



CENTRAL BANK OF NIGERIA

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BANKING AND PAYMENTS SYSTEM DEPARTMENT

BPS/PSV/GEN/CIR/01/001

January 30th, 2017

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

**EXPOSURE DRAFT OF "THE GUIDELINES FOR THE DIRECT DEBIT
SCHEME AND BILL PAYMENTS 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 following exposure draft guidelines for your review and comments (if any):

1. Guidelines for Direct Debit Scheme in Nigeria, 2017 (Revised)
2. Guidelines Bill Payments in Nigeria, 2017

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

Thank you for your usual cooperation.

'Dipo Fatokun

Director, Banking & Payments System Department



CENTRAL BANK OF NIGERIA

GUIDELINES FOR DIRECT DEBIT SCHEME IN NIGERIA, 2017

(REVISED)

JANUARY 2017

INTRODUCTION

In the exercise of the powers conferred on the Central Bank of Nigeria (CBN) by Section 2(d) and 47(2) of the CBN Act 2007, to promote and facilitate the development of an efficient and effective payments system in Nigeria, the CBN hereby issues the following Guidelines for Direct Debits Schemes in Nigeria, 2017.

These guidelines supersede the previous Guidelines for Direct Debits issued by the CBN. This version recognizes the existing and emerging multi-channel options (Online platforms, Instant Payments etc.) applied for Direct Debit instructions in Nigeria. In addition, the provisions of these guidelines are harmonized with developments in the payments system since the release of the last version.

Direct debit is a cashless form of financial settlement which facilitates recurring payments. It permits the originator of the instruction, known as 'Biller', to collect amounts due from a payer through the payer's bank by leveraging an instruction or mandate provided by the payer. Banks are not responsible for any underlying contract as it is a method of collecting payments. A Biller wishing to join the scheme will typically contact its bank or payment service provider. The service may be deployed on channels provided by the Biller through its bank or Payment Service Provider.

Refer to Appendix 1 for definition of terms.

2.0 PARTICIPANTS & THEIR ROLES

The process typically involves five parties –

- Biller,
- Biller's bank,
- Payer,
- Payer's bank
- Payment Service Provider

2.1 BILLERS

- 2.1.1. The Biller must obtain the authority of the Payer (the mandate), either in paper form or electronic form, duly authenticated by the Payer's bank
- 2.1.2. The initiation of a transfer must comply strictly with the terms of the mandate executed by the Payer.
- 2.1.3. Billers shall execute the Direct Debit Indemnity with any bank that originates its transaction. A Biller must be prepared to accept any valid

indemnity claim from the payer, arising from amendment or limitation clause that is included in the Direct Debit mandate.

- 2.1.4. A Biller must be assigned a unique Identifier for use as part of the set-up process for Direct Debit. The unique identifier which certifies the Biller as being subject to these rules is to be derived from the Billers RC Number and relevant service code e.g. 12346/01
- 2.1.5. On receipt of the mandate, the Biller becomes entirely responsible for collecting payments due via Direct Debit. A Biller cannot require the Payer's Bank to settle by any other means except with the payer's consent.
- 2.1.6. It is the responsibility of the Biller to ensure that Direct Debit are initiated strictly within the terms of the mandate and within the terms of any notice given to the Payer. Biller information quoted on a Direct Debit must be the same as that quoted on the mandate.
- 2.1.7. Any change in the terms of a fixed mandate will require cancellation of the existing mandate and issuance of a new one.
- 2.1.8. The Biller is expected to consult the Biller's Bank before making any changes to its name or constitution, or information quoted on an authority. The Biller's bank may require the Biller to give notice of such change to a Payer and/or Payer's Bank.
- 2.1.9. If a fixed payment fails, then the Biller's bank is prohibited from collecting arrears via Direct Debit. The prohibition does not extend to the re-presentation or in situations where the Biller has adequately notified the Payer.
- 2.1.10. Billers must maintain documentation received from Payer or Payer's bank for ease of reference and to ensure that payments made under separate mandates are not merged or mixed up. This documentation must be maintained for as long as the mandate is active. Documentation on expired mandates should be subject to minimum retention period stipulated by law.
- 2.1.11. It is the responsibility of the Biller to notify the Biller's bank/ service provider (as applicable) of receipt of the notice of cancellation.
- 2.1.12. The Biller must pay promptly if a claim is raised by the Payer, for successful debits after mandate cancellation.
- 2.1.13. A Biller shall give an Advance Notice as agreed with the Payer in respect of a Variable Mandate

2.2 BILLER'S BANK

- 2.2.1. Biller's bank must be a member of the clearing system or integrated with Payment Service providers that accept Direct Debit for processing.
- 2.2.2. The Biller's bank shall hold an account for the Biller to receive proceeds of Direct Debit.
- 2.2.3. It is the responsibility of the Biller's bank to give information, advice and guidance on all aspects of the scheme to the Biller.
- 2.2.4. The Biller's Bank must have an executed Direct Debit Indemnity in place for the Biller before commencement of any transfer under this scheme.
- 2.2.5. The Biller's bank/ service provider (as applicable) has responsibility to accept cancellation of a mandate ONLY from the biller.

2.3 PAYER

- 2.3.1. The payer must execute a physical or electronic mandate in order to participate in the Direct Debit Scheme.
- 2.3.2. A Payer can cancel a mandate at any time by advising the Biller in writing or via provided electronic channels subject to prescribed cancellation notice (14 calendar days or at the end of the current billing cycle).
- 2.3.3. A Payer can exercise a right to cancel a mandate by advising the Payer's bank in writing or via provided electronic channels subject to prior notification to the biller that was not honoured
- 2.3.4. A Payer shall raise a claim through the Payer's Bank against the Biller in the event a debit transfer goes through after mandate cancellation.
 - a. Adequate notice must be given to avoid a situation where a notice of cancellation is received by the Payer's bank and the Biller; but not acted upon before the next due date of payment. For recurrent payments when prepayment is made before provision of service, this risk is well mitigated.

2.4 PAYER'S BANK

- 2.4.1. Payers' bank must be a member of the clearing system or integrated with Payment Service providers that accept Direct Debit for processing.
- 2.4.2. The Payer's bank must obtain the authority of the Payer either in paper form or electronic form before activating a Direct Debit mandate on the Payer's account.
- 2.4.3. Where the mandate is in electronic form, the authentication protocol must comply with the provisions of the Electronic Payments guidelines. All mandates authorization requests must be treated within 72 hours, after which the mandate will be deemed to be activated.
- 2.4.4. Payer's Bank must not subject subsisting mandates to further customer confirmation at the point of payment.
- 2.4.5. The Payer's bank is obligated to forward a report of all unpaid Direct Debits as a result of insufficient funds on a monthly basis to the licenced credit bureau and credit risk management systems

2.5 PAYMENT SERVICE PROVIDERS

- 2.5.1. Payment Service Providers must be duly licensed by the Central Bank of Nigeria and subject to electronic payment guidelines.
- 2.5.2. The Payment Service Providers shall execute Direct Debits in line with the instructions on the Direct Debit mandate.
- 2.5.3. It is the responsibility of the Payment Service Provider to give information, advice and guidance on all aspects of the scheme to the Biller.

2.6 CRITERIA FOR ENTRY INTO THE DIRECT DEBIT SCHEME - *Admission of Billers to the Direct Debit Scheme*

- 1.6.1 Billers, which acting as originators of Direct Debits, must recognize that a trust is being bestowed on them by banks, with extensive power, which must be exercised in strict accordance with the requirements of these Rules.
- 1.6.2 As a condition for participation, a prospective Biller must execute an Indemnity for the Biller's bank.

- 1.6.3 A prospective Billers application must stand on its own merit, without any third party support or private insurance cover that a Biller may choose to obtain to cover for the liability assumed under an Indemnity. In this context, a third party relationship does not exist with a parent and an associated or subsidiary company.
- 1.6.4 After execution, a Biller must return the signed indemnity and other accompanying documents deemed necessary by the Biller to the Biller's bank.

3.0 CONTROL MECHANISMS AND CONSUMER PROTECTION

3.1 General

- 3.1.1 The Payer must be duly notified via either SMS and/ or email for any Direct Debit passed into their accounts unless otherwise instructed by the Payer.
- 3.1.2 All Debit Mandates should be held as electronic records for ease of reference, updates, tracking, and monitoring and dispute resolution. This should be implemented by Payer Bank's / Biller's / Payment Service Provider to improve the efficiency and effectiveness of the Direct Debit process.
- 3.1.3 Disputes arising from Direct Debit transactions will be resolved under the aegis of the relevant dispute resolution system framework.

4.0 CONTROL REQUIREMENTS FOR PARTICIPATION IN THE SCHEME

- 4.1. As applicable, it is expected that the Payers' Bank would go through its normal confirmation process upon receipt of a Direct Debit Mandate to verify its authenticity.
- 4.2. The Direct Debit "Kite Mark" or logo will be implemented for the scheme to be displayed on all mandate forms whether physical or electronic.
- 4.3. The banks shall comply with the clearing house rules as it applies to the scheme
- 4.4. AUDIT TRAILS: The following records must be maintained and accorded the same retention period as for Cheques by the participating Banks:

- a. The executed Direct Debit mandate
- b. The executed Direct Debit Indemnity-Full transaction history records of all Direct Debit transfers (successful or dishonored).

5.0 BUSINESS AND OPERATIONAL RULES

5.1. Direct Debit transactions are of 2 types:

- a. **Fixed Direct Debit:** allows fixed amounts to be debited from a payer's account.
- b. **Variable Direct Debit:** allows variable amounts to be debited from a Payer's account. Typically used for payments where amounts cannot be predetermined in advance. In this instance, there is need for the service provider to intimate the subscriber (payer) of the invoice amount before the debit is sent to his/her bank.

5.2. The Direct Debit mandate will clearly state whether it is fixed or variable. For a manual process, a Direct Debit instruction is issued subject to the rules of the clearing system on returned items. An item that is dishonored must be returned within the local clearing cycle in operation.

5.3. A penalty should be applied to the payer for Direct Debit instructions not honored due to insufficient funds. The penalty prescribed for dud cheques shall apply.

5.4. Each Biller should have a process for returning wrongful/ fraudulent mandate.

5.5. If a Payer has a query regarding the authenticity of a Direct Debit applied to the Payer's account, the applicable dispute resolution process would apply.

6.0 UNPAID DIRECT DEBITS

6.1. An Unpaid Direct Debit shall be returned within 24 hours by the Payer's Bank.

6.2. Re-presentment shall only occur when a Biller reasonably assumes that a Payer shall meet the conditions necessary for payment.

6.3. The authority of a Biller to effect re-presentation does not arise from the existence of a debt owed by a Payer to the Biller. The Biller's Bank/Payments Service Provider may represent an unpaid item within 24 hours or as agreed with the Payer for the same amount that was originally dishonored.

In the event of dishonored Direct Debit, Billers must make alternative arrangements with the Payer to collect the amount due.

7.0 ADVANCE NOTICE

7.1. A Biller shall give an Advance Notice of a minimum of fourteen (14) days or as agreed with the Payer on a Mandate before :-

- a. the first payment
- b. changes to :-
 - i. the amount
 - ii. the due date

7.2. In all cases, an Advance Notice must allow sufficient time for a Payer to raise a query, countermand a single payment or, cancel the Transfer. Where the amount or due date is certain, a Biller shall issue an Advance Notice not less than 14 days from the due date except the payer executed superseding terms with the Biller. In the absence of any specific agreement between a Biller and a Payer, this period shall be the minimum requirement. The Advance Notice could be in writing or electronic as agreed between the Biller and Payer.

8.0 DIRECT DEBIT MANDATE

8.1 General

- 8.1.1. Direct Debit Mandate is not and shall not be construed as evidence of any contract between the Biller and Payer's Bank.
- 8.1.2. When requiring a Payer to complete a Mandate, the Biller shall provide clear and accessible terms and conditions.

8.2 AMENDMENT TO A DIRECT DEBIT MANDATE

- 8.2.1. A Payer's bank shall advise a Biller's bank promptly of all changes that could affect the Direct Debit mandate concerning:-
 - a. the Payer's Bank
 - b. a Payer's bank account

It recognized that cases can arise where a Biller shall receive a notice advising of an amendment or cancellation but will be unable to act on it before the next due date of payment.

- 8.2.2. A mandate remains active and can only be amended through a process of cancellation of a subsisting mandate and issuance of a new mandate.

9.0 INDEMNITY & LIMITATION OF LIABILITY

9.1 THE DIRECT DEBIT INDEMNITY

- 9.1.1. Every Biller must execute a Direct Debit indemnity and lodge same with Biller's Bank.
- 9.1.2. A Biller shall not be permitted to, single-handedly, make amendments to the standard text. A Biller's Bank may, with discretion, and the agreement of other participating banks, require certain additions or deletions to be made to text when particular circumstances or the status of a Biller indicate that certain contingencies are not covered.
- 9.1.3. A Biller shall undertake to effect settlement of Indemnity claims with Payers' Banks immediately and in any case within 5 working days of the date of the claim.
- 9.1.4. A Biller's Bank, after having accepted cover for any due claims, shall give written notice of the termination of an indemnity to the Biller.
- 9.1.5. A Biller should note that liability is unlimited on:-
- a. *Time*: there is a continuing liability in respect of Direct Debits initiated before receipt of a written notice of termination by a Payer's Bank
 - b. *Amount*: the liability of a Biller arises not only in respect of Direct Debits initiated in error or not at all, and will be limited to the amount under consideration plus interest charged at NIBOR.

9.2 CLAIMS UNDER THE INDEMNITY

- 9.2.1. A Biller shall undertake to indemnify the Biller's bank against any loss arising from Direct Debits.
- 9.2.2. The liability under this Indemnity shall be limited to a period of one year. A Biller must honour an Indemnity claim immediately and in any case within 14 days.
- 9.2.3. A Biller wishing to make a counter-claim on a Payer's Bank should seek guidance from the Biller's Bank. The Biller's Bank should assist a Biller in lodging the counter-claim with the Payer's Bank concerned.
- 9.2.4. A Payer's Bank shall not claim on an Indemnity to recover funds paid in error. The Payer's Bank may request a Biller for a full or partial refund of payment, in writing. This should not include a request for consequential

loss. Any recovery shall be at the discretion of a Biller. A Biller doubting the validity of a claim should seek the advice of the Biller's Bank.

Note:

- i. The essential principle of the Scheme is the right of a Payer to seek and obtain an immediate refund of payments made in error from and by a Biller.
- ii. On establishing that a Biller was at fault, a Payer's Bank shall assist a Payer in lodging an Indemnity claim with the Biller.

The standard text for the Direct Debit Indemnity and Indemnity Claim are included in the Appendix.

10.0 COMPLIANCE WITH RULES, PENALTIES AND ARBITRATION

10.1 COMPLIANCE WITH RULES

- 10.1.1. Each of the participants in this scheme shall conform to the requirements for admission into the scheme, the criteria laid down for participation and the provisions of these rules.
- 10.1.2. Each Biller shall be required to execute a Direct Debit indemnity with its Bank.
- 10.1.3. All Banks shall honour Direct Debit and mandate requests as prescribed under this Scheme.
- 10.1.4. Each participant shall comply with the specification and standards established by the relevant payment system guidelines.

10.2 PENALTIES

- 10.2.1. Any breach of these guidelines shall be subject to appropriate penalties as prescribed by the Central Bank of Nigeria.
- 10.2.2. The Payments Service Providers or Bank may require a Biller to withdraw from the scheme if in their opinion their activities constitute an abuse of the scheme.
- 10.2.3. All participants in the scheme shall be subject to these rules and penalties imposed in line with breach of the rules.

10.3 DISPUTE RESOLUTION AND ARBITRATION MECHANISMS

10.3.1. It is expected that disputes arising from direct debit transactions shall be resolved amicably amongst the parties in line with the provisions of this guidelines. However, any unresolved dispute between parties in the Direct Debit scheme shall be referred to the CBN for adjudication.

10.3.2. Refer to Section 7.1 – Direct Debit Indemnity

11.0 WITHDRAWAL OF A BILLER

11.1. A Biller may withdraw from the Scheme either voluntarily or compulsorily.

11.2. Voluntary Withdrawal

11.2.1 A Biller must plan very carefully, in close consultation with the Biller's Bank, for the following actions:-

1. the cancellation of existing mandates
2. the progressive replacement of all Direct Debit method of payment by some other method

11.2.2 A Biller withdrawing voluntarily from the Scheme should prudently consider establishing a contingency reserved for meeting:-

1. any claims which may arise in respect of subsisting mandates
2. any Indemnity liability which may arise subsequent to withdrawal or termination of liability respect of Direct Debit initiated prior to either of these events

11.3. Compulsory Withdrawal

A Biller's Bank/ Payments Service Provider may require the withdrawal of a Biller from the Scheme if:-

- a. in their opinion, Direct Debits are carried out either in a manner which constitutes an abuse of the Scheme or is without due regard to the interests of other participants
- b. there is evidence that a Biller is deliberately ignoring standards and procedures detailed in these Rules
- c. the contractual capacity of the Biller is terminated by legal process, for example, by bankruptcy, liquidation or the appointment of a receiver

Note:

In extreme cases it may be necessary for a Biller's Bank/Payments Service Providers to insist on the withdrawal of a Biller at short notice, notwithstanding the disruption which may occur. However, a Biller's Bank/Payments Service Providers shall make every effort to give sufficient notice to enable a Biller make alternative arrangements. In this context, a Biller's Bank/Payments Service Providers shall not assume an obligation in giving notice. More particularly, a Biller's Bank/Payments Service Providers shall not accept liability under any circumstances for any loss that a Biller may suffer as a result of withdrawal from the Scheme.

EXPOSURE DRAFT

APPENDIX

APPENDIX I

DEFINITION OF TERMS

The terms below shall have the following meaning, for the purpose of the Guidelines:

Direct Debit

Direct debit is a cashless form of financial settlement which facilitates recurring payments in accordance with a Direct Debit Mandate

Direct Debit Mandate

This is a verifiable authority in writing or electronic form given by a Payer to the holder of the Payer's transaction account to make payments from the Payer's identified account to the account of the Biller.

Variable Direct Debit Mandate

This authority allows variable amounts to be debited from a Payer's bank account. It is used for regular payments that cannot be predetermined and for amounts that change periodically (monthly, quarterly, annually, etc.).

Fixed Direct Debit Mandate

This authority allows for regular fixed/predetermined amounts to be debited from a Payer's bank account.

Advance Notice

This is the notice that must be given by a Biller to a Payer who has signed a Direct Debit Mandate in respect of the first payment and any changes to the date and/or amount to be debited.

Direct Debit Indemnity

This is an indemnity issued by the Biller to the Biller's bank to protect a Payer should an incorrect amount be debited, a debit occur earlier than specified or in error.

Account

Account represents the source or the destination of funds for a Direct Debit transaction.

Bank

For the purpose of this Guideline, banks shall include all CBN licensed Financial Institutions and Mobile Money Operators

Biller

A Biller is a registered organization that is able to initiate a Direct Debit

Biller's Bank

Biller's Bank is the Bank where the Biller's account designated for receiving proceeds of a Direct Debit is domiciled

Payer

Payer is the party whose account is to be debited as instructed in a Direct Debit Mandate.

Payer's Bank

Payer's Bank is the Bank where the payer's designated Direct Debit account is domiciled.

Payment Service Provider

Payment Service Provider is a payment service company licenced by the CBN to process electronic payments transactions.

APPENDIX II

** Forms below serve as a guide as to what is expected

FORM OF DIRECT DEBIT MANDATE (FIXED AMOUNTS)

Date [•]

FROM [Insert Name of Payer]
Identifier:

Biller's RC Number/Service Code

[Insert Address of Payer]

TO: [Insert Name of Bank]

[Insert Address of Bank]

CC: [Insert Name of Biller]

[Insert Address of Biller]

Dear Sirs,

MY AGREEMENT [insert details of the underlying commercial transaction between the Biller and the Payer] dated [•]

The details of my/our bank account are as follows:-

Bank:	
Account Number:	
BVN:	

I/We hereby request, instruct and authorise you to debit my/our account in accordance with any Direct Debit Instruction issued and delivered to you by the *Biller* the sum of _____ (*amount in words*), necessary for payment of the monthly/quarterly/yearly installment due in respect of the above-mentioned agreement) on the _____ day of each and every month/quarterly/yearly commencing on _____ and continuing (*state the period for which the underlying contractual arrangement exists for*). All such debits from my/our account by you in accordance with any Direct Debit Instruction issued and delivered to you by the *Biller* shall be treated as though they have been signed by me/us personally.

The amounts are FIXED and may be debited on _____ of each month/quarterly/yearly. I/We understand that the *Biller* may change the amount and dates only after giving me/us prior notice and subject execution of this mandate in its variable form.

I/We understand that the withdrawals hereby authorised will be processed by electronic funds transfer, and I/we also understand that details of each withdrawal will be printed on my bank statement.

I/We agree that bank charges relating to this Mandate shall apply as appropriate.

This Mandate may be cancelled by me/us by giving both you and the Biller Fourteen (14) Calendar Days notice in writing, delivered to the addresses stated above, but I/we understand that I/we shall not be entitled to any refund of amounts which may have already been withdrawn while this Mandate was in force if such amounts were legally owing to the *Biller*.

I/We understand that if any Direct Debit Instruction is paid which breaches the terms of this Mandate, you shall not be liable to us in any way or manner whatsoever, whether under contract, tort or negligence and that our recourse shall be limited to the *Biller*.

Signed at _____ on this _____ day of _____ 20 _____

[SIGNATURE AS PER ACCOUNT MANDATE]

For and on behalf of: *[Insert name of Payer]*

In the presence of:

Name: _____

Address: _____

Occupation: _____

Signature: _____

APPENDIX III

FORM OF DIRECT DEBIT MANDATE (VARIABLE AMOUNTS)

Date [•]

FROM [Insert Name of Payer]

Biller's RC Number/Service Code

Identifier: [Insert Address of Payer]

TO: [Insert Name of Bank]

[Insert Address of Bank]

CC: [Insert Name of Biller]

[Insert Address of Biller]

Dear Sirs,

MY AGREEMENT [insert details of the underlying commercial transaction between the Biller and the Payer] dated [•]

The details of my/our bank account are as follows:-

Bank:	
Account Number:	
BVN:	

I/We hereby request, instruct and authorise you to debit my/our account in accordance with any Direct Debit Instruction issued and delivered to you by the *Biller* for such amounts necessary for monthly/quarterly/semi-annual payments due in respect of the above-mentioned agreement on the _____ day of each and every month/quarter/half-year commencing on _____ and continuing (*state the period for which the underlying contractual arrangement exists for*). All such debits from my/our account by you in accordance with any Direct Debit Instruction issued and delivered to you by the *Biller* shall be treated as though they have been signed by me/us personally.

The amounts are variable and may be debited on various dates. I/We understand that the *Biller* may change the amount and dates only after giving me/us prior notice.

I/We understand that the withdrawals hereby authorised will be processed by electronic funds transfer, and I/we also understand that details of each withdrawal will be printed on my bank statement and/or an accompanying voucher.

I/We agree to pay any bank charges relating to this Mandate.

This Mandate may be cancelled by me/us by giving both you and the Biller twenty (14) Business Days notice in writing, sent by prepaid registered post, or delivered to the addresses stated above, but I/we understand that I/we shall not be entitled to any refund of amounts which may have already been withdrawn while this Mandate was in force if such amounts were legally owing to the *Biller*.

I/We understand that if any Direct Debit Instruction is paid which breaches the terms of this Mandate, you shall not be liable to us in any way or manner whatsoever, whether under contract, tort or negligence and that our recourse shall be limited to the *Biller*.

Signed at _____ on this _____ day of _____ 20____

[SIGNATURE AS PER ACCOUNT MANDATE]

For and on behalf of: [*Insert name of Payer*]

In the presence of:

Name: _____

Address: _____

Occupation: _____

Signature: _____

APPENDIX IV

FORM OF INDEMNITY

To: [Biller's Bank]

[Biller's Address]

Dear Sirs,

1. **IN CONSIDERATION** of you severally accepting instructions from time to time from _____ (hereinafter called the "**Biller**") or from an agent of the Biller to debit the account of the Payer with the amounts specified on instruments drawn in paper form or in automated input form written in accordance with the Direct Debit Agreement dated [•] between _____, we hereby warrant that the Payer on whose account a debit is drawn will have signed a Direct Debit Mandate, and we shall keep you indemnified upon your first demand against all actions, losses, damages, claims, demands costs and expenses (including legal costs, fees and expenses on a full indemnity basis) howsoever arising, which you may incur or sustain directly or indirectly from such debiting or failure to debit and without our requiring proof of our agreement to the validity of such demand we shall forthwith pay the amount.
2. We authorise you to admit compromise or reject any claims made upon you without reference to or authority from the Biller. Furthermore, with respect to any claims or demand for the refund of any money received by you on our behalf pursuant to any debit and transfer made on our behalf in accordance with the [Direct Debit Agreement] [Direct Debit arrangements between ourselves and the Payer], you are hereby authorised and are at liberty to comply with such demands and claims and without any further reference or authorisation from us, you may debit our account and transfer such funds to the account of the Payer.
3. You are not required to verify or check that instructions given to you have been given and remain in force in respect of any debit and transfer made at the request of the Biller.
4. You are not required to verify or check that any purpose of payment stated in the Direct Debit Mandate signed by the Payer is fulfilled or is observed.
5. This Direct Debit Indemnity is to be in addition to and is not to prejudice or be prejudiced by any other Direct Debit Indemnity which has been or may now or hereafter be executed by us in connection with the Direct Debit Agreement, and shall be binding on us as continuing security notwithstanding any payments from time to time made to you or any settlement of account or disability, incapacity, insolvency that may affect us or any other thing whatsoever.
6. You are to be at liberty without thereby affecting your rights hereunder at any time and from time to time at your absolute discretion to release, discharge,

compound with or otherwise vary or agree the liability under this Direct Debit Indemnity or make any other arrangements with us.

7. This Direct Debit Indemnity shall be enforceable notwithstanding any change in your name or any change in the constitution of the bank, its successors or assigns or by its amalgamation with any other bank or banks.
8. This Direct Debit Indemnity shall be governed by and construed in accordance with the laws of the Federal Republic of Nigeria.

Signed By: _____

For and on behalf of: [*Insert name of Biller*] pursuant to a resolution of the Board of Directors of the Biller a certified copy of which is annexed hereto

In the presence of:

Name: _____

Address: _____

Occupation: _____

Signature: _____



CENTRAL BANK OF NIGERIA

GUIDELINES FOR BILL PAYMENTS IN NIGERIA, 2017

January 2017

1.0 Introduction

In the exercise of the powers conferred on the Central Bank of Nigeria (CBN) by Section 2(d) and 47(2) of the CBN Act 2007, to promote and facilitate the development of an efficient and effective payments system in Nigeria, the CBN hereby issues the following Guidelines on Bill Payments

Bill payment is currently offered by various payment system participants in Nigeria without a structure that ensures a minimum level of consistency in market offering or a framework that ensures adequate protection for the consumers, either from the perspective of minimum expectations or the presence of a mechanism to ensure any arising issues are addressed within the framework of a structure or Guidelines.

In the market today, various payment methods are accepted for bill payments. At the most, participants rely on the various Guidelines currently existing for the payment methods that service providers leverage to drive this important retail payment activity in the market. While these existing Guidelines continue to be relevant at ensuring the safety of the payment system, the Guidelines on Bill Payments in Nigeria provides minimum standards for any existing or prospective platform for bill payments.

2.0 Objectives

The objectives of this Guideline are:

- To document the minimum standards that must be complied with for the processing of bill payment transactions, the identification of the stakeholders in this payment system space and the introduction of best practice to ensure achievement of the vision of a 'nationally utilized and international recognized' payments system in Nigeria.
- To promote the implementation of integrated bill payment systems that leverage current market drive for interoperability and access to payment system infrastructure through all existing channels in the system – bank branches, internet banking, web payment/online commerce platform etc.

3.0 Scope

The scope of this Guideline covers payment platforms that support multi-payment channels, the online commerce space and any payment platform or ecosystem that seeks to integrate the payment side of commercial activity and payment aggregators. These would include banks and Payment Service Providers that facilitate payment aggregation for merchants to meet that need for efficient collection of payments from

their subscribers/ payers with accompanying information for efficient exchange of value via remote or physical interaction. The payment methods could be by Cheques, Cards, Direct Debit, Instant Payments, Automated Clearing House etc.

4.0 Stakeholders

The following are the stakeholders in Bill Payments:

- *Payer* – the individual or corporate entity making a bill payment
- *Biller* – the merchant that receives funds from the payer as consideration for the provision of service or product.
- *Payer's bank* – the bank where the payer holds the account that is debited to make the bill payment.
- *Biller's bank* – the bank where the merchant maintains the account designated to receive proceeds of payment made by the payer.
- *Payments Service Provider (PSP)* – is a payment service company licensed by the CBN to process electronic payments transactions
- *Service provider* – a bank or Service Provider that deploys an electronic payment platform or integrates with a licensed Payments Service Provider for the collection of payments on behalf of a Biller. The Payments Service Provider must be licensed by the CBN to carry out payments system activities in Nigeria of which all products must be approved by the regulator.
- *Regulator* – the Central Bank of Nigeria that provides the Guidelines/framework and ensures adherence/compliance with its provisions.

5.0 Eligibility Criteria

5.1 Service Providers

Any entity seeking approval to operate a bill payment platform requires a license from the CBN to provide payments services or be integrated to a duly licensed PSP.

- The entity must also obtain specific approvals from the Central Bank to provide these services if not integrated to a licensed PSP.
- All transactions initiated and authorized on the bill payment platform must be settled via the Nigeria Inter-Bank Settlement System (NIBSS)

- Each component payment method implemented on the platform must comply with and be subject to the rules guiding the conduct of market activities for such channels.

5.2 Admission of Billers

- A prospective Biller must be a customer of a bank whose responsibility it would be to receive the proceeds of bill payments from Payers.
- In making assessment for on-boarding a biller, the Biller's bank/service provider must take into cognizance the contractual capacity of the Biller.
- After approval of the Biller's application, the Biller's bank/Service Provider shall register the Biller on the platform capturing the following details at a minimum:
 - Corporate entity – Registered name (Corporate Affairs Commission); RC Number; Tax Identification Number; Registered Address; Official Contact email address; Contact Telephone Number; Service/Product Codes.
 - Individual merchants – BVN; Verified operating address; Contact Telephone Number; Bank Account

5.3 Operational Procedure

- A Service Level Agreement (SLA) must be executed between the platform provider and the Biller as a condition for on-boarding.
- The SLA will provide the terms for engagement, roles and responsibilities of the parties, minimum service delivery commitments, obligations of the parties and penalties as applicable
- SLAs should be reviewed periodically to ensure alignment with industry/regulatory changes, or appropriate provisions made to take cognizance of mandatory changes that may come to play after implementation.
- Minimum commitments to service availability should be defined and incorporated in the Dispute Resolution System (DRS) and SLA, and properly communicated to the users of the service.
- Transaction status upon completion should be sent to relevant parties.

- A policy/procedure must be in place for change management which should include major releases, maintenance calendars and provide the conditions for emergency upgrades and notification process.
- Bill must be customizable to meet the Biller's needs for transaction details to be captured, and processes stipulated in the SLA.

6.0 Dispute Resolution System (DRS)

- Payments should be irrevocable and refunds/recalls should be done via a dispute resolution system or other supplementary rules that guide the operation of the relevant payment method.
- DRS must be fair and have an impartial arbiter (Regulator, Association leadership etc.)

7.0 Settlement

- Settlement for bill payment transactions is an integral part of the interoperability requirement for bill payment transactions. Each platform must be able to receive payment from multiple billers and transactions cleared and settled through existing market settlement mechanisms.
- Based on the payment method, the settlement process must ensure optimum efficiency both in terms of settlement and responsibilities as provided for in the relevant Guidelines. The settlement cycles must be same as stipulated for the applicable payment method.

8.0 Customer Support

- Helpdesk services should be made available to the Biller and Payer by the Biller's bank/PSP via advised channels to aid resolution of service issues. The helpdesk availability should be such that it coincides with service availability, and access should be on multi-channel basis (phone, email, web etc.)