



**CENTRAL BANK OF NIGERIA**

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**BANKING AND PAYMENTS SYSTEM DEPARTMENT**

**BPS/PSV/GEN/CIR/01/003**

**February 3<sup>rd</sup>, 2017**

**To: All Deposit Money Banks, Other Financial Institutions and Payments Service Providers.**

**EXPOSURE DRAFT OF "THE GUIDELINES ON INSTANT (INTER-BANK) ELECTRONIC FUNDS TRANSFER SERVICES IN NIGERIA."**

The Central Bank of Nigeria (CBN), in furtherance of its mandate for the development of the electronic payments system in Nigeria, hereby releases the Exposure Guidelines on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria, 2016 (Revised) for your review and comments.

Kindly forward your comments, in hard copy to the Director, Banking & Payments System Department and in soft copy to [scokojere@cbn.gov.ng](mailto:scokojere@cbn.gov.ng) and [psv2020@cbn.gov.ng](mailto:psv2020@cbn.gov.ng), on or before February 24, 2017.

Thank you for your usual cooperation.

A handwritten signature in black ink, appearing to read 'Dipo Fatokun', written over a large, faint oval stamp.

'Dipo Fatokun

**Director, Banking & Payments System Department**

**GUIDELINES ON INSTANT (INTER-BANK)  
ELECTRONIC FUNDS TRANSFER SERVICES  
IN NIGERIA**

**DECEMBER 2016**

## **1.0 PREAMBLE**

In exercise of the powers conferred on the Bank by Section 28 (1) (b) of the Central Bank of Nigeria Act 1991 (as amended) to issue guidelines for the maintenance of adequate and reasonable financial services for the public and to ensure high standards of conduct and management throughout the banking system; and pursuant to its inherent powers, the Central Bank of Nigeria (CBN) hereby issues the following guidelines for the operations of Instant (inter-bank) Electronic Funds Transfer (EFT) services in Nigeria.

## **2.0 SCOPE**

The scope of this document is limited to:

- setting out the procedures for the operation of Instant (inter-bank) Electronic Funds Transfer services in Nigeria,
- prescribing the rights and obligations of the parties to such services.
- provision of the minimum standards for the operations of the parties to EFT services

## **3.0 OBJECTIVES**

1. To prescribe standards to guide the provision and implementation of instant EFT services in Nigeria.
2. To provide minimum operational standards and streamline the operations of the various Instant EFT platforms operating in Nigeria.
3. To stipulate procedures geared towards the enhancement of the soundness of instant EFT services, while adequately protecting the interests of instant EFT customers and operators

## **4.0 PARTIES TO INSTANT (INTER-BANK) ELECTRONIC FUNDS TRANSFER SERVICES**

Parties to Instant Electronic Funds Transfer shall include:

- i. The Central Bank of Nigeria as Regulator
- ii. Financial Institutions (FIs)
  - a. Deposit Money Banks
  - b. Other Financial Institutions (OFIs) i.e. licensed Primary Mortgage banks, Micro-Finance Banks, and Mobile Money Operators
  - c. Development Finance Institutions (DFI)
- iii. Instant EFT Service Providers whose settlement obligations are guaranteed by Deposit Money Banks
- iv. Customers (Originator and Beneficiary)
- v. The Automated Clearing House (ACH), Cheque and Instant Payments Scheme Board

## **5.0 RIGHTS AND RESPONSIBILITIES OF PARTIES TO INSTANT EFT**

The section sets out the rights and responsibilities of all parties to Electronic Funds Transfer under the guidelines.

### **5.1 RIGHTS AND RESPONSIBILITIES OF AN INSTANT EFT SERVICE PROVIDER**

An Instant EFT service provider shall:

1. Ensure compliance with the minimum standards issued by the CBN and as amended from time to time
2. Put in place on its platform operational guidelines specifying in clear terms the responsibilities of each party, operational rules and procedures (including dispute handling) and liabilities of parties in the event of loss of funds arising from negligence of any of the parties
3. Provide, in the minimum, quarterly trainings and feedback for the sending and receiving entities
4. Ensure that all notifications and information that its employees obtain in the course of discharging their responsibilities are treated as confidential
5. Provide Name Enquiry support to minimize instances of wrong credits
6. Put in place a robust Dispute Resolution System (DRS) for users of its platform

7. Establish adequate security procedures to ensure the safety and security of its information and those of its clients, which shall include physical, transactions, logical, network and enterprise security
8. Submit to the CBN its Enterprise Risk Management framework annually
9. In addition to the primary site, maintain a business continuity arrangement to ensure failsafe operation
10. Ensure that its Business Continuity Plan must be attested to by relevant certifications e.g. ISO22301
11. Ensure full compliance with relevant provisions of payments system Guidelines, Policies and Circulars issued by the CBN in relation to its operations
12. Supply to the CBN, information on usage, volume and value of transactions and other relevant information, as and when due, and in the format required by the CBN
13. Connect to the CBN industry Anti-Fraud system and notify same of all transactions consummated on its network for online fraud monitoring
14. Report all instances of fraud/attempted fraud on its network to the CBN promptly
15. In case of system failure, shall automatically switch to its standby or back-up site
16. Notify clients at the point of EFT initiation, details of its operating hours and service support contacts
17. Undertake measures to prevent the use of its Instant EFT platform for purposes associated with terrorism and other financial crimes

## **5.2 RIGHTS AND RESPONSIBILITIES OF SENDING ENTITY**

A Sending Entity in an Instant EFT transaction shall:

1. Comply with the approved Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) directive, and transaction value limits as may be set from time to time by relevant regulatory bodies

2. Provide the BVN details of its clients in the Instant EFT message for all transfers carried out on behalf of customers
3. Not provide instant EFT services to Walk-in customers
4. Fully secure debit against client's account before initiating transfer
5. Provide notification of debit to client's account as agreed with the customer
6. Ensure that EFT messages contain the sender's name and account number, beneficiary name and account number, narration and other information specified by customers at the point of initiating a transfer, to aid reconciliation
7. Notify customer of the status of Instant EFT as agreed in the terms and conditions of its platform
8. Refund customer full proceeds of failed transactions returned by the Receiving Entity or which the Sending Entity is unable to process within 24 hours as defined in section
9. Permit transfers from all its service delivery channels – branches, internet banking, mobile banking, ATM/Kiosks, etc
10. Publicize instant EFT services and the instant EFT FAQ to its customers
11. Receive Customer complaints regarding EFT problems, and pursue resolution to a logical conclusion latest by next business day
12. Provide Funds Transfer receipt to the customer as transaction evidence

### **5.3 RIGHTS AND RESPONSIBILITIES OF RECEIVING ENTITY**

A Receiving Entity in an Instant EFT transaction shall:

1. Comply with the approved Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) directive, and transaction value limits as may be set from time to time by the relevant bodies.
2. Apply successful Instant EFT proceeds to client's account within 5 minutes;
3. Where security, system or other considerations make (2) above

- impracticable within 24 hours, the beneficiary shall be notified of the pending credit and when the credit will be applied
4. Notify customer of the Instant EFT receipt as agreed in the terms and conditions of its platform
  5. Ensure that bank statement of the beneficiary features, in the minimum, the Sender's name and Transaction Narration Information as contained in the inward EFT message, to aid reconciliation by the beneficiary
  6. Provide in the transaction status notification, service support contacts a customer can report to in case of mis-application of credit to a wrong account.
  7. Implement the provisions of 5.4(3) to aid the repatriation of wrongly applied credits.
  8. Process all inward instant debit transactions subject to valid debit mandates
  9. Publicize instant EFT services and the instant EFT FAQ to its customers

#### **5.4 RIGHTS AND RESPONSIBILITIES OF THE CUSTOMER**

1. Provide accurate beneficiary account details for every EFT instruction
2. Report problems arising from EFT transactions promptly to the Sending/Receiving Entity
3. Notify the Receiving Entity promptly whenever an unexpected credit is applied to his/her bank account
4. Cooperate with the Receiving Entity to refund any amount that is wrongly credited to the customer account. Where the customer account is unfunded, the customer shall provide funds within 24 hours. The customer shall be notified that the consequence of not funding the account within 24 hours includes watch-listing in the financial system, BVN system, Credit Bureau and reporting to law enforcement agencies.

#### **5.5 RIGHTS AND RESPONSIBILITIES OF THE SCHEME BOARD**

The ACH, Cheque and IP Scheme Board shall:

1. Provide the business, operational and risk management of the specific payment scheme, covering all aspects of providing a world-class payment infrastructure that is benchmarked against the internationally accepted best-practice as defined by the Principles of Financial Market Infrastructure (PFMI) published by the Bank for International Settlements (BIS) through the Committee for Payment and Market Infrastructure (CPMI)
2. Specifically, be responsible for the development of guiding principles, guidelines, rules for the Scheme Governance within the regulatory framework defined by CBN
3. Be responsible for:
  - ✓ Credit and Liquidity Risk Management
  - ✓ Settlement procedures and monitoring
  - ✓ Definition and application of rules for Default Management
  - ✓ Operations of the scheme in line with market trends
  - ✓ General Business and Operational Risk Management
  - ✓ General Organization of the Scheme
  - ✓ Rules for Access and scheme membership
  - ✓ Efficiency and Transparency of the Scheme
  - ✓ Development of new functionality in the scheme based on assessment of market needs
  - ✓ Production of metrics that measure and demonstrate the overall scheme performance, including all metrics requested by CBN for the overall monitoring of the payment systems infrastructure.
  - ✓ producing an annual self-assessment of the scheme against the CPSS/IOSCO Principles for Financial Market Infrastructure, and for



commissioning an independent external review once every four years.

## **6.0 TYPES OF TRANSACTION**

The following transaction types shall be allowed for Instant EFT:

1. One to one – single debit and single credit
2. One to many – single debit and multiple credits
3. Many to one – Multiple debits and single credit

## **7.0 LIMITATIONS ON INSTANT EFT AMOUNT**

The limitations on Instant EFT values shall be set by individual Sending and Receiving Entities based on individual entity's' risk appetite. However, such limits shall be advised to the EFT Service Provider who would circulate platform limits to all Sending and Receiving entities to guide platform operations.

In all cases the single Instant EFT limit per transaction shall apply as stipulated by the CBN.

## **8.0 SETTLEMENT PROCEDURE**

### **8.1 INSTANT EFT SETTLEMENT CYCLE**

Instant EFT transactions shall be settled as agreed amongst participants but not later than T+1 basis. At least two settlement cycles per day are encouraged, to minimize the settlement risks associated with deferred net settlement systems.

### **8.2 INSTANT EFT SETTLEMENT COLLATERAL**

Parties to EFT transfers shall provide adequate collaterals under CBN approved collateral management system.

## **9.0 FEES AND CHARGES**

Instant EFT service providers and Sending entities shall apply fees and charges in compliance to the approved Guide to Bank Charges. The Receiving entity shall

not earn income on funds transferred. However, statutory levies/charges shall apply.

## **10.0 DISPUTE RESOLUTION**

### **10.1 GENERAL**

The Dispute Resolution System (DRS) process shall be properly documented and circulated among participants by the Instant EFT Service Provider. All Instant EFT disputes shall be concluded within 2-working days. However, where the Sending and Receiving entities fail to agree, the aggrieved party shall report to the Director, Banking and Payments System Department, CBN within one (1) week of arbitration.

### **10.2 WRONG TRANSFER DUE TO BANK ERROR**

Where a Sending Entity sends a transaction with a wrong account number to a Receiving Entity and requests the reversal within 14 days of the transaction, the Receiving Entity shall immediately oblige without recourse to the customer (beneficiary) of the Receiving Entity provided funds are available. An automatic indemnity shall be inferred against the Sending Entity making the reversal request.

Where funds are not available, the Receiving Entity shall immediately formally notify its customer that the account was wrongly credited with feedback to the Sending Entity. The customer shall be notified that the consequence of not funding the account within 24 hours includes watch-listing in the financial system, BVN system, Credit Bureau and reporting to law enforcement agencies.

The Receiving Entity shall reverse the transaction as soon as funds are either partially or fully available.

### **10.3 WRONG TRANSFER DUE TO FRAUD**

The provisions of the CBN circular on the Establishment of Fraud Desks shall apply.

### **10.4 TRANSFER RECALL DUE TO CUSTOMER ERROR**

Where the beneficiary is known to the complainant, the Sending entity shall encourage the complainant to contact the beneficiary for an amicable settlement.

The Sending Entity having received a tenable claim from customer shall notify the Receiving Entity who shall lien the amount in the account of the beneficiary and thereafter obtain the consent of the beneficiary to execute refund.

Where the beneficiary does not give consent the chief internal auditors of the Sending and Receiving Entities shall adjudicate between the two customers, within 2 weeks of the complaint to resolve the issue, and their decisions shall be final. Accordingly, the lien shall not last more than 2 weeks.

Where the supposed beneficiary has utilized the fund such that lien could not be placed, and he/she refuses to fund the beneficiary account to facilitate refund, the Receiving Entity's Chief Internal Auditor shall watch-list the customer's BVN and the Sending Entity may seek the assistance of Law Enforcement Agencies (e.g., Police, EFCC, NFIU, etc) for recovery in line with 5.4(3). The Receiving Entity shall provide assistance as necessary.

### **10.5 EXCEPTIONS HANDLING**

The DRS procedure shall make provisions for exception handling where the status of a transaction between the EFT service provider and the Sending/Receiving Entities is indeterminate.

## **11.0 SANCTIONS**

The approved Clearing System Sanctions, as may be amended from time to time, shall apply

## **12.0 AMENDMENTS**

All parties to the Instant EFT Service are permitted to propose amendments to these guidelines. Such amendment proposals shall be formally forwarded to the office of Director, Banking and Payments System Department (CBN) for consideration.

## **13.0 DEFINITIONS**

### **13.1 EFT**

Electronic Funds Transfer

### **13.2 INSTANT (INTER-BANK) EFT**

Instant EFT Payments system is when delivery to the Receiving Entity takes place within 1 minute (60 seconds). A payments system where delivery to the Receiving Entity occurs beyond 1 minute is considered to be an ACH system.

### **13.3 INSTANT (INTER-BANK) EFT SERVICE PROVIDER**

A Nigerian company or Financial Institution licensed by the CBN to carry on the business of facilitating Electronic Funds Transfer services in partnership with Sending and Receiving Entities.

### **13.4 SENDING ENTITY**

A Nigerian company or Financial Institution licensed by the CBN to carry on the business of facilitating Electronic Funds Transfer services in Nigeria and who initiates an Instant EFT on behalf of its customers.

### **13.5 RECEIVING ENTITY**

A Nigerian company or Financial Institution licensed by the CBN to carry on the business of facilitating Electronic Funds Transfer services in Nigeria and who receives the proceeds of Instant EFT on behalf of its customer.

EXPOSURE DRAFT