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BANKING AND PAYMENTS SYSTEM DEPARTMENT

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CIRCULAR TO ALL DEPOSIT MONEY BANKS

IMPLEMENTATION OF E-REFERENCE OPERATIONS IN NIGERIA

As a further step in enhancing the efficiency of the payments system in the country, the Central Bank of Nigeria hereby issues the Guidelines on the implementation of the Electronic Reference (e-Reference) Portal by the industry, with immediate effect.

The e-Reference system is a web based automated document management system, designed to process customer account references, and is capable of eliminating the inefficiencies characteristic of the old ways of manual reference processing system. The implementation of this solution ensures that inter-bank references become faster, more efficient and traceable, by both the presenting and receiving banks. It is also designed to enhance compliance with the existing Know Your Customer (KYC) directives.

The e-Reference Portal, which is hosted by the Nigeria Inter-Bank Settlement System (NIBSS) Plc, requires that receiving banks respond to inward references within three (3) working days. Other operational details are contained in the attached Guidelines for e-Reference Operations. Please be guided.

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GUIDELINES FOR NIGERIAN BANKING INDUSTRY
ELECTRONIC REFERENCE PORTAL OPERATIONS

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Contents

1 EXECUTIVE SUMMARY

1.1 Introduction

The Financial Services sector in Nigeria has passed through many phases of development within the last decade, as a result of Central Bank of Nigeria's (CBN's) active development and supervisory initiatives to evolve a stronger and more dynamic banking system. Despite all the efforts, only an insignificant percentage of the more than 140 million Nigerians are currently banked. This is alarming and grossly unimpressive, considering the need for effective monitoring and control of, as well as, planning the economy by both the Government and the Central Bank of Nigeria (CBN).

Besides high illiteracy level and low confidence in the Financial System, a major reason for this relatively small number of account holders is the inter-bank reference bottleneck which makes it difficult for new accounts to be opened speedily. At times, the prospective bank customers get frustrated and eventually abandon the process of opening a bank account.

The Nigeria Inter-Bank Settlement System (NIBSS) Plc, in fulfilment of her shared-service mandate and in conjunction with the Committee of Heads of Bank Operations (CHBO) has agreed to develop an electronic reference (e-Reference) portal, such that account opening processes of Nigerian banks can be fast-tracked with regards to inter-bank referencing.

1.2 Objectives

a. To eliminate the manual process of inter-bank reference forms exchange.
b. To enhance the efficiency of reference clearing in Nigeria.
c. To ensure accountability of reference documents.
d. To reduce the turn-around time for confirming references for new accounts.
e. To provide a common secure web-based platform for the exchange of documents within the Financial Services Industry
f. Reduce the cost of printing of manual reference for the whole industry

1.3 **Stakeholders**

a. Banks
b. NIBSS
c. Banking Public (Indirect)

2 ELECTRONIC REFERENCE PORTAL AS A SOLUTION FOR INTER-BANK REFERENCING & DOCUMENT EXCHANGE

2.1 What is e-Reference Portal?

This is a web-based document management system, by which one entity can send documents electronically (e-documents) to the other, within the Nigeria Banking System. This system is designed, necessary and important for timely Inter-Bank reference processing.

2.2 System Features

a. Secure web-based platform, hence there will be no direct interconnection requirements among banks.
b. Clearing of paper-based not-for-value inter-bank items.
c. Bank user from any branch will be able to upload scanned completed reference forms as well as any other document for the attention of another bank.
d. Presenting Bank user will be able to search/view/download e-documents/forms approved or rejected by the Receiving Bank.
e. Receiving Bank user will be able to search/view/download and treat incoming e-documents/forms from other banks.
f. On-Line-Real-Time follow-up by Presenting Bank.
g. On-Line-Real-Time approval by Receiving Bank.
h. Regulatory authorities will be able to monitor defaulting Receiving Banks.

2.3 Scalability

a. NIBSS Administrator will be able to create as many bank adminsitrators as requested by the banks
b. Bank Administrator will be able to create users (Operators and Authorizers).
c. System will be able to accept scanned input from any machine compatible with the host operating system.

2.4 Security

The confidentiality, integrity and authenticity of data are ensured by the implementation of the following security measures:

a. Input/uploads will be done directly into the system via secure VPN.
b. All transmitted data will be encrypted and compressed appropriately.

Administrators will use a 2-factor authentication username and password

2.5 Document Specifications

a) Size : A4 maximum (8.27" x 11.29")
b) Type: Portable Document Format (PDF)
c) Color: Black & White
d) Dot per inch: 200dpi (maximum)

3   OPERATIONS WORK FLOW

3.1   Creation of Users

a. NIBSS will create Admin users for each Financial Institution (based on formal application/instruction) who in turn will create all internal users.
b. Bank Admin User will create two users per location:
  I.   Operator (will upload scanned items and complete other details online)
  II.   Authorizer (will approve Operator's work online before items are registered as valid Outward/Inward Items)
c. Bank Admin user will be able to block the privileges of any user s/he created earlier in the system.
d. NIBSS Administrator will be able to block Bank Admin User earlier created or replace him/her with another user on Bank's formal instruction.
e. Bank/NIBSS Admin User will not be able to upload, approve or transmit references.

3.2   Outward Operation (Presenting Bank)

a. Operator logs into the e-reference portal.
b. User uploads scanned reference document from his/her workstation and completes online details.
c. e-reference portal marks document as 'awaiting approval'.
d. Authorizer logs into the e-reference portal to view items 'awaiting approval'.
e. Authorizer approves or rejects document.
f. Approved items are immediately transmitted to Receiving Bank.
g. Rejected items are immediately returned to the Operator with a reason.
h. Operator (e-reference portal deletes item permanently and starts afresh Each successfully transmitted item is issued a unique identification number for auditing and tracing purposes.

It is important to note that the status of references are color-coded and transparent across the portal. Each user knows at any point in time the status of an outward/inward reference.

3.3   e-Reference Clearing Processing

a) e-Reference portal receives approved outward items from Presenting Banks.
b) Items are instantly transmitted to the Receiving Bank.
c) Presenting Bank immediately receives acknowledgement of delivery.

3.4   Inward Operation (Receiving Bank)

a. Both Operators and Authorizers will be able to view detailed and summary incoming items for confirmation.
b. Operator marks each verified item as 'confirmed' or 'rejected'.
c. Authorizer will be able to view and mark 'confirmed' or 'rejected' items by the operator as "Approved" or "Not Approved".
d. "Not Approved"items will be marked in the e-Reference portal with appropriate reject reason(s) as in Appendix 1. (multiple selection of reject reasons should be possible and at least one reason MUST be selected)
      i.   Incorrect Signature
      ii.   Bad Image
      iii.   Account Closed
      iv.   Non-Current Account
      v.   Account does not exist
      vi.   Account status not qualified for referencing
      vii.   Beneficiary not known to referee
      viii. Others.

e. All treated items should be immediately available to both Presenting and Receiving banks
f. Both users will be able to view/download own items "Approved" or "Not Approved" by other banks

3.5   Reports

Generally, reports will be produced based on 'From', 'To' 'dates', 'Status' supplied by users. The statuses will be 'Due', 'Past Due', 'Pending', 'Approved' and 'Not Approved for both Outward and Inward items.

a. Due ref as Pbank will contain detailed presented items bank-wide.
b. Due ref as Summary Pbank will contain summarized presented items bank-wide.
c. Due ref as RBank will contain detailed received items bank-wide.
d. Due ref as Summary RBank will contain summarized received items bank-wide.
e. Control report will contain detailed 'past due' items and for how long they have been so.
f. System should be able to send Control Report per bank to at least two designated email addresses in each bank every Monday morning.
g. System should be able to visually advise users of all their inward 'past due' items daily.
h. Statistics report will provide MIS details of e reference portal clearing operations per bank and Industry.

3.6   e-Reference Clearing Cycle

The e-Reference Clearing Cycle shall be T+3 .

In the event that a Bank refuses to respond to an inward reference confirmation request after the T+3 cycle, an escalation mail will be sent by the portal to the Authorizer, the Head of Domestic Operations and the Head of Operations of the Bank concerned. Under no circumstance shall Reference confirmations be deemed okay when there is no response from the receiving Bank.

4   RESPONSIBILITIES OF STAKEHOLDERS

4.1   Presenting Bank

a. Ensure clarity of scanned images as poor quality images will be a valid ground for rejection.
b. Ensure references are sent timeously to referees' Bank.

4.2   Receiving Bank

a. Ensure speedy response to all incoming items.
b. Respond to rejected items with valid reasons.

4.3   NIBSS

a. Ensure maximum system uptime.
b. Ensure speedy response to banks request for creating/changing/removing Bank Admin User.
c. Regular maintenance of system application, database and operating systems.

5   COMMERCIALS

The usage of the e-Reference Portal, amongst other financial industry portals being offered by NIBSS shall subsist on:

1. The Payment of Annual Subscription Fee of One Million Naira Only (₦1,000,000.00) for access to the usage of all NIBSS Portals
2. The payment of e-Reference Processing Fee of Fifty Naira Only (₦50.00) by reference Presenting Bank

6. APPENDICES

6.1 APPENDIX -   REJECT REASONS

1. Incorrect Signature
2. Bad Image
3. Account Closed
4. Non-Current Account
5. Account does not exist
6. Account status not qualified for referencing
7. Beneficiary not known to referee