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NOVEMBER 28, 2001

BSD/DO/CIR/V.I/01/24

**CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS:  
KNOW YOUR CUSTOMER (KYC) DIRECTIVE**

In view of the surge in the incidence of reported criminal transactions in banks and other financial institutions emanating from both within and outside the country, it has become imperative for operators to be reminded of the need to faithfully implement the various provisions of the Money Laundering Guidance Notes for Banks in Nigeria and to observe the Code of Ethics and Professionalism in the Banking and Finance Industry, published by the Bankers' Committee.

Of particular significance is the need for financial institutions to develop and to have in place adequate policies, practices and procedures that will ensure a rigorous customer due diligence, in order to prevent their institutions from being used by criminal elements. In order to combat the criminal tendencies, you are required to observe the following customer identification and record-keeping rules:

- i) Avoid keeping anonymous accounts or accounts in obviously fictitious names;
- ii) Verify with the Corporate Affairs Commission (CAC) the proof of incorporation of your customers that are legal entities, each

Customer's legal existence, its structure, address, directors, memorandum and articles of association and the customer's business/activities;

- iii) Identify and verify that the person purporting to act on behalf of any customer is duly authorized;
- iv) Obtain information about the true identity of the persons on whose behalf an account is opened or a transaction is conducted;
- v) Maintain for at least ten years, after cessation of any relationship, all necessary records on both domestic and international transactions;
- vi) Pay special attention by examining and recording in writing, all complex and unusually large transactions;
- vii) Subject to strict safeguards, detect or monitor the physical cross-border transportation of cash and bearer negotiable instruments (without impeding the freedom of capital movements);
- viii) Have clear procedures on and communicate to all your personnel how they can promptly report suspicious transactions to your Money Laundering Reporting Officer and to other competent authorities;
- ix) Investigate the sources of funds before accepting as a customer a politically exposed person (PEP) and the decision to open such accounts should be taken at a senior management level;
- x) Apply effective customer identification procedures and on-going monitoring standards for telephone and electronic banking customers and proactively assess various issues posed by emerging technologies;

- xi) Gather and maintain sufficient information about your correspondent/respondent banks, in order to understand fully the nature of their businesses;
- xii) Conduct an on-going monitoring of accounts and transactions for the purpose of identifying transactions which fall outside the regular pattern of an account's activities;
- xiii) Undertake regular reviews of existing records of customers especially when a transaction of significance takes place or when there is a material change in the way that the account is operated;
- xiv) Ensure that all relevant information is obtained as quickly as possible on an existing customer's account; and
- xv) Apply the above measures to all your branches and majority-owned subsidiaries.

Banks' directors, managements, internal and external auditors are enjoined to report on the procedure in place and the effectiveness of this directive, which is meant to protect the integrity of the Nigerian banking system. The failure of any officer to follow his/her institution's internal procedure will be considered a serious misconduct, which will attract termination of appointment in line with Sec. 44 (2) (d) of the Banks and Other Financial Institutions Act (BOFIA) as amended, and blacklisting from employment in the financial services industry. Secondly, the defaulting institutions will be made to bear the financial loss suffered by any victim of a financial crime.

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