

# COMMUNITY BANKS ACT

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**An Act to provide for the establishment of Community Banks and for matters connected therewith.**

[1992 No. 46.]

[28th April, 1990]

[Commencement.]

**1. Establishment of a Community Bank, etc.**

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

- (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 status 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 licence, subject to such conditions as may be imposed or as may be attached thereto.

## **2. Establishment of the National Board for Community Banks, etc.**

(1) There is hereby established 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").

(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 Federal Ministry of Agriculture and Rural Development;
  - (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.

(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 and the resignation should take effect from the date of the receipt of the letter by the President;
- (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.

### **3. Functions of the Board**

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

- (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 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 licences 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 Act, "**banks**" means community banks.

[1993 No. 97.]

### **4. Establishment of the fund**

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

### **5. Power to accept gifts**

(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.

(2) The Board shall not accept any gift, grant or donation 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.

## **6. Functions of a bank**

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

- (a) accept from persons various types of deposits, including savings and time and target deposits;
- (b) issue for the purpose of raising funds, 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 facilities 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
- (j) do anything in connection with or incidental to the functions conferred on the bank by this Act.

## **7. Restriction on certain transactions**

(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; or
- (b) engage in any foreign exchange transaction.

(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 N200 for each day during which the offence continues.

## **8. Restructuring of banks, etc.**

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.

### **9. Minimum paid-up share capital**

(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.

### **10. Shareholder's voting rights**

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.

[Cap. C20.]

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

(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.

### **12. Notification of change**

(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; or

(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 of ₦50,000.

### **13. Power to grant loans or advances**

(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.

(2) Any loan or advance made to a bank pursuant to subsection (1) of this section shall-

(a) be repaid 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.

### **14. Restriction on dividend**

No bank shall pay any dividend on its shares unless-

- (a) any loan or advance secured under section 13 of this Act has been fully repaid;
- (b) all its preliminary expenses, organisational expenses, shares 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 17 of this Act.

### **15. Display of interest rate**

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

### **16. Books of accounts**

- (1) A bank shall cause to be kept at its office, proper books of account with respect to the transactions of the bank.
- (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 an offence under this section and is liable on conviction to a fine of ~~₦500~~ or to imprisonment for a term of three months or to both such fine and imprisonment.

### **17. Returns**

- (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.
- (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 of ₦100 for each day during which the offence continues.

### **18. Power to require information**

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 times 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.

### **19. Annual accounts of the bank**

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 the office copies of its balance sheet and profit and loss accounts duly signed and containing the full and correct names of its directors.

### **20. Appointment, power and report of auditor**

(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.

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

(3) 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.

(4) 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 a partner in a firm in which a director of that bank is interested as partner or director; or
- (d) becomes indebted to the bank,

shall cease to be such an auditor.

### **21. Prohibition of certain persons, etc.**

(1) No bank shall -

- (a) employ or continue the employment of a person who at any time 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



(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 a director a person who is a director of-

(a) any other bank;

(b) companies which among themselves are entitled to exercise voting rights in excess of five per cent of the total voting rights of all the shareholders 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 to time, prescribe.

## **22. Appointment of directors**

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

(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 bankers; or

(c) is convicted of any offence involving dishonesty or fraud; or

(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 practising his profession in Nigeria by the order of any competent authority made in respect of him personally.

(3) No person who has been a director of or directly 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 reasons of fraud, dishonesty or conviction for an offence involving dishonesty or fraud shall not be employed by any bank in Nigeria.

(5) A bank which knowingly acts in contravention of subsections (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 defence for any director, secretary or officer of a bank, to claim that he is not aware of the provisions of subsection (4) of this section, except he can prove that he had obtained prior clearance of such a person from the secretary of the Banker's Committee who maintains a register of terminated, dismissed or convicted staff of banks on the ground of fraud or dishonesty.

## **23. Disclosure of interest by manager, etc.**

(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.

(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 benefit shall vest accordingly in the Government.

#### **24. Prohibition of the receipts of commissions, etc., by director, secretary or officer of the bank**

(1) Any director, secretary, officer or employee of a bank or any other person receiving remuneration from such bank, who asks for or receives, consents or agrees to 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 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 (1) of this section shall not in any manner derogate from and shall be without prejudice to any other enactment relating to corruption or illegal gratification.

#### **25. Appointment of examiner**

The Governor or the Board shall have power to appoint such number of examiners 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 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.

#### **26. Examiner to exercise duty of care**

(1) In the exercise of the functions of an examiner appointed pursuant to section 25 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.

(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 any 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 three months.

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

### **27. Special examination**

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

### **28. Revocation of licence**

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

(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 for any period aggregating 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 condition 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;

(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 representation, by notice in writing require it before the date specified in the notice 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 Governor the revocation of the licence.

### **29. Failure to supply information**

Where a person lawfully required to supply information necessary 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,

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 a fine of not less than N1,000 or to imprisonment for a term of not less than four months.

### **30. Insurable deposit**

(1) As from the commencement of this Act, every bank with a deposit of not less than N5 million 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.

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

[Cap. N102.]

### **31. Duty of care**

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 statements 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 a fine not exceeding ₦2,000 or to both such imprisonment and fine.

### **32. Power to provide course of training**

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.

### **33. Act subject to Cap. 29**

The provisions of this Act shall be subject to the provisions of the Banks and Other Financial Institutions Act.

[Cap. B3.]

### **34. Delegation of functions**

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

### **35. Regulations**

The Board may with the approval of the Governor make such regulations as may be required, from time to time, for the carrying into effect of the objects of this Act.

### **36. Jurisdiction to try offences**

Notwithstanding the provisions of any other enactment, the Federal High Court shall have jurisdiction to try any offence against this Act and to impose the full penalty prescribed.

### **37. Interpretation**

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;

**"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 who 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. C20.]

**"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. Short title**

The Act may be cited as the Community Banks Act.

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**SUBSIDIARY LEGISLATION**

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No Subsidiary Legislation

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