



## CENTRAL BANK OF NIGERIA

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**TO: ALL AUTHORIZED DEALERS**

### **GUIDELINES ON THE OPERATIONS OF PAN AFRICAN PAYMENTS AND SETTLEMENT SYSTEM (PAPSS) IN NIGERIA**

This is to inform all Authorised Dealers and the General Public of the introduction of the Pan African Payments and Settlement System (PAPSS) by Afreximbank in partnership with West African Monetary Institute (WAMI). The platform is being deployed as a pilot within the West African Monetary Zone (WAMZ) Region before extending it to other regions within Africa.

The system supports the initiation of cross border retail payments in local currency of the sending country and receipt of funds in local currency of the beneficiary's country within West Africa while the inter-bank settlement will be in USD and is expected to provide faster settlement and payment of cross border transactions within Africa at a reduced cost, with the air of boosting intra-African trades.

The PAPSS has amongst others the following features:

- i. It supports the initiation of cross border retail payments in local currency of the sending country, by customers and receipt of funds in local currency of the beneficiary's country
- ii. The inter-bank settlement will be in USD, based on a multilateral netting arrangement. Other currencies such as Euro and proposed single currencies for WAMI and AU would be added in future.
- iii. The net settlement model is based on prefunding by participating financial institutions through the domestic RTGS System
- iv. Afreximbank will be the settlement agent and each central bank will maintain a USD settlement account at Afreximbank to settle eligible transactions from its country on a net basis.
- v. Each central bank shall determine eligible transactions for which foreign exchange would be provided by them.
- vi. Commercial banks may maintain a USD settlement account at Afreximbank to settle obligations for payments that may fall outside the eligible transactions, for which the central bank would not provide foreign exchange.

Consequently, all Authorised Dealers are required to ensure as follows:

1. That eligible payment of imports and receipt of export proceeds by the CBN shall be restricted to **trade-backed** transactions only and that the documentation requirements stipulated in Memorandum 9 and 10 of the Foreign Exchange

Manual (2018) and other extant circulars shall apply. **Import payments shall also be restricted to goods of African origin.**

2. That all the required documentations referred to in (1) above should be provided before a transaction is initiated on PAPSS by Authorised Dealers and their customers;
3. That export proceeds repatriated to CBN under PAPSS shall be subject to certification by respective processing banks as being repatriated by the Exporter.
4. The provisions of all existing guidelines, circulars and directives on the operations of Foreign Exchange Market shall apply.
5. That prevailing exchange rate at Investors and Exporters Forex Window as advised by Financial Markets Department (FMD) should be used in cross-rates conversion between Naira, United States Dollars and third currencies within Africa, for outbound payments and vice-versa for inflows.
6. For settlement of PAPSS transactions by CBN, Authorised Dealers shall obtain the approval of CBN for USD cover, before initiating payments on PAPSS. The request for approval should be forwarded to The Director, Financial Markets Department, CBN.
7. For the avoidance of doubt, only eligible transactions as may be determined by the CBN from time to time shall be eligible for payment on PAPSS. Items classified "not valid for Foreign Exchange" shall remain ineligible.

Please note that Authorised Dealer Banks may maintain a USD settlement account with the PAPSS settlement bank to settle obligations for payments that may fall outside the eligible transactions.

Please ensure compliance.



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