

**CLIENT UPDATE
SEPTEMBER 2018**



**THE CENTRAL BANK OF NIGERIA IMPOSES SANCTION OF N10, 000 ON INSTANT
(INTER-BANK) ELECTRONIC FUNDS TRANSFER SERVICES IN NIGERIA**

The Central Bank of Nigeria (CBN) in a circular issued on September 13, 2018 addressed to all Deposit Money Banks, Micro Finance Banks and other Financial Institutions, Mobile Money Operators, Development Finance Institutions, Payment Service Providers and other stakeholders, published a Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria ('the Regulation'). According to the circular, the Regulation will take effect from the **2nd of October, 2018.**

Some of the salient provisions of the Regulation are as follows:

Scope

The Regulation covers instant Electronic Funds transfer in Nigeria on all payment channels and on any payment platform be it ATM, PoS, Internet banking, mobile money etc and any other stakeholder as the CBN may determine.

Instant Electronic Funds Transfer

This is a payment system where delivery of the transferred funds takes place within 1 minute (60

seconds). If payment occurs beyond 1 minute, the payment system is an ACH system.

Name Enquiry Support

The Regulation requires instant EFT service providers, sending and receiving entities to provide Name Enquiry support in order to minimize the incidence of wrong credits.

Sending Entity

A Sending Entity is a CBN licensee who initiates instant ETF on behalf of their customers. The Regulation prohibits Sending Entities from providing instant ETF services to Walk-in customers (i.e. customer without a bank account in the sending bank). The Regulations requires the Sending Entities to take all necessary steps to guard against instances of wrong credits or inability to credit the account of customers. The Sending Entity must notify the customer via text or email of the status of the transfer. The Sending Entity must refund the full proceeds of any failed transaction returned by a Receiving Entity within 10 minutes into the customer's account while a refund of all unprocessed transactions

must be done within 1 hour after the next settlement closure.

Receiving Entity

A Receiving Entity is a CBN licensee who receives the proceeds of instant EFT on behalf of customers. The Receiving Entities must apply instant EFT proceeds to the customer's account within 60 seconds. Thus, it must ensure that instant EFT proceeds have been credited to the customer's account before confirming to the Sending Entity that transaction was successful. However, where it is impracticable for the Receiving Entity to credit the account within 60 seconds (due to security, system or other considerations), the Receiving Entity should notify the Sending Entity, beneficiary and/or the EFT service provider of the issues with a n assurance that pending credits will be applied as soon as the issue is resolved but within 24 hours.

Above all, the Receiving Entity must process all inward instant debit transactions provided a valid debit mandate is provided.

Responsibilities of the customers

The Regulation requires customers to provide accurate beneficiary account details for every EFT instruction and report, promptly, any problems arising from EFT transactions to the Sending/Receiving. When a credit has been erroneously applied to a customer's account, the customer must promptly notify the receiving entity and authorize the reversal of such erroneous credit. In the event that the customer's account is unfunded and the customer fails to so provide the funds within 24 hours the customer will be placed on a watch-list by the banking industry and the customer may be reported to the law enforcement agencies.

Limitations of the Regulation

The limitations on Instant EFT shall be set by customer, Sending and Receiving, subject to the limit per transaction as stipulated by the CBN.

Wrong Transfer

Where a Sending Entity erroneously sends a value

contrary to customer's instructions, it should request a reversal in writing within 14 working days of the transaction. The Receiving Entity shall reverse the transaction within one (1) business day without recourse to the customer, provided funds are available. In this instance, an automatic indemnity shall be inferred against the sending entity making the reversal request.

However, where funds are not available, the Receiving Entity shall immediately notify its customer that the account was wrongly credited, provide proof of such notification to the Sending Entity and notify the customer of the consequences of not funding the account within 24 hours

Customer Error

Where a customer makes a transfer in error, the Sending Entity shall encourage the complainant to contact the beneficiary for an amicable settlement. Where the beneficiary is not known to the complainant or beneficiary refuses to effect a refund to the complainant, the Sending Entity shall notify the Receiving Entity who shall place a lien on the amount in the account of the beneficiary and thereafter obtain the consent of the beneficiary to execute refund.

However, where the beneficiary does not give consent, the internal auditors of the Sending and Receiving Entities shall mediate between the two customers within 2 weeks of the complaint to resolve the issue, and their decision shall be final. Accordingly, the lien on the amount in the beneficiary's account shall not last more than 2 weeks. Where the beneficiary has utilized the fund and he/she refuses to fund its account to facilitate refund, the Receiving Entity's Internal Auditors shall watch-list the customer's BVN and the Sending Entity may report the incident to law enforcement agencies.

Sanction

The Regulation provides that where a transaction is not reversed into the customer's account within 24 hours based on complaints of the sender and/ or beneficiary, the Receiving or Sending Entity will be liable to a fine of N10, 000.00(Ten Thousand Naira Only) per item.

| S/N | Abuse | Monitoring Mechanism | Sanction |
|-----|--|--|---------------------|
| 1. | A failed NIP transaction not reversed into customer's account within 24 hours | Based on complaints of sender and/or beneficiary | N10,000.00 per item |
| 2. | Delayed application of inward NIP into beneficiary's accounts beyond 4 minutes | Based on complaints of sender and/beneficiary | N10,000.00 per item |

Conclusion



The Regulation demonstrates the CBN's commitment to the Nigerian cashless policy by sanctioning money transfer transactions which exceed 60 seconds. This will ensure that transactions are consummated within the shortest possible time.

However, the Regulation might also provide an opportunity for criminals to take advantage of the digital revolution by transferring money from a victim's account before same is reported by the victim to the sending entity. One wonders if the CBN watch listing offenders is enough deterrence.

Also, the CBN needs to clarify if foreigners without bank accounts in Nigeria would be deprived of the benefits of the Regulation vis-à-vis clause 5.2(2) of the Regulation.