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INTRODUCTION ■



EXPOSURE DRAFT OF THE GUIDELINES ON THE MANAGEMENT OF DORMANT ACCOUNTS, UNCLAIMED BALANCES AND OTHER FINANCIAL ASSETS IN BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

Financial Institutions (FIs) in Nigeria hold deposit accounts and other financial liabilities in their books, which have no customer-induced activity over a prolonged period, thereby rendering such accounts dormant. The continuous maintenance of such accounts has undoubtedly resulted to the accumulation of unclaimed balances at the disposal of FIs, for which the depositors may not be adequately compensated. Further to this, it has been noted that dormant accounts and unclaimed balances are increasingly susceptible to fraudulent transactions or abuse.

In furtherance of the above, the Central Bank of Nigeria (CBN) by a circular dated 6th April 2023 issued an exposure draft, “Guidelines on the Management of Dormant Accounts, Unclaimed Balances and Other Financial Assets in Banks and Other Financial Institutions” (the “Guidelines”).

It is pertinent to note that the Guidelines were issued pursuant to the powers conferred on the CBN Governor, by the CBN Act 2007 and BOFIA 2020 and supersedes the 2015 Guidelines on the Management of Dormant Accounts and Other Unclaimed Balances by Banks and Other Financial Institutions in Nigeria.



The aim of the Guidelines is to set standards for the management of the dormant accounts and unclaimed balances in financial institutions in Nigeria.

Objectives

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

- a. Identify dormant accounts/unclaimed balances with a view to returning same to the beneficial owners.
- b. Hold the funds in trust for the beneficial owners.
- c. Standardize the management of dormant accounts/unclaimed balances and financial assets.
- d. Establish a standard procedure for reclaiming warehoused funds.

Eligibility under the Guidelines

Only dormant account balances that have remained with the FIs for a period of 10 years and beyond are eligible. Under the Guidelines, eligible dormant accounts/unclaimed balances and other financial assets shall include current, savings and 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 FIs, unclaimed salaries and wages, commissions, and bonuses, proceeds of stale local and/or foreign currency drafts not presented for payment by beneficiaries, judgment debt for which the judgment creditor has not claimed the amount of the judgment award.

Roles and Responsibilities of Stakeholders under the Guidelines

The Guidelines have clearly delineated the roles and responsibilities of key stakeholders.

Central Bank of Nigeria (CBN)

The Guidelines mandates CBN to open and maintain an account specifically for the purpose of warehousing unclaimed balances in eligible accounts. The account shall be called "Unclaimed Balances Trust Fund Pool Account" (UBTF). Amongst other duties, CBN shall:

- Establish a management committee to oversee the operation of the 'UBTF Pool Account.
- Issue regulations, guidelines, and circulars on the administration of dormant/unclaimed balances and financial assets in FIs.
- Monitor and enforce compliance with this Guidelines.
- Establish standard procedures for reclaim of warehoused funds.
- Publish annually on its website, the list of owners of unclaimed balances that have been transferred to the 'UBTF Pool Accounts'.

Financial Institutions (FIs)

FIs amongst other responsibilities shall:

- Monitor inactive accounts and notify the customers and protect such accounts from unauthorized usage. FIs are expected to establish procedures that would ensure continuous contact with customers, in order



to reduce the prevalence of inactive/dormant accounts.

- Maintain records of procedures and periodic efforts to contact customers whose accounts become inactive.
- Advise customers, in writing, on the need to communicate any change of their name, address, phone number, email address, and next of-kin.
- Render quarterly reports on dormant accounts in a prescribed format to the Banking Supervision Department and the Other Financial Institutions Supervision Department, both of the CBN.
- Notify account owners in writing via agreed medium such as email, text message, and letter, as soon as an account becomes inactive/dormant.
- Transfer unclaimed balances of all eligible accounts, in the same currency in which the account is maintained, to the 'UBTF Pool Account' domiciled at the CBN.
- Retain all records of communication on the management of dormant accounts for a minimum of ten (10) years.

Account Holders and Beneficiaries of Other Financial Assets

Account holders and beneficiaries of other Financial Assets shall:

- Inform FIs of any change in their names, addresses, phone numbers, emails, next-of-kin; and in the case of corporate entities, any change regarding their directors, authorized signatories, business

addresses and any other customer update.

- Submit an application for the reclaim of balances to FIs; and
- Provide appropriate information and proof of ownership for the reclaim of balances transferred to CBN.

Management of Dormant Account

The Guidelines requires FIs to:

- i. Formulate policies for the recognition and management of dormant accounts and financial assets, which are consistent with the Guidelines.
- ii. Maintain a register of dormant account balances.
- iii. Establish effective controls to ensure surveillance and second level authorization on reactivation of dormant accounts.
- iv. Transfer balances which have remained in the dormant account register for up to ten years, to the 'UBTF Pool Account' domiciled with the CBN.
- v. Require customers seeking to reactivate dormant accounts to provide evidence of account ownership, valid means of identification, evidence of present place of residence, and affidavit on the accuracy of the information to reactivate the account.

Management of Unclaimed Balances

The Guidelines places obligations on the CBN for the treatment of unclaimed balances (dormant accounts and financial assets). The

CBN, shall:

- i. Open and maintain the Unclaimed Balances Trust Fund Pool Account (UBTF).
- ii. Maintain records of the beneficiaries of the funds transferred to the account.
- iii. Invest the funds in Nigerian treasury bills and other securities, as approved by the Unclaimed Balances Management Committee.
- iv. Pay reclaimed funds to the beneficiaries not later than 10 working days from the receipt of a request.
- v. Where an extension is necessitated, notify the financial institution of such extension, stating the attendant reasons.

Compliance

The Guidelines places responsibility on the Heads of Compliance of Financial Institutions to ensure compliance with the Guidelines.

Monitoring and Enforcement

The CBN shall be responsible for monitoring and enforcing compliance by FIs with the Guidelines through off-site surveillance, as well as on-site routine and target examinations.

Dispute Resolution

The resolution of disputes under the Guidelines shall be the responsibility of FIs. Consumer complaints shall, in the first instance, be lodged with FIs for resolution and redress.

The resolution and redress of complaints shall be conducted no later than fifteen (15) work days. The customer's complaint will be eligible for escalation to the Consumer Protection Department, CBN where a complaint is not resolved within fifteen work days from the date of receipt or where the customer is dissatisfied with the decision of the FI.

Sanctions

The following sanctions shall apply in the event of a breach of the Guidelines:

- i. A contravention of any provision of the Guidelines shall attract a penalty of not less than N2,000,000.00 (Two Million Naira).
- ii. Failure to comply with CBN's directive in respect of any infraction shall attract a further penalty of N200,000.00 (Two Hundred Thousand Naira) daily until the directive is complied with or as may be determined by CBN.



Key Contacts

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