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**BANKING AND PAYMENTS SYSTEM DEPARTMENT**

*June 5, 2014*

**BPS/DIR/GEN/CIR/01/007**

**To: All Deposit Money Banks**

**EXPOSURE DRAFT ON THE GUIDELINES ON  
INTERNATIONAL MONEY TRANSFER SERVICES 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 Exposure Draft on the Guidelines on International Money Transfer Services in Nigeria, for your review and comments.

Kindly forward your inputs on or before June 20, 2014 to the Director, Banking & Payments System Department and [pspo@cbn.gov.ng](mailto:pspo@cbn.gov.ng).

Thank you for your usual cooperation.

A handwritten signature in black ink, appearing to read 'Dipo Fatokun', written over a horizontal line.

**'Dipo Fatokun**

**Director, Banking & Payments System Department**



**CENTRAL BANK OF NIGERIA**

# **Guidelines on International Money Transfer Services in Nigeria**

## **GUIDELINES ON INTERNATIONAL MONEY TRANSFER SERVICES IN NIGERIA**

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EXPOSURE DRAFT

## **GUIDELINES ON INTERNATIONAL MONEY TRANSFER SERVICES IN NIGERIA**

### **1.0 Preamble**

In exercise of the powers conferred on the Bank by Section 2 (d) of the Central Bank of Nigeria Act, 2007 and Section 57 (2) of the Banks and Other Financial Institutions Act (BOFIA), Laws of the Federation of Nigeria, 2004 to issue guidelines for the maintenance of adequate and reasonable financial services to the public, the Central Bank of Nigeria (CBN) hereby issues the following guidelines for the regulation of International money transfer services in Nigeria.

### **1.1 Objectives**

The objectives of the guidelines are to:

- i. provide minimum standards and requirements for International money transfer services operations in Nigeria;
- ii. specify delivery channels for offering international money transfer services (inbound/outbound), in a cost effective manner;
- iii. provide an enabling environment for international money transfer services in the Nigerian economy;
- iv. specify minimum technical and business requirements for various participants in the international money transfer services industry in Nigeria; and
- v. provide broad guidelines for implementation of processes and flows of international money transfer services, from initiation to completion.

### **1.2 SCOPE**

This guidelines address business rules governing the operation of international money transfer services in Nigeria. In addition, it sets the basis

for regulation of the services offered at different levels and by diverse participants.

## **2.0 LICENSING REQUIREMENTS**

**2.1** No institution shall provide international money transfer services unless such person/institution has been duly licensed by the CBN.

**2.2** Application for a licence to carry on the business of International money transfer services shall be submitted to the office of the Director, Banking & Payments System Department, Central Bank of Nigeria, Abuja.

## **2.3 Documentary Requirements**

All applications shall be accompanied with the following:

- i. Board of director's approval to offer International money transfer services.
- ii. Copy of the applicant's certificate of incorporation
- iii. Memorandum & Articles of Association (certified copy), of which the primary object clause shall indicate provision of Money Transfer Services.
- iv. Shareholding structure of the Company
- v. Forms C02 (Return on Allotment of shares) and C07 (Particulars of Directors)
- vi. Profiles of the Board and Management of the Company to include: CVs, functional contact e-mails and telephone numbers, ownership, governance and management structure;
- vii. Organogram of the company
- viii. Business Plan, to include:
  - a. Nature of the Business

- b. Features of the scheme
  - c. Internal control systems and monitoring procedures
  - d. Security features that will be put in place
  - e. 3 years Financial projections/Market analysis for the Company
  - f. Transaction and other charges that will be borne by customers
  - g. Profit sharing agreement among the parties
  - h. Diagrammatic illustration of transaction flows
  - i. Consumer Protection and Dispute Resolution Mechanism
- ix. Information Technology Policy of the Company including:
- a. Privacy Policy
  - b. Information Ownership/Disclosure/Loss Policy
  - c. Backup and Restore Policy
  - d. Network Security Policy
  - e. Encryption Policy
  - f. Confidential Data Policy
  - g. Password Policy
  - h. Third Party Connection Policy
  - i. Incidence Response Policy
  - j. Physical Security Policy
- x. Enterprise Risk Management Framework
- xi. Contingency and Disaster Recovery Plan(business continuity plan)
- xii. Draft agreements with the participating parties
- xiii. Tax Clearance Certificate for three (3) years
- xiv. Project Deployment Plan (time, location, operation, etc.)
- xv. Credit reports from a licensed credit bureau for the shareholders and key officers of the money transfer services operator;
- xvi. Any other information as may be required by the CBN from time to time

- xvii. A non-refundable application fee of N500,000 (Five Hundred Thousand Naira) or such other amount that the Bank may specify from time to time payable to the "Central Bank of Nigeria" by electronic transfer.
- xviii. Evidence of meeting the minimum paid up share capital of N2,000,000,000 (Two Billion Naira).
- xix. Presence in at least seven (7) different countries.

#### **2.4 Overseas Partnership Requirements**

A money transfer operator who wishes to engage a foreign technical partner that will provide global or regional payment or money transfer platform, shall obtain a letter of no objection from the CBN. The following conditions shall apply to the technical partner:

- a. Be a registered entity, licensed in its home country to carry on money transfer activities.
- b. Have as minimum Net Worth of US\$1 million as per the latest audited balance sheet, or as may be determined by the CBN from time to time.
- c. The Overseas technical partner should be well established in the money transfer business, with a track record of operations.
- d. There should be an MOU that clearly delineates liabilities in the event of disputes and/or process failures.

- 2.5** The CBN shall conduct appropriate due diligence on the promoters, directors and key officers of the proposed money transfer operator.

#### **2.6 Prohibitions**

Section 19 (1) (a) of BOFIA 1991 as amended, for persons not qualified to be on the employment of banks, shall also apply to Money Transfer Service Operators.

## **2.7 Disqualification of Shareholders and officers**

In line with the BOFI Act No. 25 of 1991 [as amended], all the conditions stipulating the exclusion of certain individuals from the management of banks, shall apply to the management of Money Transfer Service Providers except with the written permission of the Governor of the CBN.

Shareholders and officers of the company shall be disqualified, based on the provisions of Section 44 (2) of the BOFIA 1991 as amended. The section provides that: No person shall be appointed or shall remain a director, secretary or an officer of a bank who:

- (a) is of unsound mind or as a result of ill- health is incapable of carrying out his duties; or
- (b) is declared bankrupt or suspends payments or compounds with his creditors including his bankers; or
- (c) is convicted of any offence involving dishonesty or fraud; or
- (d) is guilty of serious misconduct in relation to his duties; or
- (e) in the case of a person possessed of professional qualification, is disqualified or suspected (otherwise than of his own request) from practicing his profession in Nigeria by the order of any competent authority made in respect of him personally.

## **3.0 OPERATIONS OF INTERNATIONAL MONEY TRANSFER SERVICES**

### **3.1 Permissible Activities**

The permissible operations of International money transfer services shall include allowable inbound and outbound international money transfer transactions. The transactions shall consist of the following activities:

- (a) The acceptance of monies for the purpose of transmitting them to persons resident in Nigeria or another country.



(b) Cross-border personal money transfer services, such as, money transfer services towards family maintenance and money transfer services favoring foreign tourists visiting Nigeria shall be allowed under this arrangement.

(c) The money transfer services shall target individual customers mainly and the transactions shall be on "person to person transfer" basis to safeguard against corporate customers which might structure their transactions into smaller amounts to circumvent the statutory reporting threshold.

### **3.2 Non Permissible Activities**

A money transfer operator is not authorized to:

- a. Act as an authorized dealer in gold or other precious metals;
- b. Engage in deposit taking and/or lending money;
- c. Maintain current accounts on behalf of customers;
- d. Establish letters of credit; or
- e. Act as a custodian of funds on behalf of customers.
- f. Engage in institutional transfers. A money transfer service operator shall not engage in any other business other than as authorized by the Bank.
- g. Buy foreign exchange from the domestic foreign exchange market for settlement.

### **3.3 Business Premises**

A money transfer operator shall display prominently at each of its business premises:

- (a) The current licence to engage in money transfer services;

- (b) The business hours;
- (c) Details of the tariffs to be charged;
- (d) A notice informing the customers that they are entitled to be issued with a receipt for any money transfer service transactions; and
- (e) A notice to the effect that the money transfer operator is not allowed to accept deposits or lend to the public.

### **3.4 Notification of Business Hours**

A money transfer service operator shall notify the Bank and its customers of:

- (i) the business hours for each of its outlets;
- (ii) any intended changes in business hours, in any of their places of business, fifteen days in advance before the changes are effected

### **3.5 Temporary closure of business**

A money transfer service operator wishing to temporarily close its main offices shall seek the consent of the CBN. In the event of an emergency, the operator shall relocate to its established back up site and notify the CBN accordingly.

The temporary closure of an agency or outlet shall be notified to the CBN immediately.

In either event above, the operator/agent shall display a conspicuous notice to that effect.

### **3.6.0 Transfer Limits**

**3.6.1** Allowable limit of the outbound money transfer shall be US\$1,000 or its equivalent per annum, per person subject to periodic review by the CBN.

**3.6.2** All in-bound money transfers to Nigeria shall only be disbursed to beneficiaries through bank accounts.

**3.6.3** Where the beneficiary does not have a bank account, payments shall only be made upon the provision of a satisfactory reference from a current account holder in a bank, confirming that the beneficiary is the bona fide owner of the funds.

**3.6.4** The following conditions shall apply in the transaction:

- i. An outward payment transaction shall be executed in a convertible currency agreed between the parties; and
- ii. Where a currency conversion service is offered before initiation of a payment transaction or at the point of payment, the money transfer services operator must disclose all charges, as well as the exchange rate to be used for converting the payment transaction

### **3.7 Split Transactions**

A money transfer service operator shall not allow or process a transaction that appears to have been deliberately split into small amounts to avoid the reporting requirements under the provisions of the AML/CFT Act.

### **3.8 Agents**

An approved money transfer service operator may conduct its business through an agent, in line with the provisions of this guidelines.

An agent is a suitable entity engaged by a money transfer service operator to provide money transfer service on its behalf using the agent's premises, staff and technology.

### **3.8.1 Suitability for appointment:**

An agent shall:

- (1) be a corporate body registered with the corporate affairs commission in Nigeria or with a similar body in other jurisdictions or established by law.
- (2) be an existing and well established commercial entity which has been operational for at least 12 months.
- (3) not have been classified as a non performing borrower by any financial institution in the last 12 months.
- (4) possess appropriate physical infrastructure and human resources to provide money transfer services.
- (5) not be an entity listed on any Sanction list.

### **3.8.2 Engagement of an Agent**

The money transfer operator shall:

- (1) execute a contract with each agent that specifies terms and conditions of their engagements. These terms shall include but are not limited to the following:
  - (a) A statement that the money transfer services operator is wholly responsible and liable for all actions or omissions of the agent.
  - b) Measures to mitigate risks associated with agent business including limits, customer transactions, cash management, cash security, security of agent premises and insurance policies;
  - (c) Specific services to be rendered by the agent;
  - (d) The rights, expectations, responsibilities and liabilities of both parties;
  - (e) A statement that the Bank shall have free, unfettered and timely access to the internal systems, documents, reports, records, staff and premises of the agents, in so far as money transfer business is

concerned and shall exercise such powers as it may considered necessary;

(f) Appropriate policies and procedures to detect, prevent, report or otherwise deal with incidences of money laundering;

(g) Responsibilities of the agent to deliver supporting transaction documents;

(h) A statement that all information or data that the agent collects in relation to agency money transfer services, whether from the customers, the money transfer operator or from other sources, is the property of the money transfer operator;

(i) Adequate oversight safeguards for the money transfer operator to address instances of non-compliance by the agent with the stipulated obligations;

(j) Prohibition from charging the beneficiary any fees other than the fees agreed upon with the sender, at the initiation of the transaction;

(k) Business hours of the agent;

(l) Suitable limits on cash holding by the agent and also limits on individual customer payments and receipts;

(m) Confidentiality of customer and user information;

(n) Remuneration for the agent;

(o) A transition clause on the rights and obligations of the money transfer operator and the agent upon termination or cessation of the agency contract; and

(p) Detailed procedure for disengagement or termination of the agency contract.

(2) Retain a contract for the life of the agency plus a retention period of 7 years or as may be determined by the CBN from time to time.

- (3) Notify the Bank of the appointment of each agent, providing details of name, phone number and any additional information as may be required by the Bank
- (4) Conduct the business in compliance with all the applicable laws, regulations and guidelines.

### **3.9.0 Bank accounts**

A money transfer operator shall:

- 3.9.1** Hold all customer funds for transfer in an account designated as “**customers’ account**” domiciled with any deposit money bank in Nigeria. This account shall be separate from all other accounts maintained by the operator.
- 3.9.2** Maintain complete and accurate account records.
- 3.9.3** Produce, upon request by the Bank, all documents pertaining to the account activity, including, but not limited to, bank statements, cheque books, deposit slips and reconciliations or other comparable account records.

### **3.10 Records.**

**3.10.1** A money transfer operator shall:

- 3.10.2** Maintain a management information system that facilitates efficient collection and processing of data required for audit trails.
- 3.10.3** Maintain accurate information on each transaction. Transaction information shall include:
  - (a) Date of transaction;
  - (b) Name, address and contact phone number of sender;
  - (c) Name, address and contact phone number of beneficiary;
  - (d) Acceptable means of identification;
  - (i) Amount and currency;

- (j) Occupation of the sender;
- (k) Type (Sending or Receiving) and Purpose of the transaction;
- and
- (l) Source of funds.

**3.10.4** Issue receipt, which shall contain the following information:

- (a) Full names of the customer;
- (b) The type and amount of currency sent or received;
- (c) The transaction reference;
- (d) The nature, time and date of the transaction;
- (e) Customer signature; and
- (g) Commission charged, if any.

**3.10.5** All transactions generated by the money transfer operator in the course of its business activities must be posted in its books of accounts.

**3.10.6** A money transfer service operator shall keep accurate and up to date records and ensure that the records are verified on a daily basis.

### **3.11 Returns.**

A money transfer service operator shall submit its returns to the Director, Trade & Exchange Department, Central Bank of Nigeria as may be prescribed from time to time.

### **3.12 Anti-Money Laundering Risk**

All money transfer operators in Nigeria shall comply with the provisions of the Central Bank of Nigeria "Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions Regulations 2013" and all other applicable laws and regulations.

## **4.0 DISCLOSURE REQUIREMENTS**

### **4.1 GENERAL**

A money transfer service operator shall disclose to its customers:

- 4.1.1 details of applicable exchange rate, commission, fees and any other amount that may be charged by banks/agents involved in a transfer.
- 4.1.2 the meaning of any technical terms and acronyms used.
- 4.1.3 that it neither accepts deposits nor lends to the public
- 4.1.4 prevailing exchange rates at all times and in all locations it conducts business.

#### **4.2.0 Outward Money Transfer Services**

A money transfer operator shall:

- 4.2.1 advise customers of the time funds sent would be available for collection by beneficiaries;
- 4.2.2 inform the customers within 24 hours where outward transfers could not be effected within the time frame advised.
- 4.2.3 refund to the sender any amount returned undelivered in the manner it was paid by the customer:
  - i. Where the operator is responsible for the returned transfer, the refund to the sender shall include all the fees and charges paid by the sender; and
  - ii. Where the sender is responsible for the returned transfer, the operator shall recover from the sender only costs associated with the transaction.



### **4.3.0 INWARD MONEY TRANSFER SERVICES**

A money transfer operator shall:

- 4.3.1 make payment to customers only in Nigerian currency in line with CBN regulation;
- 4.3.2 use the prevailing exchange rate on the day the transfer is received; and
- 4.3.2 declare in the receipt/certificate of transfer that the money paid to the customer is not counterfeited.

### **4.4.0 CHARGES**

- 4.4.1 All money transfer operators shall comply with the guide to money transfer charges as provided by the CBN from time to time.
- 4.4.2 The provider must make refund where wrong, inappropriate or disproportionate charges or fees are identified internally by provider.

### **5.0 DISPUTE RESOLUTION**

- 5.1 All complaints to the operator must be acknowledged on receipt.
- 5.2 Each operator shall provide a Complaints Management Unit to resolve complaints or disputes submitted by its customers. The unit shall provide its services free of charge through well publicized and dedicated channels, including phone numbers and e-mail address(es).
- 5.3 An operator must fully investigate complaints and make appropriate decision and communicate same to the complainant within one (1)) week of the receipt of complaints.
- 5.4 Each complaint shall be assigned a unique identifier for ease of reference. Operators shall provide dedicated phone, email or other means by which complainants may enquire about the progress of their

complaints. In addition, operators shall provide a response to all enquiries within 48 hours of receipt.

- 5.5 Where a complainant is dissatisfied with the decision, the operator shall provide an internal mechanism to review its initial decision.
- 5.6 The review body must arrive at a decision within one week of receiving letter of dissatisfaction from a complainant;
- 5.7 Where a complainant is not satisfied with a decision of a review body, the complainant may escalate the issue to the Director, Consumer Protection Department, Central Bank of Nigeria; and
- 5.8 A provider shall render monthly returns on all complaints to the CBN in a format approved by the Bank.

## **6.0 MISCELLANEOUS**

- 6.1 At a minimum, an operator must have a second level authentication before payment could be made to recipients in the case of inward money transfer services:
  - I. An operator owes a customer a duty of confidentiality except where:
    - a. Disclosure is at the instance of relevant authority; and
    - b. The customer expressly consents to disclosure.
  - II. An operator should not require from the customer, any means of Identification different from those provided in extant CBN circulars and guidelines;
  - III. For the avoidance of doubt, any of the under-listed is an acceptable means of identification:
    - a. International Passport;
    - b. Driver's License;
    - c. National Id. Card; or
    - d. INEC Registration Card.

## **7.0 REMEDIAL MEASURES**

If a Money Transfer Service Operator or its agent fails to comply with these Guidelines, the CBN may take any corrective action against the MTSOs as may be prescribed from time to time.

## **8.0 SANCTIONS**

In addition to the use of remedial measures in Section 8, the Bank may take any or all of the following sanctions against an MTSO, its board of directors, officers or agents:

- (a) Withhold Corporate approvals;
- (b) Financial Penalties;
- (c) Suspension from Money Transfer operation; and
- (d) Revocation of the Money Transfer Service operation licence.

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## 9.0 GLOSSARY OF TERMS

**Agent:** An agent is a suitable entity engaged by a money transfer service operator to provide money transfer service on its behalf, using the agent's premises, staff and/or technology.

**Bank:** Central Bank of Nigeria

**BOFIA:** Banks and Other Financial Institution Act

**CAC:** Corporate Affairs Commission

**CBN:** Central Bank of Nigeria

**Credit Bureau:** Credit Reference Company - means an institution that collects information from creditors and available public sources on borrower's credit history. The bureau compiles the credit information on individuals/entities regarding their credits, credit repayments, court judgements, bankruptcies etc. and then creates a comprehensive credit record that may be sold to lending institutions and other authorized users.

**MTSO:** Money Transfer Service Operator

**Transaction:** A transfer send or transfer received as the case may be.

**Transfer Amount:** the funds collected from the sender for a transfer, excluding applicable sender fees