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LETTER TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

EXPOSURE DRAFT OF THE PROPOSED FRAMEWORK ON WATCH-LIST FOR THE NIGERIAN BANKING SYSTEM

The Central Bank of Nigeria (CBN) in collaboration with the Nigeria Inter Bank Settlement System (NIBSS) has come up with the attached draft Framework on local Watch-list for the Nigerian banking system in order to address the increasing incidence of fraud/forges and other unethical practices with a view to engendering the needed public confidence that will ensure a safe and sound financial system.

The Watch-list is a database of bank customers identified by their Bank Verification Number (BVNs) who have been involved in confirmed fraudulent activities. The database will be hosted by NIBSS. In this regard, the attached draft framework has been developed to provide guideline for the operation of the Watch-List to manage fraud in the system.

In view of the above, we hereby attach the exposure draft of the proposed framework for your review, comments and inputs.

Kindly send hard copies of your comments to the Director, Banking Supervision Department while soft copies should be e-mailed to sjubril-adeniji@cbn.gov.ng and labdulrahman@cbn.gov.ng within two (2) weeks from the date of this letter. We will therefore, appreciate your comments, observations and input to enable us finalize this document.

Yours faithfully,

TOKUNBO MARTINS (MRS)
DIRECTOR OF BANKING SUPERVISION

PROPOSED FRAMEWORK ON WATCH-LIST FOR THE NIGERIAN BANKING SYSTEM

1. Introduction

As part of our effort towards ensuring financial stability, the Central Bank of Nigeria (CBN) in collaboration with the Bankers Committee is putting in place a Framework on Watch-list for the Nigeria Banking system in order to address the increasing incidence of fraudsters and other unethical practices with a view to engendering public confidence in the financial system.

The development of this framework is to provide guideline for the operation of the Watch-List to manage fraud in the Banking System. The Watch-list is a database of bank customers identified by their BVNs who have been involved in confirmed fraudulent activities.

2. Objectives

The objective of the watch-list is to have a database of individuals who have been involved in fraudulent transactions to guide banks in their financial operations.

This framework outlines the process/operations of the watch-list.

3.0 Scope

The framework would cover amongst others the following:

3.1 Watch-list Categorization

The reporting institution shall use the table below to classify fraudulent transactions.

S/N	Description	Category	Amount
1	Forgery, compromise, complicity, fraudulent duplicate enrolment etc. Any fraudulent infraction without monetary amount involved.	0	0
2	Confirmed successful and unsuccessful fraud attempts within the amount range	1	N1 - N250,000.00
3	Confirmed successful and unsuccessful fraud attempts within the amount range	2	N250,001.00 - N1,000,000.00
4	Confirmed successful and unsuccessful fraud attempts within the amount range	3	N1,000,001.00 - N50,000,000.00
5	Confirmed successful and unsuccessful	4	N50,000,001.00 and above

	fraud attempts within the amount range		
6	Reintroduction of the individual earlier delisted from the watch-listed	5	Enlisting of individual earlier delisted
7	Individual committed fraud and is at large	99	Wanted Fraudulent Individual

3.2 Stakeholders

Watch-list stakeholders include

- I. CBN
- II. Bankers Committee
- III. Banks/Other Financial Institutions
- IV. NIBSS
- V. Law Enforcement Agencies
- VI. Bank Customers

3.3 Responsibilities

CBN

- I. Issue a regulatory circular to Banks on the operation of the watch-list
- II. Review framework for the operation of the watch-list as need arises
- III. Stipulate appropriate sanctions for non-compliance

Banks

- I. Render returns to NIBSS on individuals involved in confirmed fraudulent activities.
- II. Delisting of individuals from the watch-list using the watch-list report duly endorsed by the MD/CEO of the bank to delist individuals/entities after obtaining clearance from Law Enforcement Agencies
- III. Integrating the banking system to the watch list database, for online identification/verification of watch-listed individuals as transactions occur.
- IV. Enforcing the appropriate sanctions on customers as stipulated by CBN
- V. Banks to update the terms and conditions of account opening package with the following clause for new accounts and communicate the update to existing customers;

“If a potential fraud is found in the operation of your account or you are reported, you agree that we have the right to apply restrictions to your account and report to appropriate law enforcement agencies”

NIBSS

NIBSS shall maintain the Watch-list database on behalf of stakeholders and shall be responsible for the following:

- I. Use the watch-list report submitted by banks to add reported fraudulent individuals to the watch-list database.

- II. Use the watch-list report submitted by banks duly endorsed by the MD/CEO of the bank with the clearance from Law Enforcement Agency to delist individual from the watch-list database.
- III. Provide banks with a portal for the verification of watch-list individuals indicating the categories of fraud
- IV. Provide Application Programme Interface (API) for banks to integrate their systems to the watch-list database for online verification of watch-listed individual at transaction time
- V. Keep audit trail of all user activities on the watch-list database to be able to determine the addition of an earlier delisted individual from the database
- VI. NIBSS shall put in place a Service Level Agreement (SLA) with relevant stakeholders

Law Enforcement Agencies

All stakeholders shall cooperate fully with relevant law enforcement agents during the course of investigations.

I. A formal clearance shall be required from relevant law enforcement agency before an individual can be delisted from the watch-list.

3.4 Delisting from the watch list

All aggrieved individuals listed in the watch-list shall go to the appropriate institution(s) to obtain formal request for delisting.

Only a bank that placed an individual on the watch-list can request for delisting it.

3.5 Penalties

- i. Penalties shall apply for any breach of the SLA.
- ii. Severe penalty will be applied on any bank that fails to enlist an individual/entity confirmed to be involved in any fraudulent activity.
- iii. Where a bank suffers a loss because of the failure of a bank to enlist an individual/entity confirmed to be involved in fraudulent activity, the defaulting bank should bear the loss.
- iv. Holders of accounts in the watch-list shall be prohibited from all e-channel and non-personal transactions (such as ATM, Internet Banking, Mobile Banking, etc.) including issuance of third-party cheques. Holders must visit bank branches to transact.
- v. BVN of individual who have committed fraud and are wanted by the bank should be placed in a category (99) that is not allowed to conduct banking transaction in any bank (Post no debit on all accounts linked to the BVN) to force the individual to return to the bank that put them on the watch-list.

3.6 Delisting Options

- I. Where a bank receives clearance certificate from the Law Enforcement Agency to delist a watch-listed individual and the bank is convinced that the individual is culpable; the bank may seek redress in a court of law.
- II. Where a bank realise that an individual was placed on the watch list in error, the bank should immediately notify NIBSS in a letter signed by the MD/CEO and the Chief Audit Executive. NIBSS shall effect the delisting within one business day of receiving the duly signed letter.
- II. A written apology shall be forwarded to an individual/entity that had been erroneously placed on the watch-list in addition to delisting