



CENTRAL BANK OF NIGERIA

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Circular to all deposit taking financial institutions and stakeholders in the financial services industry

EXPOSURE DRAFT GUIDELINES FOR THE MANAGEMENT OF DORMANT ACCOUNTS BY BANKS IN NIGERIA

In response to concerns expressed by bank account holders, regulators and other stakeholders as well as the need to set a standard for the treatment of dormant accounts by banks in Nigeria, the CBN forwards herewith the following Exposure Draft on the Management of Dormant Accounts for your information and comments.

The exposure draft can be accessed at the *Supervisory Policies and Guidelines* page on the Bank's website, www.cbn.gov.ng.

Kindly send hard copies of your comments to the Director, Financial Policy and Regulation Department while soft copies may be e-mailed to gudendeh@cbn.gov.ng and cponyekwe@cbn.gov.ng. Kindly ensure that your responses are received within three (3) weeks from the date of this letter, please.

Thank you.


KEVIN N. AMUGO

DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



**DRAFT GUIDELINES FOR THE MANAGEMENT OF
DORMANT ACCOUNTS BY BANKS IN NIGERIA**

1. Introduction

The absence of clear guidelines for the management of dormant accounts in Nigeria resulted in the disproportionate treatment of dormant account balances by deposit taking financial institutions, thus generating concern among bank account holders, regulators and other stakeholders. Representations received by the CBN from stakeholders on the subject highlight the need for the Bank to develop a regulatory framework for the management of dormant accounts in Nigeria for the benefit of banking system and the Nigerian economy.

It is in view of the above and the imperative to promote transparency in the financial system that the CBN hereby issues these guidelines to provide a standard for the treatment and management of dormant account balances in Nigeria.

The purpose of the policy is to curb possible abuse in the operation of dormant accounts, set operational standards for banks and other financial institutions in line with best practice and to reinforce the property rights as guaranteed in the 1999 Constitution of the Federal Republic of Nigeria (as amended).

2. Definition

A dormant account shall be a bank account that has no customer or depositor originated transaction within a specified period of six years after the last customer or depositor initiated transaction. However, such an account shall be recognized as inactive after the first 6 months of non-depositor or customer originated transaction in it.

For the purposes of these guidelines, inactivity in an account may give rise to two classifications:

- **Inactive Account:** A bank account is classified as inactive if there has been no customer or depositor-initiated transaction in it for a period of six (6) months after the last customer or depositor-initiated transaction;

- **Dormant Account:** A bank account shall be classified as dormant if there has been no customer or depositor initiated transaction in it for a period of six (6) years after the last customer or depositor-initiated transaction.

3. Objectives

The objectives of the new policy are, among others, to:

- Standardize the management of dormant accounts in Nigeria;
- Comply with international best practice;
- Ensure that dormant account funds are identified and channeled through appropriate institutions to make it more productive to the economy;
- Eliminate the possibility of banks converting dormant accounts balances to income;
- Strengthen risk management and internal control processes; and
- Engender a more effective liquidity management for banks, to encourage active liquidity planning.

4. TREATMENT OF DORMANT ACCOUNT BALANCES

In the light of the above, the following standards/guidelines shall apply to the operation of dormant accounts in Nigeria.

- a. Accounts shall retain their interest earning status during the period of dormancy in the bank.

- b. Deposit taking financial institutions shall continue to monitor accounts that

show tendencies of inactivity and where necessary, initiate actions for their activation or protection from wrong usage.

- c. Once dormant accounts exceed a six year period, they shall be reported to the CBN along with efforts made by the obligor bank to locate the owners or their personal representatives.
- d. Three months to the end of six years indicated in (3c) above, both the account holder and the next-of-kin shall be notified.
- e. Revalidation of inactive/dormant accounts shall not attract any charge to the account holder as the banks would have made ample use of the idle funds.
- f. Dormant account balances shall continue to be reflected in the books of banks as deposit liabilities until they are eventually withdrawn by the account holders or disposed of on their instructions.
- g. Dormant accounts balances shall, therefore, be regarded as deposits and shall be covered by Deposit Insurance.
- h. In the case of government-owned inactive/dormant accounts, banks shall notify the relevant government agency of their existence, with periodic returns of such notification sent to Banking Supervision Department. Banks are also required to turn over the funds to the concerned Treasury after 6 years of inactivity.
- i. Account opening forms shall include provision of next-of-kin, who shall be contacted at the point of declaring the accounts dormant.

j. The provisions of the guidelines shall take immediate effect.

5. Sanctions

Sanctions for contravention of the provisions of the Guidelines shall be imposed under Section 60 of the BOFIA (1991) as amended.

**FINANCIAL POLICY & REGULATION DEPARTMENT
CENTRAL BANK OF NIGERIA
ABUJA**

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