

A REVIEW OF THE CENTRAL BANK OF NIGERIA GUIDELINES ON OPERATION OF ELECTRONIC CHANNELS IN NIGERIA 2020

INTRODUCTION

Electronic payment channels are fast growing in Nigeria and are now the order of the day for effecting payment. Indeed, the importance of these payment channels became clearer with the restrictions imposed on movement and commercial activities in the wake of the COVID-19 pandemic. These payment channels provided some relief to individuals and companies who were able to provide their services remotely during the lockdown with little or no disruption in making or receiving payments unlike when the economy was entirely cash driven.

As a result of the rise in the volume of transactions completed via electronic payment channels, the Central Bank of Nigeria (CBN) issued the Guidelines on Operation of Electronic Channels in Nigeria 2020 (2020 Guidelines) in respect of the following electronic payment channels namely:

- a. Automated Teller Machine (ATM) Operations
- b. Point of Sale (POS) Card Acceptance Services
- c. Mobile Point of Sale (mPOS) Acceptance Services, and
- d. Web Acceptance Services.

It is important to note that unlike the 2016 Guidelines on Electronic Payment Channels, the 2020 Guidelines introduced new provisions especially with respect to chargeback period for ATM, PoS, mPOS and Web transactions. This article examines the key innovations introduced by the 2020 Guidelines



HIGHLIGHTS OF KEY INNOVATIONS UNDER THE 2020 GUIDELINES

Guidelines on Automated Teller Machine (ATM) Operations

By virtue of the 2020 Guidelines, all banks or independent ATM deployers may own ATMs. However, such bank or independent ATM deployer must enter into an agreement with a card scheme or a scheme operator or their designated settlement agent for acceptance or settlement of all transactions on the ATM. It is important to note that unlike the 2016 Guidelines which required that card owner complaints be treated within T+3 days, that is the transaction date plus three days from the date of receipt of the complaint, under the 2020 Guidelines, the reversal of failed on-us ATM transactions, that is, transactions that fail when customers use their cards on their bank's ATM must be instant. However, where instant reversal fails due to technical issues or system glitches, it is expected that manual reversal would not exceed 24 hours. Similarly, the timeline for failed not-on-us ATM transactions, that is, transactions that fail when customers use their cards on other bank's ATMs must not exceed 48 hours.¹ This is indeed a welcome initiative especially because of the increase in the volume of transactions completed via ATMs in recent times.

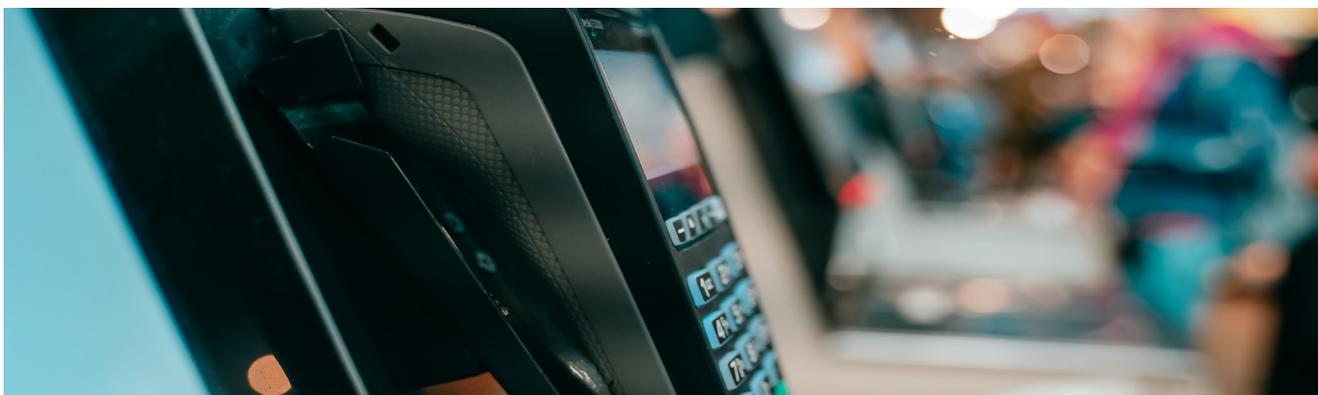
Any ATM operator who fails to comply with the provisions of the 2020 Guidelines on the reversal of failed transactions would be sanctioned and such sanction may be in the form of monetary penalties/or suspension of the acquiring/processing service (s) or both.²

Guidelines on Point of sale (POS) Card Acceptance Services

The provision of this Guideline applies to Merchant acquirers, card issuers, merchants, cardholders, card schemes, switches, payment terminal service aggregator (PTSA), payment terminal service providers (PTSP) amongst others.³

The 2020 Guidelines reduced the timeline for the resolution of errors that occur in the course of PoS transactions. According to the Guidelines, if a cardholder informs his bank that a PoS error involving his card has occurred, the institution must investigate and resolve the claim within 48 hours.⁴ This is a clear departure from the provisions of the 2016 Guidelines where any error during a PoS transaction had to be investigated and resolved within T+5 days, that is, the transaction date and additional five days after notifying the financial institution.

This is no doubt a welcome improvement in the service levels for PoS transactions as it has to a large extent, reduced the apathy for cashless transactions which was founded on the fear of delay in resolution of or non-reversal of errors involving PoS transactions in times past. By limiting the timeline for resolution of these errors, the process would be more efficient, and cardholders will be encouraged to utilize this medium.



1 Paragraph 1.6 of the Guidelines
 2 Paragraph 1.8 of the Guidelines
 3 Paragraph 2.2 of the Guidelines
 4 Paragraph 2.4.8 of the Guidelines

Guidelines on Mobile Point of Sale (mPOS) Acceptance services

This Guideline apply to the following stakeholders: acquirer, issuer, PTSA, merchant, cardholder/users, card schemes, switches/operators, PTSP amongst others.⁵

Unlike the 2016 Guidelines which required that transaction error claims notified to a bank by a user or cardholder be investigated and resolved within T+5 days of notification, the 2020 Guidelines requires that such claims are investigated and resolved within 48 hours from the day of notification, irrespective of the dispute resolution process of the card scheme.⁶ Indeed, it is also expected that the Acquirer would immediately respond to Issuer's request, in the process flow. This is a clear departure from what was obtainable under the 2016 Guidelines which required the Acquirers to respond to the issuer's request within 3 days of the resolution process. Finally, where dissatisfied with the resolution of the claim stakeholders/parties may escalate complaints to the CBN.⁷

Guidelines on Web Acceptance Services

These Guidelines apply to all forms of transfer of monetary value on the website of a merchant or a payment aggregator in consideration for the purchase of goods and services on the web (internet).⁸ The stakeholders which the provisions of the Guidelines apply to are; acquirers, issuers, merchants, payments gateway providers and customers.⁹

Under the 2020 Guidelines, the issuer is mandated to immediately acknowledge dispute or complaints from cardholders, and in conjunction with the acquirer and platform provider, resolve such disputes or complaints within 48 hours.¹⁰ This is unlike the 2016 Guidelines where the issuer is required to acknowledge the dispute or complaints within 24 hours, and in conjunction with the acquirer and platform provider resolve the dispute within T+3 days.

In summary, the innovations introduced by the 2020 Guidelines are as follows:

- a. The reversal of failed on-us ATM transactions must be instant and not exceed 24 hours for manual reversals where instant reversal fails due to technical issues or system glitches.
- b. reversal of failed not-on-us ATM transactions must not exceed 48 hours.
- c. Refunds on disputed/failed PoS/Web transactions must be treated within 48 hours.

In addition to the foregoing, participants in the payments systems are also required to comply with the following requirements:

- a. Adjustment of the chargeback cycle for dispute resolution from 72 hours to 24 hours by all switches.
- b. All Acquirer initiated refunds must now be initiated by banks within 48 hours.
- c. Processors are to provide daily settlement reports by 8 a.m. on a T+1 basis.
- d. NIBSS must send daily reports on reversals to processors on or before 10 pm each day.

5 Paragraph 3.3 of the Guidelines
 6 Paragraph 3.4.6.8 of the Guidelines
 7 Paragraph 3.10 of the Guidelines
 8 Paragraph 4.1 of the Guidelines
 9 Paragraph 4.4 of the Guidelines
 10 Paragraph 4.5.3.8 of the Guidelines

Conclusion

The introduction of the 2020 Guidelines is indeed a welcome development. Compliance with the provisions of these Guidelines has reduced the response time for failed transactions and chargeback for the use of ATM, PoS, mPoS and web transactions, mitigated the risks inherent in electronic transactions and in turn allayed the fears typically associated with the use of electronic channels of payment.

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