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CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

OPERATIONAL GUIDELINES ON GLOBAL STANDING INSTRUCTION (GSI) - INDIVIDUALS

The Bankers' Committee at its meeting of February 18, 2020 approved the Go-Live on the Global Standing Instruction (GSI), which is aimed at:

- i. Facilitating an improved credit repayment culture;
- ii. Reducing Non-Performing Loans in the Nigerian Banking System; and
- iii. Watch-listing consistent loan defaulters.

The Central Bank of Nigeria in collaboration with stakeholders has developed the necessary protocols to facilitate a seamless implementation of the GSI process, including eligible loans granted from August 28, 2019.

Accordingly, the following Guidelines to regulate the operations of the Global Standing Instruction is hereby issued for implementation by all banks and other financial institutions with effect from **August 1, 2020**.

The Guidelines may be accessed from the CBN website: www.cbn.gov.ng

A handwritten signature in blue ink, appearing to read 'Kevin N. Amugo', written over a horizontal line.

KEVIN N. AMUGO
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CENTRAL BANK OF NIGERIA



GUIDELINES ON GLOBAL STANDING INSTRUCTION (GSI) (INDIVIDUALS)

July, 2020

TABLE OF CONTENTS

DEFINITION OF TERMS	2
1.0. INTRODUCTION	4
1.1 Objectives of GSI	4
2.0 ELIGIBLE ACCOUNT TYPES	4
3.0 STAKEHOLDERS-ROLES AND RESPONSIBILITIES	4
3.1 Stakeholders.....	4
3.2 Roles and Responsibilities	5
3.2.1 Borrower.....	5
3.2.2 Creditor Bank.....	5
3.2.3 Participating Financial Institutions	5
3.2.4 Nigeria Inter-Bank Settlement System	6
3.2.5 The Central Bank of Nigeria	6
4.0 GSI TRANSACTION REPORTS	6
4.1 Report to Creditor.....	6
4.2 Report to Participating Financial Institutions	6
4.3 Reports to CBN.....	6
5.0 ACCOUNTABILITY IN PARTICIPATING FINANCIAL INSTITUTIONS	7
6.0 PENALTIES	7
7.0 PARTICIPATION REQUIREMENTS	9
8.0 TRAINING	9

DEFINITION OF TERMS

TERM	DEFINITION
Account Search	<p>The process of identifying all qualifying bank accounts maintained by a Customer across Participating Financial Institutions by NIBSS.</p> <p>The search may be done on the Industry Customer Accounts Database (ICAD) or any other service created or provisioned for this purpose.</p>
Accrued Interest	Amount of interest that has been incurred, as of a specific date, on a loan or other financial obligation but has not yet been paid.
Arbitrator	A person(s) or institution(s) appointed to resolve a dispute between two parties by arbitration and pursuant to an arbitration clause, in compliance with relevant laws.
Balance Enquiry	A request initiated for the balance in a qualifying bank account based on a mandate by the account holder.
Bank Verification Number (BVN)	Bank Verification Number (BVN) is a biometrics based unique identification number issued & administered by NIBSS, issued to every bank customer and can be verified across all financial institutions in Nigeria.
Borrower	A customer who has executed a GSI Mandate and has utilised a loan/credit from a Participating Financial Institution.
CBN	Central Bank of Nigeria
Creditor Bank	<p>A Participating Financial Institution which has granted a loan/credit to a Borrower for which a GSI Mandate was executed.</p> <p>The Creditor is responsible for set-up, updating, triggering and deletion of GSI mandates.</p>
Credit Risk Management System (CRMS)	A regulatory credit database where participating institutions submit specific information on borrowers.
Customer	An Individual, uniquely identified by BVN in the Nigerian banking system
Debit Logic	<p>The Business Rules that guide the execution of a GSI Trigger. The debit logic defines:</p> <ol style="list-style-type: none"> i. The types/categories of Accounts that are valid for a GSI Trigger ii. The criteria of preference by which these Accounts are ordered iii. The computation of the specific amount to be recovered from each identified account
Default	Failure to repay a loan according to the terms in the executed offer letter and its classification consistent with CBN's Prudential Guidelines.
GSI	Global Standing Instruction

GSI Available Balance	The funds in a customer's qualifying account, that is available for GSI trigger.
GSI Mandate	An instruction (written or digital) executed by a borrower being an Account Holder in a Participating Financial Institution, authorizing the recovery of an amount specified by the Creditor from any/all accounts maintained by the Account Holder across all Participating Financial Institutions.
GSI-Reversal	An electronic instruction by a Creditor bank requesting the reversal or withdrawal of a GSI Trigger.
GSI Stakeholders	Borrower(s), Creditor bank, PFIs, NIBSS and CBN.
GSI Transaction	All balance enquiry, debit and credit activity that results when a Creditor bank attempts recovery using GSI.
GSI Transaction ID	A unique number that is the same as a CRMS reference number.
GSI Trigger	An electronic instruction from a Creditor bank to initiate a GSI Transaction (upon default by the borrower) subject to the provisions of the CBN Prudential Guidelines.
GSI Trigger Amount	Outstanding Principal Amount and Accrued Interest (consistent with the terms stated in an executed offer letter).
NIBSS	Nigeria Inter-Bank Settlement System Plc
Participating Financial Institutions (PFIs)	All CBN-licensed Financial Institutions that are connected to NIBSS Instant Payment (NIP) platform.
Penal Rate or Charges	This is the interest rate that financial institutions charge customers for failing to make payments on loans and advances as at when due. It is charged in addition to the agreed interest rate (s).
Principal Amount	The credit/loan amount granted and utilized/disbursed.
Qualifying Accounts	All bank accounts maintained by a Borrower across Participating Financial Institution(s) that are valid for GSI Transactions.
Repayment Account	Borrower's NUBAN account in a Creditor bank where the credit/loan was initially disbursed or granted.
Successful GSI Trigger	Where all or part of the GSI Trigger Amount is recovered.
Unavailable Accounts	Borrower's qualifying and funded account types but have CBN approved/recognized restrictions placed on them (e.g. Court Order, Probate, Fraud, CBN Directive, etc)
Unsuccessful GSI Trigger	A GSI Trigger where no funds are recovered i.e. total recovery equals ₦0.00

1.0. INTRODUCTION

In pursuant of the powers conferred on the Central Bank of Nigeria (CBN) by Section 2 (d) of the Central Bank of Nigeria Act, 2007; to promote a sound financial system in Nigeria; the CBN hereby issues this guideline on Global Standing Instruction (GSI) to enhance loan recovery across the banking sector.

The GSI shall serve as a last resort by a Creditor bank, without recourse to the Borrower, to recover past due obligations (Principal and Accrued Interest only, excluding any Penal Charges) from a defaulting Borrower through a direct set-off from deposits/investments held in the Borrower's qualifying bank accounts with participating financial institutions.

1.1 Objectives of GSI

The objectives of GSI include:

- a) Facilitate an improved credit repayment culture;
- b) Reduce Non-Performing Loans (NPLs) in the banking industry; and
- c) Watch-listing consistent loan defaulters.

NOTE: The GSI shall not serve as a tool to recover **ANY** Penal Charges that may have accrued on a credit/loan and included as part of outstanding balances/obligations of a borrower.

2.0 ELIGIBLE ACCOUNT TYPES

The following types of accounts qualify for GSI:

- a) Individual Savings Accounts;
- b) Individual Current Accounts;
- c) Individual Domiciliary Accounts;
- d) Investment/Deposit Accounts (₦ & Foreign Currency); and
- e) Electronic Wallets.

NOTE: Above also applies to Joint account(s)

3.0 STAKEHOLDERS-ROLES AND RESPONSIBILITIES

3.1 The underlisted are GSI stakeholders:

- a. Borrower
- b. Creditor Bank
- c. Participating Financial Institutions
- d. Nigeria Inter-Bank Settlement System (NIBSS)
- e. Central Bank of Nigeria (CBN)

3.2 Roles and Responsibilities

3.2.1 Borrower

The Borrower shall:

- a) Execute a GSI mandate in hard copy or digital form.
- b) Ensure that the terms and conditions of the mandate are clearly understood before execution.
- c) Ensure that all qualifying accounts are linked to his/her BVN.

NOTE: In the event that a borrower's qualifying account which is not linked to his/her BVN is identified, such BVN shall be Watch-Listed.

3.2.2 Creditor Bank

The Creditor Bank shall:

- a) Ensure that borrowers are properly educated about the GSI mandate and its implications; and enshrine same in their loan application process.
- b) Review and validate the GSI mandate instrument prior to loan disbursement.
- c) Indemnify NIBSS and other Participating Financial Institutions from all liabilities that may arise from inappropriate use of the GSI infrastructure.
- d) Retain copies of physical or digital version of the executed GSI mandate and to provide same when required.
- e) Ensure that the GSI Trigger Amount is only for outstanding Principal Amount and Accrued Interest (excluding **ANY** Penal Charges).
- f) Comply with CBN's Prudential Guidelines as it applies to classification of loans.
- g) As a risk management tool, the MD/CEO of each PFI shall routinely update the Board of Directors on the GSI process as it relates to frequency of use and amounts recovered or released.

3.2.3 Participating Financial Institutions

Participating Financial Institutions shall:

- a) Execute the GSI Mandate Agreement with NIBSS.
- b) Ensure all qualifying accounts are properly maintained and visible to NIBSS on the Industry Customer Accounts Database (ICAD) or by any other service created or provisioned for this purpose.
- c) Ensure that accounts in NIBSS' ICAD are correctly tagged with correct BVN.
- d) Ensure and maintain connectivity to the Nigeria Central Switch.
- e) Honour **ALL** balance enquiry and debit advice received from NIBSS for GSI Trigger in accordance with master agreement, including GSI recall instructions.
- f) As a risk management tool, the MD/CEO of each PFI shall routinely update the Board of Directors on the GSI process as it relates to frequency of use and amounts recovered or released.

3.2.4 Nigeria Inter-Bank Settlement System

NIBSS shall:

- a) Execute the Master GSI agreement between PFIs.
- b) Administer the back-end of the GSI services (utilizing NIP protocols) where upon trigger undertakes balance enquiry, debit instructions on identified accounts and completes the GSI operations by instantly transferring the collated funds to the borrowers pre-designated repayment account in the creditor bank.
- c) Ensure that the availability of the ICAD database is uninterrupted for PFIs to update.
- d) Render periodic reports as may be prescribed by the CBN.

3.2.5 Central Bank of Nigeria

The CBN shall ensure uninterrupted availability of the CRMS platform and connectivity to NIBSS platform.

4.0 GSI TRANSACTION REPORTS

The following transaction reports shall be provided for GSI transactions:

4.1 Report to Creditor Bank

A report detailing outcome of a GSI transaction may be provided to the Creditor bank, upon written request from the Chief Risk Officer (CRO), and shall include the following:

- a) GSI Transaction ID
- b) Total Amount Recovered.
- c) Any other information deemed relevant.

4.2 Report to Participating Financial Institutions

The report for all GSI Transactions and reversals shall be contained in respective PFIs settlement reports on the CRMS.

4.3 Reports to the CBN

4.3.1 Participating Financial Institutions - PFIs are required to submit monthly returns (including NIL) to the CBN, capturing the following:

- Total Volume of Triggers (the count shall be by BVN and CRMS Reference No.);
- Total Amount Triggered; and
- Total Amount Recovered
- Cover letter to be signed by atleast the Chief Risk Officer or Chief Compliance Officer

(Soft copies of the returns shall be submitted to GSI>Returns@cbn.gov.ng no later than the 8th day after each month end; in alignment with routine monthly update of CRMS records' outstanding balances).

4.3.2 Nigeria Interbank Settlement System - NIBSS shall provide back-end related report(s) to the CBN in a format and frequency, as may be required.

5.0 ACCOUNTABILITY IN PARTICIPATING FINANCIAL INSTITUTIONS

To ensure completeness, integrity, accuracy and timeliness of the GSI processes consistently, the:

- a) **Chief Risk Officer (CRO)** shall be accountable for the appropriateness of the entire GSI process. This shall be in addition to his/her responsibilities under section 6.2 of the Regulatory Guidelines for the Operations of the Redesigned Credit Risk Management System (CRMS).
- b) **Chief Information/Technology Office (CIO or CTO)** shall ensure continuous connectivity to the GSI platform and availability of all internal systems to honour all GSI instructions and protocols (including the tagging of “Unavailable Accounts” for audit log/trail purposes).

NOTES:

- This does not absolve the PFI's MD/CEO of the overall responsibility over activities of the bank.
- Any loan for forbearance review must show evidence of GSI trigger otherwise full provisioning would be required (except where there are CBN permitted waivers).

6.0 PENALTIES

Whereas the Chief Risk Officer has overall responsibility for ensuring appropriate use of the GSI infrastructure (consistent with similar oversight of CRMS related activities); below are the specific GSI related breaches/violations and their penalties:

	VIOLATION	SANCTION
6.1	Where a Creditor Bank activates a Global Standing Instruction mandate in error (including when it is inconsistent with Prudential Guidelines)	<ol style="list-style-type: none"> i. The Creditor Bank assumes ALL liability thereto. ii. The erring Creditor Bank shall pay a flat fine of ₦500,000.00 per incident. iii. Associated GSI charges borne by the Creditor Bank shall not be refundable.
6.2	Where a PFI incorrectly places a CBN approved restriction on an eligible account in order to shield it from the GSI Trigger and it results in the GSI being unable to either perform an Account Status Check Enquiry or debit the account	<ol style="list-style-type: none"> i. The erring PFI shall be fined to the tune of the amount in that 'restricted/shielded' eligible account (This amount will not be considered as part of any subsequent GSI Trigger Amount, successful or otherwise). ii. In addition, for each incident, the Chief Risk Officer (CRO) of the erring PFI shall submit a formal explanation letter to the Director Banking Supervision and Director Financial Policy & Regulation Departments.

6.3	Where a PFI fails to grant the GSI permission to perform an Account Status Enquiry Check/Request.	<ul style="list-style-type: none"> i. The erring PFI shall pay a flat fine of ₦100,000.00 (per initial incident and each subsequent repeat request/instruction), regardless of the GSI Trigger Amount. ii. In addition, for each incident, the Chief Information/Technology Officer (CIO/CTO) of the erring PFI shall submit a formal explanation letter to the Director Banking Supervision and Director Financial Policy & Regulation Departments.
6.4	Where a PFI fails to grant the GSI permission to debit an eligible account	<ul style="list-style-type: none"> i. The erring PFI shall pay a flat fine of ₦100,000.00 (per initial incident and each subsequent repeat request/instruction), regardless of the GSI Trigger Amount. ii. Additionally, the erring PFI shall pay a fine equivalent of the balance in the account shielded from the GSI's Debit Request, regardless of the GSI Trigger Amount. iii. For each incident, the Chief Information/Technology Officer (CIO/CTO) of the erring PFI shall submit a formal explanation letter to the Director Banking Supervision and Director Financial Policy & Regulation Departments.
6.5	Where debits are unsuccessful due to reduction in an amount previously blocked by the GSI (where the Amount Block feature was used). Consequently, where an available balance is identified in an account, the PFI must honour subsequent Amount Block and/or Debit advice	<ul style="list-style-type: none"> i. This amount shall be paid by the erring PFI to the Creditor Bank. ii. The erring PFI shall also pay a flat fine of ₦100,000.00 per incident, regardless of the GSI Trigger Amount.
6.6	Where an account is debited in error due to a PFI incorrectly tagging an account in NIBSS' ICAD with the wrong unique identifier	<ul style="list-style-type: none"> i. The erring PFI primary responsibility shall be to <ul style="list-style-type: none"> a. immediately NOTIFY the Creditor Bank of the incident, quoting relevant customer & GSI details; b. promptly refund the wrongly impacted/debited amount with the same amount of the GSI Debit; c. ensure no additional charges accrue in same account; d. bear any other liabilities that may follow thereon.

		<ul style="list-style-type: none"> ii. In addition, the erring PFI shall pay a fine equivalent to the amount erroneously debited to the wrong account. iii. The creditor bank shall thereafter based on CBN confirmation of i & ii above, return the erroneous amount to the erring PFI.
6.7	Where the Arbitrator rules against the Creditor Bank for a disputed GSI Transaction	<ul style="list-style-type: none"> i. The Creditor Bank shall pay an additional fine of ₦10m or 10% of the disputed sum, whichever is greater. ii. This shall be in addition to the fines for any erroneous or otherwise disputed transaction.
6.8	Where a Creditor Bank includes Penal Charge in the GSI Trigger Amount	<ul style="list-style-type: none"> i. In event of a Successful GSI Trigger, regardless of the amount recovered, the erring Creditor Bank shall refund the full Penal Charge amount to the borrower (with interest calculated using the penal rate from date of GSI trigger to refund date). ii. In event of both a Successful and Unsuccessful GSI Trigger, the erring Creditor Bank shall pay a fine of ₦100,000.00 or equivalent of the Penal Charge amount; whichever is greater.

In all cases CBN shall apply the prescribed penalty to the erring Creditor Bank/Participating Financial Institution.

An Arbitrator may propose additional sanctions for grievous violations, malfeasance by a PFI and/or disputes arising from other incidents not described here in.

7.0 PARTICIPATION REQUIREMENTS

Each of the participants in this scheme shall conform to the requirements for admission into the scheme as outlined below:

- a) Be a Financial Institution duly licensed by the Central Bank of Nigeria.
- b) Adequate IT infrastructure to meet **ALL** the connectivity and protocol requirements at NIBSS and CBN.
- c) Provide access to customers' NUBAN accounts.
- d) Execute the GSI Master Agreement with NIBSS (a copy sent to CBN).

8.0 TRAINING

CBN/NIBSS shall provide adequate training for PFIs on GSI related processes and settlement procedures upon.