



**CENTRAL BANK OF NIGERIA**  
Business Central Area District  
P.M.B. 0187  
Garki, Abuja

09-61638445  
09-61638455 (Fax)

Ref: BOD/DIR/GEN/SMP/03/024

**June 24, 2009**

**To: All Banks**

**DISHONOURING BANK DRAFT(S) BY ISSUING BANKS**

The CBN has, in recent times, observed increased cases of banks dishonouring their own bank drafts, ostensibly on the pretext that the current clearing house rules not placing a distinction between cheques and bank drafts.

It should be noted that the CBN Circular Ref: BOD//D/BKG/1/2001 dated September 3, 2001 (copy attached) is very clear on this issue, and the contents of the circular remain valid.

For the avoidance of doubt, a banker's draft is a form of cheque payable to order on demand, and therefore, it should not be subject to restrictive or conditional terms. In other words, a bank is fully liable on its draft(s), to a bona fide holder, and payment must be made on demand. It is only in exceptional situations that a bank can place a stop on its own draft, especially when there is conclusive proof that the endorsement on the draft was forged.

Henceforth, the CBN would no longer take any infractions against these Clearing House Rules lightly, as appropriate penalties will be applied against any erring bank.

A handwritten signature in black ink, appearing to read 'A.S.F. Atoloye'.

**A.S.F. Atoloye**

Ag. Director, Banking Operations Department.

# CENTRAL BANK OF NIGERIA

REF: BOD/D/BKG. 1/2001

3<sup>rd</sup> September, 2001.

TO: ALL BANKS

## DISHONOUR OF BANK DRAFTS BY ISSUING BANKS

For sometime, there have been increased cases of paying banks dishonouring their own bank drafts, ostensibly on the pretext of the current clearing house rules not placing a distinction between cheques and bank drafts.

A bankers' draft is a form of cheque payable to order on demand. Such a draft is either drawn by a branch office of a bank upon its head office, or by a branch office of a bank upon another branch of the same bank. Hence, by implication, the drawer and drawee are only different parts of the same legal person. Therefore, a banker should not refuse to pay its own instrument drawn on itself. Furthermore, the payment of a bankers' draft should not be subject to restrictive or conditional terms.

All banks are requested to note that, henceforth, a banker is fully liable on his drafts, to a bona fide holder, and payment must be made on demand.

However, in exceptional situation, a banker can only place a stop on its own draft when there is conclusive proof that the endorsement on the draft was forged.

  
Vincent Omoike  
Director  
Banking Operations Department