

MBA & Co

Chartered Accountants

Treasury Single Account (in Nigeria)

Issues and Implications

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To **Covenant University, Canaanland, Ota, Nigeria.**

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Definitional Attributes

A.

May I commence the presentation of this Paper on Treasury Single Account: Issues and Implementation, which here-in-after shall be referred to as '**TSA**', by viewing it as a contemporary politico-socio-macro-economic and accounting issue of our time and which can better be understood from **three** related stand points, viz

I. TSA as a system of Aggregative Financial Inclusion, being a nationally organized and particular way of connecting all and divergent federating units on 3-by-3 matrix, Federal – State – Local governments and their respective Ministries, Departments and Agencies (MDAs), to account for all their incomes and revenues via TSA Designated bank accounts with Deposit Money Banks (DMBs) and channelling and consolidating same to Consoidating Single Account with Central Bank of Nigeria.

II. TSA as a Systemic Approach that is affecting and connecting the whole Nigeria State, and requiring a common **Directive Principle** (**See Chapter 2, 1999 Constitution of Federal Republic of Nigeria**).

Corroborating, Section 13, Chapter 2, of the 1999 Constitution of The Federation of Nigeria (as amended), says

“It shall be the duty and responsibility of all organs of government, and of all authorities and persons, exercising legislative, executive or judicial powers, to conform to, observe and apply the provisions of this chapter of this Constitution”

The Chapter is No.2 on Fundamental Objectives and Directive Principles of State Policy.

Section 16 of same 1999 Constitution, on Economic objectives, provides – thus

“the state shall within the context of the ideals and objectives for which provisions are made in this Constitution:

a) harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy for every citizen on the basis of social justice and equality of status and opportunity;

b) **Control** the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity;

Section 16 (2) “The state shall direct its policy towards ensuring:

a) The promotion of a planned and balanced economic development;

b) That the material resources of the nation are harnessed and distributed as best as possible to serve the **common good**.

Section 18 – on Educational Objectives of the 1999 Constitution,

- 1) Government shall direct its policy towards ensuring that there are equal and adequate educational opportunities at all levels;
- 2) Government shall promote Science & Technology.
- 3) Government shall strive to eradicate illiteracy; and to this end, Government shall as and when practicable provide:-
 - a) Free, Compulsory and universal primary education
 - b) Free university education; and
 - c) Free adult literacy programme.

All the foregoing can only be practicable under a system where all collected revenues are pooled together in a such a manner that can be controlled for common good, TSA is that system that requires both Federal, State and Local governments' MDAs, to maintain Consolidating Accounts for Common Good.

Buttressing further, Sections 80 and 162 of the 1999 Constitution are apt on this matter when it says:

Section 80 (1); "All revenues or other moneys raised or received by the Federation (not being revenues or other moneys payable under this Constitution or any Act of the National Assembly into any other Public Fund of the Federation established for a specific purpose, shall be paid into and form one Consolidated Revenue Fund of the Federation (CRF)."

Section 83 (1) “The National Assembly may by law make provisions for the establishment of a Contingency Fund for the Federation and for authorizing the President, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the fund to meet the need.”

Section 162 (1) “The Federation shall maintain a special account to be called “The Federation Account” into which shall be paid all revenues collected by the Government of the Federation, except:

I. the proceeds from the personal income tax of the personnel of the armed forces of the federation;

II. the Nigeria Police Force;

III. the Ministry or Department of government charged with responsibility for foreign affairs and

IV. residents of the Federal Capital Territory Abuja.

and **section 162 (10)** defines 'Revenue' as

'any income or return accruing to or derived by the Government of the Federation from any source and includes:

a) any receipt, however described, arising from the operation of any law;

b) any return, however described arising from or in respect of any property held by the Government of the Federation;

c) any return by way of interest on loans and dividend in respect of shares or interest held by the Government of the Federation in any Company or Statutory body'.

Now, on whether States and Local Governments shall comply, as a Directive implied from the Directive Principle of sections 13 to 24 of chapter II of the 1999 Constitution (mentioned above), the following provisions of same 1999 Constitution is worth considering:-

Section 162 (5): The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the States for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.

Section 162 (6): Each State shall maintain a special account to be called “State Joint Local Government Account” into which shall be paid all allocations to the local government councils of the state from the Federation Account and from the Government of the State.

Section 162 (7): Each State shall pay to local government councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.

Section 165. “Each state shall, in respect of each financial year, pay to the Federation an amount equal to such part of the expenditure incurred by the Federation during that financial year for the purpose of collection of taxes or duties which are wholly or partly payable to the State pursuant to the provisions of this Part of this Chapter or of any Act of the National Assembly as is proportionate to the share of the proceeds of those taxes or duties received by the State in respect of the financial year.

Section 166. (1) “Any payment that is required by this part of this Chapter to be made by the Federation to a state may be set-off by the Federation in or towards payment of any sum that is due from that State to the Federation in respect of any loan made by the Federation to that State.

Section 167. “Any payment that is required by this part of this Chapter to be made by the Federation to a State shall be a charge upon the **Consolidated Revenue Fund of the Federation** and any payment that is required to be made by a state to the Federation shall be charged upon the **Consolidated Revenue of that State Government.**”

Now consider creation of Revenue mobilization, Allocation and Fiscal Commission (RMAFC) under Section 153, as an independent body whose mandate amongst others, is to determine and fix salaries and allowances of President, Vice president, Governors, Deputy Governors, and including Local Governors officials etc.

Determination of such remuneration packages can only be a function of aggregate cash on a Federal TSA and or State TSA as bases for estimating each succeeding or subsequent year(s) budget.

Section 84 (1) “There shall be paid to the holders of the offices mentioned in section 84 (4) such remuneration, salaries and allowances as may be prescribed by the National Assembly, but not exceeding the amount as shall have been determined by the RMAFC – officials being referred to being: President , Vice President, Chief Justice of Nigeria, State Governors, etc.”

Section 111 “A member of the House of Assembly shall receive such salary and other allowances as RMAFC may determine.”

Section 120 (1) “ All revenues or other moneys raised or received by a State (not being revenues or other moneys payable under this Constitution or any Law of a House of Assembly into any other public fund of the State established for a specific purpose) shall be paid into and form the ***Consolidated Revenue Fund of the State.***”

Section 123 (1) “ A House of Assembly may by Law make provisions for the establishment of a Contingency Fund for the State and for authorizing the Governor, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the Fund to meet that need.

III. TSA as integral Part of GIFMIS/ERGP

A Federal Government of Nigeria Treasury Circular, OAGF/CAD/026/V.1/253, issued and authorized by the Accountant-General of the Federation on 19th March, 2015, on Introduction of e-Collection of Government Receipts, said/emphasized that TSA must run on e-Receipt basis:

1. (para.1 of the OAGF circular):

‘Further to Federal Treasury Circular Reference No. ***TRY/A6 & B6/2012*** of ***4th July, 2012*** on the Guidelines for Implementation of ***Government Integrated Financial Management Information System (GIFMIS)***, it has become imperative to issue this additional instruction on e-Collection.

2. With effect from 1st April, 2015, all payments due to the Federal Government or any of her agencies are to be paid in to the **Consolidated Revenue Fund (CRF) or Designated accounts in the Central Bank of Nigeria (CBN)** through Deposit Money Banks (DMBs) or electronic channels using the CBN Payment Gateways. This is in line with the operations of the Treasury Single Account (TSA) and the e-Payment policies of the Federal Government.

The foregoing shows TSA as an integral part of GIFMIS, and GIFMIS is a component of Nigerian Government 'Economic Reform and Governance Project (ERGP).'

The above mentioned Federal Treasury Circular is presented as **Appendix 1** to this Paper.

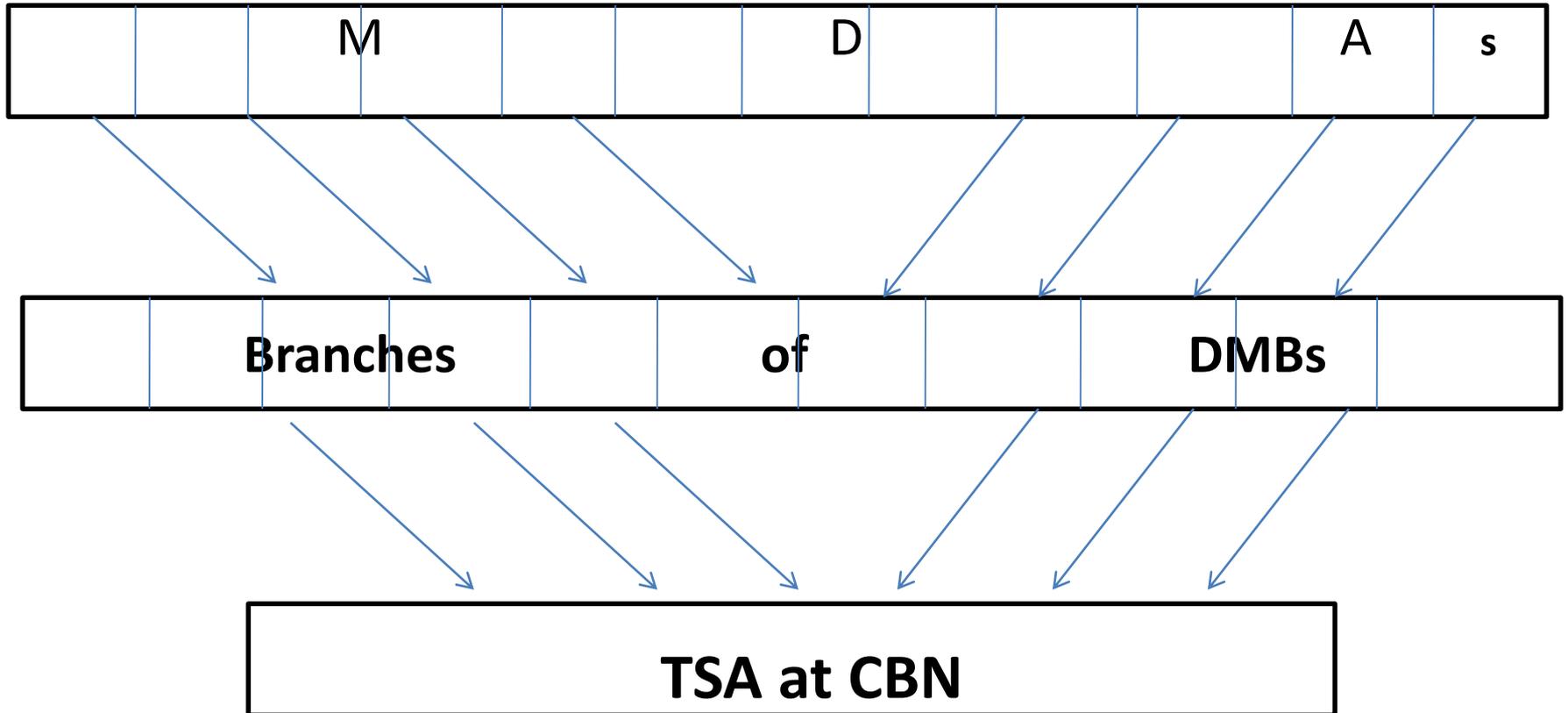
B. Operational features and other Issues

Strictly speaking, the operational features for TSA are required to follow the Guidelines issued by the Accountant General of the Federation, in the Circular **OAGF/CAD/026/V.1/253** of 19th March, 2015 and they are as follows:

II. All Ministries, Departments and Agencies (MDAs) shall provide payers with details of receipts payable to the government. Account details of MDAs have been configured in the CBN Payment Gateway for this purpose;

II. All payers shall make payment into the **CRF** or other **designated accounts in CBN** through any branch of DMBs or electronic payment channels using the CBN Payment Gateway.

The diagram below may help to show how TSA is presently configured



- iii. MDAs shall provide the required service(s) to the payers only after confirmation of the payment into the **CRF** or the **agency's designated accounts in CBN** as applicable;
- iv. All MDAs are to keep Cash Book/Memorandum Register where all receipts are recorded and thereafter, prepare and submit Returns to the OAGF on monthly basis and
- v. MDAs are to liaise with the Settlement centre in the office of the Accountant-General of the Federation (OAGF) for any query, reports or updates on collections made on their behalf.

Accounts Operation Table and Exemptions

For seamless Operation of TSA and clarity the OAGF issued the following categorizations and exemptions:

S/No	Category	Examples	Remarks
i)	MDAs fully funded through the National Budget	All Ministries, relevant Departments and Agencies	All receipts to go to the CRF/TSA
ii)	MDAs not funded through the National Budget but generate additional revenues	Teaching Hospitals, Medical Centres, Federal Universities, Polytechnics, Colleges of Education, etc	Collection Accounts to be maintained in CBN
iii)	MDAs not funded through the National Budget but expected to pay operating surplus to the CRF	CAC, NPA, NCC, FAAN, NCAA, NIMASA, etc	Collection Accounts to be maintained in CBN
iv)	MDAs that are funded from the Federation Account	NNPC, FIRS, Customs Service, DPR, etc	All FAAC and CRF receipts to be paid into the designated accounts in CBN respectively
v)	Agencies funded through the Special Accounts	NSC, RMRDC, PTDF, , etc	Collection Accounts to be maintained in CBN
vi)	MDAs with Revolving Funds and Project Accounts	Drug Revolving Fund, Fertilizer Revolving Fund, Roll-Back Malaria, Sure-P, etc	All Revolving Funds and Project Accounts to be kept in CBN
vii)	Profit oriented public corporation/business enterprises	BOI, NEXIM, BOA, Transcorp Hilton, etc	Policy not applicable

vii. Further Directives of OAGF on behalf of Federal Government of Nigeria

a) Consequently, all MDAs as categorized in paragraph above, are hereby directed to close all existing revenue, project revolving fund and other collection accounts in DMBs not later than 31st March, 2015 and thereafter transfer the available balances in the accounts into the **CRF** or **any other account opened for each MDA in the Central Bank of Nigeria** using the CBN Payment Gateway as applicable.

Evidence of transfer of the balances and closure of the accounts should be forwarded to the Accountant-General of the Federation, not later than Monday, 13th April, 2015. **For the avoidance of doubt, bank accounts are to be properly closed in line with extant rules and regulations.**

b) All MDAs included under categories (ii) to (v) in the above Table, are required to complete the attached **registration/user enrolment and revenue forms** to enable them have direct access to the CBN Payment Gateway for the Management of their accounts at CBN. Completed forms are to be forwarded to the Settlement Centre in the Office of the Accountant-General of the Federation.

See Appendices III and IV for the Forms.

c) All Accounting Officers, Directors of Finance and Accounts, Directors of Internal Audit, Heads of Accounts and Head of Internal Audit Units of MDAs and other arms of Government are enjoined to give this Circular the widest circulation and ensure strict compliance to avoid sanction, please.

IMPLEMENTATION OF GIFMIS for TSA with World Bank Loan

To successfully implement GIFMIS and its component parts which mainly include TSA, it is worthy to present to you a World Bank Assisted ERGP in this regard, as follows:

Request for Expression of Interest (Eoi).

To implement a computerized Financial Management system for the Federal Government of Nigeria (FGN), which is Efficient, Effective and User Friendly:

General Information

Country: *Nigeria*

Notice/contract Number: *wb:op00008546*

Publication Date: *May 3, 2011*

Deadline: *June 3, 2011*

Funding Agency: *World Bank*

Original Language: *English*

Assignments:

IT services: Consulting, Software development, Internet and support.

Client: office of the Accountant-General of the Federation, Federal Ministry of Finance.

Project: Economic Reform and Governance Project, ERPG/GIFMIS (for TSA)

Credit No: *4011*

Project ID No.: *ERGP/Consultancy/06/2011*

The Federal Government of Nigeria **received** finance from the World Bank towards the cost of the Economic Reforms and Governance Project (ERGP) and applied part of the proceeds for consultancy services in support of a robust TSAProgramme.

Now, we recap that:
the overall objective of GIFMIS is to implement a computerized financial management information system for the Federal Government of Nigeria (FGN) which is efficient, effective and user friendly and which:

- i. Increases the ability of Federal Government to undertake **Central Control and Monitoring of receipt and expenditure in the MDAs.**
- ii. Increases the ability to access information in financial and operational performance.
- iii. Increases internal controls to ***prevent and detect potential and actual fraud.***
- iv. Increases the ability to **access information on government's cash position and economic performance**

- v. Improves medium term planning through a Medium Term Expenditure Framework (MTEF).
- vi. Provides the ability to understand the costs of group of activities and tasks.
 - vii. Increases the ability to demonstrate accountability and transparency to the public and cooperating partners.

During the Project Implementation Phase, the Consultant was expected to:

1. Assess GIFMIS alignment with ongoing and planned PFM reform initiatives, clarity of project scope and business case, and functional effectiveness of Governance Structures as well as Project Risk Management and mitigation measures;
2. Review implementation arrangements and team composition, training plans (executives, end-users, system administrators, and maintenance), PFM Staff capability development and strategies for sustainability;

3. Review the Project Plan including ICT architecture development and realism implementation time table, change management plan, communication plan and arrangement for stakeholder involvement;

4. Review implementation methodology and assess adherence to relevant standards, viz-IMF-GFs/PEFA, /PSA, Control Objectives for Information and related Technology (CobiT), Project Management Body of Knowledge (PMBok);

5. Assess political commitment, reward and sanction mechanism for effective use of GIFMIS.

During Pre 'go-live' phase, the Consultant undertook the following:

1. Assessed the effectiveness of end-user training completeness and adequacy of User Acceptance Testing (UAT) and confirmed that the requirement of the FGN were not compromised and that the contractor had delivered all the deliverables to the required standard.

2. Assessed the efficiency and reliability of the new business processes at the Central Level (i.e at OAGF, BoF, and CBN) as well as the MDA and FPO levels (where GIFMIS was to be implemented and where implementation was expected only in future phases) in supporting the intended PFM objectives.

3. Reviewed the new banking arrangements *including the Treasury Single Account (TSA) approach, security of Electronic Funds Transfer (ETF), CBN common platform* for inter-bank clearing/settlement, protocol for receipt of electronic bank statements for automated bank reconciliation and advised on ways of addressing any weakness identified.

4. Reviewed the System Controls supporting the Internal Control environment (i.e. Access and Security Control, Segregation of Duties, Organization Controls, Arithmetic Controls, Personnel Authorization, Management and Audit Trails).

5. Reviewed the system support arrangements, **back-up business continuity plans** including but not limited to reliability of connectivity **and power supply** as well as the **reliability of Data Replication Technology (DRT) in use at the Disaster Recovery Centre (DRC).**

6. Reviewed the adequacy of system documentation including: Configuration Manual, Usual Procedure Manuals, Chart of Accounts (CoA) Manual, new input Forms and Vouchers, amongst others.

7. Reviewed and established the reliability of cut-off procedures, legacy data and import of transcripts from **Accounting Transaction Recording and Reporting System(ATRRS)**, and protocols for different interfaces being implemented.

During **post implementation review phase**, the consultant undertook the following:

1. Assessment of management and sustainability arrangements:

- a. Reviewed the performance of the system against user requirements and assessed the extent of utilization of system outputs.
- b. Assessed the effectiveness of management and oversight arrangements and the efficacy of the skills transfer programme put in place to ensure sustainability;

c. Reviewed the extent of integration of Records Management Standards and good practices, provisions for management of paper inputs to enable the key process areas that generate financial records; provisions for *long term preservation of electronic records and of system documentation;*

d. Reviewed cost of the implementation, realism of roll-out phases as well as sustainability strategy of GIFMIS beyond ERGP.

2. Assessment of the Primary Data Centre and Disaster Recovery Centre.

The consultant undertook the following;

- a. Determined the compatibility and capacity of the hardware and software according to traffic load on the system.
- b. Identified issues and shortcoming with hardware, software and/or infrastructure.
- c. Identified the systems success and challenges.

- d. Identified areas of improvement in the implementation of ICT activities.
- e. Provided information and advise: regarding the proper future additional end users.
- f. Identified end-user load on the system for the present and future, and provided advice in regard to improvements of hardware for the future.

g. Made a determination as to whether the present system is capable of providing the requisite services for the Federal Government in view of the proposed addition of users to the system.

h. Participated in Business continuity testing and advised on the necessary improvements to ensure adequate disaster recovery preparedness.

Features of Automated Accounting Transaction Recording and Reporting System (ATRRS) (mentioned above):

ATRRS is an ICT based Accounting Software Application which facilitates the input of Accounting Transaction, its reconciliation and generation of **Standard Accounting Reports** that meet the required Standard of the Federal Treasury.

The software was developed in-house by The Office of the Accountant General of the Federation (OAFF).

Functions and Leverages of ATRRS in support of TSA

ATRRS provides a leverage solution to automate the manual recording of the accounting transactions in the Line Ministries, Agencies and Parastatals. At the point of conception, it was envisaged that full deployment and development of GIFMIS will not be possible within a short time hence the need to have a bridge which will link up with the ultimate objectives of the GIFMIS. ATRRS is thus a stop gap solution to GIFMIS.

The software solution helped in the prompt rendition of financial and accounting returns; accurate presentation of financial reports; enhance capacity to generate complex analytical reports, enhance ability to cope with large volume of transactions; automatic mode of processing transactions and ability to eventually operate on-line real time processing, thereby providing solutions otherwise posed by manual accounting processes.

The implementation of ATRRS has opened the doors widely for the Treasury to appreciate the essence and benefits derivable from the computerization of Government Accounting System.

Implementation Strategy of ATRRS for TSA

The software development started with version 1.1 way back in January 2005. Since this time, there has been rapid updates and upgrade, to version 2.1; 2.2; 2.3 and 2.4 all on access based platform.

Due to the need to have a more robust and reliable database platform to run the system, an SQL version of the software was developed which allows for a multi-user facility. The LAN version 3.0 then came on board.

Presently, due to the need to incorporate the multi-dimensional Chart of Accounts of GIFMIS, an upgrade was again made to ATRRS, LAN Version to 3.1 which is the latest presently rolled over to the MDAs. This new version is expected to ensure seamless capturing of accounting transactions thus facilitating ease of reconciliation of the Accounts leading to timely production and submission of reports from Line Ministries, Departments and Agencies (MDAs) and Federal Pay Offices (FPOs) for OAGF, for consolidation and production of Annual Consolidated Financial Statement of the Federal Government of Nigeria.

Status of Implementation of ATRRS for TSA programme

1. The software has been successfully deployed to over 104 Ministries, Departments and Agencies (MDAs) in Nigeria.
2. First training programme for the ATRRS LAN Version 3.1, was successfully held in April 2011 with over 620 staff from the MDAs participating; and subsequent refresher training have taken place to date.

In fact, from the year ended December 31, 2010, Consolidated Financial Statements, have been prepared to date on the basis of Version 3.1, and as a result of this, the OAGF ICT, is robust for successful implementation of TSA.

Summary of GIFMIS/TSA as e-Collection System

GIFMIS/TSA as an e-Collection system involves the arrangements for automated processing of all receipts attributable and accruing and being received by Federal Government of Nigeria, through Information Technology for full remittance and rendition to a Central Vault in the CBN.

The System is faster, swifter, and all aggregating Cash transferred electronically and values immediately given from **Receiving DMBs to Collecting CBN.**

Large Volumes are aggregated swiftly and accurately.

Stakeholders to GIFMIS/TSA

1. The Federal Government of Nigeria as Chief Promoter/Beneficiary.
2. The State and Local Governments of Nigeria/Beneficiaries.
3. The MDAs as implementers, facilitators and beneficiaries.
4. The Civil Servants as facilitators and beneficiaries.
5. The Central Bank of Nigeria (CBN) as Superintendent over the National Receipt System.

6. The Deposit Money Banks as receiving or collecting and channelling agents (see diagram)

7. Organizations Providing Receipt/Payment Services

a) NIBSS: Nigeria Inter-bank Settlement System Plc

b) Interswitch

c) SystemSpecs

d) Unified Payment Services Limited

8. Members of the Local and international business communities.

9. Organizations involved in electronic funds and/or on-line cash transfer e.g. Interswitch

10. The people as ultimate beneficiaries.

e-Collection Tools/Systems.

1. **NIBSS** Electronics Fund Transfer (NEFT),
2. NIBSS Nigeria Automated Clearing System (NACS) for cheques,
3. NIBSS Nigeria Central Switch – the National Electronic Funds Transfer (ETF) switch which ensures inter-connectivity and interoperability amongst Banks and licensed ETF switches in Nigeria and services as an international gateway for Nigeria,
4. NIBSS Instant Payments (NIP) a real time account-to-account payment system,

5. NIBSS e-Dividend – In 2007, NIBSS secured and got the approval of the Security and Exchange Commission (SEC) to be the sole processor of shareholders dividends.

6. NIBSS Central Mandate Management System (CMMS): introduced by NIBSS to address the problems and challenges faced by Banks, Insurance, Leasing and Utility Service Providers when handling the administration and validation of direct debit mandates,

7. NIBSS Intra-Day Exposure Systems (NIDES): This enables all Bank Treasurers and Fund Managers to monitor settlement exposures in their respective banks.

8. NIBSS Automated Bulk – Clearing Services – NIBSS leverages her expertise in payment in Payments service provision and credibility in the Nigerian Financial System to provide ETF services to select composite bodies and government agencies directly.

9. NIBSS Payment Terminal Service Aggregator: NIBSS Provides reliable data channel, effective interoperability and ensures higher POS availability,

10. NIBSS NUBAN Account Verifier:- NIBSS provides an online tool for verifying that a NUBAN is valid.

NUBAN: Nigerian Uniform Bank Account Number

11. NIBSS e-Bills Pay; is an account number based, online real time Credit transfer product that enables customers to make payments by leveraging the security provided by the banks, and facilitating electronic bill payments, collections and purchases.

12. Interswitch's EFT – a switching application that supports major networks including – *Verve, MasterCard, China Union Pay,* etc Interswitch offers payment processing services and a switching infrastructure for payments routing. It provides ***on-line real time transactions*** switching that enables businesses and individuals have access to their funds across 22 banks in Nigeria and across a variety of payment channels such as ATM, POS, Mobile phones, Web, etc.

13. SystemSpec Remita – systemspec offers **Remita e-payment**, e-Collection, Payroll and Biometrics end-to-end electronic payments platform to government entities and Corporate Organizations.

Remita is the Central payment platform supporting the payments of Federal Government of MDAs under the TSA, as it is widely accepted and connected online to all the DMBs and sizeable number of Micro Finance Banks (MFBs) and Primary Mortgage Institutions (PMIs)

14. UP Visa – Unified Payment is a Principal and Plus member **Visa and has contributed to the growth of electronic payments in Nigeria,**

15. Other Local Switching Schemes, eg. **VIZ Etranzact, UPSL, EMP and 3LINE.**

C.

Benefits of TSA

- a. Enhancement in tracking accurately all receipts and providing audit trail.
- b. Ensures full remittance of taxes from all tiers of government.
- c. Facilitates inter-government account reconciliations between Federal, State and Local Governments.
- d. Reduction in fraud, corruption and financial irregularities.

e. Has positive effect on fiscal and monetary policy management as it controls and efficiently manages amount of cash in circulation and in turn reduces borrowing and costs of borrowing.

f. Enhancement in performance of Duties of financial investigation agencies like EFCC (Economic of Financial Crime Commission) and ICPC (Independent Corrupt Practices and other related Offences Commission).

g. Enhances Real time Accounting and Reporting in the Public Sector especially when integrated with e-Payment system.

h. Reduction in the cost of Minting, Printing and Circulation, processing and replacing currency notes as e-Receipts and e-collection is the order.

i. Minimizes socio-economic risks associated with movements of large amounts of cash where most remittances are e-based.

Demerits of TSA's e-Collection

Despite the avalanches of the numerous benefits of TSA e-collection system, it should be noted that it possesses some disadvantages, mentioned as follows:

1. Risk of identity theft, switching and interception of remittances and diversion via Hacking as well as other forms of on-line fraud.

2. Nigerian infrastructure deficiencies and constraints e.g. lack of adequate Computerization, wired and wireless system.
3. Insufficient cyber security measures.
4. Inadequate electricity power supply.
5. Regional and International Terrorism.

What CBN has done to mitigate above Demerits

What the Central Bank of Nigeria (CBN) has done to mitigate the demerits of the e-collection for TSA are captured under **Payment Statement Vision (PSV) 2020, of CBN** (i.e. a brain child of CBN).

PSV 2020 is a strategy work that reflected some collaborative work between CBN, major leading banks in Nigeria; the Bank for International Settlements Committee for Payments and Settlements (BIS CPSS) and the International Organisation of Securities Commission (IOSCO), and expressed in PSV 2020 Document Vision Statement as:

“To create an electronic payment infrastructure that is nationally utilized - by all sectors of the economy and all regions of the country – and internationally recognized – as being world class”

1. Legislation

A sound legal system underpins the payment infrastructure, and several key changes to national statutes have been made, with further changes currently being processed through the legislature.

(a) The CBN Act 2007 – was passed into law to further clarify the mandate of CBN in providing oversight of the payment system.

(b) The Evidence Act 2011 – ensured legal admissibility of electronic records as evidence in Court: essential for electronic payment system;

(c) The Payment System Management Bill – is currently being finalized, a bill that clarifies the structure and responsibilities within the payment systems industry;

(d) The Electronic Transaction Bill – for an Act to facilitate the use of information in electronic form when conducting transactions in Nigeria and for connected purposes.

2. New Payment Methods

(a) NIBSS Instant Payments – A new payment scheme, NIBSS Instant Payment (NIP), was launched in 2011. **NIP enables real-time inter-bank** account-to-account electronic fund transfers. All major banks in Nigeria support this scheme, resulting in an impressive uptake by customers.

(b) Mobile Money – Following the development and release of Mobile Payments Rules and Regulation framework, 26 mobile payment schemes have been licensed by CBN. The volume of mobile payments has grown rapidly since 2011 reflecting the natural appeal of mobile as a payment method. Nigeria has adopted a **‘bank-led’ model** for mobile payments, thereby ensuring the financial resilience of all schemes and creating an open market to encourage innovation and competition.

3. Infrastructural enhancements

(a) **CSD for Government Securities** – In August 2013, CBN successfully completed an ambitious project to deploy a **Real-Time Gross Settlement (RTGS)** payments system plus a new Central Securities Depository (CSD) for Government debt instruments. A robust RTGS payment system underpins a sound Financial Markets Industry, and the inclusion of the CSD functionality supports greater flexibility in Collateral Management for the payment systems.

(b) EMV Cards – The Nigeria Card infrastructure successfully migrated to **EMV Cards** (Chip and Pin) to significantly improve the security of plastic Cards.

(c) NUBAN – A standardized bank account structure – Nigerian Uniform Bank Account Number (NUBAN) – has been implemented to improve the quality of payment validation and automation. Arrangements to extend the NUBAN to non-bank financial institution are nearly concluded.

(d) Clearing Cycle Reduction – The Cheque Clearing Cycles were harmonized across the country, and clearing cycles for payments and cheques has been reduced from 3days (T+2) to next day (T+1).

(e) Centralised Clearing – The Clearing centre infrastructure has been rationalized, reducing seven automated and thirty manual clearing centres to **one** national automated clearing centre that handles all cheque payments **(ref:CSCS)**.

(f) Nigeria Central Switch – NCS has become operational enabling interconnectivity and interoperability among deposit-taking institutions and licensed payment service providers. The NCS also facilitates inter-scheme card and mobile payments.

(g) Payment Terminal Service Aggregation – This model has been put in place to facilitate seamless and interoperable card payments, clear regulatory visibility for the retail payment infrastructure, and reliable industry retail payment system statistics for analysis and planning purposes.

(h) Cheque Amount Cap – A cheque cap of ~~₦~~**10 million** was introduced to encourage higher value of payments to be made electronically.

(i) Mandate Processing for Direct Debits – a centralized Direct Debit Mandate Processing infrastructure has been created to streamline the administration of the mandate process, and banks are required to improve the validation of payment requests against the lodged mandates.

(j) ATM and POS Deployments – Under direction from CBN, banks and other financial service providers have been required or encouraged to increase the deployment of ATM and POS devices.

Issuance of Guidelines and Framework documents

CBN embarked on an extensive updates of all **payment systems Rule and Regulations** to ensure that they reflect the desired state for the respective system. The most significant guidelines issued for the first time included:

- a) Mobile Payment Regulatory Framework
- b) Guidelines on Transaction Switching Services
- c) Guidelines on Stored Value/Prepaid Cards
- d) Direct Debit Rules

e) Guidelines on ATM Operations.

f) Operational Rules and Regulations of the
Nigeria Central Switch.

g) Revised Nigeria Bankers Clearing House Rules.

h) Guidelines for Point Of Sales (POS) Card
Acceptance Services.

Summary of Appendices to the TSA

Appendix I:	OAGF	Circular	(2015)
Appendix II:	CBN	Circular to DMBs	(2015)
Appendix III:	Registration/User	Enrolment	Form
Appendix IV:	MDA	Revenue	Classification Forms

Appendix 1: OAGF Circular (2015)

NOTE:

- 1. Please complete form in Capital Letter.*
- 2. You may specify as many user groups/ approval levels as required. If you have additional user groups/ approval levels, please include in another sheet and attach to the form.*
- 3. Kindly return completed form accompanied by a covering letter of the MDA signed by the Chief Executive Officer to Director, Funds Department, Office of the Accountant General of the Federation, Treasury House, Garki, Abuja.*

Appendix IV:

MDA Revenue Classification Forms

Sources:

1. Government Deficit Financing: Atlas Professionals Centre, Ota, Nigeria.
2. Office of the Accountant-General of the Federation of Nigeria.
3. Central Bank of Nigeria
4. Fiscal Policy in Nigeria: Stable of MBA & Co (Chartered Accountants), Lagos.
5. Torough Ternenge: Current Government Financial Reforms in Nigeria