

Activities of the NDIC in the Second Quarter, 2023

6.0 Introduction

The NDIC activities and achievements in the Second Quarter of 2023 are presented below:

6.1 Update on Corporate Strategy Development Activities

The following are highlights of the Corporation's major strategic activities and achievements for the quarter ended June 30, 2023.

- Following the engagement of the new Consultant, KPMG Advisory Services, a Gap Assessment was conducted on the Corporation's three ISO certifications to evaluate the current state of the Corporation's business resilience, IT service posture and Information Security, benchmarked against ISO 22301, 20000 and 27001 Standards, respectively. Listed below is a summary of the current activities that ensued during the period under review:
 - i. A workshop was held for the integration of some key areas across the three Management Systems following the recommendation by the ISO Consultant KPMG Advisory Services;
 - ii. The ISO certification body (MSECB/A4S) concluded the Stage 1 Certification Audit, and a report was developed itemising the significant findings under the Corporation's three (3) ISO Management systems;
 - iii. KPMG has submitted the Gap Remediation Plan for the three ISO standards. The plan is based on Quick wins (0-15 days) and Short term projects (< 25 days) in preparation of the stage 2 audit scheduled for 24-27 July 2023.
- The Corporation held a Virtual Customer Care Workshop and Focal Officers meeting on 7th June, 2023, to train and equip the Focal/Frontline officers with the skills required to ensure effective and efficient service delivery to our stakeholders. The workshop attracted 50 participants from the Corporation's Departments, Units and Zones (DUZs).
- The NDIC 24-Hour Toll-Free Help Desk continued to educate and enlighten depositors on deposit insurance issues and attend to enquiries and issues raised by customers of banks and the general public. During the second quarter of June 30, 2023, the Helpdesk received 81 calls on various complaints, 63 of which were fully resolved.

6.2 Finance Activities

- During the period under review, the Corporation continued to ensure that its insurance funds were continuously invested in various Federal Government instruments (FGN Bonds and NTBs) in line with Investment Policy and the NDIC Act No. 16 of 2006.
- The total balance of the Deposit Insurance Funds comprising Deposit Insurance Fund (DIF), Special Insured Institutions Fund (SIIF), Non-Interest Deposit Insurance Fund (NIDIF), and Payment Service Deposit Insurance Fund (PSDIF) as at June 30, 2023, stood at ₦2.197 trillion.

6.3 Operational Activities

6.3.1 Closing Activities

Closure of 183 Insured Institutions

- The CBN on May 23, 2023 gazetted the revocation of the licenses of 183 insured financial institutions comprising 179 MFBs and four PMBs. Following the revocation, the Corporation promptly closed these institutions in line with its mandate.
- At the closure date, 24th May, 2023, the total deposits, insured deposits, and uninsured deposits of the MFBs stood at ₦27.80 billion, ₦5.35 billion, and ₦22.45 billion, respectively. The total number of depositors was 1,147,818. Similarly, the PMBs' total deposits, insured deposits, and

uninsured deposits stood at ₦11.14 billion, ₦1.16 billion, ₦9.98 billion, respectively, while the total number of depositors was 81,374.

- In aggregate, the total deposits, insured deposits, uninsured deposits and number of depositors for the 183 closed banks at the closure date were ₦38.94 billion, ₦6.50 billion, ₦32.44 billion, and 1,229,192, respectively.

6.3.2 Claims Settlement

A) Payments to Insured and Uninsured Depositors of Closed Insured Banks

- In the second quarter of 2023, the NDIC paid ₦878,512.64 to insured depositors and ₦436.62 million to uninsured depositors of 49 DMBs in-liquidation. Cumulatively, the NDIC had paid ₦8.269 billion to 444,010 insured depositors and ₦101.761 billion to uninsured depositors of 49 DMBs in-liquidation at end-June 2023.
- The NDIC also paid ₦185.42 million to 5,953 insured depositors and ₦13,087.98 to uninsured depositors of 546 Microfinance Banks (MFBs) in-liquidation during the review period. Cumulatively, the NDIC had paid ₦3.639 billion to 97,417 insured depositors and ₦20.206 million to uninsured depositors of closed MFBs as at June 30, 2023.
- The cumulative insured amount paid by the NDIC to 1,833 depositors of closed PMBs stood at ₦124,764 million and ₦211.436 million to the uninsured depositors as at June 30, 2023.

B) Payments to Creditors of Banks in-Liquidation

- No creditor of the 49 DMBs in-liquidation was paid during the review period. However, the cumulative sum of ₦1.281 billion had been paid to 1,027 out of 1,320 creditors as at June 30, 2023.

C) Payments to Shareholders of Banks in-Liquidation

The NDIC paid the sum of ₦750,000 to a shareholder of closed DMB. Consequently, the cumulative sum of ₦4.896 billion had been paid to 980 shareholders as at June 30, 2023.

6.4 Asset Management

6.4.1 Risk Assets Recovery

The sum of ₦2.03 million was recovered from six debtors of the 49 DMBs in-liquidation during the second quarter of 2023. Similarly, the sums of ₦9.39 million and ₦11.99 million were recovered from debtors of one PMB and five MFBs in-liquidation, respectively. Consequently, the total recovery from the Risk Assets for the period was ₦23.41 million as summarised in Table 6.1.

Table 6.1: Loan Recoveries (₦' million) for First Quarter and Second Quarter of 2023

INSURED INSTITUTIONS	First Quarter, 2023				Second Quarter, 2023			
	Jan	Feb	Mar	TOTAL	Apr	May	June	TOTAL
DMBs	0.60	2.36	13.02	15.98	0.55	0.90	0.58	2.03
PMBs	0.00	7.26	2.72	9.98	2.89	4.85	1.66	9.39
MFBs	0.60	0.00	0.40	1.00	1.45	5.57	4.97	11.99
GRAND TOTAL	1.20	9.62	16.14	26.96	4.89	11.32	7.20	23.41

The Risk Assets recoveries totalling ₦23.41 million represented a decrease of ₦3.56 million (13.20%) from ₦26.96 million recovered in the first quarter of 2023. The recovery of ₦23.41

million represents 1.80% of the Corporation's full-year Risk Assets Recovery target of ₦1.3 billion. The Corporation is re-strategising to meet and exceed set target by year-end.

The cumulative recovery for the DMBs in-liquidation from 1994 to date was ₦30,981.56 million. The sum of ₦319.84 million was recovered from September 2010 to date in respect of closed MFBs, while PMBs had a cumulative recovery of ₦807.67 million. Therefore, the total recovery from Risk Assets of all banks in-liquidation stood at ₦32,109.07 million as at June 30, 2023. Table 6.2 presents the cumulative recoveries and outstanding risk assets for the banks in-liquidation.

Table 6.2: Cumulative Risk Assets Recoveries (N' million) as at 30 June 2023

S/N	BANK CATEGORY	CUMULATIVE RECOVERIES	OUTSTANDING RISK ASSETS
1	DMBs	30,981.56	132,544.86
2	PMBs	807.67	6,891.70
3	MFBs	319.84	25,365.01
	TOTAL	32,109.07	164,801.58

6.4.2 Disposal of Physical Assets

i. Disposal of Physical Assets of Banks in-Liquidation

The total amount realised from the disposal of physical assets of banks in-liquidation for the second quarter ended June 30, 2023 was ₦85,000.00 (from the sale of Physical Assets MFBs in-liquidation), compared with sum of ₦306.53 million realised in the first quarter of 2023.

The realised figure of ₦85,000.00 represents 0.01 per cent of the Corporation's full-year budgeted Physical Assets Recovery target of ₦1 billion.

As at June 30, 2023, the cumulative realisation since inception from Physical Assets and Rent collected on properties of banks in-liquidation stood at ₦23,771.38 million. The figure comprised ₦22,521.73 million, ₦1,016.63 million and ₦233.02 million for DMBs, MFBs and PMBs in-liquidation, respectively.

ii Realisation of Investments of Banks in-Liquidation

The amount realised from investments of 10 banks in-liquidation during second quarter of 2023 was ₦6.44 million, compared with ₦978.22 million realised during the first quarter of 2023. The sum comprised ₦332.14, ₦25.39 and ₦6,443,923.42 for DMBs, PMBs, and MFBs in-liquidation, respectively. Table 6.3 presents the summary of realised quarterly recoveries, against the target for the year.

The cumulative sum realised from investments of banks in-liquidation from inception to June 30, 2023, was ₦5,917.15 million. The amount realised from investments of DMBs from 1994 to June 30, 2023, stood at ₦5,746.81 million, for MFBs from 2010 to date was ₦103.98 million and for PMBs was ₦66.36 million as at June 30, 2023.

6.5 Bank Supervision

6.5.1 Risk Based Examination (RBE) - On-Site Examination of DMBs

During the Second quarter of 2023, the planning for RBE for DMBs with Low and Moderate composite risk-rating was finalised. The planned examination would cover relevant banks comprising DMBs and holding companies.

6.5.2 Holding Companies (HOLDCOs) Examination

In the second quarter of 2023, a team of CBN/NDIC examiners concluded the consolidation of the Risk Assessment Summaries (RAS) of Holding Companies (HoldCOs) examined in the third quarter of 2022.

6.5.3 Quality Assurance on DMBs' Examination Reports

The CBN/NDIC Methodology Group jointly carried out the quality assurance of the following assessments during the second quarter of 2023:

- i. Joint CBN/NDIC Cybersecurity Supervisory Review & Evaluation (SRE) of 18 DMBs commenced on June 19, 2023.
- ii. The Consolidated Examination reports of 2 HoldCos were examined as at September 30, 2022.

6.5.4 On-Site Examination of MFBs and PMBs

During the period under review, the CBN allocated 106 banks (100 MFBs and 6 PMBs) to NDIC for the 2023 on-site RBS Examination, representing a 24.29 per cent decrease, compared with 140 banks (130 MFBs and 10 PMBs) allocated in 2022. The fieldwork was scheduled to commence on July 17, 2023.

6.5.5 Investigations/Consumer Protection

At the end of the second quarter of 2023, 158 customer complaints from various banks were received by the NDIC, in addition to 47 brought forward from the fourth quarter of 2022, bringing the total to 205. Out of the 205 complaints, 155 (75.61%) were fully resolved, 40 (19.51%) were still being investigated, and 10 (4.88%) were unattended because account details and disputed amounts were not provided.

In the PMB/MFB sub-sector, 16 complaints/petitions were received during the second quarter of 2023, out of which one had been resolved, while the remaining are at different stages of completion.

6.5.6 Premium Assessment, Collection and Deposit Verification on Insured banks

As at June 30, 2023, the NDIC collected a total premium of ₦1.018 billion from 383 banks comprising 378 MFBs and five PMBs, representing 78.38 per cent of the ₦1.3 billion target collection of 2023 for the MFB and PMB sub-sector.

6.5.7 Fit and Proper Persons Enquiries

During the second quarter of 2023, the NDIC received 185 requests (in addition to 12 outstanding requests from the first quarter) from the CBN, SEC, PENCOR, and NAICOM to

conduct due diligence on the prospective appointees in the financial sector. Of the 197 total requests, 124 had been treated, while 73 requests remained outstanding as at June 30, 2023, pending further investigation.

6.5.8 Fidelity Insurance Coverage

In the second quarter of 2023, 31 of 35 DMBs submitted their Fidelity Insurance Coverage report. Twenty-three of the 31 DMBs maintained adequate Fidelity Insurance Coverage of 15% of their Paid-up Capital as of June 30, 2023. The remaining eight of the 31 DMBs had their fidelity insurance coverage below the 15% prudential threshold.

6.5.9 Whistle Blowing

The NDIC received 115 whistle-blowing cases from 35 DMBs, bordering on service dissatisfaction, theft, and cash suppression, among others, during the quarter-ended June 30, 2023. The number of cases fully resolved was 94, while the remaining 21 were pending and under investigation as at June 30, 2023.

6.6 Other Key Supervisory Developments

i. NDIC seeks stakeholder inputs towards the revised framework for the differential premium assessment

The NDIC reviewed its Framework for Differential Premium Assessment System (DPAS) to make it more risk-sensitive and account for significant developments that had taken place in the Nigerian banking system since its adoption in 2008. Similarly, the review was also informed by the need to ensure that the DPAS framework in Nigeria conforms to the recommendations of the International Association of Deposit Insurers (IADI) and other global best practices. Consequently, the NDIC exposed the draft revised DPAS Framework to insured member institutions in Nigeria for their respective comments/inputs. The comments and suggestions have been received and are being reviewed by the Corporation.

ii. The Corporation reviews its target funding ratio framework

The NDIC had commenced reviewing its target funding ratio framework to ensure that the Target Fund and method of its determination are adequate, credible, appropriate, reasonable, consistent and transparent, while enhancing public confidence, and benchmarking with global best practices in DIS. Accordingly, stakeholders' comments regarding the framework are being collated to improve the framework.

6.7 Enterprise Risk Management Activities

In the second quarter of 2023, the Enterprise Risk Management activities of the NDIC were as follows:

- The Corporation successfully conducted a Facility test at the NDIC Academy (Alternate site) to ascertain the readiness and resilience of the critical facilities in case of a Business Disruption. The Test was successful as the appropriate functionality of the critical Facilities in the NDIC Academy (Alternate site) was assessed with minimal risks to the services these facilities provide.
- The Corporation conducted Inter-Agency knowledge sharing and training with PENCOM and FIRS.
- The Corporation reviewed and updated the Corrective Action and Preventive Action (CAPA) Plan after the Surveillance Audit of ISO 22301. Furthermore, in order to address risks and harness opportunities, the Corporation developed and maintained the Lesson Learnt Register, Incident Log, and BCMS issues tracking/management log.

6.8 Collaboration and Public Awareness Activities

The NDIC implemented various public awareness initiatives to manage its NDIC brand and promote awareness of its activities during the second quarter of 2023. The executed initiatives were:

6.8.1 Public Awareness Activities

- The NDIC conducted public awareness on the verification and deposit payouts process to depositors of 179 MFBs and four PMBs whose licences were revoked on 22 May 2023 by the Central Bank of Nigeria (CBN).
- The NDIC, in commemoration of Financial Literacy Day (FLD), mentored a total of 1,431 students from 55 secondary schools across eight locations nationwide in financial literacy matters and savings. A total of 1,320 branded souvenirs were also distributed to participants.
- The Corporation issued Press Releases to inform the general public of the commencement of the verification of depositors of Peak Merchant Bank (In-Liquidation).
- The NDIC sponsored the 2023 Regtech Conference and Digital Pay Expo in Lagos to promote public awareness of the NDIC mandate and increase the visibility of its brand.
- The Corporation created and deployed 43 contents on the various aspects of its mandate across the social media handles to improve the public perception of the NDIC Brand. As at June 30, 2023, the NDIC had 119,001 followers on Facebook, Instagram, LinkedIn, YouTube, and Twitter. The NDIC posts have generated 129,652 impressions and garnered 4,281 likes.

6.9 Legal Activities

The major legal activities of the Corporation for the quarter ended June 30, 2023 were as follows:

- The NDIC monitored 83 debt recovery of "₦100 million and above" cases, 72 debt recovery of "₦100 million and below" cases, 49 corporate cases, 24 winding-up petition cases of MFBs & PMBs, 14 defensive cases involving MFBs & PMBs, and 26 High Profile Defensive Litigation.
- The Corporation forwarded five investigation cases to the Federal Ministry of Justice for prosecution bordering on conspiracy, insider abuse, fraudulent conversion of funds, stealing belonging to four DMBs, and three MFBs in-liquidation.
- The NDIC further monitored 12 criminal cases pending at the various courts within the nation, involving fraud, granting of unauthorised and unsecured credit facilities, conspiracy, non-disclosure of interest and stealing of funds belonging to DMBs in-liquidation.
- The Corporation obtained 17 judgments, out of which 13 were in favour of, while four (4) were against the Corporation. The favourable judgements were in respect of ten (10) defensive suits and three (3) debt recovery actions. In contrast, the adverse judgments were related to terminal benefits and general damages in favour of ex- staff of three DMBs in-liquidation, and a bridge bank.
- The Corporation forwarded nine cases to the Economic and Financial Crimes Commission (EFCC), comprising fraud, abuse of credit policies, asset stripping, suppression and concealment amounting to ₦17,250 million, as well as conversion and diversion of funds totaling \$66.60 million by ex-staff and clients of five DMBs in-liquidation.
- The NDIC Act 2023, was assented to by the former President, Muhammadu Buhari on the 26th May, 2023, and the Act was presented to the Corporation on 1st June, 2023. The amendment aimed at strengthening the Corporation to discharge its mandate effectively and to ensure compliance with the International Association of Deposit Insurers (IADI) Core Principles of Effective Deposit Insurance System.
- The NDIC monitored 83 debt recovery of "₦100 million and above" cases, 72 debt recovery of "₦100 million and below" cases, 49 corporate cases, 24 winding-up petition cases of MFBs

& PMBs, 14 defensive cases involving MFBs & PMBs, and 26 High Profile Defensive Litigation.

6.10 Challenges

Regardless of the achievements mentioned above, the NDIC is still confronted with the following challenges:

- Difficulty in the execution of judgment debts.
- Protracted legal processes due to frequent adjournment of cases.
- The apathy of closed banks' depositors and other stakeholders with small balances, especially those without alternative bank accounts and those with inadequate documentation to file their claims.
- Difficulty in debt recovery and realisation of physical assets of failed banks due to non-availability of some title documents and remote locations of properties.
- The unwilling attitude of debtors (especially prominent individuals) of failed banks to liquidate their debts.

6.11 Conclusion

As one of the components of the Nigerian financial safety-net, the NDIC has continued to engender public confidence and contribute to the stability of the financial system. The Corporation, through its various activities, has consistently pursued the achievement of its public policy of depositors' protection, enhancing public confidence and promotion of financial system stability.