

BANKS AND OTHER FINANCIAL INSTITUTIONS ACT

(AMENDMENT) BILL, 2016

ARRANGEMENT OF CLAUSES

Clauses:

1. Amendment of the Principal Act
2. Treatment of Inactive and Dormant Accounts
3. Treatment of Unclaimed funds
4. Establishment of Deposit Fund and its management
5. Accounts exempted
6. Penalty
7. Interpretation
8. Citation

A BILL

FOR

AN ACT TO AMEND THE BANKS AND OTHER FINANCIAL INSTITUTIONS ACT
CAP. B3 LAWS OF THE FEDERATION OF NIGERIA; 2004, TO AMONG OTHER
THINGS ESTABLISH A DEPOSIT FUND AT THE CENTRAL BANK FOR
STANDARDIZATION AND MANAGEMENT OF DORMANT ACCOUNTS SO AS TO
CONFORM TO INTERNATIONAL BEST PRACTICE AND ELIMINATE THE
POSSIBILITY OF BANKS CONVERTING DORMANT ACCOUNTS BALANCES INTO
INCOME AND TO STRENGTHEN RISK MANAGEMENT AND INTERNAL CONTROL
PROCESSES AND FOR RELATED MATTERS

Sponsored by Hon. Garba Ibrahim Mohammed

[] Commencement

ENACTED by the National Assembly of the Federal Republic of
Nigeria as follows:

- | | | |
|----|---|---|
| 1 | 1. The Banks and other Financial Institutions Act Cap. B 3, Laws | Amendment of
the Principal Act |
| 2 | of the Federation of Nigeria (in this Bill referred to as "the Principal Act") is | |
| 3 | amended as set out in this Bill. | |
| 4 | 2. The Principal Act is amended by inserting after the existing | |
| 5 | Section 23 new Clauses "24", "25", "26" and "27": | |
| 6 | "24.(1) Where an account becomes inactive or dormant the | Treatment of
inactive and
dormant account |
| 7 | operating bank or deposit taking financial institutions shall: | |
| 8 | (a) ensure that interest bearing accounts retain the interest earning | |
| 9 | status during the period of dormancy; | |
| 10 | (b) continue to monitor such account by initiating actions for its | |
| 11 | reactivation and protection from wrong usage through: | |
| 12 | (i) making SMS, phone call or email to the account holder; | |
| 13 | (ii) visiting the last known address of the account holder to intimate | |
| 14 | him on the situation of his account of which the expenses shall be borne by | |
| 15 | the bank; and | |

1 (c) report quarterly in a prescribed form to Banking Supervision or
2 other Financial Institutions Supervision Department of the Central Bank as the
3 case may be, together with efforts made to locate the owners or their personal
4 representative."

5 (2) Every Bank shall three months to dormancy notify the account
6 holder of the status of his account:

7 (a) Where the account is an individual account and the Bank is unable
8 to reach the account holder, the bank shall within one month after declaring the
9 account dormant contact the next of kin to assist in locating the account holder;
10 and

11 (b) Where the account is a corporate accounts the bank shall contact
12 the directors of the company in there last known address or seek information
13 from the Corporate Affairs Commission in the event of change of address.

14 (3) No bank shall charge fee for revalidation of inactive or dormant
15 accounts.

16 (4) Every bank shall ensure that dormant account:

17 (a) continue to be reflected in the books of banks as deposit liabilities
18 until the account holder eventually withdrawn his deposit or the money is
19 disposed of on his instruction; and

20 (b) is covered by Deposit Insurance Scheme.

21 (5) Notwithstanding the provisions of any law, every bank:

22 (a) that has appropriated credit balances in dormant accounts as
23 income shall reclassify such accounts to deposit not later than six (6) months
24 from the date of the coming into effect of this bill;

25 (b) shall retain the record of all dormant accounts irrespective of the
26 number of years; and

27 (c) shall reactivate such accounts upon request by the holder or his
28 legitimate representative."

Treatment of
Unclaimed Fund

29 3. "25 (1) Where any unclaimed funds remain outstanding in the
30 books of the bank beyond six (6) months, the bank shall:

1 (a) pool all such funds into a suspense account; and

2 (b) warehouse the funds until the beneficiary shows up or the
3 corresponding bank debits its account.

4 (2) Any other legally payable fund shall:

5 (a) with the prior approval of the Central Bank of Nigeria be
6 considered "Unclaimed" if it has been in the possession of the bank for a
7 period of six months after becoming due and no claim has been made by the
8 owner; and

9 (b) be moved into a suspense account."

10 4. "26 (1) There is establish a Fund to be known as Depositor Fund
11 (in this Bill referred to as "the Fund").

Establishment of
Depositor Fund
and its management

12 (2) The Governor of the Central Bank shall established for the
13 Fund, a Management Committee which shall be headed by an Officer not
14 below the rank of a Director.

15 (3) Every Bank shall transfer the credit balance in the deposit
16 account with the details of the depositor which have not been operated or
17 any amount remaining unclaimed with interest accrued after the expiration
18 of five years to the Fund established in this Bill.

19 (4) The fund realized shall be channeled toward productive areas of
20 the economy and thereby serve as a revolving fund.

21 (5) Where after the transfer of the fund by the Depositors Bank to
22 the Fund, any Customer or Legal heir who make claim to the money, the
23 depositor or such customer shall:

24 (a) approach the bank branch in which the account was opened and
25 submit application for amount of unclaimed deposit along with details of
26 deposit passbook, valid ID or any other documentary proof; and

27 (b) approach the bank branch in which the money was initially
28 lodged and submit application for the unclaimed sum along with the details
29 of the transferor, valid ID or any other means of proof.

30 (6) At the time of submission of claims the original documents

1 shall be produced for the purpose of verification at the bank.

2 (7) Upon satisfaction of the claim by the bank, the customer or
3 depositor shall be paid the amount claimed together with interest if applicable
4 and such bank shall lodge a claim for refund from the Fund for an equivalent
5 amount paid.

6 (8) The Fund shall upon received of proof of payment by the bank
7 make refund within 48 hours.

Accounts
exempted

8 5. "27" (1) The following categories of accounts are excluded from
9 the operation of this Bill:

10 (a) Savings Accounts which have no feature of both current and
11 savings account;

12 (b) Government owned accounts; and

13 (c) Individual accounts that are subject of litigation.

14 (2) Every Bank shall institute controls mechanism consistent with the
15 internal banking policies when a savings account becomes inactive to prevent
16 such accounts from being used for fraudulent purposes".

Penalty

17 6. Any Bank or Person who contravene the provisions of this Bill
18 shall be sanctioned in accordance with the provision of Section 60 of the Banks
19 and other Financial Institution Act, Cap. B 3 Laws of the Federation of Nigeria.

Interpretation

20 7. In this Bill:

21 "Dormant account" means an account that has been no customer or depositor
22 initiated transaction in it for a period of one year after the last customer or
23 depositor initiated transaction;

24 "Fund" means Deposit Fund established under this Bill;

25 "Inactive account" means an account that there has been no customer or
26 depositor initiated transaction for a period of six months after the last customer
27 or depositor initiated transaction;

28 "Unclaimed funds" includes proceeds of local or foreign currency drafts not
29 yet presented for payment by the beneficiaries or funds received from a
30 correspondent bank without sufficient details as to the rightful beneficiary or a

1 judgement debt for which the judgement creditor has not claimed the
2 amount of judgement award;

3 8. This Bill may be cited as Banks and other Financial Institution Citation
4 Act (Amendment) Bill, 2016.

EXPLANATORY MEMORANDUM

This Bill seeks to amend the Banks and other Financial Institutions Act Cap. B3 Laws of the Federation of Nigeria; 2004, to among other things establish a Deposit Fund at the Central Bank for standardization and management of dormant accounts so as to conform to international best practice and eliminate the possibility of banks converting dormant accounts balances into income and to strengthen risk management and internal control processes.

