial Institutions in determining beneficial ownership are also required to rely on documents such as:

- a. Certificate of incorporation**
- b. Particulars of shareholders**
- c. Memorandum and Articles of Association (MEMART)**
- d. Minutes of meetings**
- e. Resolutions**
- f. Partnership agreements**
- g. Annual returns/financial statements**
- h. Bye-laws**
- i. Constitutions**
- j. Charters**
- k. Trust deeds and trust registration documents**

These documents are to be obtained from the customer by FIs when conducting customer due diligence (CDD) to identify and verify beneficial owners, particularly at the on-boarding stage. In addition to the documents obtained from the customer, FIs are also expected to obtain Beneficial owner information from a public register (e.g as Corporate Affairs Commission “CAC”) and publicly available sources such as internet, print, electronic and social media. In identifying and verifying legal persons, FIs are required to adopt the three-step cascade approach in Regulation 21 of the CBN AML/CFT/CPF Regulations of 2022.

This approach is detailed below:

- i. identify and verify the natural persons that have ultimate controlling ownership interest in a legal person;**
- ii. in the event of doubt as to the persons with the controlling ownership interest as beneficial owners or where no natural person exerts control through ownership interests, identify and verify the natural persons exercising control**

of the legal person or arrangement through other means;

- iii. where a natural person is not identified, FIs shall identify and take reasonable measures to verify the identity of the relevant natural person who holds senior management position in the legal person.**

FIs are required to compile a beneficial owner register of their clients who are legal entities and legal arrangements using the records or information obtained through Customer Due diligence sources. FIs are required to make sure that the beneficial owners’ data in their register is routinely examined and updated whenever there are changes. They are also required to identify and notify the CAC of any discrepancies or inconsistencies between the beneficial owner information in the public register and the beneficial owner information in their records.

On demand, FIs must give the CBN and other relevant authorities listed information about beneficial owners and must submit periodic returns to the CBN detailing their customers' beneficial owners, who must be individuals, in the format and at the frequency required by the CBN.

In line with the Anti-Money Laundering, Combating Financing of Terrorism Regulations and Countering Proliferation Financing of Weapons of Mass Destruction Regulations, 2022, FIs are required to: (i) maintain all records of beneficial owners obtained through Customer Due Diligence measures, account files and business correspondence, as well as the outcomes of any analysis conducted, in either written or electronic form, for a minimum of five (5) years following the end of the business relationship or after the date of an occasional transaction; (ii) ensure that records, data, or information gathered through the Customer Due Diligence process are kept current and relevant by conducting regular monitoring and review of existing records, particularly for client groups with higher risk levels.

For more information on the circular, please refer [here](#)

2. BSD/DIR/PUB/LAB/15/022 - CIRCULAR TO ALL DEPOSIT MONEY BANKS (DMBs), MOBILE MONEY OPERATORS (MMOs), SUPER AGENTS AND AGENTS Naira Redesign Policy: CBN Launches Cash Swap Programme in Rural/Underserved

3. FPR/DIR/PUB/CIR/001/070 - REVIEW OF TENURE OF EXECUTIVE MANAGEMENT AND NON-EXECUTIVE DIRECTORS OF DEPOSIT MONEY BANKS IN NIGERIA



To promote financial inclusion, CBN, in partnership with licensed Super Agents and Deposit Money Banks, has created a channel for people in rural/underserved communities with or without bank accounts to exchange or deposit old Naira notes seamlessly without taking unnecessary risk or incurring undue cost. This is to enable persons in the rural areas or those with limited access to financial services to exchange old Naira notes for the redesigned Naira notes. Agents shall exchange a maximum of N10,000 per person. Amounts above N10,000 may be treated as cash-in deposit into wallets or bank accounts in line with the cashless policy. Designated agents are eligible to collect the redesigned notes from DMBs in line with the Revised Cash Withdrawal Limit policy and can charge regular cash-out fees for the cash swap transactions but prohibited from charging any further commissions to customers for this service. Agents are required to render weekly reports to their DMBs regarding the cash swap transactions and the DMBs are also to render weekly reports to the CBN. This policy is designed to ensure that persons residing at the rural and underserved communities have access to the redesigned Naira notes.

For more information on the circular, please refer [here](#)

The Central Bank of Nigeria has reviewed the corporate governance framework for banks and discount houses; by revising the regulatory requirement for the tenure of Executive Management and Non-executive Directors; of Deposit Money Banks and Financial Holding Companies. The content of the circular is as follows:

- The tenure of Executive Directors (ED), Deputy Managing Directors (DMD), and Managing Directors (MDs) will be based on their terms of engagement but cannot exceed a period of ten (10) years. However, if an Executive Director or a Deputy Managing Director becomes the MD/CEO of a bank or any other Deposit Money Bank before the end of his/her maximum tenure, the cumulative tenure of such Executive must not exceed twelve (12) years.
- The total term of an Executive Director (ED) who later becomes a Deputy Managing Director of a bank or another Deposit Money Bank must not exceed 10 years. With the exception of Independent Non-Executive Directors (INED), Non-Executive Directors (NEDs) may serve in a bank for a total of twelve (12) years, divided into three terms of four years each.
- As a prerequisite for appointment to the Board of Directors, Non-Executive Directors (NEDs), Executive Directors (EDs), Deputy Managing Directors (DMDs) and Managing Directors (MDs) who exit from the Board of a bank either upon or prior to the expiration of maximum tenure shall first serve out a cooling-off period of 1 year.
- Before being qualified for appointment as a non-Executive Director (NEDs) to the Board of Directors, Executive Directors, Deputy Managing Directors, and Managing Directors who leave the Board of a bank at or before the end of their maximum term must complete a cooling-off period of 1 year.

- Generally, the cumulative tenure limit of Executive Directors (EDs)/Deputy Managing Directors (DMDs), Managing Directors (MDs), and Non-Executive Directors (NEDs) across the banking industry cannot exceed 20 years.

For more information on the circular, please refer [here](#)

UPDATES FROM SEC AND NIGERIAN EXCHANGE LIMITED (NGX)



SEC Approves NGX Technology Board Listing Rules

On December 15, 2022, the Securities and Exchange Commission (SEC) approved the Rules for listing on the NGX Technology Board. The NGX Technology Board is a specialised platform for technology-based companies to list and raise capital on The Exchange. Through the Board, NGX aims to encourage investments in indigenous technology companies and others across Africa, provide greater visibility to these companies and ultimately deepen the Nigerian capital market. Securities listed on NGX Technology Board will be accessible to qualified institutional investors, retail investors, and high-net-worth investors. The NGX technology Board is divided into two segments; The Start-up Segment which lists eligible startups, fintech companies with a market Capitalization between ₦420,000,000.00 (Four Hundred and Twenty Million Naira)¹ and ₦42,000,000,000.00 (Forty-Two Billion Naira).² The second Segment is the Big Tech Segment which list eligible entities and financing Technology companies with market

¹ Circa 911,063 USD

² Circa 91,106, 291 USD

capitalization above ₦42,000,000,000.00 (Forty-Two Billion Naira).³

The Board of The Exchange may authorize the listing of an Issuer's securities on the Start-Up Tech Segment if the Issuer:

- Is a public company limited by shares;*
- Has a core investor or strong technical partner that has a minimum of one (1) year operating track record;*
- Has a minimum number of two (2) shareholders or such number of shareholders as The Exchange may determine from time to time;*
- Has an operating track record of at least twelve (12) months prior to the date that The Exchange receives the Issuer's application to list on the Start-Up Tech Segment;*
- If raising capital at the point of listing, has a minimum float requirement of five percent (5%) of its issued share capital; or has the value of its free float equal to or above Twenty Million Naira (₦20,000,000.00)⁴ on the date The Exchange receives the Issuer's application to list;*
- Undertakes to ensure that its promoters or directors retain a minimum of fifty percent (50%) of their shares in the Issue for a minimum period of six (6) months from date of listing (Lock-Up Period), and that they do not directly or indirectly sell or offer to sell such securities during that period.*

The Board of The Exchange may authorize the listing of an Issuer's securities on the Big Tech Segment if the Issuer:

- Is a public company limited by shares;*
- Has a core investor or strong technical partner that has a minimum of one (1) year operating track record;*

³ Circa 91,106, 291 USD

⁴ Circa 43,384 USD

- c. *Has a minimum of five (5) shareholders or such number of shareholders as The Exchange may determine from time to time;*
- d. *Has an operating track record of at least twelve (12) months prior to the date that The Exchange receives the Issuer's application to list on the Big Tech Segment;*
- e. *If raising capital from the public at the time of listing, has a minimum free float requirement of ten percent (10%) of its issued share capital; or has the value of its free float equal to or above Two Billion Naira (₦2,000,000,000.00)⁵ on the date that The Exchange receives the Issuer's application to list;*
- f. *Undertakes to ensure that its promoters or directors retain a minimum of fifty percent (50%) of their shares in the Issue during the Lock-Up Period, and that they do not directly or indirectly sell or offer to sell such securities during that period.*

The Technology Board evaluates listed companies annually and at intervals to evaluate their eligibility, for tech companies to retain their listing are required to comply with quarterly filings, annual reporting and minimum corporate governance requirements. This Circular seeks to attract technology companies to list their shares on the Board of the Nigerian Exchange and raise funds from the Nigerian capital market.

For more information on the circular, please refer [here](#)

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⁵ Circa 4,338,395 USD