

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Nigeria Deposit Insurance Corporation (NDIC)

1.1.2 Organization Address:

NDIC House, 447/448 Constitution Avenue, Central Business District, Abuja, Nigeria

1.1.3 Organization Telephone No:

+234 9 6287710 -21

1.1.4 Organization Fax No:

+234 9 6286007

1.1.5 Organization Internet Address:

www.ndic-ng.com

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Dr. J. A. Afolabi

1.2.2 Contact Person(s) Address:

Research Department, Nigeria Deposit Insurance Corporation, NDIC House, 447/448 Constitution Avenue, Central Business District, Abuja, Nigeria

1.2.3 Contact Person(s) Telephone:

+234 9 6171032, +234 9 4201032 & +234 9 6285703

1.2.4 Contact Person(s) Fax:

+234 9 6286007

1.2.5 Contact Person(s) E-mail address:

jadeafolabi@yahoo.com; afolabija@ndic-ng.com

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

NO. NDIC is the only agency that is statutorily authorized to carry out deposit insurance business in Nigeria

1.3 Please provide information on other participants in your financial system

safety-net:

1.3.1 Name of Central Bank:

Central Bank of Nigeria (CBN)

1.3.2 Central Bank Address:

Central Bank of Nigeria, Corporate Head Office, Central Business District, Abuja, Nigeria.

1.3.3 Central Bank Telephone:

+234 9 61638707 - 68762

1.3.4 Central Bank Fax:

+234 9 61638763

1.3.5 Central Bank Internet Address:

www.cenbank.org

1.3.6 Central Bank Contact Person:

C. N. O. Mordi, Director, Research Department

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Central Bank of Nigeria for all financial institutions except Securities outfits; insurance companies; and pension fund administrators and custodians. Nigeria Deposit Insurance Corporation for all Universal Banks and other deposit-taking financial institutions. The CBN and NDIC jointly share the responsibility of supervising Universal banks and other non-bank deposit - taking financial institutions. The National Insurance Commission (NAICOM) regulates and supervises the insurance sub-sector. The Securities and Exchange Commission (SEC) regulates and supervises the capital market sub-sector while the National Pension Commission (PENCOM) regulates and supervises all Pension Fund Administrators and Custodians.

1.4.2 Financial Supervisor Address:

CBN and NDIC addresses are as given above. The address of NAICOM is Shipper's Plaza, Micheal Okpara Street, Wuse Zone 5, Abuja, Nigeria. The address of SEC is Tower 421, Constitution Avenue, Central Business District, Abuja, Nigeria. PENCOM's address is 174, Adetokunbo Ademola Crescent, Wuse II, Abuja, Nigeria

1.4.3 Financial Supervisor Telephone:

NDIC & CBN Telephone Nos are as given above. NAICOM Phone No. is +234 9 6288268 -69 & SEC's is +234 9 2346272 - 75. PENCOM's Phone Nos are +234 9 4138736 - 40

1.4.4 Financial Supervisor Fax:

NDIC and CBN Fax Nos are as given above. SEC's Fax No. is +234 9 2346276; NAICOM's Fax No. is +234 9 6282270 & PENCOM's Fax No is +234 9 4138741

1.4.5 Financial Supervisor Internet Address and contact:

NDIC & CBN internet addresses are as given above. SEC's is www.sec.gov.ng; NAICOM's is www.naicomonline.org; and PENCOM's is www.pencom.gov.ng

1.5 Other related entities:

1.5.1 Other Related Entities Name:

Federal Ministry of Finance (FMF) & Corporate Affairs Commission (CAC).

1.5.2 Other Related Entities Address:

Federal Ministry of Finance Central Area, Abuja Nigeria, Corporate Affairs Commission, Plot 565, Ndola Square, Off Micheal Okpara Street, Wuse Zone 5, Abuja, Nigeria

1.5.3 Other Related Entities Telephone:

FMF's Phone Nos. are +234 9 2343787 & +234 9 6725545; CAC's Phone Nos. are + 234 9 5241046 - 50

1.5.4 Other Related Entities Fax:

FMF's Fax No is +234 9 2340293.

1.5.5 Other Related Entities Internet Address:

CAC's: www.cac.gov.ng

Section 2: Objectives, Mandates & Powers

2.1.1 When and why was the DIS established (please provide details)?

The NDIC was created by Act No. 22 of 1988 but commenced operation in 1989. The rationale for establishing the NDIC included the following: 1. Change in Government support policy following the implementation of the Structural Adjustment Programme (SAP) introduced in 1986 which made the deregulation of the financial services industry a pillar of the reform programme. Government decided to change its support policy from that of protecting the banks' shareholders (as banks were protected from going under even when all indices indicated that they should have been closed) to that of protecting depositors. 2. To avoid the repeat of bitter experiences of bank failures in the late 1940s to early 1950s which brought untold hardship on the depositors of the failed banks as there were neither formal nor informal mechanisms of protecting them at that time. 3. Lessons of benefits of explicit DIS from other countries with such systems. 4. To further protect depositors from the ensuing keen competition after many banks' licences were granted following the liberalization of bank licences in the late 1980s. (The number of banks rose from 48 in 1988 to 120 by the end of 1990.) It was envisaged that many of the banks could fail and depositors, particularly the small ones, should be protected.

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The public policy objectives of the DIS in Nigeria are: 1. To protect depositors, especially the small ones, in the event of bank failure; and 2. To contribute to financial system stability which is considered primary for the success of the SAP. The mandate of the DIS being executed by the NDIC are: 1. Deposit guarantee. NDIC guarantees the payment of deposits up to a specified amount to a depositor in the event of failure of an insured financial institution. 2. Banking supervision. The Corporation supervises banks so as to protect depositors, foster monetary stability; promote an effective and efficient payment system; promote competition and innovation in the banking system; and have timely information on insured financial institutions for efficiency and effectiveness in the discharge of its mandate. 3. Failure resolution to ensure that failing insured institutions are resolved in a timely and efficient manner. 4. Liquidation. The Bank liquidation option is always adopted by the Corporation, in collaboration with the CBN, for banks that fail to respond to failure resolution measures.

2.1.3 What process was used to determine these objectives in your country?

The objectives and mandate were determined through a special study conducted at the design stage of the DIS.

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation

Established by Act No. 22 of 1988 and replaced by Act No. 16 of 2006.

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

Yes

Through amendment of the enabling Law which has to go through the National Assembly and assented to by the President of the Federal Republic of Nigeria.

2.1.6 What sort of system do you have?

Government legislated and administered

2.1.7 Who makes decisions to pay depositor claims?

DIS

NDIC makes decisions on payment of depositors.

2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

Yes

2.3.2 Set regulations or by-laws for conduct of its business

Yes

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

Yes

2.4.2 Authority to terminate the insured status of a member institution

Yes

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

NDIC has supervisory powers and exercises the powers through on-site and off-site supervision of member institutions jointly with the CBN.

2.5.3 Use various methods of reimbursing depositors claims

Yes

Pay depositors directly by its staff or through agent banks.

2.6 Funding

2.6.1 How funding is provided

Yes

2.6.2 Terms and conditions of premiums or levies

Yes

2.6.3 Borrowing authorities and limits

Yes

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

NDIC has supervisory powers and therefore has access to information directly from member institutions.

2.7.2 Access to information through supervisory authorities

Yes

Both CBN and NDIC are supervisors and both have direct information on all member institutions.

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

2.8.2 Ability to set standards or guidelines for member institutions

Yes

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

Yes

This is however effected through the CBN

2.8.4 Authority to cancel deposit insurance of a member institution

Yes

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

Yes

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

Yes

2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).

Yes

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

Yes

2.10 Authority to:

2.10.1 Undertake formal liquidation

Yes

2.10.2 Purchase and assumption (sale and merger)

Yes

2.10.3 Open assistance (bridge bank)

Yes

2.10.4 Other forms of failure resolution

NDIC has powers to carry out arranged mergers between a failing institution and a healthy one.

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

Yes

2.11.2 Ability to act as a liquidator

Yes

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Yes

NDIC's enabling law established it as a separate entity from other agencies of government.

3.1.2 What is the form of governance used by the DIS organization?

Board of Directors

NDIC has a Board of Directors at the apex of its governance structure.|null|null|null|null|

3.1.3 How is the governing body selected?

Members of the Board are appointed by the President of the Federal Republic of Nigeria subject to the Confirmation of the Senate (The Upper Chamber of the nation's Legislature)

3.1.4 What is the composition of the governing body?

The Chairman; The Managing Director; Two Executive Directors; A Representative of the Central Bank of Nigeria; A Representative of the Federal Ministry of Finance; and Six other members. In all, the Board is composed of 12 members with only the Managing Director and the two Executive Directors in full time executive position. All other members, including the Chairman are on a part - time basis.

3.1.5 What are the duties and responsibilities of the governing body?

The duties of the Board are as follows: a)to superintend over the affairs of the Corporation; b)to be responsible for the overall policy and administration of the Corporation; c)to act in the name of the Corporation; d)to acquire offices and other premises for the use of the Corporation; e)to make, alter and revoke rules and regulations for carrying on the business of the Corporation under this Act; f)to appoint officers who in the opinion of the Board are required for carrying out the functions of the Corporation including the examination of insured institutions; g)to fix terms and conditions of service including remuneration of the employees of the Corporation; h)to advise the Central Bank of Nigeria on the need to close a failed insured institution from its record of insured institutions; i)to assume with the prior concurrence of the Central Bank of Nigeria, the management of a failing insured institution; j)with the concurrence of the Central Bank of Nigeria, serve a notice of removal from office on any officer or director who has violated any of the laws, rules or regulations of the Corporation or has engaged in an unsound practice that may lead to dissipation of assets or financial loss to his insured institution; k)to perform the functions of a liquidator or receiver for all failed insured institutions; l)to extend from time to time the period within which a depositor is required under this Act to file his claim for the payment of insured deposit in a failed insured institution; m)to prosecute any officer of an insured institution who has violated any of the provisions of this Act; and n)to do such other things and enter into such other transactions which in the opinion of the Board are reasonably incidental, supplementary or conducive to the exercise of the powers and performance of the Corporation's functions.

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

No

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

No

A Representative of the Central Bank of Nigeria is only on the Board of the NDIC but not part of Management.

3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?

No

The Representative of the Central Bank of Nigeria is only on the Board of the NDIC but not part of Management.

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

No

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

No

3.1.11 Please provide a breakdown of the management structure of the DIS

The Management of the NDIC is headed by the Managing Director and he is assisted by the 2 Executive Directors. The administration of the NDIC is structured into 3 Divisions, namely: Managing Director's (MD's) Office; Operations Division ; and Corporate Services Division. The MD's Office has the following Departments /Units: Internal Audit Department, Strategy Development Department, Legal Department, Risk Management Unit & Communication and Public Affairs Unit. The following Departments/Units are in Operation's Division: Bank Examination Department, Insurance and Surveillance Department, Claims Resolution Department, Asset Management Department, Special insured Institutions Department and Research Department. In Corporate Services Division, there are Finance Department, Information Technology Department, Human Resources Department, Administration Unit and Performance Performance

Management Unit.

3.1.12 Do you have an internal control and audit systems

Yes

The Internal Control and Audit systems are being coordinated by the Internal Audit Department which reports directly to the MD.

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

No

The Director and Officers of the NDIC are legally protected for their actions taken in good faith.

3.1.14 Is there an advisory committee to the DIS?

No

3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?

Yes

NDIC has had course to take legal actions against directors and officers of some failed banks who were believed to have contributed to the failure of their banks. It has also taken legal actions against some Directors and officers of some healthy banks who are believed to have acted in ways and manners that put depositors fund in jeopardy. Some of such Directors and Officers include their Managing Directors and Senior Officers.

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Annual Reports,Audited Financial Statements,Corporate Business Plan,Other Reporting Requirements
null|null|null|null|

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

628 Full-time staff; 178 contract staff (these are staff of the closed banks who are retained to assist the NDIC in its closing and liquidation activities).

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Yes

All the NDIC full-time staff are dedicated employees.

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

Fundamentals of DIS; Problem Bank Resolution, Deposit Insurance Pricing, Bank supervision, Financial Statement Analysis and Management Principles and practice.

4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)

Yes

Financial Training Centre & Central Bank of Nigeria (Nigeria) and FDIC & FED (USA) FSA (Britain)

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

4

Compensation is aligned with the banking industry's average which has proved to be largely sufficient in attracting and retaining skilled staff.

4.1.6 Are confidentiality provisions for employees provided for?

Yes

Staff take oath of secrecy on engagement

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

Yes

Provision in that regard exists in the enabling law

4.1.8 What percentage of the budget is spent on training and development and information technology?

17.38%

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

5.1.1 Who performs examinations of DIS member institutions?

Central Bank

The NDIC and CBN both perform examination of DIS member institutions but it is not a case of needless overlap of responsibilities.

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

The current approach to the examination of member institutions in Nigeria is transaction and compliance based and the process involves the following steps: 1. Review of the background information on the member institution to be examined; 2. Drawing up of a programme of action by the lead examiner and assigning responsibilities to team members; 3. Informing the Board and Management of institution to be examined of the impending examination commencement date, records and books required, coverage and duration; 4. Holding preliminary discussion with Management of the institution to be examined regarding the scope of the exercise in terms of the number of branches to be visited, asset and liability coverage and expectations; 5. Fieldwork commences at both the Head office and some selected branches (where relevant) covering the following: a. Corporate Governance b. Board & Management c. Inspection and Audit d. Personnel and staff matters e. Accounting system and Internal control f. Foreign exchange inflow and outflow g. Information Technology General control review h. Asset Quality and Credit Administration i. Liquidity and funds Management j. Earnings and Profitability Analysis k. Compliance with relevant laws and regulations l. Contraventions 6. Holding of an exit discussion with the Top management to acquaint them of the preliminary findings and seek for comments and further clarifications on any contentious issue. 7. Preparation and issuance of examination report to the Board and Management of the concerned institution for their review and corrective action based on the findings Attempts are on to transit to risk-based supervision (RBS) which assesses the efficacy of a bank's ability to identify, measure, monitor and control risks. The RBS also aims at designing a customized supervisory programme for each bank and focuses more attention on banks that are considered to have potentially high systemic impact.

5.1.3 What information is collected from member institutions for the DIS and other parties?

Deposit Liability (level and structure); Risk and Non-risk assets of DIS member institutions; Non-performing loans; Earnings and profitability indicators; Loss provisioning; Number of branches; Shareholders fund; Shareholders' structure; Off- balance sheet engagements.

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.

The CBN and NDIC jointly share the responsibility of on-site and off-site examination of DIS member institutions. However, in order to avoid duplication of efforts and/or role-conflict, the two institutions engage in consultations. In particular, the two institutions meet at the beginning of every year to agree on bank examination programme. This arrangement has guaranteed that a bank is examined once a year. At the end of each examination by any of the institutions, the examination report is sent to the other institution. Banks examined by an institution in a year are allocated to the other institution in the following year to minimize over-familiarity with employees of examined institutions as well as promote peer review mechanism. Also, given that the licensed banks in Nigeria are universal banks engaging in money, capital and insurance markets' activities under the supervisory purview of different regulatory authorities, the need for co-operation amongst the regulatory agencies is imperative. The Financial Services Regulation Coordinating Committee (FSRCC) with the CBN Governor as Chairman was therefore, established. Other members of the committee are the Chief Executive Officers of the NDIC; the Securities and Exchange Commission, the main regulatory body for the capital market; the National Insurance Commission, regulatory agency for Insurance business; the Corporate Affairs Commission, (the registrar of companies); and a representative of the Federal Ministry of Finance. The specific objectives of the Committee are to: i)co-ordinate the supervision of financial institutions especially conglomerates; ii)minimize arbitrage opportunities usually created by differing regulations and supervision standards among supervisory authorities in the economy; iii)deliberate on problems experienced by any member in its relationship with any financial institution; iv)eliminate any information gap encountered by any regulatory agency in its relationship with any group of financial institutions; v)articulate the strategies for the promotion of safe, sound and efficient practices by financial intermediaries; and vi)deliberate on such other issues as may be specified from time to time. In order to facilitate access to prudential information, a Memorandum of Understanding (MOU) was executed by all the members of the FSRCC. The MOU contains safeguards for confidentiality of information.

5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.

5.2.1 accessibility

5

5.2.2 timeliness

4

5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Yes

The relevant Laws governing bank regulation in the country have provided consistent definition/classification of problem institutions across authorities. In addition, there is in existence the Contingency Planning Framework for Bank Systemic Crisis that has established definitions/classification of problem institutions across authorities. The framework has also established thresholds for intervention by the different authorities.

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

Consult

The CBN and other regulators are usually consulted when policy regarding DIS and Financial sector is developed or amended. |null|null|

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

Yes

5.2.6 How often do you contact other DIS?

Regularly

As often as there is the need for a new policy or amendment of the existing one.

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

Yes

Through formal communication and existing Joint Committees on Supervision by the CBN and NDIC

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

Universal banks; Primary mortgage institutions; and Microfinance banks.

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.

No

All deposit-taking financial institutions are statutorily required to be members

6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

Yes

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

NDIC is the only agency that is statutorily authorised to carry out the business of deposit insurance, hence no other organisations are involved in membership process.

6.1.6 Are deposit-taking institutions required to re-apply for membership after a

certain period of time?

Yes

Any member institution that has its DIS coverage status withdrawn can re-apply for membership after it would have satisfactorily addressed the problems that has led to its withdrawal in the first instance.

6.1.7 How many member institutions do you have?

24 Universal banks; 84 Primary mortgage institutions; 534 Micro finance banks; In all, there are 642 members as at December 2007.

6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

Universal banks As At Dec 2007: Assets 10, 850.964 Billion Naira (Nigerian currency), [92.743 Billion US\$ (1US\$ = 117 Naira)] Deposit 7,745.242 Billion Naira (Nigerian currency), [66.199 Billion US\$ (1US\$ = 117 Naira)] Insured Deposit 1,166.573 Billion Naira (Nigerian currency) [9.971 Billion US\$ (1US\$ = 117 Naira)] No complete figures yet for PMIs and Microfinance banks

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

Yes (please explain)

Deposit is defined in the Bank and Other Financial Institutions Act of 1991 (as amended) as: money lodged with an institution whether or not for the purpose of any interest or dividend and whether or not such money is repayable upon demand or upon a given period of notice or upon a fixed date. Insurable deposit is defined in the NDIC Act No 16 of 2006 as: all deposits of a licensed bank or any other financial institution with the exception of deposits of directors and staff of the bank, counter-claim deposits and inter-bank deposits. Insured deposits for universal banks are deposits held in the same right of 200,000 Naira and below; while it is 100,000 Naira and below for deposits in PMIs and Micro finance banks.

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Certificates of deposit, Foreign currency deposits

null|null|null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

For Universal Banks, it is 200,000 Naira (or 1,709 US\$); For PMIs and Micro-finance banks it is 100,000 Naira (or 854.50 US\$)

7.1.5 How was this figures arrived at?

Through a survey of the deposit level and structure of the two categories of DIS member institutions.

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

There is no limit to the length of contract term for eligible financial instruments covered by the DIS

7.1.7 What types of depositors are not eligible for coverage in your DIS?

Officers and directors of member institutions, Other

null|(Insiders)|null|null|(Banks as Corporate depositors).|

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

No

7.1.11 Is the public widely aware of the presence of coinsurance?

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.

No

Such expectation does not exist.

7.1.14 How is a decision made on the insurance eligibility of new financial products?

For any new financial instrument to qualify for eligible deposits for DIS coverage, the ownership must be easily determinable, nature and purpose must be identifiable without any difficulty and the significance of holdings of such instruments relative to total deposits should be reasonably high.

7.1.15 When member institutions merge how are insured deposits treated?

When member institutions merge, insured deposits of depositors are calculated thus: all deposits in the same right and capacity are aggregated and those falling within the range of 200,000 Naira and below for Universal banks are regarded as insured deposits and those falling between the range of 100,000 Naira and below for PMIs and Micro-finance banks are regarded as insured deposits for the depositors in those institutions.

7.2 Does your country offer the following?

7.2.1 Islamic banking

No

In the process though

7.2.2 Islamic deposit insurance

No

In the process though

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

Ex-ante (defined as the accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution).

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Premium assessment

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

The NDIC adopted Flat-rate approach up to 2006 and it transited to differential premium assessment system in 2007 for universal banks. For other non-bank deposit-taking financial institutions, the NDIC still adopts flat rate approach.

8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.

For non-bank deposit-taking financial institutions, the premium rate is 50 basis points. For universal banks, the premium rate ranges between 50 to 80 basis points depending on the individual bank's risk exposure to the DIF.

8.1.5 How often is the premium assessed?

The premium is assessed once a year.

8.1.6 Is the premium assessed on total deposits, insured deposits or something else?

Total deposits

Total deposits less insider deposits, counter-claim deposits and inter-bank placements.

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

Yes

8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

For the applicable premium rates for universal banks, the basic rate for the least risky member institution is 50 basis points. Add-ons of a maximum of 30 basis points, based on violations of prudential stipulations of both quantitative factors (like capital adequacy ratio, asset quality and liquidity ratio, with differing weights) and qualitative factors (poor internal control, Late rendition of returns, financial mis-reporting, poor risk management system, non-implementation of examiner's recommendations), are applied to the basic rate depending on the extent of each bank's violation of the prudential stipulations.

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

No (Skip the next question)

8.1.10 How is the optimum level (i.e. target) of the fund determined?

8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

The NDIC's investment of its DIF policy emphasizes the need to maximize investment return without compromising safety and liquidity objectives, hence all investments are in government debt instruments. The specific objectives of the NDIC's investment policy are to: 1. Provide liquidity for its deposit insurance responsibilities and meet normal operating needs. The provision of an adequate liquidity profile will be informed by potential, anticipated or contingent insurance payouts and conditions operating in the financial markets. To this end, all investments held by the Corporation should be readily realizable or convertible to cash. 2. Preserve capital and maximize investment returns by adopting a conservative investment policy. This requires that all investments be of very high quality, in terms of the ability of the investee to meet its obligations to the Corporation and the arrangements which are in place to protect the Corporation as investor. 3. Minimize overall risk by portfolio diversification. 4. Ensure expeditious investment of all

residual cash without threatening the safety and liquidity objectives. In that regard, the investment policy aims at ensuring that no residual fund meant for investment remains idle. 5. Periodically measure its investment performance against acceptable bench-marks.

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

Government funding, Access to private markets

Borrowing from the Central Bank of Nigeria. [NDIC has power to access fund from the private markets and shall be guaranteed by the Central Bank of Nigeria.]null

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

Yes

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

Procedure for reimbursing depositors by NDIC involves the following: a. Deposit accounts owned by the same depositor, in the same right and capacity, and in the same bank, are added together to arrive at insured claims by individual depositors; b. Depositors are required to file claims and submit all relevant documents relating to the accounts; c. Verification of depositors' claims are carried out to authenticate account ownership and balance; d. payment of insured deposit is effected either directly by the NDIC or through agent banks after the affected depositors would have properly identified themselves.

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

Yes

1. Completion of proof of deposit; 2. Submission of documents relating to the account(s); Verification and validation of account balances(s)

9.1.3 When is the DIS obligated to reimburse insured depositors?

When a bank licence (charter) has been withdrawn by the licensing Authority (CBN).

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

Yes

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

Yes

NDIC is required by its enabling law to effect reimbursement of insured depositors within 90 days of bank closure.

9.1.6 What methods of payment can be used and under what circumstances are they used?

1. Direct payment by the NDIC where the failed bank is a small one and where there are multiple bank

failures that warrant direct and immediate reimbursement in order to sustain public confidence in the banking system. 2. Payment through agent banks where the bank involved has wide branch-network and the adoption of direct payment is considered not to be cost effective.

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Yes

Through the legal framework

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

1. Mandate Files that contain: a. Specimen signature b. Refrees' forms c. Certificate of incorporation in the case of corporate individuals d. Deposit register 2. Saving Account Schedule 3. Current Account Schedule 4. Time Deposit Register & Certificate of Deposit 5. Other specific deposits

9.1.9 When is the DIS given access to an institutions financial and depositor records?

NDIC has supervisory powers hence, it has access to an insured institution's financial and deposite records as and when required.

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

No

Not yet but being considered

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

No

Except arrears of interest not captured before closure date.

9.1.12 What information is communicated to depositors regarding the reimbursement process?

To come with proof of deposit ownership such as: 1. Passbook for savings accounts holders 2. Cheque book for or cheque leaves for current account holders 3. Certificate of deposit for time deposits 4. Any other evidence like Tellers, Account Statements, Correspondences, etc.

9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

Depositors records including account balances are kept in the custody of the Claims Resolution Department and Information Technology Department only and staff of the departments or any staff for that matter are barred from divulging any information concerning a depositor to a third party without a prior formal permission of the affected depositor.

9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?

1. Depositors file claim and supply all supporting documents 2. Verification of documents with bank's documents. 3. Validation of insured and uninsured balances 4. Payment of insured claims either directly or through agent banks

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

1. Securing and restricting access to data room 2. Verification and validation of account balances by comparing information contained in the documents supplied by depositors with bank's documents.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Yes

Through its annual and quarterly publications as well as in books on the activities of the NDIC.

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

The NDIC uses a tailor-made computer package called Financial Institutions Liquidation Management System (FILMS) to facilitate its reimbursement process.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

1. The existence of the DIS 2. The benefits and beneficiaries of the DIS 3. The stakeholders (including the participating institutions) of the DIS 4. Eligible members 5. Funding and its sources 6. Terms and conditions for membership 7. The obligations of the stakeholders 8. The coverage limit 9. Eligible deposits 10. Procedure and process for depositor reimbursement 11. The activities, achievements and challenges of the DIS 12. The financial position of the DIS 13. Limitations of DIS

10.1.2 Who is responsible for communicating information about the DIS to the general public?

DIS

The primary responsibility for communicating information about the DIS to the general public is that of the DIS Agency. |null|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

Yes

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Brochures, Use of Official Sign to display insured status, Website

Brochures in the form of various publications of the NDIC. Such publications include Annual Reports, Books and Journal. |Use of official sign to display insured status entails the use of NDIC logo which is displayed at the entrances of member institutions' branches|null|www.ndic-ng.com|null|

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

Information about individual member problems are not disclosed to the public until there is intervention in the form of change of Management, take-over of control and management and revocation of operating licence (charter).

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

The result indicated low public awareness.

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Yes

Through Jingles in local languages, advertorials, granting of public interviews by the Managing Director at

least once a year, organisation of annual depositor awareness week (including press briefing), organisation of annual workshop for journalists on the benefits and limitations of the DIS and wide distribution of the NDIC publications both on a quarterly and annual basis as well as granting requests of students of tertiary institutions for study visits.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

Both oral and written approaches are being employed: The Publications are meant for elites and the objective is to sensitize them about the benefits and limitations of the DIS. For logo display at the entrances of member institutions, the objective is to indicate to depositors that their depository institution is insured and that payment of deposit is guaranteed. For jingles in local languages, the audience is small/unsophisticated depositors and the objective is to ensure that depositors who have money in closed banks know that their money is not lost as a result of the existence of the DIS as well as provide direction on how, where and when to obtain their claims. For the annual journalist workshop, the audience is the financial correspondents and their editors, with the objective of making them to report accurately on the activities of the NDIC. In the main, the overall objective is to enhance the knowledge of the general public on the obligations of the DIS agency, the stakeholders' obligations under the DIS, the benefits/beneficiaries of the DIS as well as the limitations of the scheme.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

Yes

This is done through Insurance and Surveillance Department and Bank Examination Department

11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?

Yes

NDIC is statutorily empowered to examine the books of member institutions.

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?

Yes

NDIC receives information directly from member institutions arising from its statutory powers to supervise and obtain any information/data/statistics from member institutions. Such information include level and structure of assets; level and structure of deposits and other liabilities; level of insurable and insured deposits, earnings and profitability indicators, quality of risk assets; level of provisioning, insider credits, Board and Management structure, risk management framework, minutes of Board and Board Committee meetings, level of fraud and forgeries, number and location of member branches.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

The risk assessment approach is the composite bank rating system using the following parameters: Capital adequacy; Asset quality; Earnings and profitability; Liquidity and fund management; and Management competence. Relevant information/data and statistics on the parameters are obtained through on-site examination and off-site surveillance of member institutions.

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

Actions taken only by DIS Agency: 1. Provision of Financial assistance to illiquid but solvent member

institutions; 2. Change of Management; 3. Take-over of Control and Management; 4. Bank restructuring; 5. Liquidation; and 6. Payment of claims. Coordination occurs with the Central Bank of Nigeria in the following cases: 1. Change of Management; 2. Take-over of Control and Management; 3. Imposition of cease and de-sist orders (holding actions); 4. Restructuring of problem member institutions; 5. Establishment of bridge bank (if used as failure resolution measure)

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

Yes

12.1.2 Who determines whether a member institution has failed or is insolvent?

The Central Bank of Nigeria (CBN).

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

1. Not regular in premium payment 2. Not conducting its affairs in safe and sound manner 3. Not complying with laid down rules, laws and regulations including its own internal policies.

12.1.4 How is the failure/non viability of a member institution determined?

The failure of an institution is determined using the provisions of the relevant laws and the Contingency Planning Framework which have established thresholds for taking a position on the health of the institution. In particular, an institution is considered failed when its Capital Adequacy Ratio is equal or less than 2%. This is arrived at through on-site and Off-site examination and analysis of the institution's books and records.

12.1.5 How many member institutions have failed in your country in the last 20 years?

49 Member institutions

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

Yes

12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?

Yes

NDIC serves as both the receiver and liquidator of failed member institutions

12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.

12.2.1 Formal liquidation

Yes

12.2.2 Purchase and assumption (sale and merger)

Yes

12.2.3 Open bank assistance (e.g. recapitalization)

Yes

12.2.4 Bridge banks and other interim solutions

Yes

Yet to be adopted but NDIC is statutorily empowered to adopt it

12.2.5 What criteria are used to determine the method of failure resolution?

1. Impact on public confidence; 2. Impact on banking services; 3. Cost to the NDIC

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Yes

Not the primary consideration

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

1. Accounting and Auditing Firms; 2. Estate Surveyors; 3. Lawyers; 4. Debt Recovery Institutions; 5. Auctioneers

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

Debt recovery drive, Evaluation and sale of estate, payment of liquidation dividends to bonafied claimants.

13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?

Maximization of nominal and present value recoveries so as to ensure maximum payment to bonafied claimants thereby enhancing confidence in the financial system and contributing to the system's stability.

13.1.3 What role does the private sector play in the claims, recovery process?

1. Using estate valuers to advise on the appropriate value of real estate; 2. Using private solicitors to represent the Corporation in court cases relating to assets of the closed bank; 3. Using Debt recovery agents to recover outstanding debts of the bank-in-liquidation 4. Using agent banks to pay liquidation dividends to bonafied claimants. 4. Engaging Accounting and Auditing Firms to audit books and records in respect of liquidation activities of the NDIC.

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

1. Moral suasion 2. Interest-waiver on loans to facilitate re-payment 3. Engaging the services of debt recovery agents 4. Engaging the services of professional valuers to get current market value for real estate 5. Filing suits for recovery from difficult debtors.

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

The DIS is judged with respect to performing its function in claims and recoveries by the standard and requirements of the Nigerian Companies and Allied Matters Act CAMA No. 1 of 1990. In addition, the books and records of its function in claims and recoveries are subject to audit by independent professional auditors. The NDIC performance in its claims and resolution function has been rated high.

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

1. Risk assets (loans) of banks-in-liquidation Reasons: 1. Some loans were fraudulently granted 2. Lack of complete documentation 3. Non-perfection of collateral documents. 4. Unwillingness to re-pay loans by some debtors 5. Weak enforcement of property rights 6. Long and cumbersome judicial process Strategies: 1. Moral suasion 2. Interest-waiver; 3. Close liaison with law enforcement agencies. 4. Organising training for judicial officers.

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)

Yes

13.1.9 Are rights of set-off available or imposed in your countrys legal system? Please describe the various forms set-off can take.

Yes

For depositors with liability with the bank, the NDIC is empowered to take away the liability from the deposit account balance before reimbursing the depositor if need be.

Section 14: Other Issues

14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

1. Cross-border issues as many of Nigerian banks now open branches and/or subsidiaries in foreign countries while some foreign banks also have their subsidiaries in Nigeria. It has implications for the appropriate level of DIS Coverage, DIF risk exposure, inter-agency collaboration and cooperation; as well as public awareness issues. 2. Introduction of Islamic Banking as some conventional banks have opened windows for islamic banking and the imminent establishment of a full-fledged islamic bank in the country. It has implications for the modality of DIS features to apply for these institutions as well as for capacity building for its insurance and supervisory functions. 3. Bank Consolidation programme has expanded the scope and scale of operations of banks currently operating in Nigeria. This has added new dimensions of risks to their operations. Given the size of these institutions, the issue of too-big-to-fail has become more relevant for the DIS than hitherto. The risk exposure to the DIF given the changing structure of liabilities of these emerging banks vis-a-vis the size of the DIF is another area of concern for the DIS. 4. The development of new financial deposit-like products by the emerging banks has implications for DIS scope of coverage. 5. There is increased competition amongst the banks in the country which could breed sharp practices in the bid to survive thereby precipitating distress which has a direct impact on the DIF. 6. Increased exposure to other deposit-taking financial institutions like the Microfinance banks and primary mortgage institutions with apparent lower standard of corporate governance practices. 7. The emergence of universal banks that operate in the money, capital and insurance businesses, exposes depositors' funds to other uses that can undermine the safety of the funds. This has a direct implication for the DIF.

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

Yes. (Provisioning for deposit insurers' losses from bank failures).