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March 11, 2014.

LETTER TO ALL BANKS AND DISCOUNT HOUSES

TRANSFER OF ALL NON-PROPRIETARY ASSETS TO LICENSED CUSTODIANS

The Central Bank of Nigeria has observed with dismay, the apathy by money market operators in appointing custodians as stipulated in the Guidelines for Custodianship in Money Markets and Other Fixed Income Instruments issued in 2007. This has resulted in the assets of banks and discount houses being comingled with those of their clients/customers. Consequently, this has made it difficult for the Central Bank of Nigeria to segregate the assets of banks and discount houses from those of their clients/customers. Consequently, to ensure full compliance with the provisions of the above guideline, the Central Bank of Nigeria, in exercise of the powers conferred on it by section 57 (2) of BOFIA 2004 directs as follows:

- All Deposit Money Banks and Discount Houses are required to appoint a licensed Custodian, ***not later than March 31, 2014.***
- All non-proprietary financial assets (e.g. Treasury Bills and Bonds) in the custody of Deposit Money Banks and Discount Houses should be transferred to the Custodian so appointed, ***not later than April 30, 2014.***
- All Deposit Money Banks and Discount Houses shall notify their clients/customers, ***not later than April 30, 2014,*** the Custodian to which their

financial assets have been transferred. Subsequently, investors should be notified of the Custodian at the time of making the investment.

- All Deposit Money Banks and Discount Houses shall display to the public, in a conspicuous place, in the head office and all branches, a notice that
 - Brokerage will be charged for purchase of financial assets on their behalf in line with the Guidelines for Custodianship in Money Markets and Other Fixed Income Instruments issued in 2007
 - Custody of customers' investments in financial assets (e.g. Treasury Bills and Bonds) shall be transferred to a named licensed Custodian and
- A Client or customer who makes an investment in financial assets subsequent to the issuance of this circular reserves the right to choose a custodian for his investment.
- In all cases, an investor in financial assets has the right to change his/her custodian at no extra fee.

Failure to appoint a Custodian or transfer all non-proprietary financial assets, as stipulated in this Circular, shall constitute an infraction and attract sanctions, which may include, among others, the loss of money market dealership. In addition, 50% of the financial assets portfolio of such Deposit Money Bank or Discount House shall be regarded as non-proprietary and, consequently, be excluded from the computation of its Liquidity Ratio.

A list of licensed custodians can be obtained from the Central Bank of Nigeria's website.

Please be guided accordingly.

Yours faithfully,

'TOKUNBO MARTINS (Mrs.)

DIRECTOR BANKING SUPERVISION