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CBN ISSUES A NEW CODE OF CORPORATE GOVERNANCE GUIDLINES FOR BANKS AND DISCOUNT HOUSES.

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The Central Bank of Nigeria (CBN) has introduced a new set of Corporate Governance Guidelines for banks and discount houses, aimed at strengthening transparency, accountability, and effective governance within the Nigerian banking sector. These guidelines represent a significant step towards promoting a more robust and adaptable framework for the industry, and have far-reaching implications for banks, stakeholders, and the broader economy.

At the heart of the new guidelines is a revised framework for board structure and composition: The CBN has introduced new requirements for board size and composition, ensuring a balance of expertise and independence. This move is designed to promote better decision-making and risk management, and to ensure that boards are equipped to navigate the complexities of the modern banking landscape. In the former code, the board was required to have a minimum of five members, with no specific requirements for independent directors. However, for the new code the board is required to have a minimum of seven members with at least two independent directors.

Separation of Chairman and CEO Roles: The new code mandates the separation of the roles of Chairman and CEO, with the Chairman being a non-executive director. This change aims to enhance board independence and objectivity.

Tenure and Term Limits: The new code introduced tenure and term limits for directors, limiting them to serving 3 terms of 3 years each, with a 2-year cooling-off period before being eligible for re-election. There was no requirement for that in the former code.

Board Evaluation and Performance: The new code requires boards to undergo an annual evaluation, focusing on performance, effectiveness, and governance. This change aims to enhance board accountability and effectiveness.

The new code of corporate governance for banks and discount houses represents a significant improvement over the former code, with a focus on enhancing board structure, composition, and effectiveness. These changes aim to promote better governance, stability, and growth in the Nigerian banking industry.