

DRAFT

RECOMMENDED STANDARDS FOR ELECTRONIC PAYMENTS TO GOVERNMENT SUPPLIERS

1.0 DEFINITION

Electronic Payments to government suppliers shall mean:

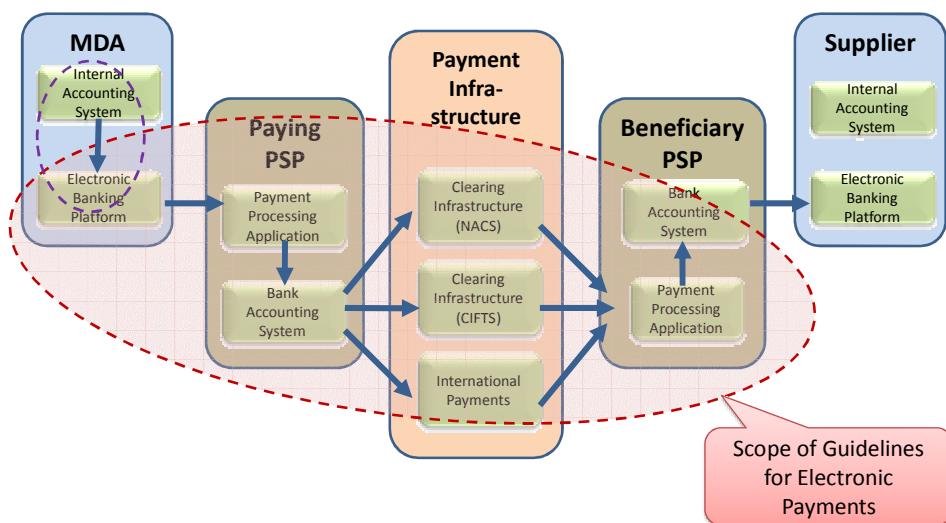
- End – to – end processing and payments of government suppliers straight from the MDA's location to the supplier's bank account with DMBs
- On-line real-time feedback mechanism to monitor payments

2.0 SCOPE OF THE GUIDELINE

This Guideline shall cover the operational procedure and standards for electronic payments to government suppliers. The Guideline would cover the following stakeholders:

- The Ministry, Department or Agency (MDA) responsible for paying suppliers
- Government Suppliers
- Deposit money banks (DMBs)
- Service Providers

Scope for MDA Payment Guidelines



The Guidelines allow third party Payment Service Providers to offer services to MDAs. However, the actual payment will be effected through the banking system by a Deposit Money Bank that is a member of the local clearing system.

3.0 ROLES & RESPONSIBILITIES OF STAKEHOLDER

(A) Government Ministries Departments & Agencies (MDAs)

The MDA shall have the following responsibility:

1. Select the DMB or service provider for electronic payments
2. Provide the basic infrastructural requirements for electronic payments
3. Define and adhere to appropriate operational processes for initiating electronic payments
4. Provide correct details of suppliers and beneficiaries to the Payment Service Provider

(B) Government Suppliers

A government supplier has the following responsibilities

1. Maintain an account with a DMB
2. Confirm and provide proper details of the account to the MDA
3. Alert the MDA if payment is not effected after being advised

(C) Deposit Money Banks(DMBs)

DMBs have the following responsibilities:

1. To process electronic payments instructions in accordance with the times defined by the payments system
2. To provide correct account numbers and bank sort codes to beneficiaries
3. To provide timely information on customer enquiries

(D) Payment Service Providers

Their responsibilities include:

The Payment Service Providers have responsibility for the payment initiation platform and the electronic reporting system used by the MDAs. Their responsibilities include:

1. Provision of a secure electronic banking platform for payment initiation and online transaction reporting
2. Implementation and support of the electronic banking platform
3. Validation of received payment instructions to ensure that transactions are from the purported originator and have not been manipulated.
4. Processing of received instructions and onward transmission to the DMB (for MDAs).
5. The capability to generate and send Credit Advice to funds beneficiary via email and/or SMS when payments are made provided the MDA pays for the service.
6. Obligation to request for beneficiaries for payment from DMBs and report same to DMBs

(E) Payment Infrastructure Service Providers

The Payment Infrastructure Service providers include all organizations that provide switching and settlement services for electronic payments. Their responsibilities include:

1. Provision of electronic payments and clearing services in accordance with the appropriate guidelines issued by the CBN, specifically in relation to processing times.

(F) Central Bank Of Nigeria

The Bank shall have the following responsibilities:

1. Provide oversight functions on electronic payments
2. Ensure adequate laws are put in place to safeguard the interest of all parties
3. Recommend and apply appropriate sanctions

4.0 MINIMUM INFRASTRUCTURAL REQUIREMENTS

To implement electronic payments to suppliers, each MDA should have as a minimum, the following basic infrastructure:

1. One computer with appropriate business software such as Microsoft office (i.e. excel, word, internet explorer etc).
2. A printer with defined specifications (for printing reports)
- 3a. Internet access (providers include Private Telephone Operators, GPRS, NTEL dial-up, Twenty First Century etc.) Or
- 3b. A modem with a data compatible phone for VPN connectivity
4. A functional telephone line (with 24 hour availability) e.g. mobile, GSM, landline etc or voice communication for support arrangements.

5.0 RECOMMENDED STANDARD

This standard shall apply for electronic payments to suppliers:

1. FUNCTIONALITY

- (i) **End-to-end processing:** MDA Staff must be able to upload or key in transaction instructions from the comfort of their offices and have same transmitted to the bank electronically via secured Internet Connection or VPN without recourse to CD, Flash Drive or email attachments.
- (ii) **Approval Workflow:** MDA must be able to replicate existing payment approval process using the solution. Solution must allow Roles to be defined for data input, validation and authorization of transactions. Multiple individuals can perform each role.
- (iii) **Account Detail Validation:** Solution must be able to conduct reasonableness test of all beneficiary account details being supplied by the users and give timely feedback on the result of this test.

2. SECURITY

- (i) **Role-Based Security:** Each user of the system must have unique User ID and Password.
- (ii) **Value-Based Security:** Authorization required to approve payment instructions must be variable based on the value of payments. That is, a #100,000.00 transaction may only need two level of authorization while #500,000,000.00 may require six levels of approval.
- (iii) Payments service provider must take all measures practicable to ensure payment is secure and mandates are non-repudiatiable.
- (iv) Security of e-payment systems should be in accordance with e-banking guidelines.

3. REPORTING

- (i) The system being used must have a proper reporting format
- (ii) **Audit Trail:** Solution must keep records of all activities of each user of the solution and make report of same available when necessary
- (iii) **Reference Numbering:** Each transaction must have unique reference number
- (iv) **Status Reporting:** Solution must report status of payments to all approving individuals
- (v) **Credit Advice:** The Solution must have the capability to generate and send Credit Advice to fund beneficiary via email and/or SMS when payments are made, provided the MDA pays for the service.
- (vi) **Reporting:** MDA must be able to run and print reports of transactions carried out on the system going back up to 3 years of history.
- (vii) Feedback on status of payment must be received within 48 hours

(viii) Returned transactions must retain the unique ID

(ix) Reasons for unsuccessful transactions must be stated when returned.

4. TARIFFS/CHARGES

(i) **Payment by the MDAs:** Charges for transactions should be agreed between the MDAs, their DMBs, and Service Providers and included in their SLA.

Payment by Beneficiaries: There shall be no charges to beneficiaries on e-payment of salaries/suppliers. Any charge that is not in the CBN approved tariff must be referred to the Bankers' Committee.

(ii) SANCTIONS

PSP and DMBs are expected to provide timely and accurate processing of electronic payment instructions. In the event that:

- The DMB follows the appropriate guidelines for inputting valid payment instructions
- The DMB follows appropriate guidelines for secure transmission to the PSP
- The beneficiary fails to receive the payment within the timescales prescribed in the Payments System Rules.

For third party penalties incurred by the MDA, the PSP would only be liable if the MDA had informed it at the initiation of the agreement on service provisions of applicable penalties for failures in processing transactions.

Repeated transgressions may incur further sanctions by the CBN.

5. DISPUTE RESOLUTION

Dispute may arise due to system malfunction errors and delays in posting. All PSPs must institute dispute resolution processes and communicate same to MDAs. This dispute resolution process must have recourse to the CBN Oversight Office