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OCTOBER 2019

CENTRAL BANK OF NIGERIA
UNVEILS
GUIDELINES ON DISCLOSURE
AND TRANSPARENCY FOR BANKS
AND OTHER FINANCIAL
INSTITUTIONS

ARTICLE SERIES

INTRODUCTION

The Central Bank of Nigeria (the “CBN”), recently issued a new set of guidelines on Disclosure and Transparency (“the Guidelines”) for institutions under its regulation.

The Guidelines were issued pursuant to the powers conferred on the CBN by Sections 2(d) and 33(1)(b) of the CBN Act, 2007 (as amended) and Section 57(2) of the Banks and Other Financial Institutions Act[1] (BOFIA).

DISCLOSURE & TRANSPARENCY GUIDELINES UNVEILED

The objective of the Guidelines is to provide minimum disclosure and transparency requirements for financial institutions under the regulatory purview of the CBN to ensure that these institutions provide consumers with all material and relevant information regarding their business relationships in a clear and transparent manner.

The affected financial institutions include commercial banks, merchant banks, specialised banks, micro-finance banks, development finance institutions, finance companies, bureaux-de-change, primary mortgage banks, credit bureaux, mobile money operators, payment service banks, switching companies, payment solution service providers, payment terminal service providers, non-bank acquirer, super agents and mobile money operators.[2]

PROVISIONS ON ADVERTISEMENTS

In addition to information regarding the existing IPRs which the target may have provided, an independent search should be conducted.

The Guidelines provide that all advertisements and promotional materials made by financial institutions must be factual, unambiguous and inoffensive and expressed in clear, simple language.[3]

Such advertisements shall not emphasise benefits of a product or service over its associated risks.[4]

Furthermore, financial institutions should disclose their contact details and the details of the cost of the product or services being advertised.[5]

The advertisements should not make reference to any unaudited financial statements[6] or mention names of competitors or make invariable comparisons to the goods and services offered by the competitors.[7]

Also, unsolicited advertisements through emails, text messages, voice calls and other channels sent by or on behalf of a financial institution shall be at no cost to the consumer and shall contain an opt-out provision for future advertisements.[8]

[1] Chapter B3, Laws of the Federation of Nigeria 2004.

[2] Paragraph 3 of the Guidelines.

[3] Paragraph 4.1.1.1 of the Guidelines.

[4] Paragraph 4.2.2 of the Guidelines.

[5] Paragraph 4.2.3 of the Guidelines.

[6] Paragraph 4.2.7 of the Guidelines.

[7] Paragraph 4.2.8 of the Guidelines.

[8] Paragraph 4.2.9 of the Guidelines

DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The Guidelines also state that, prior to the execution of contracts with customers, the financial institution must disclose all terms and conditions of a product or service on offer, as well as the features, inherent risks, benefits, fees and other associated charges[9] and allow a minimum of two working days for the customer to review the draft contract documents before execution.[10]

With regards to contractual disclosures, the Guidelines provide that all financial institutions are to notify customers of any transaction on their accounts immediately such transaction occurs.[11]

These notifications should at a minimum include the amount and date of the transaction as well as the customer's account balance after the transaction occurred.[12]

Also, the consumer must be provided with monthly statements of account for all products and account types, including loan accounts, special accounts and other associated accounts at no cost to the consumer[13] as well as provide account balances to consumers on request.[14]

Financial institutions are also to give customers a cooling-off period of three working days immediately following the signing of a transaction agreement within which the consumer may cancel the transaction without having to pay any penalty or charges.[15]

[9] Paragraph 4.3.1 of the Guidelines.

[10] Paragraph 4.3.5 of the Guidelines.

[11] Paragraph 4.4.1 of the Guidelines.

[12] Ibid.

[13] Paragraph 4.4.4 of the Guidelines.

[14] Paragraph 4.4.5 of the Guidelines.

[15] Paragraph 4.3.6 of the Guidelines.

[16] Paragraph 4.4.9(i) of the Guidelines.

[17] Paragraph 6 of the Guidelines.

Furthermore, any contract for credit should state the name and contact details of the borrower, type and purpose of credit, collateral pledged and its estimated value, the amount of credit or applicable credit limit, conditions precedent to drawdown as well as the debt recovery process.[16]

Failure to comply with the guidelines, shall attract regulatory sanctions provided for by the CBN Act, the BOFIA, other laws and regulations.[17]

CONCLUSION

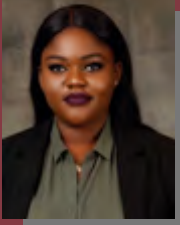
The Guidelines represent a further step by the CBN targeted at attaining 80% financial inclusion by the year 2020.

This is commendable as the transparency of financial institutions is of utmost importance to the growth of any economy.

Efforts to strengthen the country's economic and financial systems will have a far better chance of success if they work concurrently with efforts to protect and educate the consumers.

An open and accountable financial system through proper disclosure and transparency together with effective consumer protection mechanism will ensure that consumers are capable of making informed financial decisions, increasing consumer confidence in the financial system which in turn will promote financial stability and economic development.

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