



**CENTRAL BANK OF NIGERIA**



# **CLEAN NOTE POLICY**

**Version 0.1  
September 2018**

**Currency Operations Department**

## FOREWORD

The Central Bank of Nigeria (CBN), as part of its statutory obligations, is charged with the responsibility of providing adequate supply of clean banknotes to facilitate seamless payment and settlement of transactions by the public, government and banks. Over the years, the growth in economic activities and the upsurge in population had necessitated the rise in the volume of banknotes in circulation.

In view of technological advances, the CBN, like other central banks has introduced various forms of electronic payment systems for effective and efficient settlement of transactions and to reduce the volume of cash usage with its attendant cost implications. Despite the prevalence of other forms of payment, cash remains “king” in our day to day economic transactions. As such, people still prefer to use cash in making payments especially where there are no digital payment platforms.

Consequently, demand for cash continues to grow despite technological advances. Thus, the volume of currency in circulation as at end 2012 rose significantly by 10.34 per cent to 7,914.70 billion pieces, as at half year of 2018. A large proportion of the notes in circulation were dirty, mutilated, not fit for ATMs and over-the-counter payments.

To overcome this, the CBN increases the supply of clean notes and withdraws the soiled and mutilated notes from circulation. In addition, the Bank introduces from time to time a number of currency management initiatives to ensure that the production, issuance of new notes, processing by third service providers as well as recirculation by the deposit money banks (DMBs) conform to the predetermined standards.

To ensure that the banknotes in circulation are clean and of high quality, the Bank, hereby issues the Clean Note Policy. The Clean Note Policy enunciated therefore by the Bank, entails a spectrum of diverse currency management activities geared towards the efficient circulation of premium quality banknotes and withdrawal of unfit/soiled banknotes to guarantee public confidence and usage of the Naira banknotes as a medium of exchange. This policy is intended to be used by the public and major cash handlers such as DMBs, Micro Finance Banks, third party service providers, etc. The policy will however, remain open for future amendments in tandem with emerging currency management issues.

  
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## 1.0 Introduction

Section 2 of the CBN Act, 2007 vests the issuance of legal tender currency on the Central Bank of Nigeria (CBN). The task entails design (including security features), production, and distribution of newly printed notes and fit notes as well as replacement of unfit banknotes which are destroyed or older series withdrawn from circulation. The Bank also has responsibility to preserve the integrity of the Naira and thereby sustain public confidence in the legal tender currency. To attain these objectives, the quality of the Naira banknotes in circulation must be maintained in good condition to ensure that they could be processed by approved processing systems and freely accepted by the general public for payment and settlement of transactions.

As part of its statutory task for the issuance and management of legal tender currency in Nigeria, the CBN formulates and issues the Clean Note Policy. It ensures that Nigerian banknotes are of high quality, clean and are used with the highest confidence by the general public, retailers and other cash handlers. The Clean Note Policy requires that the production, issuance of new banknotes and recirculation by the DMBs as well as processing companies conform to the predetermined standards. Section 18 of the CBN Act 2007 imposes an obligation on the Bank to maintain the quality of banknotes issued.

The Clean Note Policy enunciated therefore, by the Bank, entails a spectrum of diverse currency management activities geared towards the efficient circulation of premium quality banknotes and withdrawal of unfit/soiled banknotes to guarantee public confidence and usage of the Naira banknotes as a medium of exchange.

In addition, in recent times, efforts are being made to devolve the retail currency management function of the CBN to the private sector while the Bank concentrates on the wholesale function. To achieve the Clean Note Policy in the context that the private sector plays a key role in sorting banknotes and adhere to all the guidelines and use of approved processing infrastructure, the Bank realizes the need to issue the Clean Note Policy encapsulated in a document.

The objective for the issuance of this handbook is therefore, to ensure compliance with cash management standards and practices.

## 2.0 Nigerian Currency Structure

The Nigerian Currency Structure comprises eight banknote and three coin denominations in circulation. They are the ₦1000, ₦500, ₦200, ₦100, ₦50, ₦20, ₦10 and ₦5 banknotes as well as ₦2, ₦1 and 50k coins.

The four (4) higher denomination banknotes are printed on paper, while the four (4) lower denominations are on polymer substrate. The obverse and reverse sides of the various banknotes are as shown below.

### Denominations (Obverse & Reverse)

#### OBVERSE

#### REVERSE

#### ₦1000



#### ₦500



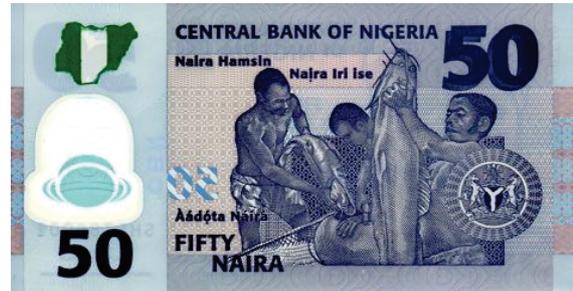
#### ₦200



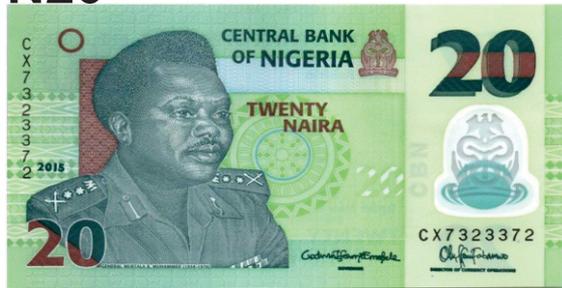
## ₦100



## ₦50



## ₦20



## ₦10



## ₦5



### 3.0 Production of New Banknotes

The Central Bank of Nigeria provides the quality specifications of the notes to be produced to the Nigerian Security Printing and Minting Plc or any other banknote printing company engaged for that purpose. The printers shall adhere strictly to the technical specifications and quality standard provided by the Bank. Such banknotes to be produced shall be subjected to the single note inspection process. The Bank shall monitor the production; conduct tests at each milestone (paper procurement, offset, intaglio printing, pre-shipment inspection for offshore sourcing etc.). Banknotes produced without conforming to the specifications and quality standard shall be rejected. The Bank shall conduct both manual and scientific evaluations of redesigned banknotes introduced into circulation after three months and for existing series at predetermined intervals to gauge the performance of the banknotes. The Bank shall also ensure the adequacy and availability of currency banknotes in the right denominational mix to meet public demand and maintain confidence in the national currency.

### 4.0 Deposit of Banknotes by DMBs and CPCs at CBN

In order to enhance the availability of clean notes and effect expeditious withdrawal of dirty notes from circulation, DMBs and CPCs making deposits at CBN, shall observe the procedure of classifying their cash deposits into two types:

- a. Fit notes (if depositing notes already sorted by registered processing companies to CBN).
- b. Unfit notes (mutilated notes should be classified differently).

The notes thus classified shall be packaged into designated boxes according to denomination and as denoted in a & b above.

An unfit banknote refers to a genuine banknote that is no longer fit for circulation in accordance with the quality standard set by the Central Bank of Nigeria. A banknote shall be considered unfit for recirculation when:

- a. It is badly soiled or there is a general distribution/localisation of dirt.
- b. It presents a limp/rag appearance due to excessive folding that results in the breakdown of the texture and structure of the note.
- c. It has added image or lettering marked on it.
- d. There is a hole that is more than 10 mm.

- e. Other defects detected by the approved processing systems.

A currency note shall be considered mutilated when:

- i. Torn parts of the banknote are re-joined with adhesive tape in a manner which tries to preserve as nearly as possible the original design and size of the note.
- ii. The original size of the note has been reduced/lost through wear/tear or has been damaged by fire, rodents, insects, chemicals, defaced or perforated through other causes.
- iii. It is scorched or burnt to such an extent that although recognisable as such, it has become frail and brittle as to render further handling impossible.
- iv. More than half of the original size of the banknote is missing.

The financial institutions and the general public are advised to refer to the Central Bank of Nigeria Banknote Fitness Guidelines to acquaint themselves on visual representation of unfit banknotes.

## **5.0 Re-Circulation of Banknotes by DMBs and CPCs**

To ensure that the banknotes in circulation are clean and of good quality, DMBs shall ensure that they process their banknotes using registered processing companies and classify them into fit and unfit. Any counterfeit notes discovered are to be returned to CBN. Only the banknotes which have been authenticated (i.e. verified free from counterfeit and unfit notes according to CBN standard) will be issued over the counter by banks or through their cash dispensing machines. Unfit banknotes shall not be re-circulated by DMBs and CPCs. However, a penal charge of ₦12,000 per box, or any amount determined by the Management of the Bank, shall apply for the deposit of unsorted banknotes. In addition, penalties as may be determined by the Bank, shall apply for the re-circulation of unfit banknotes.

There are machines that accept, count or sort banknotes automatically into fit, unfit, suspect or counterfeit. Only cash processing machines which have been duly configured, and approved by the Bank shall be used by CPCs.

The CBN shall set fitness standards/parameters for the processing machines by using test packs which may be changed periodically. The test packs shall serve as the reference notes and may be reviewed from time to time.

Against this background, the CBN on a regular basis shall monitor compliance as set therein.

## **6.0 Machines Eligible for Currency Processing in the Industry**

The following categories of machines must meet specified standards set by the Bank and be adaptable to the features of the existing banknotes and the basic parameters set by the CBN from time to time. The Bank shall ensure conformity to these standards.

- i Desktop sorting machines with authentication sensors.
- ii Banknote validators.
- iii Medium speed note sorters.
- iv High speed sorters.
- v Automated Teller Machines (ATMs).

The processing equipment would be adapted and confirmed by CBN to ensure uniformity and consistency with defined parameters.

## **7.0 Automated Teller Machines (ATMs)**

The Bank shall ensure that the Automated Teller Machines (ATMs) deployed by DMBs and other service providers are configured to dispense and accept only genuine banknotes in all denominations. The ATMs shall dispense notes that have been duly checked for authenticity and fitness according to the Bank's standard and operators whose ATMs contravene this provision shall be sanctioned in line with the existing guideline.

## **8.0 Counterfeit Notes Discovered**

All suspected counterfeits detected by DMBs, service providers, security agencies and the general public shall be forwarded to the nearest CBN Branch.

The CBN shall collate the counterfeits and analyze them to understand the most vulnerable security feature(s) and methods of counterfeiting.

Counterfeiting is a criminal offence and offenders shall be prosecuted in accordance with section 20(4) of the CBN Act 2007.

## 9.0 Mutilated Banknotes Management

A mutilated banknote refers to a poor quality banknote that requires a special examination to determine its value. The note could be partially/permanently damaged by fire, water, dye, insects, rodents, or destroyed by natural disasters. The Central Bank of Nigeria and deposit money banks (DMBs) shall continue to receive mutilated notes from the public. The procedures for the treatment of mutilated notes and the notes for exchange are as enshrined in the Central Bank Operational Manual for the Operation of Mutilated Notes (refer to [www.cbn.gov.ng](http://www.cbn.gov.ng)). The manual provides uniform guidelines for receiving, processing and replacement of mutilated notes in the Bank.

## 10.0 Abuse of the Naira

The Central Bank of Nigeria is poised to ensure the continuous circulation of banknotes that are of good quality. The DMBs, other financial institutions and the general public shall desist from the following acts which are injurious to the Naira:

- i Writing/Graffiti.
- ii Mutilating.
- iii Stapling the Naira.
- iv Tearing or making hole of any kind.
- v Spraying, soiling or matching.

Offenders shall be liable to a fine of fifty thousand Naira or six months imprisonment or both under the provision of Section 21 of the CBN Act, 2007.

## 11.0 Publicity Campaign

The Bank shall from time to time carry out public sensitization with the following objectives:

- a. Enlighten the public and other cash users on proper handling of the Naira banknotes.
- b. Promote and maintain public confidence in the legal tender currency.
- c. Stop the practice of recirculating dirty notes by DMBs as it contributes to the poor quality of notes in circulation.
- d. Educate the public on the basic security features of the banknotes so as to distinguish genuine notes from counterfeits.

- e. Underscore the importance of the currency as a symbol of national unity and heritage.
- f. Conduct training for security agencies and cash handlers using educational materials such as digital tools, instructional CD-ROM etc.
- g. Sustain the campaign against the abuse of the Naira.
- h. Establish mutual partnerships with the DMBs, cash handlers, security agencies and the public as stakeholders in currency management.

## **12.0 Conclusion**

The Clean Note Policy aims at ensuring that the banknotes in circulation are of high quality to guarantee public confidence in the Naira banknotes. This document will be periodically reviewed and updated by the Central Bank of Nigeria.

All enquiries on the Bank's Clean Note Policy should be channeled to the Director, Currency Operations Department, Central Bank of Nigeria, Abuja.

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