

FINANCIAL
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NEWSLETTER

GUIDELINES FOR THE REGISTRATION AND OPERATION OF BANK NEUTRAL CASH HUBS IN NIGERIA



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Introduction

In furtherance of its mandate to promote a sound financial system in Nigeria, the Central Bank of Nigeria (CBN), in collaboration with the Banker's Committee initiated the Nigerian Cash Management System (NCMS). The NCMS aimed at reducing cost and improving the efficiency in the cash management value chain in Nigeria. Further to this, on 2nd June 2022, the CBN introduced Guidelines for the Registration and Operation of Bank Neutral Cash Hubs (BNCHs) in Nigeria (the "Guidelines"). Below are the key takeaways for the Guidelines.

What are BNCHs?

BNCHs are cash collection centres to be established by licensed Cash Processing Companies (CPCs) or Deposit Money Banks (DMBs) authorised by the CBN. They will be located in areas with high volumes of commercial activities and cash transactions and will provide a platform for customers to make cash deposits and receive value irrespective of the bank with which their account is domiciled.

The purpose of setting up BNCHs is to reduce the risks and costs borne by banks, merchants, and huge cash handlers in the course of cash management activities, to deepen financial inclusion, and to leverage on shared services to enhance cash management efficiency.

Permissible and Non-Permissible Activities

According to the Guidelines, BNCHs are allowed to engage in the following activities:

- a. Receipt of Naira denominated deposits on behalf of financial institutions from individuals and businesses with high volumes of cash.
- b. High volume cash disbursement to members of the public on behalf of financial institutions.
- c. Any other activities permitted by the CBN.

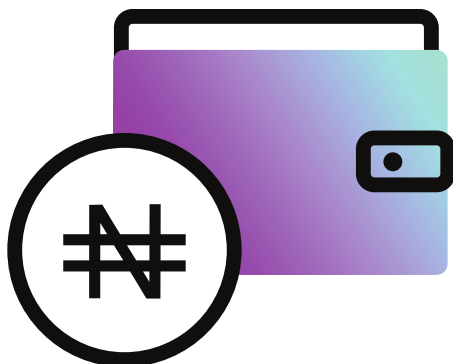
However, BNCHs are not permitted to engage in the following activities:

- a. Investing or lending activities.
- b. Receiving, disbursing, or engaging in any transaction involving foreign currency.
- c. Sub-contracting another entity to carry out its operations.
- d. Any other activities prohibited by the CBN.

Eligibility and Registration Requirements

Only eligible promoters can apply for the registration of BNCH. They are Deposit Money Banks (DMBs) and Cash Processing Companies (CPCs). Application is usually in two stages: Approval in Principle and Final Approval. The requirements are outlined below: -

- a. The promoters of a BNCH shall submit a formal application addressed to the Director, Currency Operations Department requesting for approval to operate a BNCH.
- b. The approval process is in two phases: Approval-in-Principle and Final Approval. Application for Approval in Principle shall be accompanied by relevant supporting documents, including: -
 - i. a valid DMB license or proof of CPC registration;
 - ii. duly executed board resolution approving the application;
 - iii. detailed business plan or feasibility report;
 - iv. certificate of incorporation and certified copies of other incorporation documents;
 - v. detailed manual and policies; and
 - vi. the application fee for an Approval-in-Principle is a non-refundable sum of N100,000.



(a) Upon receipt of a satisfactory application, the CBN will issue an Approval-in-Principle to the promoters.

(b) Following the issuance of the Approval-in-Principle, the promoters shall submit some prescribed documents to the CBN. These include evidence of the location of office for the business, evidence of insurance to cover the hub vault cash, evidence of collaboration with the Nigerian Police Force, evidence of ability to meet technical requirements and provision of modern infrastructural facilities, secure connectivity with the Nigerian Interbank Settlement System (NIBSS), etc.

(c) As a pre-requisite for grant of final approval, the CBN will conduct an inspection of the premises and facilities of the proposed BNCH to check the suitability of the physical structure of the office building for the BNCH, to sight the original copies of the application documents, and to meet the management team. Following this, the CBN will grant the Final Approval upon the payment of a non-refundable approval fee of N500,000 (Five Hundred Thousand Naira).

There are certain post-commencement requirements that a BNCH must satisfy. The BNCH must:

- a. notify the CBN upon commencement of operations.
- b. comply with the requirements incidental to the authorization to perform its operations as stipulated by the CBN from time to time.
- c. comply with all regulations and guidelines issued by the CBN from time to time.
- d. maintain an adequate accounting system and keep records that capture information which reflects the financial condition of the BNCH.

Technology, Data, and Network Security Requirements

The technology deployed by a BNCH shall comply with the industry standard. The technology should comprise of a set of interoperable infrastructure modules that work seamlessly with the common platform provided by NIBSS. The BNCH must ensure that transaction information is transmitted in a secure manner. Transaction receipts and acknowledgements should be generated for successful transactions. The BNCH should also put in place adequate measures to mitigate all the risks that could arise from the deployment and use of its technology.

The BNCH should also put in place systems that address the availability of services, data confidentiality and integrity, encryption of electronic transactions, customer accountability error messaging and exception handling, and secure integration to the Cash Activity Reporting Portal (CARP).



Operational Requirements

A BNCH is subject to the supervision of the CBN, and the CBN shall have the right of access to the premises of its operations for the purpose of monitoring compliance with the CBN requirements and examination of records and books. A BNCH must comply with the reporting requirements and timelines specified in the Cash Activity Reporting Portal (CARP) Industry Handbook by providing data and information.

A BNCH should also put in place adequate customer protection measures specified in the Guidelines. Any dispute between the customer and a BNCH operator should be resolved in line with any Service Level Agreement (SLA) in place and extant CBN consumer protection regulations.

A BNCH can cease operations by the order of the CBN or subject to a notice of not less than 90 (Ninety) days given to the CBN.

Conclusion

The introduction of BNCHs improves the operational efficiency of cash management in Nigeria. The Guidelines provide the framework for the handling of large volumes of cash on behalf of financial institutions by businesses as well as individuals. It is also pertinent to ensure that adequate security framework for the movement and deposit of cash is adequate for the level of operations of the BNCHs.

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