



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT

CENTRAL BANK OF NIGERIA

Central Business District

P.M.B 0187,

Garki, Abuja.

+234 – (0)9 462 38346

PSM/DIR/CIR/GEN/01/002

January 28, 2019

To: All Deposit Money Banks, Other Financial Institutions and the general public.

EXPOSURE DRAFT FOR THE “REGULATION ON END-TO-END ELECTRONIC PAYMENT OF SALARIES, PENSIONS & OTHER REMITTANCES, SUPPLIERS AND REVENUE COLLECTIONS IN NIGERIA, REVISED 2018”

The Central Bank of Nigeria (CBN) released the Guideline on End-to-End Electronic Payment of Salaries, Pensions, Suppliers and Taxes in Nigeria in 2014; referenced CBN/BPS/PSV/GEN/014/05 to enhance the adoption of electronic payments while ensuring stability in the Payments System.

Following a review of the initial Guideline, the CBN hereby issues the exposure draft of the Regulation on end-to-end Electronic Payment of Salaries, Pensions & other Remittances, Suppliers and Revenue Collection in Nigeria (Revised, 2018) for the review and feedback of Banks and Other Financial Institutions in Nigeria.

Kindly forward your comments, in hard copy to the Director, Payments System Management Department and soft copy to AMADAHMAN@cbn.gov.ng and OUNWOSU@cbn.gov.ng, on or before March 4, 2019.

Thank you for your usual cooperation


28/01/19

Sam C. Okojere

Director, Payments System Management Department



**REGULATION ON END-TO-END ELECTRONIC PAYMENT OF
SALARIES, PENSIONS & OTHER REMITTANCES, SUPPLIERS
AND REVENUE COLLECTIONS IN NIGERIA**

REVISED, 2018

TABLE OF CONTENTS

Contents

SECTION A: INTRODUCTION	3
OBJECTIVE.....	3
SCOPE	3
THE ROLE OF THE CENTRAL BANK OF NIGERIA	3
SECTION B: ROLES AND RESPONSIBILITIES OF CBN REGULATED STAKEHOLDERS	4
Deposit Money Banks, Other Financial Institutions and Mobile Money Operators	4
Infractions and sanctions.....	5
Payment Solution Service Providers.....	7
Infractions and sanctions.....	8
SECTION C: OPERATIONAL STANDARDS FOR OTHER STAKEHOLDERS	9
Payers	9
Beneficiaries	10
SECTION D: OTHERS.....	12
DISPUTE RESOLUTION	12
COMPLIANCE	13
GLOSSARY OF TERMS	13

REGULATIONS ON END-TO-END ELECTRONIC PAYMENT OF SALARIES, PENSIONS & OTHER REMITTANCES, SUPPLIERS AND REVENUE COLLECTIONS IN NIGERIA

SECTION A: INTRODUCTION

The Central Bank of Nigeria (CBN), herein after called the Bank, in exercise of its powers, as provided in the CBN Act, 2007, Section 47, sub section 2(2d), hereby issues the following Regulation on the end-to-end electronic Payment of Salaries, Pensions & other Remittances, Suppliers and Revenue Collections in Nigeria.

OBJECTIVE

The objective of the end-to-end electronic payment of salaries, pensions, suppliers and taxes initiative is fully aligned with the core objectives of the National Payment Systems Vision 2020 (PSV2020), which is to ensure the availability of safe, effective and efficient mechanisms for conveniently making and receiving all types of payments from any location and at any time, through multiple electronic channels. This will reduce the time and costs of transactions, minimise leakages in revenue receipts and at the same time provide reliable audit trails, thereby making the Nigerian payments system align with international best practices.

This Regulation therefore is set out to provide all stakeholders with the operational procedures and regulations that guide end-to-end electronic payment, as defined in section 6.0(i) of this Regulation, of all forms of Salaries, Pensions, Suppliers and Taxes in Nigeria including levies, social payments, penalties, recovery, bills, honorarium etc.

SCOPE

This Regulation applies to all CBN regulated entities operating in Nigeria and mandates adoption, implementation and compliance with the directives on end-to-end electronic payments of all forms of salaries, pensions, suppliers, taxes and other forms of levies, social payments, penalties, recovery, bills, honorarium etc. herein referred to collectively as 'payments and collections'

THE ROLE OF THE CENTRAL BANK OF NIGERIA

Central Bank of Nigeria- "the Bank"

The Bank shall -

- a) promote the adoption of end-to-end electronic payment by all stakeholders

- identified in Sections B and C of this Regulation;
- b) license end-to-end electronic payment solution, systems and service providers and regulate their operations;
 - c) create and maintain a platform for constant interaction and engagement of all electronic payment industry stakeholders
 - d) ensure all statutory payments, remittances and collections of Government are undertaken only on a Bank approved end-to-end electronic payment platform
 - e) ensure constant review and update of these Regulation to reflect new developments that can support the long-term success of the initiative;
 - f) arbitrate in the case of disputes;
 - g) maintain a Help Desk to provide enlightenment, receive complaints and monitor resolution of the reported cases and publish customer service/contact details via multiple media
 - h) exercise oversight functions, including monitoring and inspection of all aspects of end-to-end electronic payments of salaries, pensions, suppliers and taxes; and
 - i) collaborate with other statutory and regulatory agencies whose cooperation is required for the effective implementation of this Regulation.

SECTION B: ROLES AND RESPONSIBILITIES OF CBN REGULATED STAKEHOLDERS

This section refers to all financial institutions and Payments Service Providers licensed by the Bank which includes, but not limited to the following:

- a) Deposit Money Banks;
- b) Other Financial Institutions and Financial Services Providers;
- c) Payment Systems Services Providers (PSSP);

Deposit Money Banks, Other Financial Institutions and Mobile Money Operators

Deposit Money Banks, OFIs and MMOs shall -

- a) promote the adoption of end-to-end electronic payments by all stakeholders covered by this Regulation;
- b) provide payers and beneficiaries with e-payment enabled bank accounts with Deposit Money Banks, Other Financial Institutions or any other approved channel for receiving payments such as mobile money/electronic wallet, subject to the Bank's approved KYC limits;
- c) process electronic payment instructions in accordance with subsisting payments system and clearing system rules;

- d) publish customer service/ contact centres details via multiple media channels and maintain customer service contact centres, to promptly attend to all electronic payment enquiries and challenges within stipulated timelines; and report of customer complaints, indicating resolution status
- e) make available any or combination of the following data sets, as may be applicable, along with the mandatory returns to the Bank, on a monthly basis or as may be otherwise specified:
- No. of salary/pension/tax paying client organisations
 - Salaries/pension/tax payment transactions count
 - Salaries/pension/suppliers/tax payment transactions value per payment method given below;
 - End-to-end
 - Bank Assist
 - Cheques
 - Manual
- f) in the event of duplicated/excess payments, should establish a recovery process engaging both Payers and Beneficiaries in line with existing Regulation on Operation of Electronic Payment Channels in Nigeria

Infractions and sanctions

S/N	Responsibility	Compliance	Infractions	Sanctions
1	Ensure all beneficiaries' accounts are enabled to receive authorised electronic in-flows from Payers	Successful electronic payment into an e-payment enabled account.	Imposition of constraints to hinder electronic payment into a beneficiary's accounts contrary to AML/ KYC and other related regulation.	Penalty of ₦1,000 for each transaction thereof not processed on a Bank approved e-payment platform due to constraints imposed by a DMB or payment scheme
2	Ensure consummation of all electronic payments within timelines stipulated by the Bank [refer to the Bank Regulation on Operation of Electronic Payment Channels in Nigeria]	<p>a) Application of funds to beneficiaries accounts as prescribed by the Bank</p> <p>b) Return unapplied funds to payer's account no later than 24hours</p>	<p>a) Transactions not consummated within the timelines prescribed in the [circular]</p> <p>b) Non-return of un-applied</p>	<p>a) Penalty of ₦1,000 per transaction or any part thereof not consummated within stipulated timeline.</p> <p>b) Funds to be returned at the prevailing MPR for the period and report of</p>

S/N	Responsibility	Compliance	Infractions	Sanctions
			funds to payer's account within 24 hours	infraction in annual report. c) Other penalty as may be applicable in the Bank Regulation on Operation of Electronic Payment Channels in Nigeria
3	Provide monthly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the Bank	Provision of monthly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the Bank.	a) Non-provision of monthly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the Bank. b) Submission of false or inaccurate reports.	a) N5,000 penalty for each day for which report is not provided to the Bank. b) Penalty of N250,000 and a warning letter to the Managing Director.
4	Provide monthly report to the Bank on reported complaints & resolution status	Provision of monthly report on reported complaints & resolution to the Bank	a) Non-Provision of monthly report on reported complaints & resolution status to the Bank. b) Submission of false or inaccurate reports	a) N5,000 penalty for each day for which report is not provided to the Bank. b) Penalty of N250,000 and a warning letter to the Managing Director.
5	Ensure 3 rd party end-to-end e-payment solution used by the bank/financial service provider is approved by CBN	3 rd party e-payment solution offered to customers must be approved by CBN	3 rd party e-payment solution is not approved by CBN.	a) terminate use of the unapproved end-to-end e-payment solution. b) Warning letter to the MD. c) Penalty of N2.5M (DMB) & N1M (OFIs) on every repeated occurrence

S/N	Responsibility	Compliance	Infractions	Sanctions
6	Maintain and publish details of a functional help desk/contact centres for receiving enquiries, complaints & providing feedback on reported e-payment issue as directed in the Bank Circular to DMBs, Discount Houses and OFIs to establish a Consumer Complaint Help Desk ref [FPR/DIR/CIR/GEN/01/020]	a) Maintain help desk/contact centres to receive enquiries, complaints & provide feedback on reported e-payment issues. b) Publish contact details of e-payment help desk.	Non-availability of help desk/contact centres to receive enquiries, complaints and provide feedback on e-payment issues.	1. Bear costs of all unresolved disputes as a result 2. Other appropriate sanctions could apply as stated in the Bank Circular ref [FPR/DIR/CIR/GEN/01/020]
7	Notify beneficiaries through SMS, email or any other automated channel with details of payment when payment is made	c) Beneficiaries receive automated notification when paid	Non-provision of evidence that an automated notification was sent to beneficiaries who had signed-off for the alert services and charges applied	Bank or Solution provider whose e-platform would refund the charges at twice the value deducted

Payment Solution Service Providers

Payment Solution Service Providers (PSSP) shall -

- a) be licensed by the Bank to operate as a PSSP
- b) offer Bank approved end-to-end electronic payment solutions, systems and services to all stakeholders
- c) publish customer service/contact details via multiple media and maintain customer service contact centres to promptly attend to all electronic payment enquiries and complaints
- d) make available any or combination of the following data sets, as may be applicable, along with the mandatory returns to the Bank, on a monthly basis or as may be otherwise specified:
 - No. of salary/pension/tax paying client organisations
 - Salaries/pension/tax payment transactions count
 - Salaries/pension/suppliers/tax payment transactions value per payment method given below;
 - End-to-end
 - Bank Assist
 - Cheques

- o Manual
- e) comply with transaction completion and unapplied funds return timelines as stipulated by the Bank.

Infractions and sanctions

S/No	Responsibility	Compliance	Infractions	Sanctions
1	Obtain and maintain a license from the Bank to operate as an end-to-end e-payment solution service provider.	Obtain and maintain license from the Bank to provide end-to-end e-payment solution system and services	Providing e-payment system solution or services without obtaining license from the Bank	a) Shall NOT be issued a license by CBN to operate as a PSSP for a minimum of 1 year from the date infraction is detected. b) Shall be liable to prosecution.
2	Ensure end-to-end e-payment solution used/offered is approved by CBN	e-payment solution offered to customers must be approved by CBN	e-payment solution is not approved by CBN.	a) Shall immediately cease the provision or offering of such un-approved e-payment solutions. b) Penalty of N1M on every repeated occurrence
3	Ensure consummation of all electronic payments within timelines stipulated by the Bank. [Refer to the Bank Regulation on Operation of Electronic Payment Channels in Nigeria]	a) Ensure completion of transaction and payment to beneficiaries accounts within stipulated timelines. b) Return unapplied funds to payer's account within stipulated timelines	a) Non completion of transactions within stipulated timelines due to challenges with solution provider's platform or operational inefficiency. b) Non-return of un-applied funds within stipulated timelines	a) Penalty of ₦ 1,000 for every transaction. b) Penalty of ₦ 1,000 for every transaction delayed. c) Other penalty as may be applicable in the Bank Regulation on Operation of Electronic Payment Channels in Nigeria
4	Provide monthly report on end-to-end e-	Provision of monthly report on	a) Non-provision of monthly report	a) N5,000 penalty for each day for

	payment of salaries, pensions, suppliers & taxes to the Bank	end-to-end e-payment of salaries, pensions, suppliers & taxes to the Bank	on end-to-end e-payment of salaries, pensions, suppliers & taxes to the Bank b) Submission of false or inaccurate reports	which report is not provided to the Bank. b) Penalty of N50,000 and a warning letter to the Managing Director. c) Suspension of license/approval after 3 consecutive repeated occurrences until reports are made available to the Bank.
5	Provide monthly report on reported complaints & resolution status on end-to-end e-payment to the Bank	Provision of monthly report on reported complaints & resolution to the Bank	a) Non-Provision of monthly report on reported complaints & resolution status to CBN. b) Submission of false or inaccurate reports	a) N5,000 penalty for each day for which report is not provided to the Bank. b) Penalty of N50,000 and a warning letter to the Managing Director. c) Suspension of license/approval for after 3 consecutive repeated occurrences until reports are made available to the Bank.

SECTION C: OPERATIONAL STANDARDS FOR OTHER STAKEHOLDERS

This section refers to all other stakeholders which are not regulated by the Bank. They include, but not limited to the following:

- a) Payers
- b) Beneficiaries;

Payers

Payers shall be expected to -

- i. Adopt end-to-end electronic payment of salaries for employee staff strength of 20 and above
- ii. maintain e-payment enabled account with Deposit Money Banks or Other Financial Institutions.
- iii. adopt a Bank approved end-to-end electronic payment platform and use for all forms of payment and collections.
- iv. provide basic infrastructure for making and receiving electronic payments
- v. ensure employees are given basic training to use adopted platform
- vi. use only validated account details to ensure payments are made to intended beneficiaries
- vii. remit taxes along with associated electronic schedules on a Bank approved end-to-end e-payment platform
- viii. remit contributory pension funds into the bank accounts of pension funds administrators maintained with pension fund custodians with associated electronic schedules, only on a Bank approved platform.
- ix. Bear the cost of electronic payments and ensure beneficiaries receive actual amounts due to them. Where other arrangement exists, it must be mutually agreed between the payer and beneficiary.
- x. provide evidence of payment to beneficiaries
- xi. indicate adherence with this Regulation in annual reports
- xii. report all unresolved e-payment challenges to the Bank contact centres on, Tel: +234 700 225 5226; email: contactcbn@cbn.gov.ng or cpd@cbn.gov.ng

Beneficiaries

Beneficiaries shall be expected to:

Employees and Pensioners- Salaries & Contributory/Defined Pension

All Employees shall –

- a) maintain e-payment enabled bank accounts with Deposit Money Banks, Other Financial Institutions or any other approved channel for receiving payments such as mobile money/electronic wallet, subject to the Bank's approved KYC limits,
- b) provide valid account and contact details to the Payer,
- c) report cases of non-payment, delayed payment or wrong payment of salaries/contributory pension remittances carried out on a Bank approved e-payment platform, to the Payer,
- d) register and maintain a Retirement Savings Account (RSA) with a licensed Pension Fund Administrator (PFA),
- e) report known cases of use of Payment Platforms not approved by the Bank to Consumer Protection Department; cpd@cbn.gov.ng
- f) report cases of non-compliance with e-payments by payers, as contained

in this Regulation, to the Bank,

- f) report all wrongfully received funds or excess payments to his financial institution customer service desk and make same available for refund to the Payer
- g) in the event of duplicated/excess payment evidence not noticed by beneficiary, beneficiary should make funds available for refund to the payer. Non-compliance would result in placement on the BVN watch-list

Suppliers

All suppliers shall -

- a) maintain e-payment enabled bank account with Deposit Money Banks, Other Financial Institutions or any other channel for receiving payments, such as mobile money/electronic wallet, approved by the Bank,
- b) provide correct account and contact details to the payers;
- c) obtain and provide details of Tax Identification Number (TIN) to the payers,
- d) report cases of non-payment, delayed payment or wrong payment carried out on the Bank approved e-payment platform to the payers
- e) report all wrongfully received funds or excess payments to his financial institution customer service desk and make same available for refund to the Payer
- f) in the event of duplicated/excess payment evidence not noticed by beneficiary, beneficiary should make funds available for refund to the payer in line with the Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria. Non-compliance would result in placement on the BVN watch-list

Taxes, Levies, Dues (& other revenue) Collecting Organizations

All Taxes, statutory levies and dues collecting organisations shall be expected to:

- a) maintain e-payment enabled collecting accounts with the Central Bank or Deposit Money Banks/OFIs;
- b) publicly make available details of electronic payments processes for collections;
- c) provide clear details of the nature and amount of taxes, statutory levies and dues expected from payers;
- d) adopt a Bank approved electronic collection solution [[List of approved PSSPs](#)] for the collection of all forms of taxes, duties, levies, other collections and the associated electronic schedules of such payments
- e) provide basic infrastructure for confirming receipt of electronic payments and associated electronic schedules;
- f) ensure employees are given basic training to use adopted Bank approved e-

- payment and collection platform;
- g) ensure seamless interface between in-house systems and adopted Bank approved e-payment and collection platform, to ensure records of all collected payments are automatically reflected against tax payers' records on in-house systems;
 - h) provide evidence of payment to payers at the point of payment; and
 - i) publish customer service contact details and maintain contact centres to attend to electronic payment enquiries and challenges.
 - j) Publish a dispute resolution/refund process

Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs)

Pension Fund Administrators and Pension Fund Custodians shall:

- a) maintain e-payment enabled accounts with Bank approved Financial Institutions in line with the PENCOM Act;
- b) provide details of e-payment enabled accounts to Pension Remitting Organisations;
- c) adopt a Bank approved platform [[List of approved PSSPs](#)] for the receipt of all contributory pension fund remittances and associated electronic schedules ;
- d) provide basic infrastructure for confirming receipt of electronic payments and associated electronic schedules;
- e) ensure seamless interface between in-house systems and adopted Bank approved e-payment platform to ensure pension remittances are automatically reflected against contributors' records on in-house systems; and
- f) provide evidence of receipt of pension remittances to organisations at the point of payment

SECTION D: OTHERS

DISPUTE RESOLUTION

Any dispute, controversy or claim arising out of or relating to this Regulation or the breach, termination or invalidity thereof shall be settled in accordance with the Bank's dispute resolution mechanism and if unresolved may be referred for arbitration in accordance with the rules for arbitration of the Regional Centre for International Commercial Arbitration, Lagos, Nigeria.

COMPLIANCE

Further to the implementation of the Guideline on end- to-end electronic payment of salaries, pensions, suppliers and taxes by all public and private sector organisations as directed in the Bank Guidelines referenced [CBN/BPS/PSV/GEN/014/05], Deposit Money Banks are to dishonor payment instructions for all forms of salaries, pensions, suppliers and taxes not transmitted on a Bank approved straight through electronic payment and collection platform issued by organisations with more than 20 employees.

This means payment instructions and associated schedules are no longer to be transmitted to DMBs through unsecured channels, such as paper-based mandates, flash drives, compact discs (CD), email attachments, etc. by qualifying public and private sector organisations.

Enforcement by the Bank shall be effective from the date of the issuance of this Regulation.

GLOSSARY OF TERMS

In this Regulation, the terms below shall have the following meaning:

- i. **ACH:** Automated Clearing House System
- ii. **ATM:** Automated Teller Machine
- iii. **Bank:** Central Bank of Nigeria
- iv. **Beneficiaries:** recipients of funds paid using any Bank approved platform
- v. **BVN watch-list:** The Watch-list is a database of bank customers identified by their BVNs, who have been involved in confirmed fraudulent activities
- vi. **DMB:** Deposit Money Bank
- vii. **End-to-End Electronic Payment:** the seamless electronic processing and payment of all forms of salaries, pensions, suppliers and taxes with the electronic delivery of associated schedules alongside the payment transactions where applicable on a Bank approved electronic platform which transmits the instruction to debit a payer's account and credit a beneficiary's bank account, mobile account, electronic wallet or any other electronic channels; and shall include the ability of a payer to independently monitor and obtain electronic feedback on the status of any payment, at any time without depending on any third party, manual or semi-manual means.
- viii. **KYC:** Know Your Customer
- ix. **KYCB:** Know Your Customers Business
- x. **MFB:** Micro Finance Bank
- xi. **OFI:** Other Financial Institution(s)
- xii. **Payers:** Individuals, public or private sector organisations
- xiii. **Payment Solution System Service providers:** organisations licensed by the Bank to provide technical or technology infrastructure, software solutions or services for facilitating end-to-end electronic payment to financial institutions

or their customers.

- xiv. **PENCOM:** National Pension Commission
- xv. **PFA:** Pension Fund Administrator
- xvi. **PFC:** Pension Fund Custodian
- xvii. **RTGS:** Real Time Gross Settlement System
- xviii. **Supplier: Suppliers include Contractor/Vendors** organisation or individual offering goods or services in exchange for payment
- xix. **Stakeholders:** All public and private sector organisations who maintain relationship with employees, pensioners, suppliers and taxpayers and other entities
 - *Regulated stakeholders:* Participants licensed by the Bank
 - *Non-regulated stakeholders:* Participants not licensed or regulated by the Bank
- xx. **TIN:** Tax Identification Number. A unique 14 digit (or any specified digit) sequential number assigned by the Federal Inland Revenue Service (FIRS) or State Inland Revenue Board (SBIR) in partnership with FIRS to a tax payer, company, enterprise or individual for tax compliance identification purpose.