

**COMMUNITY BANK ACT 1992
ACT NO. 46**

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4. Power to accept gifts.
5. Functions of a bank.
6. Restriction on certain transactions.
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Community Bank Act 1992

Commence-
ment.

THE FEDERAL MILITARY GOVERNMENT hereby decrees
as follows:-

1.-(1) A community or group of communities may establish a
Community Bank (in this Act referred to as a "bank for the
Purpose of -

Establishment
of Community
Bank, etc.

- (a) promoting rural development through the provision of finance and banking services;
- (b) enhancing the rapid development of productive activities especially in the rural areas; and
- (c) improving the economic of small-scale producers both in the rural and urban areas.

(2) A community or group of communities desiring to establish a bank shall apply, in writing through the National Board for Community Banks, to the Governor of the Central Bank of Nigeria (in this Act referred to as "the Governor") for the grant of a licence.

(3) An application for a licence under subsection (2) of this section shall be accompanied with the following, that is -

- (a) a draft copy of the memorandum and articles of association of the proposed bank;
- (b) documentary evidence that.

(i) the applicants are able to raise the minimum equity share capital,

- (ii) the premises sought to be used are constructed and equipped to such a standard as the National Board for Community Banks may prescribe;
 - (c) a list of the shareholders, directors and principal officers of the bank and their particulars;
 - (d) the prescribed application fees; and
 - (e) such other information and documents as the National Board for Community Banks and the Central Bank of Nigeria may, from time to time, specify.
- (4) Where an application is made through the National Board for Community Banks in accordance with the provisions of subsection (2) of this section and is accompanied by such information and documents as are required under that subsection, the National Board for Community Banks shall, if satisfied-
- (a) as to the adequacy and suitability of the premises sought to be used; and
 - (b) that the applicants are-
 - (i) capable of complying with such conditions as may be imposed or attached to the licence,
 - (ii) in all other respects suitable persons to be granted a licence,
- recommend to the Governor the granting of a licence, subject to such conditions as may be imposed or as may be attached thereto.

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2.- (1) There is hereby establish for the promotion, development, monitoring and general supervision of a bank under this Act, a National Board for Community Banks (in this Act referred to as "the Board")

Establishment
of the
National
Board for
Community
Banks, etc.

(2) The Board shall be a body corporate with perpetual succession and a common seal and may sue and be sued in its corporate name.

(3) The Board shall consist of a Chairman, a Secretary and the following other members, that is-

(a) a representative each of-

(i) the federal Ministry of Finance

(ii) the Directorate of Food, Roads and Rural infrastructures,

(iii) the Presidency; and

(b) four other persons.

(4) The Chairman, Secretary and the four other persons referred to in subsection (3) of this section shall be appointed by the President, Commander-in-Chief of the Armed Forces.

(5) A person appointed as a member of the Board, other than an ex-officio member;

(a) shall hold office for a period of three years from the date of his appointment and may be eligible for re-appointment for one further period of three years and thereafter he shall no longer be eligible

- for re-appointment.
- (b) may resign his office by a letter addressed to the President, Commander-in-Chief of the Armed Forces and the resignation shall take effect from the date of the receipt of the letter by the President, Commander-in-chief of the Armed Forces;
 - (c) shall be paid such remuneration and allowances as the Board may determine.
- (6) The Board shall meet at such times and places as the Chairman shall direct.
- (7) The quorum at any meeting of the Board shall be five, consisting of two public and three non public officers who are members of the Board.
- (8) The Board shall have the power to appoint its officers and other employees on such terms and conditions as the Board may from time to time determine.

Establishment
of the fund

3.- (1) The Board shall establish and maintain a fund for the promotion and development of banks under this Act.

(2) There shall be paid and credited to the fund established pursuant to subsection (1) of this section.

(a) such moneys as may be provided by the Government of the Federation or of a State for payment into the fund;

(b) fees charged for service rendered by the Board;

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(c) all sums accruing to the Board by way of gifts, testamentary disposition and endowments or contributions from philanthropic persons or organisations or otherwise howsoever.

4. – (1) The Board may accept gifts, grants, gifts of land, donations, money, voluntary subscriptions or other property bequests upon such terms and conditions, if any, as may be specified by the person or organisation making the gift.

Power to
accept gifts.

(2) The Board shall not accept any gifts, grants or donations under subsection (1) of this section, if the conditions attached to the acceptance thereof are inconsistent with or inimical to the objectives of the Board under this Act.

(3) The Board may, subject to the provisions of this Act and the conditions of any trust created in respect of any property, invest its funds including any of its surplus funds in any securities as it may approve.

5 Without prejudice to the provisions of section 1 of this Act, a bank licensed under this Act shall;

Functions of
a bank.

- (a) accept from persons various types of deposits, including savings and time and target deposits;
- (b) issue for the purpose of raising funds,

Community Bank Act 1992

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Functions of a bank.

- (a) accept from persons various types of deposits, including savings and time and target deposits;
- (b) issue for the purpose of raising funds,

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redeemable debentures to interested parties;

- (c) receive or collect on behalf of its customers, moneys or proceeds of banking instruments;
- (d) provide for its customers, ancillary banking services;
- (e) maintain and operate various types of accounts with other banks in Nigeria;
- (f) invest its surplus funds in suitable instruments, including the placing of such funds with other banks;
- (g) provide credit facility to its customers;
- (h) operate equipment leasing facilities designed to ensure the access of its customers to farm inputs;
- (i) perform such non-banking functions as may promote grass-root development within the bank's geographical area; and
- (g) do anything in connection with or incidental to the functions conferred on the bank by this Act.

6.- (1) A bank shall not without the prior approval of the Board and the Central Bank of Nigeria-

- (a) open or close any cash office within its geographical area in Nigeria-
- (b) engage in any foreign exchange transaction.

Restriction
on certain
transactions.

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(2) Any bank which acts in contravention of the provisions of subsection (1) of this section commits an offence and is liable on conviction to a fine of ₦200 for each day during which the offence continues.

7. Except with the prior approval of the Board and the Central Bank of Nigeria, no bank shall enter into an agreement or arrangement-

- (a) which results in a change in the control of the bank;
- (b) for the sale, disposal or transfer of the whole or any part of the business of the bank;
- (c) for the amalgamation or merger of the bank with any other person or body;
- (d) for the reconstruction of the bank;
- (e) to employ a management agent or to transfer its business to any such agent.

8.- (1) The minimum paid-up share capital of a bank shall be ₦250,000.

(2) Notwithstanding the provisions of subsection (1) of this section, the Board shall, subject to the approval of the Governor, have power, from time to time, to vary the minimum paid-up share capital.

9. Notwithstanding the provisions of the Companies and Allied Matters Act or any agreement or contract, the voting rights of every shareholder in the bank shall be proportional to his contribution to the paid-up share capital of the bank,

(2) Any loan or advance made to a bank pursuant to

Restricting of banks etc.

Restricting of banks etc.

Restricting of banks etc.

Minimum paid-up share capital.

Shareholder's voting rights. Cap. 59 LFN.

Restriction of legal proceedings in respect of shares held in the name of another.

10. (1) Notwithstanding anything contained in any law or in any contract or instrument, no suit or other proceeding, shall be maintained against any person registered as the holder of any share in a bank on the ground that the title to the said share vests in any person other than the registered holder.

(2) Nothing in this section shall bar a suit or other proceeding, on behalf of a minor or person suffering from any mental illness on the grounds that the registered holder holds the share on behalf of the minor or person suffering from the mental illness.

Notification of change.

11. (1) If at any time after the grant of a licence to a bank a change occurs in –

- (a) the persons who are directors of that bank;
- (b) the person in accordance with whose directions or instructions the directors of that bank are accustomed to act,

the bank shall within one month serve on the Board a notice giving details of the change.

(2) Any bank which fails to comply with the provisions of subsection (1) of this section commits an offence and is liable on conviction to a fine ₦50,000.

Power to grants loans or advances.

12. – (1) For the purpose of improving the working capital of a bank, a bank may upon application to the Board request for a matching loan or advance not exceeding ₦500,000 at such rate of interest not more than the Central Bank of Nigeria minimum re-discount rate or at a percentage to be determined from time to time, by the Governor.

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subsection (1) of this section shall-

- (a) be paid within a period of not more than five years from the date it was granted; and
- (b) not be written off and shall, for winding up purposes, rank in priority to wages or tax.

13. No bank shall pay any dividend on its shares unless-

- (a) any loan or advance secured under section 12 of this Act has been fully repaid;
- (b) all its preliminary expense, organizational expense, share selling commission, amount of losses incurred and other capitalised expenses not represented by tangible assets have been completely written off;
- (c) it has complied with any requirement of the Board pursuant to section 16 of this Act.

Restriction on dividend.

14.-(1) A bank shall at all times display at its office its lending and deposit interest rate and shall render to the Board information on such rates as may be specified from time to time by the Board.

Display of interest rate.

- (2) A bank found in breach in breach of the provisions of subsection (1) of this section commits an offence and is liable on conviction to a fine of ₦50 for every day during which the offence continues.

15.-(1) A bank shall cause to be kept at its office, proper books of account with respect to the transactions of the bank.

Books of accounts.

- (2) If any person being a director, secretary or officer of a

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Display of interest rate.

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15.-(1) A bank shall cause to be kept at its office, proper books of account with respect to the transactions of the bank.

Books of accounts.

(2) If any person being a director, secretary or officer of a

bank-

(a) fails to take all reasonable steps to secure compliance with the provisions of subsection (1) of this section; or

(b) has by his wilful act, been the cause of any default thereof by the bank.

he commits as offence under this section and is liable on conviction to a fine ₦500 or to imprisonment for a term of 3 months or to both such fine and imprisonment.

Returns.

16. —(1) A bank shall submit to the Board not later than 28 days after the last day of each month or such other interval as the Board and the Central Bank of Nigeria may specify, a statement showing-

(a) the assets and liabilities of the bank;

(b) an analysis of advances and other assets of the bank;

(c) any other information that may be required by the Board and the Central Bank of Nigeria.

(2) The Board may, if it deems it fit, require a bank to submit such other information; documents, statistics or returns as the Board may deem necessary for the proper understanding of any statement supplied.

(3) The Board shall submit periodic returns to the Central Bank of Nigeria as may be required, from time to time.

(4) Every statement and information submitted by a bank under this section, shall be regarded as confidential.

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- (5) A bank which fails to comply with the provisions of subsections (1) and (2) of this section commits an offence under this Act and is liable on conviction to a fine ₦100 for each day during which the offence continues.

17. In addition to the powers conferred on it under this Act the Board may require any lawfully authorised person having access to a bank at all reasonable time to supply to it information in such form as the Board and the Central Bank of Nigeria may, from time to time, require, relating to, or touching on or concerning matters affecting the interest of depositors or shareholders of the bank.

Power to
require
information.

18. Subject to the prior approval of the Board, a bank shall not later than 4 months after the end of the financial year cause to be exhibited at its office copies of its balance sheet and profit and loss accounts duly signed and containing the full and correct names of its directors.

Annual
accounts of
the bank.

19.- (1) There shall be appointed annually by every bank, an auditor whose duties shall be to make to the shareholders, a report upon the annual balance sheet and profit and loss account of the bank and every such report shall contain a statement as to the matters and such other information as may be prescribed, from time to time, by the Board.

Appointment,
power and
report of
auditor.

(2) For the purpose of this section, the auditor shall be an auditor who is;

- (a) a member of one of the professional bodies recognised in Nigeria;
- (b) approved by the Board;

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- (c) resident in Nigeria; and
- (d) carrying on in Nigeria professional practice as an accountant and auditor.

(2) A person who-

- (a) has an interest in the bank otherwise than as a depositor; or
- (b) is a director, officer or agent of the bank;
- (c) is a firm in which a director of a bank is interested as partner or director;
- (d) is indebted to the bank,

shall not be eligible for appointment as the auditor for such a bank.

(3) A person appointed as an auditor who subsequently-

- (a) acquires an interest in that bank; or
- (b) becomes a director, officer or agent of that bank; or
- (c) becomes indebted as a partner in a firm in which a director of that bank is interested as partner or director.

shall cease to be such an auditor.

20. (1) No bank shall-

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(a) employ or continues the employment of a person who at anytime has been adjudged bankrupt or has suspended payment or has compounded with his creditors or has been convicted by a court for an offence involving fraud or dishonesty or professional misconduct; or

Prohibition of certain persons, etc

(b) be managed by a management agent except as may be approved by the Board and the Central Bank of Nigeria.

(2) Except with the approval of the Board, no bank shall have as director a person who is director of-

(a) any other bank;

(b) companies which among themselves are entitled to exercise voting rights in excess of the five per cent of the total voting rights of all the shareholder of the bank.

(3) Every director, secretary or officer of a bank shall sign a code of conduct in such form as the Board may, from time, prescribe.

21. (1) Every bank shall before appointing a director or manager seek and obtain the Board's written consent for the proposed appointment.

Appointment of directors

(2) No person shall be appointed or shall remain a director, secretary or an officer of a bank who-

(a) is of unsound mind or, as a result of ill health, is incapable of carrying out his duties; or

(b) is declared bankrupt or suspends payments or compounds with his creditors, including his

Community Bank Act 1992

- bankers; or
- (c) is convicted of any offence involving dishonesty or, fraud;
 - (d) is guilty of serious misconduct in relation to his duties, or
 - (e) in the case of a person possessed of professional qualification, is disqualified or suspended (otherwise than of his own request) from practicing his profession in Nigeria by the order of any competent authority made in respect of him personally.
- (3) No person directly or indirectly concerned in the management of a bank which has been wound up by the Federal High Court shall, without the express authority of the Governor, act or continue to act as a director of or be directly concerned in the management of any other bank.
- (4) A person whose appointment with a bank has been terminated or who has been dismissed for reason of fraud, dishonestly or conviction for an offence involving dishonestly or fraud shall not be employed by any bank in Nigeria.
- (5) A bank which knowingly acts in contravention of subsection (1), (2), (3) or (4) of this section commits an offence and is liable on conviction to a fine of ₦50,000
- (6) It shall not be a defense for any director, secretary of officer or a bank, to claim that he is not aware of the provision of subsection (4) of this section, except he can prove that he had obtained prior clearance of such a person from

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the section of the Banker's Committee who maintains a register of terminated, dismissed or convicted staff of banks on the ground of fraud or dishonestly.

22 - (1) No manager or any other officer of a bank shall

- (a) in any manner whatsoever, whether directly or indirectly, be interested in any advance, loan or credit facility and if interested he shall declare the nature of his interest to the bank
- (b) grant any advance, loan or credit facility to any person unless it is authorised in accordance with the rules and regulations of the bank ;
- (c) benefit as a result of any advance, loan or credit facility granted by the bank.

Disclosure
of interest
by manager
e.t.c

(2) Any manager or officer who contravenes or fails to comply with the provisions, of subsection (1) of this section commits an offence and is liable on conviction to a fine of ₦10,000 or imprisonment for a term of one year or to both such fine and imprisonment and in addition, any gains or benefits accruing to a person convicted under this section by reason of such contravention, shall be forfeited to the Government of the Federation and the gains and benefits shall vest accordingly in the Government.

23 - (1) Any director, secretary, officer or an employee of a bank or any other person receiving remuneration from such bank, who asks for or receives, consents or agrees to receive any gift, commission or employment, service, gratuity money, property or thing of value for his own personal benefit or advantage or for that of any of his relations from any person

Prohibition of
the receipts of
commission,
etc. by
director,
secretary or
officer of the
bank.

other than from his bank.-

(a) for, procuring or endeavouring to procure for any person any advance, loan or credit facility from the bank; or

(b) for permitting any person to overdraw any account with that bank without proper authority or compliance with rules and guidelines for this purpose;

commits an offence under this section and is liable on conviction to a fine of ₦2,000 or to imprisonment for a term of 6 months or to both such fine and imprisonment and in addition any such gift shall be forfeited to the Government of the Federation.

(2) The provisions of subsection (10) of this section shall not in any manner derogate from and shall be without prejudice to any other written law relating to corruption or illegal gratification.

24. The Governor or the Board shall have power to appoint such number of examiners on who shall-

(a) be officers of the Board or the Central Bank of Nigeria with powers to examine periodically and under conditions of secrecy, the books and affairs of every bank.

(b) have a right of access at all times to the books accounts and vouchers of the bank;

(c) be entitled to require and obtain information and explanation from the directors and officers of a bank as may be deemed necessary in the performance of their

Appointment
of examiner.

Community Bank Act 1992

duties; and

- (d) have access to any account, returns and information with respect to any bank under the provisions of this Act which are in the possession of the Board.

25.-(1) In the exercise of the functions of an examiner appointed pursuant to section 24 of this Act, an examiner shall exercise reasonable care to prevent unreasonable hindrance to the day-to-day activities of a bank and confine the investigation to matters of facts deemed necessary for the examination.

Examiner to exercise duty of care.

(2) A bank shall produce, as and when required, all books, accounts, documents and all information as the examiner may deem fit in the exercise of his functions:

(3) It shall be an offence under this Act for a bank to-

- (a) wilfully refuse to produce any book, account, document or information; or
- (b) negligently, wilfully or with intent to defraud, give an information which is false in any material particular.

(4) A person guilty of an offence under this section is liable on conviction to a fine of #500 or to imprisonment for a term of 3 months.

(5) An examiner shall forward a report of his findings direct to the Governor or the Board.

26.-(1) The Governor may at any time appoint two or more qualified persons to make a special examination of the books

Special
examination

and affairs of a bank under conditions of secrecy where the Governor is of the opinion that a bank-

- (a) may be carrying on business in a manner detrimental to the interest of its depositors and creditors;
- (b) may be contravening the provisions of this Act;
- (c) may not be complying with the directives given by the Central Bank of Nigeria or the Board.

(2) The Governor shall have power to order that expenses incidental to an examination or investigation be paid by the bank examined or investigated.

27.-(1) Where the Board has reasonable grounds for believing that a bank has-

Revocation
of licence.

- (a) ceased to carry on, within its specified geographical area, the type of banking business for which the licence was issued for any continuous period of six months or any period aggregating to six months during a continuous period of twelve months;
- (b) gone into liquidation or been wound up or otherwise dissolved;
- (c) failed to comply with any conditions subject to which the licence was granted;
- (d) insufficient assets to meet its liabilities or that its premises are no longer fit to be used as a bank;

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- (e) failed to comply with any obligation imposed upon it by or under this Act,

the Board may, after giving the bank the opportunity of being heard or making representations, by notice in writing require it before the date specified in the notice to remedy, to the to remedy, to the satisfaction of the Board, the defects or observations specified in the notice.

(2) If the bank fails to comply with the requirements of a notice under subsection (1) of this section before the date specified therein, the Board may, after calling on the bank to show cause why its licence should not be cancelled, recommend to the the Governor the revocation of the licence.

28. Where a person lawfully required to supply information necessar, to achieve the objectives and purposes of the Board and the Central Bank of Nigeria-

(a) supplies information which he knows to be false or supplies it recklessly as to its truth or falsity; or

(b) without reasonable excuse, fails to comply with any requirement of the Board and the Central Bank of Nigeria.

Failure to supply information.

the supply or failure to supply, as the case may be, as therein provided, shall be an offence under this section punishable upon conviction by payment of fine of not less than ₦1,000 or imprisonment for a term of not less than four months

29.-(1) As from the commencement of this Act, every bank

Insurable
deposit.

with a deposit of not less than ₦5million or such amount as may be determined, from time to time, by the Governor shall insure its deposit liabilities with the Nigerian Deposit Insurance Corporation.

Cap. 301.
LFN.

(2) The provisions of the Nigeria Deposit Insurance Corporation Act shall have effect as if such a bank is a participating institution under that Act.

Duty of
care.

30.-(1) Any person who, being a director, secretary or an officer of a bank, fails to take all reasonable care to secure-

(a) compliance with the provisions of this Act; or

(b) the authenticity of any statement submitted pursuant to the provisions of this Act,

commits an offence and is liable on conviction to imprisonment for a term not exceeding six months or to fine not exceeding ₦2,000 or to both such imprisonment and fine.

Power to
provide
course of
training

31. In the discharge of its duties under this Act, the Board shall have power to provide the officers and other staff of the banks as it may determine courses of training for the purpose of improving their efficiency.

Act subject to
1991 No.25.

32. The provisions of this Act shall be subject to the provisions of the Banks and other Financial Institutions Act 1991.

Delegation of
function

33. The Governor may if he deems it fit delegate to the Board any of his functions under this Act.

34. The Board may with the approval of the Governor make

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such regulations as may be required, from time to time, for the carrying into effect of the objects of this Act.

Regulations.

35. Notwithstanding the provisions of any other written law the federal High Court shall have jurisdiction to try any offence against this Act and to impose the full penalty.

Jurisdiction to try offences.

36. In this Act, unless the context otherwise requires- "bank" means a Community Bank licensed under this Act and whose business is restricted to a specified geographical area in Nigeria;

Interpretation.

"Board" means the National Board for Community Banks established by section 2 of this Act;

"Community" means a group of people who possess a common bond arising from residence, occupation, profession or other similar attributes and interact, fairly frequently in pursuit of economic or social goals;

"director" includes any person by whatever name he may be referred to carrying out or empowered to carry out substantially the same functions of a director in relation to the affairs of a company incorporated under the Companies and Allied Matters Act;

Cap. 59. LFN.

"Governor" means the Governor or any of the Deputy Governors of the Central Bank of Nigeria;

"licence" means a licence issued under this Act.

38. This Act may be cited as the Community Banks Act 1992 and shall be deemed to have come into force on 28th April 1990.

Citation and commencement.

Community Bank Act 1992

MADE at Abuja this 4th day of June 1992.

GENERAL I.B BABANGIDA
*President, Commander-in-Chief
of the Armed Forces.
Federal Republic of Nigeria.*

COMMUNITY BANKS (AMENDMENT) ACT 1993

Act No.97

[23rd August, 1993]

Commencement

THE FEDERAL MILITARY GOVERNMENT hereby decrees as follows:-

1. The Community Banks Act 1992 is hereby amended by inserting immediately after the existing section 2, a new section 2A as follows, that is-

Functions of the Board.

2A.-(1) Notwithstanding the provisions of subsection (1) of section 2 of this Act, the Board shall have responsibility for-

Amendment of 1992 No. 40.

- (a) accepting and processing applications for the setting up of banks throughout Nigeria
- (b) providing guidelines for the operations and management of banks and ensuring compliance therewith;
- (c) incorporating banks as private companies with membership of fifty or more persons and determining the amount of fees to be paid from time to time;
- (d) serving as registrar to all banks so as to protect the banks from acts inimical to community interests and the banking industry;
- (e) monitoring; inspecting and generally

Community Banks (Amendment) Act 1993

supervising the operations of banks and applying various sanctions for default including demanding and receiving payment of fines, as prescribed under this Act.

(f) carrying out security screening of persons for appointment as directors or managers of banks for purposes of determining their suitability.

(g) creating and managing zones to facilitate the discharge of its duty under this Act;

(h) carrying out promotional activities for the enlightenment of communities, on the community banking system;

(i) making recommendations to the Central bank of Nigeria on the granting and revocation of licenses of banks; and

(j) undertaking such other activities as are necessary or expedient for giving full effect to the provisions of this Act.

(2) In this section, "banks" means community banks.

2. This Act may be cited as the Community Banks (Amendment) Act 1993.

Community Banks (Amendment) Act 1993

supervising the operations of banks and applying various sanctions for default including demanding and receiving payment of fines, as prescribed under this Act.

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(h) carrying out promotional activities for the enlightenment of communities, on the community banking system;

(i) making recommendations to the Central bank of Nigeria on the granting and revocation of licenses of banks; and

(j) undertaking such other activities as are necessary or expedient for giving full effect to the provisions of this Act.

(2) In this section, "banks" means community banks.

2. This Act may be cited as the Community Banks (Amendment) Act 1993.

Community Banks (Amendment) Act 1993

MADE at Abuja this 23rd day of August, 1993.

GENERAL I.B.BABANGIDA
*President, Commander-in-Chief
of the Armed Forces,
Federal Republic of Nigeria.*

EXPLANATORY NOTE

*(This note does not form part of the above Act but is
intended to explanatory its purport)*

The Act amends the Community Banks Act 1992 to provide expanded functions for the National Board for Community Banks to include among other things, serving as registrar to all banks so as protect the banks from act inimical to community interests and the banking industry.