

NDIC: 25 YEARS OF GIANT STRIDES



Alhaji Umaru Ibrahim, mni, FCIB
Managing Director/CEO

banks failed in quick successions, thereby eroding public confidence in the system.

One question that has been bogging the minds of various stakeholders is how the NDIC had fared in the discharge of its mandate in the last 25 years and in realising its vision "to be one of the leading deposit insurers in the world".

MD/CE Pays Tribute to NDIC's Founding Fathers, Others

The Managing Director/Chief Executive of NDIC, Alh. Umaru Ibrahim at a recent press conference addressed in Abuja to usher in the 25th Anniversary celebration, cast a broad retrospective look at the

Corporation's score card and said that the Corporation had achieved a reasonable degree of success in the discharge of its mandate in the last two and a half decades.

To Alh. Umaru Ibrahim, there was no better way to approach the rendition of the Corporation's account of 25 years of stewardship than to pay glowing tribute to the founding fathers of the Corporation. Ibrahim, described the Anniversary as a "moment of joy" for all NDIC staff, some of whom are late, the pioneer staff including his humble self and all the staff that are alive to witness the celebration. The NDIC CEO particularly paid tribute to the NDIC

pioneer Chairman of the Board of Directors and the then Governor of the CBN, late Alh. Abdulkadir Ahmed of blessed memory under whose leadership the Corporation was established with a clear mandate and strong foundation. He also praised the Corporation's pioneer MD/CEO of NDIC, Mr. John Uthorah Ebhodaghe, also of blessed memory, who was not only the first staff of the institution but also served on the committee that designed the deposit insurance system Nigeria currently operates, adding that the NDIC had become not only the leader in Africa but also the envy of other countries.

The NDIC boss used the opportunity to highlight the various events lined up for the Anniversary celebration spanning September to December 2014 in Abuja, Lagos and the Corporation's eight zonal offices.

Lifeline to Depositors through Deposit Guarantee

The NDIC CEO also touched on deposit guarantee which was the key and distinct role of the NDIC. Alh. Ibrahim said that the Corporation guaranteed payment to depositors up to the maximum insured limit in accordance with its statutory mandate in the event of failure of an insured financial institution. Through this distinct role, the NDIC had continued to bolster the confidence of depositors. The deposit insurance coverage at inception was provided for only the CBN-licensed commercial banks and merchant banks.

Furthermore, the Corporation had successfully responded to the

Preamble

The decision by the Federal Government to establish the Nigeria Deposit Insurance Corporation (NDIC) was a bold step that was born out of necessity and strong conviction. The NDIC was established by the NDIC Decree No 22 of 1988 which was later replaced by the NDIC Act No 16 of 2006 as a response to government's search for a third leg of the financial safety-net components comprising lender of the last resort by the Central Bank of Nigeria (CBN), effective bank supervision by both the CBN and NDIC and the NDIC's unique role of deposit insurance. The Corporation commenced operation in 1989 as a deposit insurer with extended mandate to supervise insured institutions and provide orderly mechanisms for failure resolution in Nigeria.

At the time of its establishment, there was the inevitable need to put in place a framework and an institution that would offer an additional layer of protection to depositors and to strengthen the financial system in the aftermath of the introduction of the Structural Adjustment Programme (SAP) which deregulated the economy in the direction of market-determined pricing. Furthermore, the need was also rife to invigorate government's supervisory role over financial institutions towards avoiding a repeat of mass bank failure experienced in Nigeria between 1947 and 1954 when 21 out of the 25 indigenous



Guest Speaker Dr. Shamsuddeen Usman, also former Deputy Governor, CBN & former Minister of National Planning (2nd left) exchanging pleasantries with Chief Rasak Lawal, NDIC Board Member (extreme right) as Chairman of the Board, Amb. (Dr.) Hassan Adamu (Wakilin Adamawa) (2nd from left) watches during NDIC's 25th Anniversary Lecture / Book Presentation.

economic realities and concerns of depositors by periodically increasing the coverage levels of its deposit guarantee. From its initial guarantee of N50,000 per depositor of DMBs at inception, the maximum deposit insurance coverage was increased to N200,000 in 2006 and N500,000 in 2010. From N100,000 in 2006, the coverage level for MFBs and PMBs was increased to N200,000 in 2010.

Extension of Coverage to other Deposit-taking Financial Institutions:

To further reinforce public confidence and safety of the system, deposit Insurance (DI) was extended to other deposit-taking financial institutions as they emerged on the nation's financial landscape. Thus, in 2006, deposit insurance coverage was extended to microfinance banks (MFBs) and primary mortgage banks (PMBs) to further public confidence in the banking system. In the same vein, the Corporation extended deposit insurance coverage to non-interest banks in 2013 following the release of the framework for their establishment by the CBN. At present, the Corporation provides deposit insurance cover to the CBN licenced 24 deposit money banks (DMBs), 880 microfinance banks (MFBs), 77 primary mortgage banks (PMBs) and one non-interest bank (NIB) operating in the country.

Deposit Insurance for Mobile Payment System Subscribers

The Corporation has also considered it imperative to protect individual subscribers under the mobile payment services in the form of pass-through deposit insurance. The step was taken to engender confidence of the public in the products of the 24 mobile money operators (MMOs) who were recently licenced by the CBN. The roll-out of the regulatory framework for the mobile payment services was aimed at revolutionizing Nigerian payment system as well as promoting financial inclusion. As at now, the framework for making the pass-through insurance scheme operational is currently being finalised by the NDIC.

Protecting Depositors through Banking Supervision

The NDIC as the third leg of the financial safety-net collaborates with the CBN to protect depositors, to promote an effective and efficient payment system and encourage healthy competition and

innovation among the insured institutions through off-site and on-site supervision of licensed financial institutions.

The success recorded by the Corporation in this area is profound. From the compliance supervisory framework, the risk-based supervision framework was introduced which now encourages banks to adopt prudent risk management practices as well as enables the CBN and NDIC to effectively evaluate the risks profile inherent in activities of banks and the various risk management models being deployed towards strengthening corporate practices by the banks. The frameworks for Early Warning Signals (EWS), as well as for the identification and measurement of Systemically Important Banks (SIBs) whose failure could trigger systemic crisis in the economy, were also developed.

Distress Resolution

The Corporation adopted various options in resolving the failures of the 48 DMBs, 186 MFBs and 25 PMBs that had failed in the past 25 years. The options employed however depended on the peculiarity of the problems of the insured institutions. They ranged from Open Bank Assistance to Deposit Pay-out, Purchase and Assumption, and Bridge Bank.

One of the landmark achievements in distress resolution was the institution of a framework for the provision of financial and technical assistance to deserving insured institutions to alleviate the liquidity challenges being faced by MFBs and PMBs. The framework was fine tuned in 2014 and the sum of N16 billion was set aside for eligible insured institutions to access. In addition, a framework for consolidated supervision was developed in conjunction with the CBN which enables the supervision of banks' related entities with a view to ring-fencing the banks and protecting depositors' funds.

Establishment of Bridge banks



L-R: Executive Secretary Mortgage Banks Association of Nigeria (MBAN), Mr. Kayode Omotosho listening to NDIC Executive Director Operations, Prince Aghatise Erediauwa while chairing a session during the NDIC's recent Sensitization Workshop for Primary Mortgage Banks in Lagos.

Memories of Nigerians are still fresh to the Bridge Bank option of failure resolution which was the latest approach adopted by the NDIC. The option was adopted in the interest of depositors and to prevent outright liquidation which would have had severe consequences for depositors and other stakeholders of the banks and thus undermining public confidence in the banking system. Following that decision, three bridge banks namely: Mainstreet Bank Limited, Keystone Bank Limited and Enterprise Bank Limited were established to take-over the assets and assume the liabilities of erstwhile Afribank Plc, Bank PHB Plc and Spring Bank Plc, respectively. The CBN subsequently revoked the operating licences of the three banks (i.e. Afribank Plc, Bank PHB Plc and Spring Bank Plc) on August 5, 2011. The Bridge Bank mechanism had a salutary effect on the banking system as it preserved and sustained operations of the three banks in all their branches and allowed over 3.7 million depositors to continue to enjoy banking services in the premises of the affected banks and over 6,000 jobs were saved in the banking system.

Payment of Insured Deposits and Liquidation Dividends

As at September 30, 2014, the NDIC had paid the sum of N6.825 billion to 528,277 insured depositors of 48 DMBs whose operating licences were revoked. In addition, a cumulative sum of N93.646 billion had been paid as liquidation dividend to 250,497 depositors as at September 30, 2014. In the same vein, 80,059 verified depositors of 186 MFBs in-liquidation had been paid a cumulative amount of N2.756 billion as at September 30, 2014



NDIC Executive Director (Operations), Prince Aghatise Erediauwu (standing in the centre) congratulating the winning team after the novelty match to mark NDIC 25th Anniversary Celebration at the Old Parade Ground Area 10, Abuja.



The Nigeria Deposit Insurance Corporation (NDIC) recently organized a one-day Roundtable on Mobile Payment Services in Nigeria at the Intercontinental Hotel, Victoria Island, Lagos.

L-R: NDIC MD/CE, Alh. Umaru Ibrahim, Executive Director, Operations, Prince Aghatise Erediauwu; Director Research, Policy & International Relations Department, Dr. J. A. Afolabi (standing) and Executive Director Corporate Services, Hon. Lola Abiola Edewor.

following the revocation of the banks' operating licences in 2010 and 2003.

To further enhance total pay-out to all insured depositors of banks in liquidation, NDIC had launched a novel and aggressive initiative called "Depositor Tracer" toward reaching depositors with unclaimed deposits irrespective of location and amount in the closed banks. Similarly, the Corporation introduced the use of agent banks to ensure that the process of deposit pay-out is further eased and sustained for longer periods for claimants who could not present themselves for payment during verification and payments at premises of closed banks. That is in addition to the use of our eight (8) zonal offices spread across the nation as payment centres for depositors of the closed banks. The Corporation had also appointed Debt Recovery Agents to enhance the recovery of debts owed to banks in liquidation with 91 accounts of the DMBs assigned to 60 debt recovery agents and 81 accounts of the closed MFBs assigned to 46 debt recovery agents.

Capacity Building for MFB/PMB

Operators

The NDIC had accorded priority attention to capacity building for operators of microfinance and primary mortgage banks sub-sectors. In collaboration with the CBN, the Corporation established a microfinance certification programme for operators, non-executive directors and supervisors of MFBs in Nigeria which main objective is to enhance knowledge base and impart microfinance skills and competencies on a sustainable basis in the fledgling sub-sector. With the programme, the NDIC and CBN had gradually been creating a critical mass of

knowledgeable and skilled operators required to develop and drive the nascent sub-sector towards the achievement of the policy objectives of expanding access to finance, empowerment of the poor and the low-income groups, employment generation and economic development.

A nationwide sensitization workshop was also sponsored by the Corporation for all MFB/PMB operators towards providing capacity building on sound banking practices. The recent edition of the programme for MFB operators with the theme: "Microfinance Banking and Financial Inclusion in Nigeria - Issues and Challenges" was organised in June 2013 at Abuja, Kano, Port Harcourt, Enugu and Lagos at which 615 operators at senior management levels participated. In 2014, a workshop was also organized for the PMB operators with the theme: "Developing and Implementing Sustainable Effective Risk Management in Primary Mortgage Banks in Nigeria" which was held in September at Lagos for operators in southern geo-political zones and Abuja for operators in the northern geo-political zones.

Consumer protection, Financial

Inclusion and Financial Literacy

The NDIC, being one of the major stakeholders in the Nigerian financial system has taken the following steps to promote financial inclusion and protect consumers of financial services in Nigeria, amongst others:

- The extension of deposit insurance coverage to Microfinance banks, primary mortgage banks (PMBs) and non-interest banks in the system. Also efforts are at advanced stage to extend deposit insurance coverage to mobile money subscribers so as to boost public confidence in the sub-sector, hence promoting financial inclusion in the country.

- The NDIC recognizes the importance of **financial literacy** in achieving Financial Inclusion. Financial Literacy aims at educating Nigerian populace to improve their understanding of financial products, develop their skills and confidence to become more aware of financial risks and opportunities. Consequently, the NDIC in 2011 conducted a study to assess the level of financial literacy in the country and to identify specific areas that might require prompt and decisive action. The report of the study captured the literacy level of various segments of the society and what various stakeholders need to do to enhance the general literacy level in the country.

- Conduct of periodic survey to gauge the level of understanding of deposit insurance and other financial issues such as holding accounts in any financial institutions. The last survey was done in 2013. Arising from that the NDIC embark on public awareness campaign in major Nigerian languages.

Production and circulation of publications such as Books, Annual Report and Statement of Accounts and NDIC Quarterly Journal as well as Pamphlets/ Leaflets to all key stakeholders of financial services industry.

- Establishment of a toll-free 24-Hour Help Desk as part of the consumer protection strategy to address concerns of stakeholders and also educate the public on its activities. This is also supported by a robust website.

- Participation in road shows as well as in major International Trade Fairs holding in Lagos, Kaduna and Port Harcourt during which people are enlightened on Financial Inclusion.
- Embarking on capacity building through Seminars/Workshops organized for the operators and owners of Microfinance Banks and Primary Mortgage Banks.

Sustainable Banking Practice

The NDIC had been supporting the effort of the CBN on "Sustainable Banking Policy". Sustainable banking is about the integration of social and environmental considerations in banks' operation, services, procedures and strategies. As a major stakeholder in the financial services industry, the NDIC had commenced the implementation of Nigeria Sustainable Banking Principles (NSBP) through organising retreats to sensitise the Board members and management on Sustainable Banking.

Also a Sustainability Desk was set-up in the Managing Director's Office and a Coordinator was appointed to oversee the implementation of the NSBP in the Corporation. An awareness session had been organized on sustainable banking for some staff of the Corporation in Abuja while an expert on sustainability was being consulted for Corporation-wide awareness sessions and in-depth training programmes.

Deepening the NDIC Mandate and Activities through Public Awareness

The NDIC is not unaware of the challenges posed by lack of adequate public awareness on its mandate and activities. To this end, it had stepped up aggressive public awareness on the benefits and limitations of the deposit insurance scheme as well as its activities like deposit pay-out, increase in coverage levels, appointment of agent banks, debt recovery agents and payment of liquidation dividends amongst others through a multi-media platform.

Television & Radio Jingles and "NDIC Calling"

Some of the public awareness initiatives already adopted included regular media briefings and appearances by the MD/CE and other members of Senior Management, production and transmission of weekly documentary: "NDIC Calling" on the network of NTA, AIT and Channels Television, production and transmission of depositor protection



L-R: NDIC MD/CE Alhaji Umaru Ibrahim, Chairman of the NDIC Board, Amb. (Dr.) Hassan Adamu (Wakilin Adamawa), Hon. Justice Mariam Aloma Mukhtar, Amb. Bashir Yuguda, Executive Director Corporate Services, Hon. Lola Abiola Edewor, NDIC Board Members Ms. Bennedikter C. Molokwu and Mr. Kalli Zaji cutting the 25th Anniversary Cake.

awareness jingles in major local Languages (Hausa, Yoruba, Igbo and Pidgin English) on national and local television/radio stations as well as circulation of flyers and pamphlets on the mandates of the Corporation. Other initiatives included school and sports programmes sponsorships, participation in major international trade fairs in the country, circulation of NDIC research publications among stakeholders and the general public, stakeholders' fora and partnership with the media through the annual NDIC Workshop for Business Editors and Members of the Finance Correspondents Association of Nigeria (FICAN).

Sensitization for NYSC

The Corporation in its effort to encourage financial literacy and the public knowledge of the benefits and limitations of deposit insurance as well as educating the people on its activities, embarked on sensitisation of the NYSC members. The sensitisation seminar was held this year in three (3) states, namely: Ekiti; Ogun; and Enugu. The programme will continue next year in order to cover all the states in the country.

NDIC Help Desk

The Corporation had also established a 24-Hour Help Desk with a toll-free line in its Head Office and Complaints Desks in the Bank Examination Department and Special Insured Institutions Department for depositors of DMBs and MFBs/PMBs to facilitate response to enquiries and

complaints of malpractices from members of the public. To further enhance its public awareness drive, the Corporation had redesigned its website: www.ndic.gov.ng which has been made more robust and user friendly with the adoption of social media platforms including Facebook, Twitter, Instagram and YouTube.

NDIC Rebranding

Having been in operation for about 25 years, the Board of the NDIC approved a rebranding project in 2012 to reposition the Corporation towards the effective discharge of its mandate. The rebranding was a deliberate strategy to provide a distinct identity in the minds of all stakeholders through the slogan on its new logo: "Protecting your bank deposits". A set of new core values of Honesty, Respect & Fairness, Discipline, Professionalism & Teamwork and Passion were also adopted under the rebranding strategy to steer the Corporation towards achieving its vision of being among the leading deposit insurers in the world.

Conclusion

From the foregoing, it is evident that the NDIC has performed creditably by continuously discharging its mandate effectively. The Corporation will continue to remain resolute despite daunting challenges to realize its vision of being among the leading deposit insurers in the world.

Communication & Public Affairs

December, 2014