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To: All Deposit Money Banks, Micro Finance Banks, Other Financial Institutions, Mobile Money Operators, Development Finance Institutions, Payments Service Providers and other stakeholders.

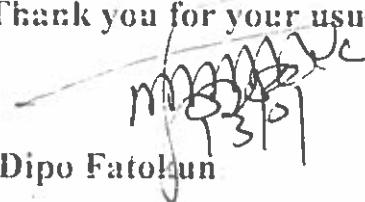
**CIRCULAR ON THE REGULATION ON INSTANT (INTER-BANK) ELECTRONIC FUNDS TRANSFER SERVICES IN NIGERIA**

The Central Bank of Nigeria (CBN), in furtherance of its mandate for the development of electronic payments system in Nigeria, hereby issues the Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria.

Please, note that the effective date of the Regulation is 2<sup>nd</sup> October, 2018.

Please, be guided accordingly.

Thank you for your usual cooperation

  
**Dipo Fatohun**  
Director, Banking and Payments System Department

# **REGULATION ON INSTANT (INTER-BANK) ELECTRONIC FUNDS TRANSFER SERVICES**

**IN NIGERIA**

**JULY, 2018**

## Contents

|   |    |
|---|----|
| <u>1.0 PREAMBLE</u> .....   | 3  |
| <u>2.0 SCOPE</u> .....  | 3  |
| <u>3.0 OBJECTIVES</u> .....   | 3  |
| <u>4.0 STAKEHOLDERS</u> .....   | 3  |
| <u>5.0 RIGHTS AND RESPONSIBILITIES OF STAKEHOLDERS TO INSTANT EFT</u> .....     | 4  |
| <u>5.1 RIGHTS AND RESPONSIBILITIES OF AN INSTANT EFT SERVICE PROVIDER</u> ..... | 4  |
| <u>5.2 RIGHTS AND RESPONSIBILITIES OF SENDING ENTITY</u> .....                  | 5  |
| <u>5.3 RIGHTS AND RESPONSIBILITIES OF RECEIVING ENTITY</u> .....                | 6  |
| <u>5.4 RIGHTS AND RESPONSIBILITIES OF THE CUSTOMER</u> .....                    | 7  |
| <u>6.0 TYPES OF TRANSACTION</u> .....   | 8  |
| <u>7.0 LIMITATIONS ON INSTANT EFT AMOUNT</u> .....                              | 8  |
| <u>8.0 SETTLEMENT PROCEDURE</u> .....   | 8  |
| <u>8.1 INSTANT EFT SETTLEMENT CYCLE</u> .....                                   | 8  |
| <u>8.2 INSTANT EFT SETTLEMENT COLLATERAL</u> .....                              | 9  |
| <u>9.0 FEES AND CHARGES</u> .....   | 9  |
| <u>10.0 DISPUTE RESOLUTION</u> .....  | 9  |
| <u>10.1 GENERAL</u> .....   | 9  |
| <u>10.2 WRONG TRANSFER DUE TO BANK ERROR</u> .....                              | 9  |
| <u>10.3 WRONG TRANSFER DUE TO FRAUD</u> .....                                   | 10 |
| <u>10.4 TRANSFER RECALL DUE TO CUSTOMER ERROR</u> .....                         | 10 |
| <u>10.5 EXCEPTIONS HANDLING</u> .....   | 11 |
| <u>11.0 SANCTIONS</u> .....   | 12 |
| <u>12.0 AMENDMENTS</u> .....  | 12 |
| <u>13.0 DEFINITIONS</u> .....   | 12 |
| <u>13.1 EFT</u> .....   | 12 |
| <u>13.2 INSTANT (INTER-BANK) EFT</u> .....                                      | 12 |
| <u>13.3 INSTANT (INTER-BANK) EFT SERVICE PROVIDER</u> .....                     | 12 |
| <u>13.4 SENDING ENTITY</u> .....  | 13 |
| <u>13.5 RECEIVING ENTITY</u> .....  | 13 |

## **1.0 PREAMBLE**

In exercise of the powers conferred on the Central Bank of Nigeria (CBN) under Sections 2(d), 33 (1)b) and 47(2) of the CBN Act 2007 to promote sound financial system in Nigeria, issue guidelines, facilitate the development of an efficient and effective payments system in Nigeria, the CBN hereby issues the following rules and regulations for the efficient operation of Instant Electronic Funds Transfer Services in Nigeria.

## **2.0 SCOPE**

This Regulation covers Instant Electronic Funds Transfer Services in Nigeria on various payment channels and any payment platform that seeks to provide Instant Electronic Funds Transfer Services in Nigeria.

## **3.0 OBJECTIVES**

1. setting out the rules for the operation of Instant Electronic Funds Transfer services in Nigeria;
2. prescribing the rights and obligations of the parties to such services;
3. provision of the minimum standards for the operations of the parties to EFT services;
4. 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 STAKEHOLDERS**

Stakeholders of Instant Electronic Funds Transfer Services shall include:

- i. The Central Bank of Nigeria as the 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
  - iv. Customers (Originator and Beneficiary)
  - v. Any other stakeholder as may be determined by the CBN from time to time.

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

This section sets out the rights and responsibilities of all stakeholders to Electronic Funds Transfer under this Regulation.

### **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. establish and implement 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. develop and circulate user guides to educate and enlighten other stakeholders on its Instant EFT services;
- 4. maintain confidentiality of Instant EFT transactions and information obtained in the course of discharging its responsibilities and shall ensure that these responsibilities extend to its employees;
- 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 an Enterprise Risk Management framework annually;
- 9. maintain a business continuity plan which must have received the

- ISO22301 certification or any other certification as may be prescribed by CBN from time to time;
10. ensure full compliance with relevant provisions of rules, regulations, guidelines, policies and directives issued by the CBN in relation to its operations;
  11. provide 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;
  12. maintain a robust Anti-fraud management system approved by the CBN or connect to the CBN industry Anti-Fraud system;
  13. provide its fraud management returns to NIBSS on daily basis which shall include all instances of fraud and attempted fraud on its network; notify customers at the point of onboarding, details of its operating hours and service support contacts;
  14. ensure compliance with AML/CFT regulations, most especially the KYC requirements;
  15. Comply with established transaction limits as prescribed by the CBN from time to time.

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

A Sending Entity in an Instant EFT transaction shall:

1. provide Name Enquiry support to the customer to minimize instances of wrong credits.;
2. not provide instant EFT services to Walk-in customers without any bank account in Nigeria;
3. fully secure debit against customer account before initiating transfer;
4. provide notification of debit to customer's account, as agreed with the customer;
5. Ensure that EFT messages contain the sender's name, BVN 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;
6. Ensure that EFT messages contain correct information (channel codes, time stamp, transaction location etc) to facilitate accurate data analytics;
  7. Notify customer of the status of Instant EFT as agreed in the terms and conditions of its platform;
  8. Refund into customer's account full proceeds of failed transactions returned by the Receiving Entity within 10minutes;
  9. refund into customer's account full proceeds of transaction which the Sending Entity is unable to process within one (1) hour after the next settlement closure;
  10. Permit transfers from all its service delivery channels – branches, internet banking, mobile banking, ATM/Kiosks, etc;
  11. Publicize instant EFT services and the instant EFT FAQ to its customers;
  12. Receive customer complaints regarding EFT problems, and pursue resolution to a logical conclusion, in line with the dispute resolution in clause 10;
  13. Provide Funds Transfer receipt to the customer as transaction evidence;
  14. 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 CBN and other relevant regulatory bodies.

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

A Receiving Entity in an Instant EFT transaction shall:

1. provide Name Enquiry support to EFT Service Provider to minimize instances of wrong credits, subject to a Non-Disclosure Agreement, which shall limit the usage to provision of Instant EFT services only;
2. apply Instant EFT proceeds to the customer's account within 60 seconds;

3. ensure that Instant EFT proceeds have been credited to customer's account before confirming to the Sending Entity that transaction was successful;
4. where it is impracticable for the Receiving Entity to credit the customer's account within 60 seconds, due to security, system or other considerations, the Receiving Entity shall notify the Sending Entity, beneficiary and/or the EFT service provider(s) shall be notified of the issue with the assurance that pending credits will be applied as soon as the issue is resolved but not exceeding 24 hours;
5. notify customer of the Instant EFT receipt as agreed in the terms and conditions of its platform;
6. 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;
7. 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;
8. upon receipt from a customer of a notification of an erroneous credit and necessary reversal authorization, the Receiving Entity shall reverse the erroneous credit;
9. process all inward instant debit transactions, subject to valid debit mandates;
10. publicize instant EFT services and the instant EFT FAQ to its customers;
11. 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 CBN and other relevant regulatory bodies.

#### **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. Whenever a credit has been erroneously applied to the customer's account with the Receiving Entity, the customer shall promptly notify the Receiving Entity and authorize the reversal of such erroneous credit.
4. Where the customer account is unfunded, the customer shall provide funds within 24 hours, failure to provide funds shall be a ground for watch-listing of the customer in the banking industry, Credit Bureau and reporting to law enforcement agencies.

## **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**

7.1 The limitations on Instant EFT values shall be set by customer, Sending and Receiving Entities based on individual entity's' risk appetite subject to the single Instant EFT limit per transaction as stipulated by the CBN.

7.2 Sending and Receiving entities shall advise the EFT Service Provider of such limits who would circulate platform limits to all Sending and Receiving entities, to guide platform operations.

## **8.0 SETTLEMENT PROCEDURE**

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

- 8.1.1 Instant EFT transactions shall be settled as agreed amongst participants but not later than T+1 basis.
- 8.1.2 The EFT service provider may operate more than one settlement cycle

per day to minimize the settlement risk associated with Deferred Net Settlement system

## **8.2 INSTANT EFT SETTLEMENT COLLATERAL**

Sending and Receiving 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**

10.1.1 The Instant EFT Service Provider shall properly document and circulate among Sending and Receiving entities a Dispute Resolution System (DRS) process.

10.1.2 All Instant EFT disputes shall be resolved within 3-working days.

10.1.3 Where the Sending and Receiving entities fail to agree, the aggrieved entity shall report to the Director, Consumer Protection Department, CBN within five (5) working days of the failure to resolve the dispute so as to minimize customer pain

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

10.2.1 Where a Sending Entity erroneously sends value contrary to customer's instructions due to wrong account number, wrong amount, duplication, etc to a Receiving Entity and requests the reversal in writing within 14 working days of the transaction, the Receiving Entity shall oblige within one (1) business day 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.

10.2.2 Where funds are not available, the Receiving Entity shall immediately notify its customer that the account was wrongly credited and provide proof of such notification to the Sending Entity.

10.2.3 The Receiving Entity shall notify the customer the consequences of not funding the account within 24 hours, which includes watch-listing in the banking industry, Credit Bureau and reporting to law enforcement agencies. The Receiving Entity shall watch-list the customer if he fails to provide fund within seven (7) days

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

10.2.4 The Receiving Entity shall not use the wrong credit to settle the customer's outstanding indebtedness to it and shall not consider such credit as the property of the customer

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

The provisions of the CBN circular with reference number BPS/DIR/GEN/CIR/02/004 dated 11<sup>th</sup> June, 2015 on the Establishment of Fraud Desks or any amendment thereto shall apply.

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

Where a customer claims to have made a transfer in error, the following provisions shall apply:

10.4.1 where the beneficiary is known to the complainant, the Sending Entity shall encourage the complainant to contact the beneficiary for an amicable settlement;

10.4.2 where the beneficiary is not known to the complainant or a known beneficiary refused to effect a refund to the complainant, the Sending Entity having received a tenable claim from customer shall notify the Receiving Entity who shall place a lien on the amount in the account of the beneficiary and thereafter obtain the consent of the beneficiary to execute refund;

10.4.3 where the beneficiary does not give consent, the internal auditors of the Sending and Receiving Entities shall mediate between the two customers within 2 weeks of the complaint to resolve the issue, and their decision shall be final. Accordingly, the lien on the amount in the beneficiary's account shall not last more than 2 weeks;

10.4.4 Where the contested 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 Internal Auditors shall watch-list the customer's BVN and the Sending Entity may report the incident to law enforcement agencies.

## **10.5 EXCEPTIONS HANDLING**

The DRS procedure put in place by the Instant EFT service provider shall make provisions for exception handling where the status of a transaction between the EFT service provider and the Sending or Receiving Entities is indeterminate.

## **11.0 SANCTIONS**

| <b>S/No</b> | <b>Abuse</b>  | <b>Monitoring Mechanism</b>                        | <b>Sanction</b>     |
|-------------|---|--|---------------------|
| 1           | A failed NIP transaction not reversed into customer's account within 24 hours   | Based on complaints of sender and/ or beneficiary. | N10,000.00 per item |
| 2           | Delayed application of inward NIP into beneficiary's accounts beyond 4 minutes. | Based on complaints of sender and/ or beneficiary. | N10,000.00 per item |

The sanctions above and any other prescribed in the Nigeria Bankers' Clearing System Rules or any amendment thereto, shall apply.

## **12.0 AMENDMENTS**

Any stakeholder to the Instant EFT Service may propose amendments to this Regulation. Such amendment proposals shall be formally forwarded to the office of the Director, Banking and Payments System Department of the CBN for consideration.

## **13.0 DEFINITIONS**

**13.1 EFT** shall mean Electronic Funds Transfer

**13.2 INSTANT (INTER-BANK) EFT OR INSTANT EFT OR INSTANT PAYMENT** shall mean Instant EFT Payments system between two distinct entities when delivery from the Sending Entity 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** shall mean 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** shall mean 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** shall mean 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.

**13.6 WALK-IN CUSTOMER** shall mean a person that does not have a bank account maintained by the Sending Entity