

DRAFT GUIDELINES ON ELECTRONIC PAYMENTS OF SALARY AND PENSION IN NIGERIA

1.0 INTRODUCTION

In pursuant of the objective of the CBN to develop an enduring framework to ensure that all organizations in Nigeria with more than 50 employees make salary/pension payments electronically by direct payment into beneficiary's account by December, 2010, the CBN by its inherent powers as provided in the CBN Act, 2007, Section 47, sub section 2(2d), hereby issues the following guidelines on electronic Payments of Salary/Pension in Nigeria.

2.0 DEFINITION

- (a)** Electronic Payments of salary and pension shall mean:
- i. Seamless end to end electronic processing of employee salaries/pensions into their respective bank accounts.
 - ii. Payment of salary/pension and other related items into the bank accounts of the beneficiaries, and remittance of associated schedules.
 - iii. Real time feedback mechanism to monitor payment status.
 - iv. A sound, secure and efficient electronic processing and payments system for salaries/pension.
- (b)** A sound, secure and efficient electronic payments system of salaries/pension shall be:

- i. Managed at minimal risk to all stakeholders.
- ii. Continue to operate without disruption in the event of sudden financial or operational incapacity or disaster.
- iii. Pay salaries and pensions promptly.
- iv. Responsive to customers' needs, open, flexible and without restriction to entry for all employees and pensioners.

3.0 SCOPE OF THE GUIDELINE

This guideline sets out the operational procedure and regulations of the Electronic Payments of Salary/Pension in Nigeria, highlighting the roles and responsibilities of the various stakeholders. It therefore compels employers/pension funds custodians and employees/pensioners in Nigeria, to pay and receive salary/pension respectively using the electronic method.

3.1 Parties to the Guidelines

The parties to the guidelines shall include but not limited to:

- a) Employers and Pension Funds Custodians
- b) Employees/Pensioners
- c) Deposit Banks
- d) Payment System Service Providers
- e) Other Financial Service Providers
- f) Switching companies
- g) Regulatory authorities

3.1.1

The following organisation categories with 50 or more employees/pensioners are compelled under this guideline to pay salaries/pensions electronically:

Public

- (i) Fed. Ministries, Departments, Agencies and Parastatals
- (ii) State Governments and their Agencies
- (iii) Local Governments and Councils

Private

- (i) Deposit Money Banks (DMBs)
- (ii) Other Financial Institutions
- (iii) Mortgage and Discount Houses
- (iv) All Private Institutions registered, licensed and operating in Nigeria
- (v) Pension Fund Administrators and Custodians
- (vi) Multilateral Organisations - Embassies
- (vii) Foreign companies registered, licensed and operating in Nigeria with 50 employees and above.

4.0 ROLES AND RESPONSIBILITIES

4.1 EMPLOYER/PENSION FUNDS CUSTODIANS

The Employer/Pension funds custodians shall:

- (i) Provide infrastructure to issue payment instructions for crediting salary/pension into beneficiaries account.
- (ii) Build capacity to manage the process.

- (iii) Discontinue salary and pension payment with cash and cheques forthwith.
- (iv) Enlighten their employees/pensioners and unions
- (v) Ensure all employees/pensioners either have bank account or cash cards into which salaries and pensions are to be paid.
- (vi) Indicate compliance in their Annual Report.
- (vii) Bear the cost of electronic payments processing which shall not be passed to employees/pensioners.
- (viii) Verify accuracy of employees/pensioners bank and account details.
- (ix) Report cases of unapplied and unreturned salaries/pensions within the time frame specified by the clearing house rule to Regulatory body.
- (x) Ensure payment of the physically challenged, aged and incapacitated employees/pensioners on agreed means acceptable to beneficiaries.

4.2 EMPLOYEES/PENSIONERS

Employees/Pensioners shall:

- (i) Open account with banks of choice.
- (ii) Provide the correct bank account numbers, account details and TIN **[Tax Identification Number]** to their employers and Pension Funds Custodians (PFC).
- (iii) Should report cases of unapplied salaries/pensions to Employer.

4.3 DEPOSIT MONEY BANKS (DMBs)

In their role as Beneficiary Bank, the Deposit Money Banks shall:

- i. Verify the bank sort code and account number details of employees at the request of the employer (confirming accuracy but not providing account information without the explicit approval of the employee/pensioner).
- ii. Provide the correct account numbers to their customers for the purpose of electronic payment of salary and pension.
- iii. Build capacity and provide right infrastructure to support the process.
- iv. Respond to account number validation from other banks within 24 hours.
- v. Give immediate credit to the beneficiary in accordance with the obligation and clearing house rules upon receipt of payment instruction.
- vi. Advice intermediary bank of failed transactions within 24 hours of receipt of failed transactions.
- vii. Unapplied fund should be returned to intermediary bank within the time frame specified by the clearing house rule.
- viii. Pay the prevailing CBN stipulated rate for the period that the fund was unapplied and unreturned to the beneficiary.

4.4 PAYMENT SYSTEM SERVICE PROVIDERS

In their role as Payment Service Providers, the Deposit Money Banks or other shall:

- (i) Ensure confidentiality of all processes involving electronic payments of salary/pension.

- (ii) Advise and educate the employer/pension funds custodians of the right format for the process.
- (iii) Ensure charges must conform within the range of standard charges set by the regulatory authorities.
- (iv) Forward result of validation processing to the employer within 24 hours of receipt of payment instruction.
The report shall indicate:
 - (a) The number of valid transactions
 - (b) The number of invalid transactions
- (v) Forward reports to the employer for reconciliation of accounts within 24 hours of receipt of returned payments instruction.
- (vi) Take responsibility of the integrity and security of the data processed.
- (vii) Unapplied fund should be credited to the beneficiary's employer's account within 24-hours of receipt.
- (viii) Advise beneficiary's employer for failed transactions 24 hours after the receipt of failed transactions.

4.5 CENTRAL BANK OF NIGERIA

Central Bank of Nigeria shall:

- (i) Approve/License all Electronic Payment Service Providers.
- (ii) Make public pronouncements on e-salary payments
- (iii) Set standard charges for electronic payments.
- (iv) Carry out enlightenment campaign targeted at all stake holders.
- (iv) Set time frame for full compliance.
- (v) Ensure effective communication between all stakeholders.

- (vi) Conduct enlightenment programs on electronic banking usage in conjunction with service providers.
- (vii) Review guidelines when necessary.
- (viii) Monitor compliance.

5.0 LEGAL AND COMPLIANCE:

All stakeholders must comply with the electronic law when enacted.

EXPOSURE