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LETTER TO ALL BANKS

GUIDELINES ON THE ESTABLISHMENT AND RATIONALIZATION OF BRANCHES AND OTHER OUTLETS FOR BANKS IN NIGERIA

Following developments in the financial system and the need to provide additional guidance to the banking industry on the establishment and rationalization of branches and other outlets, the Central Bank of Nigeria, in exercise of its powers under Section 33(1)(b) of the CBN Act 2007 and Section 6 of the Banks and Other Financial Institutions Act, Cap B3, LFN 2004, issues the following Guidelines.

The Guidelines, which are intended to ensure uniformity in the establishment and rationalization of branches and other outlets for banks, takes immediate effect.

Please be guided accordingly.

Yours faithfully,

**TOKUNBO MARTINS (MRS.)
DIRECTOR OF BANKING SUPERVISION**

**GUIDELINES ON THE ESTABLISHMENT AND
RATIONALIZATION OF BRANCHES AND OTHER
OUTLETS FOR BANKS IN NIGERIA**

BY

**CENTRAL BANK OF NIGERIA
ABUJA**

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GUIDELINES ON THE ESTABLISHMENT AND RATIONALIZATION OF BRANCHES AND OTHER OUTLETS FOR BANKS IN NIGERIA

1.0 Introduction

The CBN in exercise of its statutory powers under Section 33(1)(b) of the CBN Act, 2007 and Section 6 of the Banks and Other Financial Institutions Act (BOFIA), Cap B3, LFN 2004, issues the following Guidelines, which specify the minimum requirements for establishing and rationalizing branches and other banking outlets.

2.0 Definition of Terms

1. Branch - means a bank's place of business outside the Head office where banking operations with full products and services are offered.
2. Cash Center - means a banking outlet that provides banking services i.e cash deposits and withdrawal to its customers, excluding foreign exchange transactions and the extension of credit facility.
3. Electronic Banking Office or Automated Teller Machine (ATM) Center - means an electronic banking outlet which offers cash withdrawal and deposit services via Automated Teller Machines to customers without the aid of a branch representative or teller. It may also include self-service internet banking and telephone services.
4. Teller Implant - means a banking outlet which offers services to specific customers, who receive high volume of payments in their premises. The teller implant is strictly for the purpose of serving the specified customer.

3.0 General Criteria for Establishing Banking Outlets

1. An application to open/close/merge/downgrade/upgrade a branch or other banking outlet shall be accompanied by all documentation requirements provided for in these Guidelines.
2. Banking outlets other than branches must be affiliated to specific branches which should be clearly stated in banks' applications.

4.0 Documentation Requirements for Establishing a Branch

An application should be accompanied by the following:

1. A resolution of the Board of Directors approving the establishment of the branch stating the estimated cost of the outlet;
2. A detailed feasibility report, which should cover the following:
 - a. Suitability of the location including evidence of commercial and industrial establishments;
 - b. Basic social and infrastructural facilities in place;
 - c. Competition/number of banks in the area;
 - d. Range of products and services to be provided;
 - e. Estimated initial capital expenditure and other operating costs for the proposed branch with breakdown of the estimates;
 - f. Financial projection for the proposed branch - at least 3 years Statements of Financial Position and Income Statement including notes and assumptions on the projection;
 - g. Staffing requirements; and
 - h. Security arrangement in place to ensure safe operations.
3. List of unutilized approvals granted for banking branches to the bank and reason(s) for non-utilization.

5.0 Documentation Requirements for Establishing Cash Center

The documentation requirements for the establishment of cash centers are the same as those for branches as per Section 4.0 of these Guidelines. However, the range of services to be provided should be restricted to that of a cash center.

6.0 Documentation Requirements for establishing Electronic Banking Office or ATM Center

The application should be accompanied by the following:

1. A resolution of the Board of Directors approving the establishment of the e-banking office or ATM center stating the estimated cost of the outlet;
2. A detailed feasibility report, which should cover the following:
 - a. Suitability of the location including evidence of commercial/industrial establishments and/or bankable population;
 - b. Basic social and infrastructural facilities in place;
 - c. Competition/number of banks in the area;
 - d. Range of services to be provided;
 - e. Estimated initial capital expenditure and other operating costs for the proposed e-banking office or ATM center with breakdown of the estimates;
 - f. Staffing requirements;
 - g. Security arrangement in place to ensure safe operations; and
 - h. Proposed Cash-in-transit companies to be used.

Banks should ensure compliance with the provisions of the Guidelines on Electronic Banking in Nigeria of August 2003 and Nigeria Financial Services IT Standards Blueprint in this regard.

7.0 Documentation Requirements for Establishing Teller Implant

The application should be accompanied by the following:

1. A resolution of the Board of Directors approving the establishment of the teller implant stating the estimated cost of the outlet;
2. A detailed feasibility report, which should cover the following:
 - a. Suitability of the location;
 - b. Basic social and IT infrastructural facilities like key logger prevention, access road and ATM;
 - c. Range of services to be provided should be restricted to that of a teller implant;
 - d. Estimated initial capital expenditure and other operating costs for the proposed implant with breakdowns;
 - e. Staffing requirements;
 - f. Security arrangement in place to ensure safe operations; and
 - g. Proposed Cash-in-transit companies to be used for the evacuation of cash.

8.0 Approval

Banks are required to seek the CBN's approval when establishing branches in line with Section 6(1) of the BOFIA. The provision of this Section is also extended to cash centers, e-banking office or ATM Center and teller implants. The validity of approval granted is for a period of one (1) year for branches and six (6) months for other banking outlets from the date of issue of the letter of approval.

9.0 Revalidation of Approval to Open Branches and Other Banking Outlets

Where a bank is unable to commence operations within the validity period, an extension of time (6 and 3 months for branch and other banking outlets respectively) may be granted provided that the bank provides cogent reason(s) for the delay.

The bank will be required to apply for an extension of time three (3) months to the end of the validity period. Where approval is granted, the bank is expected to commence operations within the period, failing which the approval would automatically lapse. However, where the bank still intends to open a branch or other

banking outlet in the same location, it would be required to re-apply, attaching all documentation requirements.

10.0 Documentation Requirements for Closure of a Branch and Other Banking Outlets

10.1 Closure of Branches and Other Banking Outlets

In line with Section 6(1) of BOFIA, no bank is permitted to close any branch without the prior approval of the CBN. The provision of this Section is extended to other banking outlets.

An application for closure of branches and other banking outlets should be accompanied by the following:

1. A resolution of the Board of Directors approving the closure/rationalisation;
2. Justification for the closure;
3. Number of other bank branches/other banking outlets;
4. Total number of customers accounts, indicating the account types;
5. List of outstanding credit facilities and their performance ratings;
6. Income statements for the last 3 years;
7. The nearest branch of the bank and its distance from the affected branch/other banking outlets;
8. Total number of staff working in the affected branch/other banking outlets and the bank's restructuring plans with respect to the staff of the branch/other banking outlets; and
9. How the bank intends to cater for existing customers to ensure they continue to enjoy banking services.

10.2 Merging of Branches and Other Banking Outlets

Banks are permitted to merge branches or banking outlets where cogent reason(s) are provided to justify the merger. However, such an application would be considered on the basis of its merit.

An application for the merger of a branch/outlet with another should be accompanied by the following:

1. A resolution of the Board of Directors approving the merger and cost involved;
2. Justification for the merger;
3. Estimated cost of the merger with breakdown of the estimates;
4. The addresses of the branches or outlets to be merged;
5. The distance between the branches or outlets to be merged;
6. The total number of customers in both branches or outlets; and
7. Total number of staff working in the affected branch or outlet and how the bank intends to absorb them.

10.3 Upgrade of Other Banking Outlets to Branches

This follows the same approach for the opening of branches.

10.4 Downgrade of Branches to Other Banking Outlets

Banks are permitted to apply for the downgrade of branches to cash centers, teller implants and e-banking office or ATM centers. However, the application would be considered on the basis of its merit.

11.0 Documentation Requirements for Relocation of Branches and Other Banking Outlets

The application should be accompanied by the following:

1. A resolution of the Board of Directors approving the relocation;
2. Justification for the relocation;
3. Cost implication for the relocation;
4. Other banks existing in the former area and the new area;
5. Distance between the present and proposed location; and
6. Bank's arrangement for existing customers to prevent inconvenience.

12.0 Other Requirements

Upon commencement of operation of an approved branch or outlet, banks are required to notify the CBN within 14 days, providing the telephone number, address and date that the branch or outlet opened.

Upon closure/upgrade/downgrade of an approved branch or outlet, banks are required to notify the CBN within 14 days providing date that the branch or outlet closed, relocated, or merged. A bank shall post notice to customers in a conspicuous manner in the branch or outlet prior to its date of closure/relocation/merger. The notice shall remain posted in the branch or outlet until it is closed/ relocated/merged.

13.0 Reporting Requirements

All banks shall annually render returns on branches and other banking outlets opened, closed, rationalized and relocated during the year as well as the total number of the branches and outlets as at the end of the reporting year in the attached format in print and soft copies to the Director Banking Supervision and BSDReturns@cbn.gov.ng. In addition, banks should ensure rendition of returns with respect to branches and other banking outlets in the following returns in e-FASS and finA:

- MBR 300-Monthly Statement of Assets and Liabilities;
- MBR 338-Monthly Return on Branch Network; and
- SBR 1920-Semi-annual Return on Branch Network.

14.0 Penalty for Non-Compliance

Banks should ensure compliance with these guidelines as any breach with the provisions of the Guidelines shall attract sanctions in accordance with Sections 6(2) and 60(1) of the BOFIA.

REPORTING TEMPLATES

1. Format for reporting on branches and other banking outlets opened during the year

S/N	Type of Banking Outlets	Location/Address	Date of Approval	Date of Commencement of Operations

2. Format for reporting on branches and other banking outlets closed during the year

S/N	Type of banking outlets	Location/Address	Major reason for the closure	Date of approval	Date of closure

3. Format for reporting on branches and other banking outlets relocated during the year

S/N	Type of banking outlets	Previous location/address	New location/address	Date of approval	Date of relocation

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4. Format for reporting on branches and other banking outlets merged during the year

S/N	Type of banking outlets	Location/address of branch or other banking outlet being merged	New location/address	Date of approval	Date of merger

5. Format for reporting on other banking outlets upgraded to branches during the year

S/N	Type of banking outlets upgraded	Location/address	New location/address if relocated	Date of approval	Date of commencement of operations as a branch

6. Format for reporting on branches downgraded to other banking outlets during the year

S/N	Location/address of branch	Date of approval	Date of commencement of operations of the banking outlet

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7. Format for reporting on total number of branches and other banking outlets as at the end of the reporting year

S/N	Type of banking outlets	Number of each banking outlets as at end of the preceding year	Number of each banking outlets approved during the year	Number of banking outlets closed/downgraded/upgraded as at the end of the year	Total number of each banking outlets as at the end of the reporting year