

FINANCE UPDATE

**HIGHLIGHTS OF THE
CIRCULARS ISSUED IN
THE FINANCE INDUSTRY
IN APRIL 2023**



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Dear Esteemed Client,

Introduction

The Central Bank of Nigeria (CBN) issued a circular in April 2023 containing information and guidelines for the banking Industry. We hope that you find the information useful in your operations. The circular provides the information discussed below:

- **FPR/DIR/GEN/CIR/001/071 GUIDELINES ON THE MANAGEMENT OF DORMANT ACCOUNTS, UNCLAIMED BALANCES, AND OTHER FINANCIAL ASSETS IN BANKS AND OTHER FINANCIAL ASSETS IN BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA- EXPOSURE DRAFT**



This Guideline is an exposure draft for the Management of Dormant Accounts and Other Unclaimed Balances by Banks and Other Financial Institutions in Nigeria. The guideline aims to curb abuses in the operation of dormant and inactive accounts.

BACKGROUND

In Nigeria, it is customary for Banks and Other Financial Institutions to keep accounts that customers have not used for a certain period of time rendering such accounts dormant. This

leaves the banks with the responsibility of maintaining the accounts; leading to the buildup of substantial unclaimed amounts at the financial institutions' disposal. Additionally, dormant and unclaimed balances are susceptible to being utilized fraudulently.

To prevent abuses in the management of dormant and inactive accounts and to establish operational standards, the Central Bank of Nigeria (CBN) had issued Guidelines on the



Management of Dormant Accounts and Other Unclaimed Balances by Banks and Other Financial Institutions in Nigeria on October 7, 2015. The Banks and Other Financial Institutions Act, 2020 (BOFIA) also includes clear provisions on unclaimed monies or abandoned property in Financial Institutions by granting monitoring powers to the CBN on the management of dormant and unclaimed balances.

SUMMARY

This present Guideline supersedes the 2015 Guidelines on the Management of Dormant Accounts and Other Unclaimed Balances by Banks and Other Financial Institutions, which is issued as an exposure draft by the powers granted to the CBN Governor by the CBN Act 2007 and BOFIA 2020. The guideline categorizes accounts regarded as dormant accounts with unclaimed account balances that have remained with the Financial Institutions for a period of 10 years and beyond. The said accounts include;

- ***Current, Savings***
- ***Term deposits in local currency***
- ***Domiciliary accounts***
- ***Deposits towards the purchase of shares and Mutual Investments***
- ***Prepaid card accounts and wallets***
- ***Proceeds of uncleared and unrepresented financial instruments belonging to***

customers or non-customers of Financial Institutions

- ***Unclaimed salaries and wages, commissions, and bonuses***
- ***Proceeds of stale local and/or foreign currency drafts not presented for payment by beneficiaries***
- ***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***
- ***A judgment debt for which the judgment creditor has not claimed the amount of judgment award***
- ***Any other deposits or financial assets that may be designated by CBN.***

However, dormant accounts with unclaimed balances that are government-owned accounts and accounts which are subject matter to litigation or accounts under investigation by law enforcement, and accounts that have liens or collaterals are exempted from the application of the guidelines.

Under this new Guideline, the CBN will exercise control over unclaimed funds by maintaining an account designated to warehouse unclaimed balances in eligible accounts. The account is named “**Unclaimed Balances Trust Fund Pool**”



Account” (UBTF Pool Account). This account will be managed by a committee set up by the CBN to oversee the management of the UBTF Pool Account. The committee will also issue regulations, guidelines and circulars on the administration of dormant/unclaimed balances and financial assets in FIs; monitor and enforce compliance with this guidelines; manage the funds in line with the provisions of BOFIA 2020; publish the owners of unclaimed sums that have been transferred to the "UBTF Pool Account" on its website each year; publish the process for retrieving money from storage and other financial assets on its website; and give a yearly notification allowing the public to review information about outstanding unclaimed balances held in its possession which is to be published in three national daily newspapers .

While the CBN is to carry out the above stated functions, the Banks and Financial Institutions are required to do the following amongst others;

- Develop systems that will ensure that they keep in contact with account holders to limit the incidence of dormant accounts with unclaimed balances. If the accounts are dormant, they are also required to protect those accounts from unauthorized usage;
- Keep track of the steps taken and attempts made periodically to contact customers with dormant accounts;

- Inform consumers in writing to update their accounts when their names, addresses, phone numbers, emails, or next-of-kin have changed, and in the case of corporate entities; changes to directors, authorized signatories, company addresses, etc.;
- Provide quarterly reports on dormant accounts to the Banking Supervision Department and Other Financial Institutions Supervision Department of the CBN, in a prescribed format to Banking Supervision Department and Other Financial Institutions Supervision Department, CBN;
- Immediately notify account owners in writing through the agreed-upon medium, such as email, text message, and letter, when an account becomes inactive or dormant.

Banks and Financial Institutions are also to render quarterly reports on dormant accounts to the Banking Supervision Department and Other Financial Institutions Supervision Department of the CBN, notify account owners in writing, reactivate dormant accounts upon request, continue to reflect dormant account balances as deposit liabilities, maintain a register for funds transferred to CBN for reclaim and audit trail, publish details of all dormant accounts, publish the list of dormant accounts holders in at least two national daily newspapers, display a notice on the process of reclaim of unclaimed balances and other financial assets transferred to CBN, transfer unclaimed balances in all eligible accounts in the same currency in which the account is maintained, transfer unclaimed balances quarterly, and retain all records of communication on the management of dormant accounts for a minimum of ten (10) years.

The Guidelines also make provision for dispute resolution. It provides amongst other things that the resolution of disputes is the responsibility of Financial Institutions. Consumer complaints must first be lodged with Financial Institutions for resolution and redress. The guidelines provides

that the resolution and redress of complaints must be concluded not later than fifteen (15) working days failing which the customer's complaint will be eligible for escalation to the Consumer Protection Department of the CBN.

Further, in the management of the UBTF Pool Account. The CBN is required to maintain records of beneficiaries, invest the funds in Nigerian Treasury Bills (NTBs) and other securities as approved by the Unclaimed Balances Management Committee, and refund unclaimed funds to beneficiaries within 10 days from the date of receipt of the request and in cases where there is a need to extend the timeframe inform the Financial Institution.

CONCLUSION

The management of unclaimed balances by the CBN is a prudent way to manage funds. Under these new guidelines, CBN may have the authority to invest unclaimed funds, but the question of whether the depositor gets the benefit of claiming the interest accrued on the funds will generate some debate. This issue may be addressed through the introduction of regulation.

For more information on the circular, please refer [here](#)

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