



5<sup>th</sup> July, 2013

## CENTRAL BANK OF NIGERIA

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**FPR/DIR/CIR/GEN/03/005**

**RE: CIRCULAR TO BANKS AND OTHER FINANCIAL INSTITUTIONS ON DUD/DISHONORED CHEQUES**

Further to our letter dated 24th August, 2012 referenced FPR/DIR/BOF/CON/01/037, requesting for monthly rendition of returns on dud/dishonored cheques, the CBN wishes to observe that over **167,507** dud cheques with a total value of **N166 billion** were processed by deposit money banks from January 2012 to December 2012. The Bank has also observed that the enormous volume of dishonored cheques in the financial sector has shown no sign of abating.

The implication of this development is the low confidence generated in the use of financial instruments which adversely affects the CBN's "Cash-Lite" policy aimed at reducing the volume of cash-based transactions and businesses in Nigeria. The CBN wishes to note that the over-indulgence of cash in our economy tends to increase the cost of banking services, raise the incidence of crime and facilitate money laundering by obliterating the audit trail. It is on this note that the Bank, in liaison with financial institutions and law enforcement agencies, has taken appropriate steps to stem the tide of dud cheques issuance as it will adversely affect the stability of the financial system, if left unchecked.

Financial institutions are, therefore, requested to ensure that prospective customers (at the point of account opening) and existing customers pledge not to issue cheques against unfunded accounts. By way of enforcement, financial institutions are required to monitor cheque transactions in their customers' accounts in order to identify those customers that have issued **cheques against unfunded accounts on three (3) instances** with effect from the date on this letter, and render monthly report vide the **attached format on same** to the Director, Financial Policy and Regulation Department, CBN accordingly. They should also report on the affected customers' profile, transaction history and attach copies of both the front and back of the financial instruments used.

Customers of financial institutions should be informed that henceforth, the CBN, in order to check this malaise in the banking sector will forward the account details of erring customers to the Economic and Financial Crimes Commission (EFCC) for further investigation and prosecution.

Y. B. DUNIYA

FOR: ACTING DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

