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**BSD/DIR/GEN/LAB/08/016**

March 31, 2015

**LETTER TO ALL BANKS**

**NEED TO IMPLEMENT MEASURES TO DISSUADE THE ISSUANCE OF DUD CHEQUES IN THE NIGERIAN BANKING SYSTEM.**

The Central Bank of Nigeria (CBN) has noted with great concern the impunity with which some customers of banks issue dud cheques on their accounts despite the provisions of the Dishonoured (Dud) Cheques Act of 1977 and CBN's recent directives to banks' customers to desist from such practice.

In order to sustain the positive achievements already recorded in the Nigerian Payment System, it is essential that confidence and integrity in our negotiable instruments, especially cheques, should be restored and enhanced.

Consequently, it has therefore become imperative for the CBN to implement further measures to dissuade the issuance of dud cheques to the barest minimum.

Therefore, in furtherance to our directives via our letters dated **5th July 2013** and May 13, 2014 reference no. **FPR/DIR/CIR/GEN/03 /005** and **BSD/DIR/GEN/LAB/07/012** respectively, the CBN has put in place additional regulatory measures against dud cheque issuers. Upon CBN's compilation and dissemination of information on serial issuers of dud cheques based on bank' returns, banks would be required to;

1. Recall/cancel all unused cheque books issued to serial issuers of dud cheques.
2. Bar the affected customers from use of the clearing system for a period of five (5) years.
3. Forward the names of Dud Cheque offenders to the three Private Credit Bureaux and the Credit Risk Management System (CRMS). The customers' names would be listed on the database of the private credit bureaux and CRMS for a period of five (5) years from the date of submission, after which offenders will be eligible for removal. However, if the offender is found wanting after the name is removed, such an offender shall be permanently reinstated in the data base of both the three (3) Credit Bureaux and the CRMS.

4. Bar the serial issuers of dud cheques from accessing credit facilities from the banking system for a period of five (5) years. No institution shall, **EXCEPT** with the prior written approval of the CBN, remove such a person's name from the three Credit Bureaux and the Credit Risk Management System (CRMS).
5. Perform status check on a potential customer from CRMS and at least two Credit Bureaux **BEFORE** on-boarding a customer.
6. Where an Institution fails to report a serial dud cheque issuer in its return to the CBN CRMS and Private Credit Bureaux as required, it shall be considered as concealment and misrepresentation of material fact and the affected institution shall be penalized in accordance with the relevant provisions of the Banks and Other Financial Institutions Act, LFN 2004 CAP B3 (BOFIA). In addition, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Compliance Officer (CCO) and Chief Risk Officer (CRO) shall be liable to sanctions in line with the relevant provisions of the BOFIA. Any Institution that contravenes the above directives shall be appropriately sanctioned.

The measures are effective from the 1<sup>st</sup> of April 2015.

Yours faithfully,

**TOKUNBO MARTINS (MRS)**  
**DIRECTOR OF BANKING SUPERVISION**