



CENTRAL BANK OF NIGERIA

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FPR/DIR/CIR/GEN/O5/013

October 7, 2015

**CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS
GUIDELINES ON THE MANAGEMENT OF DORMANT ACCOUNTS AND OTHER
UNCLAIMED FUNDS BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA**

Further to the Exposure Draft on the "Guidelines for the Management of Dormant Accounts" dated February 16, 2015, the CBN after reviewing and incorporating comments from various stakeholders, issues the following "Guidelines on the Management of Dormant Accounts and Other Unclaimed Funds by Banks and Other Financial Institutions in Nigeria".

Templates for the rendition of Quarterly Returns to Banking Supervision Department or Other Financial Institutions Supervision Department of the CBN, as appropriate, may be downloaded here: www.cbn.gov.ng/QDAR.xlsx

A handwritten signature in blue ink, appearing to read 'Kevin N. Amugo', written over a horizontal line.

KEVIN N. AMUGO

DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



**GUIDELINES ON THE MANAGEMENT OF DORMANT
ACCOUNTS AND OTHER UNCLAIMED FUNDS BY
BANKS AND OTHER FINANCIAL INSTITUTIONS IN
NIGERIA**

1. INTRODUCTION

The absence of clear guidelines for the management of dormant accounts in Nigeria resulted in different treatments of dormant account balances by deposit taking financial institutions, thus raising concerns among bank account holders, regulators and other stakeholders. Representations received by the CBN from stakeholders on the subject highlighted the need for the Bank to develop a regulatory framework on the management of dormant and inactive accounts as well as other unclaimed funds in Nigeria for the benefit of the banking system.

The essence of the Guidelines is to curb possible abuses in the operation of dormant and inactive accounts, set operational standards for banks and OFIs in line with best practices and to reinforce the rights of depositors and/or customers.

2. OBJECTIVES

The objectives of the Guidelines, among others, are to:

- Standardize the management of dormant accounts in Nigeria;
- Conform to international best practice;
- Eliminate the possibility of banks converting dormant accounts' balances to income; and
- Strengthen risk management and internal control processes.

3. DEFINITION

The Guidelines adopts the following definitions:

- a. **Inactive Account:** An account shall become inactive if there has been no customer or depositor-initiated transaction for a period of **six months** after the last customer or depositor initiated transaction. During the inactive period, the bank shall elevate controls on the account in line with its precautionary policies, which may include surveillance procedures and second level authorization. Also, the

customer shall not be required to provide any documentation to activate the account. Simple deposit or withdrawal shall suffice to activate the account.

- b. **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 one (1) year** after the last customer or depositor-initiated transaction. When the account becomes dormant, the bank shall institute controls consistent with its precautionary policies, including surveillance procedures and second level authorization. To make such account active, the customer is to provide satisfactory evidence of account ownership, means of identification and present place of residence.
- c. **Unclaimed funds** shall be categorized as:
 - i. Proceeds of stale local and/or foreign currency drafts not yet presented for payment by beneficiaries.
 - ii. Funds received from a correspondent bank without sufficient details as to the rightful beneficiary and/or a recall of funds made to the remitting bank to which the Nigerian bank's account had not been debited; and
 - iii. A judgment debt for which the judgment creditor has not claimed the amount of judgment award.

Customer or depositor-initiated transactions include cash deposits, withdrawals and transfers to or from the account.

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. Interest-bearing accounts shall retain their interest earning status during the period of dormancy.
- b. Deposit taking financial institutions shall continue to monitor accounts that show tendencies of inactivity and initiate actions for their reactivation or protection from wrong usage. Such actions shall include, though not limited to, any of the following: SMS, e-mail, visitation, and/or phone calls. In all cases, the cost of monitoring the accounts and contacting the customers shall be borne by the bank.
- c. Once accounts become dormant, they shall be reported quarterly to Banking Supervision or Other Financial Institutions Supervision Department of the CBN, as the case may be, along with efforts made by the obligor bank to locate the owners or their personal representatives. Such returns shall be rendered in the format of the Dormant Accounts Reporting Template attached hereto.
- d. In line with the requirements of the Uniform Account Opening Forms policy, every customer shall provide a next of kin when opening an account.
- e. Three months to dormancy, the bank shall notify the account holder of the status of the account. For individual accounts that the bank cannot reach the account holder during the three (3) months period, it shall contact the next-of-kin to assist in locating the account holder(s). This will be done within one month after the account has been declared dormant. (For corporate accounts the bank shall contact the directors of the entity or seek information from the Corporate Affairs Commission on the Directors).

- f. Henceforth, revalidation of inactive/dormant accounts shall not attract any cost to the account holder (as the banks would have made ample use of the idle funds).
- g. 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.
- h. Dormant accounts balances shall be covered by Deposit Insurance Scheme.
- i. Banks that have, in the last five (5) years from the date of these Guidelines, appropriated credit balances in dormant accounts to income are to reclassify such accounts to deposits not later than six (6) months from the effective date of the Guidelines.
- j. Notwithstanding the provisions of section (i) above, banks shall retain the records of all dormant accounts irrespective of the number of years of dormancy of the accounts, and shall reactivate such accounts upon request by the bona fide account holder or his/her legitimate representatives.

5. TREATMENT OF UNCLAIMED FUNDS

- a. Where any unclaimed funds remain outstanding in the books of the bank beyond six (6) months, the bank shall pool all such funds into a suspense account. The bank shall warehouse the funds until the beneficiary shows up or the corresponding bank debits its account; and
- b. Any other legally payable fund shall with the prior approval of the CBN be

considered "unclaimed" if it has been in the possession of the bank for a period of six months after becoming due and no claim has been made by the owner of the fund. Such fund shall similarly be moved into a suspense account.

6. LIMITATIONS/SCOPE OF THE GUIDELINES

The following categories of accounts are excluded from the Guidelines:

- a. Savings accounts: Provided that such accounts are not 'hybrid accounts', which have features of both current and savings accounts. Banks are, however, expected to institute controls consistent with their internal policies when a savings account becomes inactive to prevent such accounts from being used for fraudulent purposes.
- b. Government-owned accounts.
- c. All individual accounts that are subject of litigation and/or fraud. Individual accounts include sole trader, partnership, trust account, solicitor client account, etc.

7. Sanctions

Sanctions for contravention of the provisions of the Guidelines shall be imposed on quarterly basis under Section 60 of the BOFIA as amended.

The Guidelines shall take effect from October 7, 2015.

**FINANCIAL POLICY & REGULATION DEPARTMENT
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ABUJA**

OCTOBER 7, 2015