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CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

THE PROBLEMS ASSOCIATED WITH THE APPOINTMENT OF BOARD MEMBERS/TOP MANAGEMENT STAFF OF BANKS

The Central Bank of Nigeria (CBN) has identified some problems associated with the appointment of Board and Top Management staff of banks.

The problems centre on the proposed appointees parading themselves as substantive officers which is fraught with many dangers. These include "unfit and improper persons" occupying such positions, the attendant impact of such behaviour on industry discipline, the issue of yet-to-be approved appointees representing the bank[s] at various fora, and committing the banks by signing contractual obligations. Although section 44[1] of BOFIA 1991, as amended, provides that "every bank shall, before appointing any director or chief executive, seek and obtain the Bank's written approval for the proposed appointment", a gap appears to exist as it is not clear from the above quoted provision what should happen between the time a vacancy exists and the bank proposes/appoints a director/chief executive and the time the bank applies and obtains the CBN approval in writing. Considering the fact that nature abhors vacuum, it has become imperative that the Central Bank of Nigeria should find the best workable solution to the problem.

In the process, the CBN recognizes the fact that vacancies may be created either through planned or sudden exit.

Planned Exit

In a situation of planned exit, that is, where a vacancy exists as a result of either compulsory or voluntary retirement, the following actions should be taken:

- i) The CBN should be notified at least three months prior to the date of the exit of the incumbent;

- ii) The bank should arrange a smooth transition within the first month of the notification, by appointing the most qualified personnel within and immediately apply to the CBN for a replacement of the incumbent, either on a substantive basis or in an acting capacity, depending on the qualification and experience;
- iii) Where the appointment is in acting capacity, the bank should within a period of six months source for a suitable replacement from both internal and external sources in line with its contingency plan on management succession.

Sudden Exit

This is a form of exit, which may create a vacancy that was not envisaged by the bank's management. The CBN appreciates the implication of such exit with its attendant consequences and accordingly requires the institution to take the following steps:

- i) the next most qualified person should act in that capacity;
- ii) The particulars of the person so acting or the proposed person from outside the bank should be sent to the CBN for appraisal and eventual approval or otherwise, within two weeks from the date of the exit of the former officer;
- iii) Where the appointee has been found unsuitable, he/she should vacate the seat immediately the rejection notice is communicated to the bank;
- iv) Where the proposed appointee is from outside the bank, the CBN approval should be obtained before he/she assumes duty in the bank.

In all the above cases:

- i) Where acting appointments are approved, correspondence from the officer should reflect the acting position;
- ii) If an application for approval of appointment is rejected, the Chairman of the bank should be notified to ensure that the rejected officer is appropriately informed for compliance;

Where a bank fails to notify the CBN of any acting appointment, it will be deemed to have contravened the provisions of Section 44[1] of BOFIA, 1991, as amended and will accordingly be penalized.

Furthermore, where the appointee refuses to vacate the position after his/her appointment has been rejected by the CBN and the bank continues to harbour the unapproved appointee, stringent measures will be imposed on such banks.

A handwritten signature in blue ink, appearing to read "O.I. Imala".

O.I. IMALA
DIRECTOR OF BANKING SUPERVISION